ISLAMIC DEVELOPMENT BANK GROUP

Member Country Partnership Strategy, 2011-2014

Mali

Leveraging Regional Integration and Agriculture Value-Chain Enhancement for Inclusive Growth

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1432-1435H (2011-2014G)

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Leveraging Regional Integration and Agriculture Value-Chain Enhancement for Inclusive Growth

Rajab 1432H (June 2011)

Map of Mali

"The boundaries, colors, denominations and other information shown on any map in this document do not imply any judgment on the part of IDB concerning the legal status of any territory or the endorsement or acceptance of such boundaries".

CURRENCY
CFAf 450 = 1 US $
(Value of CFAf as at May 2011)

FISCAL YEAR (MALI)
January - December

Abbreviations and Acronyms

ACBF	:	African Capacity Building Foundation
ADB	:	African Development Bank
ADF	:	African Development Fund
AFD	:	Agence Française de Développement
API	:	(Investment Promoting Agency)
CAS	:	Country Assistance Strategy
CFAF	:	West African Financial Community Franc (currency)
ECOWAS	:	Economic Community of West African States
EITI	:	Extractive Industries Transparency Initiative
EU	:	European Union
GDP	:	Gross Domestic Product
GoM	:	Government of Mali
GPRSF	:	Growth and Poverty Reduction Strategic Framework
GPRSP	:	Growth and Poverty Reduction Strategy Paper
HIPC	:	Highly Indebted Poor Countries
ICD	:	Islamic Corporation for the Development of the Private Sector
ICIEC	:	The Islamic Corporation for the for the Insurance of Investment and Export Credit
IDA	:	International Development Assistance
IDB	:	Islamic Development Bank
IFC	:	International Finance Corporation
IMR	:	Infant Mortality Rate
ITAP	:	Investment Technical Assistance Program
ITFC	:	International Islamic Trade Finance Corporation
LDMC	:	Least Developed Member Country
MC	:	Member Country
MCPS	:	Member Country Partnership Strategy
MDGs	:	Millennium Development Goals
MDP	:	Multilateral Development Partners
MDRI	:	Multilateral Debt Relief Initiative
MMR	:	Maternal Mortality Rate
NEPAD	:	New Partnership for Africa's Development
NPL	:	Non-Performing Loans
OHADA	:	Organization for the Harmonization of Business Law in Africa
PRODEC	:	Program of Education Development
PRODESS	:	Program of Health and Social Development
PRSP	:	Poverty Reduction Strategy Paper
SSA	:	Sub-Saharan Africa
TFP	:	Technical and Financial Partners
UNDAF	:	United Nations Development Assistance Framework
UNDP	:	United Nations Development Program
UNOWA	:	United Nations Office for West Africa
WAEMU	:	West African Economic and Monetary Union
WHO	:	World Health Organization

ACKNOWLEDGEMENT

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Executive Summary

Mali is a landlocked country in the heart of the Sahel covering a vast land area of 1.24 million sq km. It has borders with seven countries and a population of about 14 million spread somewhat thinly across the southern half of the country. It had a nominal Gross Domestic Product (GDP) of about $9.0 billion in 2008 and a GDP per capita of $535, and is classified as a Least Developed Member Country (LDMC) by the IDB. Overall, Mali's major objective remains to reach the MDGs by 2015. Yet to meet this objective there is a critical need for Mali to move to a higher and different growth path by overcoming structural development constraints and challenges to the economy.

The constraints to economic growth and poverty reduction that Mali has to overcome include over dependence on rain-fed agriculture. Isolation and limited access to markets (local, regional, and international) because of weak over-land infrastructure and exorbitant transport costs (there are good roads to only three of the seven neighboring countries). Similarly, the current investment climate in the country hinders private sector development and job creation due to lack of access to and the high cost of finance and non-financial business services (including energy, and the administrative costs of doing business). This constraint affects in particular SME, which tend to create more employment per unit of value added than large enterprises.

In order to overcome these challenges, it is important that Mali exploits the latent potential it has. To start with, it needs to take advantage of the **abundance of potential crop land** (12 million ha of which less than 5 million ha are used today) to raise agricultural production (by, among other things, improving water management and irrigation facilities) and value chain enhancement. The second challenge is to reduce its isolation and increase access to international markets by developing and improving the efficiency of existing and new transport corridors. Having borders with seven countries also comes with the advantage of **an expanded market for exports**. Mali, despite its population of about 14 million, sits in a catchment area of about 110 million people that imported about US$ 58.8 billion worth of goods and services in 2008. This offers a large market with an appreciable purchasing power. Mali also has a rich tradition and history that could be a basis for a successful tourism industry. Finally, raising employment also from manufacturing, including value chain enhancement, calls for urgent steps to improve the investment climate including measures to strengthen the fragile financial sector and enhance access to finance, including Islamic Finance.

Mali's response to these development challenges is the Growth and Poverty Reduction Programe (GPRSP 2007-2011) which is built around three pillars of developing the infrastructure and productive sector, consolidating structural reforms and strengthening of the social sectors. During the past decade, Mali implemented sound economic policies and, as planned, made significant investments amounting to about 20-21 percent of GDP. As a result, it achieved a substantive economic growth rate of 5 percent per annum which is however, short of its target of 6.7 percent (implying the strong productivity growth of its investments did not materialize as planned) and the impact on income per capita was further attenuated by a high population growth rate of 3 percent. This 5 percent growth rate of GDP was to a large extent, driven by strong agricultural growth helped by favorable terms of trade. Agriculture (accounting for 25 percent of GDP in 2009) grew at 9 percent driven mainly by rice production which expanded by 17 percent in the period although cotton production shrunk at the same rate. This agricultural growth, supported by favorable increases in the prices of its main crops, has been based largely on new acreage and some mechanization while average yields per hectare have not risen significantly except for irrigated rice—another indication of low productivity. Despite the impressive growth of the agriculture sector, especially rice production (17 percent), there has been very little value addition to agricultural production as the growth in manufacturing over the period was zero percent. The value chain in the agriculture sector therefore needs enhancing.

The IDB Group's instrument to support Mali's GPRSP is now this Member Country Partnership Strategy (MCPS), formulated through a consultative process involving IDB Group staff, officials of the Government of Mali (GoM), domestic stakeholders, and development partners, to ensure the alignment of the Group support with Mali's development needs and priorities. In any case, the GPRSP must have taken into account the Paries Declaration derivatives. The MCPS aims to contribute to an acceleration of Mali's growth and poverty reduction by seeking to address constraints in three main areas: agriculture, infrastructure and private sector competitiveness. Specifically, IDB Group support will be rendered through the following three agreed pillars:

- **Pillar 1**: Promotion of regional integration through support to the transport sector, energy sector and development of cross-border cooperation.
- **Pillar 2**: Supporting Growth and poverty reduction through increased agricultural production and value chain enhancement.
- **Pillar 3**: Supporting private sector development through Islamic banking and trade financing.

These pillars are supported by a cross-cutting theme of **institutional and human resource capacity development** that also leverages the support that could be harnessed from other member countries of the Organization of the Islamic Conference (OIC) family such as Indonesia (agriculture), Bahrain (Islamic banking), and Morocco (artificial rain). **Policy oriented analytical studies** will also be commissioned with the GoM to inform policy advisory services. Unique features of this MCPS include establishment of an Islamic Bank and interventions to support cross-border cooperation through the Sikasso (Mali), Korhogo (Côte d'Ivoire) and Bobo Dioulasso (Burkina Faso) triangle.

This MCPS is anchored on the Vision 1440H aspiration of helping transform the human development landscape of the Muslim world and restoring its dignity. It is aimed at four of the nine strategic thrusts of the Vision 1440H: poverty alleviation in Mali; expanding the Islamic financing industry; facilitating integration; and helping prosper the Malian people. It is therefore envisaged that IDB group support through this MCPS, will complement the activities of other donors in sectors such as education and health, and this will together result in strengthened institutions and human resource capacities, enhanced productivity of investments, and increased incomes and with it improvements in the quality of IDB Group's portfolio.

The implementation of the MCPS in Mali would require taking into consideration of **major risks and corresponding mitigation measures**. The first risk is that of the socio-political instability in West Africa. This risk is very low given the democratic culture rooted in Mali. The second risk is the possibility of **accumulation of arrears** to the Bank Group. The main risk to successful implementation is posed by **weak capacity of public administration**, which will be mitigated by putting in place a sound program of Technical Assistance for Institutional Capacity Building taking account of the lessons of past experience. Another key risk to the successful implementation of this Partnership Strategy relates to **exogenous shocks**, notably climate change and fluctuations in international commodity prices that could impede the implementation of the program. This risk is being mitigated by helping the Government in its plans for diversification of the economy.

Notwithstanding the above risks, overall, the implementation of this MCPS will be in a relatively more favorable atmosphere as measures have been taken by IDB Group to address past implementation challenges, including the organization of start-up workshops to ensure ownership and to create awareness among stakeholders on project objectives and activities and IDB procurement and disbursement procedures; capacity building of Project Implementation Units (PIUs) and public administration staff; and the recruitment of a Field Representative for Mali to boost the implementation of projects. Above all, the strengthening of the Dakar Regional Office through the recruitment of new staff will allow a close follow-up of IDB operations on the ground. Finally, the energy generated by the MCPS will all contribute to reduce the implementation delays.

The proposed indicative financing for Mali for the 4-year period of the MCPS is about US$ 500 million of which US$ 200 Million will be from IDB, US$ 100 Million from Islamic Corporation for the Development of the Private Sector (ICD) and US$ 200 Million from the International Islamic Trade Finance Corporation (ITFC). About US$ 78 million of the amount from IDB is proposed to be on concessionary terms, US$ 120 Million on ordinary or non-concessionary terms and US$ 2 Million as technical assistance grant for capacity development. It is to be noted that over the past five years, Mali has absorbed an average of US$ 31 million per annum against an average annual approval of US$ 47 million.

The potential support of the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) to the country is mainly in terms of insurance of international trade and the inflow of foreign investment as well as the insurance of foreign contractors executing projects for the government of Mali. The size and extent of such support would be determined mainly by the demand for such services.

I. INTRODUCTION

1. **This Member Country Partnership Strategy (MCPS) will form the foundation of the IDB Group's dialogue with, and support for Mali over the period 2011-2014.** The IDB Group has prepared this MCSP through a participatory process including an extensive dialogue with the Government of Mali (GoM) and its main other development partners. The proposed IDB Group strategy is based on both Mali's own development strategy—the Growth and Poverty Reduction Strategy Paper (GPRSP 2007-11)—and IDB's strategic objectives and priorities as contained in the Vision 1440H.

2. **The GoM and other development partners welcomed the consultative process leading to this MCPS and the potential it presents for strengthened future cooperation.** The preparation of the MCPS has laid the basis for a strengthened dialogue on development priorities with the GoM, private sector and alignment with other development partners to facilitate aid harmonization and efficiency. The MCPS process thus provides an opportunity for creating a sector or thematic niche for IDB as a key partner in Mali's development.

3. **The MCPS identifies priorities for IDB support taking into account the potential for enhanced regional integration, IDB's comparative advantage, and Mali's status as an** Least Developed Member Country (**LDMC).** The proposed strategy for 2011-14 is selective, focusing on three pillars and one cross-cutting beam. The pillars are based on Mali's needs and IDB Group's expertise and are **accelerating economic growth and with it, food security and poverty reduction through increased agricultural production and value chain enhancement; deepening regional trade and integration; and private sector development through Islamic and Trade finance.** All three pillars are aimed at employment creation. The cross-cutting theme is the institutional and human resource capacity development that will leverage, among other things, on reverse linkages between Mali and other members of OIC. Given Mali's status as a (LDMC), the MCPS emphasizes the importance for providing Mali as much concessional resources as possible and to maximize possibilities for co-financing projects with other donors.

4. **The structure of this MCPS Report reflects its design as a strategic partnership to address a shared diagnosis of the challenges facing Mali through interventions with a measurable impact.** Section II analyzes recent economic and social performance and examines development challenges and constraints the country faces. Section III summarizes the GoM's strategy and reviews recent implementation and key risks of the strategy. Section IV assesses IDB's past and current interventions in Mali and describes involvement of other partners. Section V sets out the proposed IDB partnership strategy articulating the three pillars and one cross-cutting theme, taking into account IDB's past experience and other donors' activities. Section VI presents the indicative financing, while Section VII presents the Monitoring and Evaluation of the strategy which includes a results matrix, reflecting the results based nature of the MCPS. Section VIII outlines the risks and uncertainties, and Section IX the conclusion and recommendation.

II. COUNTRY CONTEXT, RECENT ECONOMIC TRENDS AND CHALLENGES

A. Geographical and Socio-political Context

5. **A vast landlocked country in the heart of the Sahel, with a high potential for agricultural development**, Mali covers a land area of 1.24 million sq km, which is larger than Egypt. The nearest seaport is 1,000 kms away, making transportation is costly. It has borders with seven

Figure 1: Population Distribution (FAO)

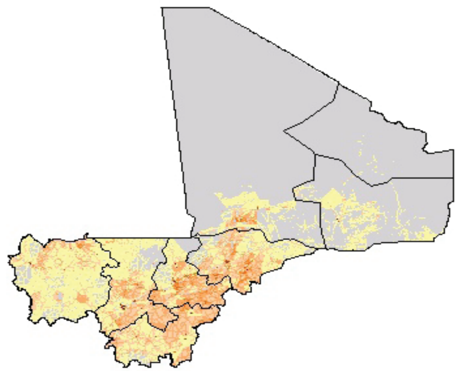
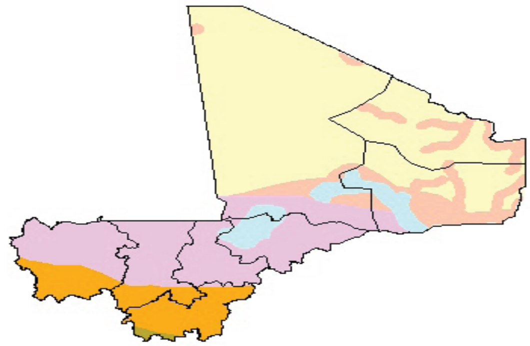


Figure 2: Farming Systems (FAO)



countries, but transportation links are very weak. There are good roads to only three among the seven neighbouring countries. A population of about 14 million spread somewhat thinly across the southern half of this vast landscape (see Figure 1) creates major challenges for transporting goods and services internally. Almost half of the territory, largely in the north, is desert, but some 12 million hectares have the potential to form permanent agricultural cropland in the south, while some 50 million hectares form pastures in the middle (see Figure 2). Currently, less than 5 million hectares are used as cropland, of which 2 million are under some form of water management and only a ½ million hectares are under full irrigation, underscoring the high potential to expand its agricultural sector. Its location in a region subject to recurrent droughts, insect plagues and desertification, also makes it vulnerable to climate change.

6. **Mali now has a political structure that promotes stable, democratic institutions and traditions that favor political consensus building and social tolerance**. Formerly known as French Sudan, it became independent in 1960 and after several decades of turbulent political regime changes, a stable democratic system emerged in 1991. There are now many political parties and civil society participates actively in the national dialogue. The last parliamentary and presidential elections were in 2007, giving Amadou Toumani Touré his second and last mandate as President, according to the Constitution.

7. **A member of regional institutions and in a strong partnership with donors.** Mali is a member of the Economic Community of West-African States (ECOWAS) and the West-African Economic and Monetary Union (WAEMU) as well as the Harmonization of Business Law in Africa (OHADA). These regional arrangements provide a strong, harmonized framework for monetary, fiscal and trade policies, and the basis for Mali to exploit regional trade opportunities. Given its large financing needs, Mali has been receiving significant amounts of aid (about 40 percent of the budget) from a large group of donors with whom the Government maintains a well-structured dialogue. With donor support, in recent years, the GoM has stepped up efforts to make decentralization effective with a view to ensuring better delivery of public services.

B. Recent Economic and Social Development

8. **During the past decade, Mali has implemented broadly sound economic policies and achieved a moderate growth rate of 5 percent per year but a high population growth rate has constrained income per capita.** Through successive Poverty Reduction Strategies, supported by development partners, Mali has successfully implemented economic programs and made good progress on macroeconomic stability, and fiscal and debt sustainability. GDP growth during 2000-09 has been above WAEMU average, but below SSA average (excluding oil-exporters and South Africa) and also fell short of the PRSP target of 7 percent. At the same time the population, estimated at 14 million, has been growing at about 3 percent per annum keeping per capita income growth to below 2 percent a year.

In 2008, Mali had a GDP of about $9.0 billion and a GDP per capita of $535, and on this basis, it is classified as an LDMC by the IDB.

9. **GDP growth of 5 percent during 2007-09 was to a large extent driven by strong growth in agriculture and commerce sectors helped by broadly favorable terms of trade.** Agriculture (accounting for 25 percent of GDP in 2009) grew at 9 percent driven mainly by rice production which expanded by 17 percent in the period although cotton production shrunk at the same rate. Similarly, commerce (which together with other services accounts for 40 percent of GDP) expanded at 7 percent while the tertiary sector (excluding commerce) grew at 5 percent. On the other hand manufacturing, which accounted for some 14 percent of GDP, stagnated with zero percent growth over the period (see Table 1). As outlined in more detail in Section IV, agricultural growth- supported by favorable increases in the prices of its main crops has been based largely on new acreage and some mechanization while average yields per hectare have not risen significantly except for irrigated rice—another indication of low productivity. Studies from other countries suggest that poor infrastructure and low education levels are the main reasons for limited growth in total factor productivity.

Table 1: Sectoral Composition and GDP Growth Rates (2007-2009)
(Percent)

	Avr. 2007-09	2009	Real Growth 2007-09
Primary Sector	38	39	7
Agriculture	24	25	9
o/w Rice	4	5	17
Cotton	1	1	-17
Mining	7	7	-5
Secondary Sector (excl. Mining)	14	14	0
Commerce	16	16	7
Tertiary (excl. Commerce)	24	24	5
GDP at Market prices			5
WAEMU			3
SSA excl. SA			5.3

Source: IMF Statistics

10. **There has been very little value addition inspite of the impressive agricultural production.** The impressive growth of the agriculture sector, especially rice production (17 percent) is unfortunately not marched by the growth in manufacturing over the period (zero percent). This shows that there was little, if any, value addition to agricultural production. The value chain in the agriculture sector therefore needs enhancing.

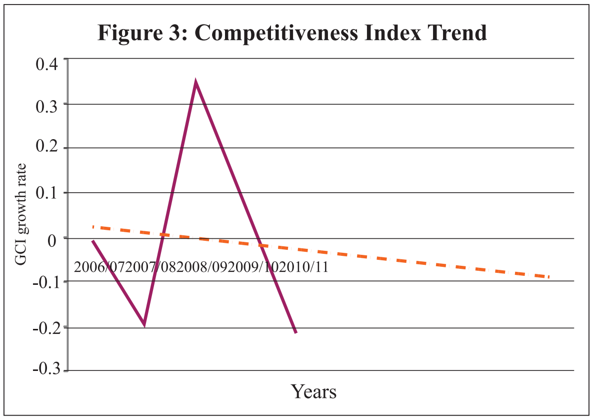
11. **The Government has taken a range of policy measures in the past decade to enhance macroeconomic stability.** Strong efforts by the Government has allowed progress on fiscal consolidation, reduced reliance on domestic borrowing, and helped Mali to qualify for debt relief under the HIPC Initiative in 2003. Even though tax revenue remain below the WAEMU criterion of 17 percent of GDP, Government limited

its spending to 22-24 percent of GDP, 40 percent of which was financed by highly concessional aid, which kept debt at sustainable levels.

12. The 2009 debt sustainability analysis (DSA) done by WB and IMF indicates that Mali remains at a low risk of external debt distress, however some potential threats to external debt sustainability exits when a decline over the next five to ten years of Mali's existing gold production, the country's main source of foreign exchange is modeled in. Under baseline projections, none of the external debt indicators breach the policy dependent thresholds over the long run. Under scenarios that include shocks, the country would approach the thresholds for the ratios of the present value of debt to exports and to GDP. The fiscal DSA indicates sustainable debt dynamics even under stress. As a result, the need for prudent macroeconomic and financial policies is still being urged by the analysis. The WB/IMF argue that one potential threat for public debt sustainability is borrowing on non-concessional terms and recommend that Mali continues to finance its fiscal deficit primarily through external grants and concessional loans, and avoid recourse to costly medium- and long-term debt, external or domestic.

13. **The Government has also embarked upon policies aimed at creating a conducive environment for Private Sector Development (PSD)** including the establishment of the investment promotion agency (API), a new investment code, and various regulations *(lois d'orientation)*, but implementation has lagged as these policies are yet to take root. As a result, it is not surprising Mali's rank on "Doing Business" indicators remains low (around 150th in recent years), with especially low scores for access to credit, trading across borders, and effectiveness of the judiciary.

14. **Mali's competitiveness is trending downwards.** The Global Competitiveness Report of the World Economic Forum ranks Mali 132 out of 139 countries in 2010/2011, a slight improvement from that of 130 out of 133 in 2009/10. In terms of competitiveness, Mali has a Global Competitiveness index (GCI) of 3.23 in 2010/2011 which is also a slight improvement from 3.2 in 2009/10 but a decline from 3.4 in 2008/09. Mali's competitiveness index averaged around 3.25 over the period 2004 to 2010/11, peaking at 3.43 in 2008/09 and dipping to a low of 3.02 in 2006. This represents an average growth rate of 1 percent per annum (see Figure 3). Private operators interviewed in the 2010/2011 Global Competitiveness Report consistently identified the lack of access to financing as the number one problem in doing business, followed by official leakages and inadequate supply of infrastructure. The issues of access to finance and infrastructure are considered in more detail below. It is therefore pertinent that to assist Mali transition from non-competitiveness to competitiveness, support has to be directed at relaxing the supply side constraints which include inadequate infrastructure.



15. **Poverty has declined in the last decade notably among agriculture workers, but almost half the population, located mostly in rural areas remains poor.** The incidence of poverty, as measured by the national poverty line, declined from 56 percent in 2001 to 48 percent in 2006 and 44 percent (according to preliminary estimates) in 2009 (see Table 2). Despite small shifts in the last decade, today, some 80 percent of Mali's poor still live in rural areas and two-thirds of them work in agriculture. However, while poverty remains much higher in rural areas where two-thirds of the population lives, it has fallen more in rural areas than in urban areas. Hence enhancing the value chain in agricultural production has strong potential to reduce poverty. The observed decline in poverty among agricultural workers reflects solid growth performance of the agriculture sector and it remains key to future progress on poverty reduction. While, as noted above, yield per hectare has been stagnating for most crops except rice, output per worker has increased steadily as each worker used more land and capital. Agricultural output growth has helped increase incomes of most farmers and lifted some out of poverty, but its impact on the overall decline in poverty has been limited by the initial depth of poverty and the low increase in yields.

16. **Mali has recently been identified, by a UN Millennium Campaign and ODI study, as one of the top twenty countries that are progressing towards the MDGs.** Progress has been noticed on social indicators and in the health sector, the GoM's 10-year Programs for Health and Social Development (PRODESS I+II) has helped to significantly improve access to clean drinking water and health services in both urban and rural areas. However, progress on child and maternal mortality has been limited and well below what is needed to reach the MDGs by 2015, while child malnutrition has remained at around 30 percent (see Table 3). In the education sector, the GoM's 10 year Program for Education Development (PRODEC I+II) has helped improve gross primary school enrollment rates, reaching 82 percent in 2009, with the girls/boys enrollment ratio at around 80 percent in 2009 from 41 percent in 1990. However, the quality of primary education remains low (e.g., in terms of achievement rates); and the situation is even more critical in secondary and higher education where enrollment is well below that of other WAEMU and SSA countries and there is deep underfunding. As an acute indicator, adult literacy has stagnated at about 25 percent during the last decade, with a mere 17 percent for women.

TABLE 2: Mali: Trends in Poverty, 1990-2009
(in percent)

	% Population 2006	2001	2006	2009	MDG Target
Population below $1pppd (PPP, UNDP) %		61.2	51.4		
Poverty incidence (national poverty line)[1]	100.0	55.6	47.5	43.7[2]	36
Urban	31.7	24.1	25.5		
Rural	68.3	66.8	57.6		
Agricultural independent workers	54.8	70.1	59.2		
o/w: Cotton Farmers	13.7		77.8		
Non-agricultural Independent Workers	15.1	27.8	22.7		
Private and Public Sector Employees	10.8	15.3	19.7		

[1]Based on cost of basic needs.
[2]Extrapolation by the Malian Authorities, based on 2006 poverty incidence and growth in p.c.
Source: IMF

Table 3: Mali: Trends in Social Indicators, 1990-2009						
	1990	**2000**	**2003**	**2006**	**2009**	**MDG Target**
Education						
Gross primary school enrollment (%)	41	0	61	75	82	100
Gender parity ratio (%)				76	80	1
Health						
Infant mortality (per 1000)	139	113		109	103	46
Child mortality (per 1000)	250	229		202	194	83
Maternal mortality (per 100,000)	1164	582			464	291
Access to improved drinking water (% of Popn)		44	60	67	73	
Access to health service <5km radius (% of popn)			46	51	57[2]	

[1]Estimate for 1995. [2]Estimate for 2005. [3]Estimate for 2008.
Source: IMF databases

17. Improving the transportation corridors linking Mali to its neighbors is a priority as the various Transport Sector Policy Letters (1993 and 2007) of the Government are embedded in the framework of policies adopted by both the West African Economic and Monetary Union (WAEMU) and the Economic Community of States of West Africa (ECOWAS). For ***Road Transport,*** the transportation of goods and persons is primarily by road. Ninety percent of goods and 95 percent of exports use the road network. Based on the recently adopted new classification of roads, Mali has a road network of about 89,000 km, including 14,000 km of national roads (16 percent), 7,050 km of regional roads (8 percent), 28,900 km of tertiary roads (32 percent) and 38,000 km of community roads (44 percent). The network's density of 1.38 kilometers per 100 kilometers 2 and 1.75 kilometers per 1,000 inhabitants are the second lowest in West Africa after Mauritania. Despite noteworthy improvements in the early 90s, road maintenance is still inadequate. In order to repair the road network and ensure proper maintenance, a road maintenance plan of action was defined. The Government therefore undertook to give priority to road maintenance and implemented structural reforms in the road sub sector. Routine road maintenance had been entirely financed by local resources over the past decade. The annual expenditures reached CFA F 10 billion and an annual growth rate of 3 percent which is below the forecasts estimated at 10 percent per year. Today the actual needs in resources for routine and periodic maintenance are estimated at around CFA F 20 billion to cover 9,000 km of programmed roads.

18. **Rail Transport:** The railway line connecting Bamako to Dakar in Senegal had been for years the lifeblood of Mali; its capacity has now been drastically reduced due to old age. It also suffers from frequent washouts in the rainy season. Rail transport is mainly used for the country's imports and exports from the port of Dakar. However, it also contributes to opening up the Kayes, Mahina, Kita, Kasoro and Koulikoro regions. The current railway transport network is made up of approximately 643 kilometers main tracks, making up the Malian section of the railway access corridor to the Dakar seaport. **After a long** spell of poor performance and with the implementation of Transrail-SA, road activity gradually improved its financial situation and operational capacities through the implementation of a short and medium term recovery plan. This plan included the selective rehabilitation of tracks, replacement of equipment, improved rolling stock, and staff reduction. Total tonnage transported was 464,080 tons in 2004 for a turn-over of CFA F 12.6 billion. The country also envisages the privatization of the railway corridor, in collaboration with Senegal by creating a private company to handle the international traffic between the two countries.

19. **Air Transport:** Air transport is an effective way of opening up the country to the outside world and providing access to the hinterland. Considered a strategic sector it has for a long time been handled by the Government. It is

only quite recently that the private sector has been able to achieve a remarkable break through on the domestic air transport market, thereby leading to gradual state divestiture. In order to satisfy domestic and international demand, the country has many anchor points made up of two international airports (Bamako and Gao), which cater for various categories of aircrafts, 7 major airports that receive only medium-haul aircraft and 16 secondary airstrips, which handle seasonal traffic. About 20 companies, including private national companies, handle commercial traffic which in 1997, stood at about 323,990 passengers and 117,910 tons of freight, corresponding to 7,460 aircraft movement in 1997 and 414,790 passengers and 6,100 tons of freight, corresponding to 9,309 aircraft movement in 2004.

20. **Mali was not immune to the challenges thrown up by the financial and economic crisis, however, as a result of prudent measures taken by the Government in the wake of the crises, growth has been better than WAEMU and SSA averages.** Mali achieved a GDP growth rate of 4.6 percent in 2009. This was below the 7 percent GPRSP target of 7 percent but better than expected in the wake of the global recession. Sound policy measures to alleviate any deflationary impact of the crises (including temporary tax cuts and subsidies on agricultural inputs) together with favorable terms of trade--high gold prices and cotton prices keeping up - helped to achieve this result (see Box 1). The economy is projected to grow by 5.2 percent for 2010 based on a sharp increase in investment, largely financed by higher private inflows even though the aid/GDP ratio is estimated to have declined to 8.6 percent, below their 2002-2006 levels of 9.1 percent.

Box 1: Mali's Response to the International Crises of 2007-2009

2007-08 surge in world food and oil prices: Food and petroleum prices started to increase in the second half of 2007 and peaked in mid-2008. With almost half of imports affected by 20-40 percent price increases, the CPI increased to a 12 -month peak of 13 percent in September 2008. In the face of serious social repercussions, the GoM took measures to mitigate the price impact for consumers by reducing import taxes levied on selected essential items and enhance supply by subsidizing seeds and fertilizers financed in part by cutting expenditures considered non-essential.

2008-09 global financial crisis and subsequent recession: Mali was able to sustain growth and limit the impact on its fiscal and external accounts. First, the terms of trade improved significantly in 2009, as the price of Mali's export prices rose, while import prices fell sharply. Second, remittances only fell modestly. And third, Mali was not significantly dependent on short-term credit and its banks were not exposed to toxic assets. The planned fiscal response in the two years amounted to a fiscal expansion of a modest 1 percent of GDP.

Impact on growth and macroeconomic stability: Because of sound domestic policy response and favorable exogenous factors, growth remained at 4¾ percent a year in 2008-09, above the WAEMU and SSA averages of 3½ percent, and fiscal aggregates deviated only temporarily from GPRSP targets.

C. Structural Weaknesses, Constraints and Challenges to Development

21. **Overall, Mali's major objective is economic growth that will sustain poverty reduction by creating employment.** To meet this objective there is critical need for Mali to move to a higher and different growth path. To move to this new growth path, Mali faces key binding constraints accentuated by structural weaknesses in the economy. These include low rate of public and private savings; high level of dependence on a few commodities for export earnings; under-developed agro-processing; inadequate exploitation of the potential for regional trade; fragility in the banking sector; high unemployment and high cost of production.

22. **A low rate of private savings combined with high government deficits created a high domestic savings-investment (S-I) gap of 12-14 percent of GDP**. Investment has fluctuated around 21 percent of GDP, close to the WAEMU and SSA averages (of 19 and 22 percent, respectively), and is consistent with the current 5 percent GDP growth path at the most. Net domestic savings have been in the 7-9 percent range. The S-I gap is being financed in roughly equal parts by official aid grants (5 percent), public borrowing (4 percent), private remittances (3 percent) and net private financing (2 percent). The S-I gap by definition is reflected in a current account deficit of the same magnitude. There is therefore little savings going

around for private sector investments needed to spur the economy onto the growth trajectory needed. Mali has therefore, to encourage private savings and explore non-traditional sources of development finance to increase fiscal space.

23. **The lack of diversification of the Malian economy is a major source of vulnerability**. Agriculture remains the backbone of Mali's economy and the cotton industry is a major source of income in rural areas, as roughly 30 percent of the population is estimated to be directly involved in cotton production. The most significant diversification of economic activity has occurred with the development of gold mining with much of the financing obtained abroad. Gold accounts now for three-quarters of total exports, cotton for 6 percent, and livestock and other agricultural products to neighboring countries, for one-fifth. Imports consist of food (15 percent), petroleum products (25 percent), agricultural inputs (8 percent), and capital goods (20 percent). Exports mainly go to Asia (50 percent, half of which to China) and EU (25 percent), but only 3 percent go to WAEMU countries although a third of Mali's imports come from the region. Mali needs to review and take advantage of opportunities for regional trade enhancement and diversification of exports.

24. **The banking system is fragile, with banks being vulnerable to shocks, and highly exposed to a few large borrowers especially in the cotton sector. The government's involvement in banks exposes it to risks and uncertainties**. The transition period leading to the break-up and privatization of the ginning company, Malian Textile Development Company (CMDT) is a major source of uncertainty for banks--the process for breaking up this monopoly into regional subsidiaries is still underway. Financing for the purchase of cotton inputs and production is still not secure and banks are reluctant to participate in such financing given perceived risks. Given the role of cotton in the economy, difficulties in the sector will have spill-over effects on the banking system beyond that related to CMDT. The level of nonperforming loans (NPLs) has stabilized but at a high average level (25 percent) and adequacy of provisioning is still a question. The level of NPLs is higher than the WAEMU average, and also, despite the presence of 13 banks, competition seems low and interest margins are high, also reflecting high costs of loan recovery. There is no Islamic bank in Mali, but there are in other WAEMU countries. Access to financial services by SMEs and in rural areas is limited. Links between the microfinance and banking sectors are strengthening, but rapid growth in the last decade has led to serious problems in the supervision of microfinance institutions. Housing finance is in need of reform given uncertainties regarding land titles and the legal framework needs strengthening. The main impeding factors seem to be banks' perception of risk - a ceiling of 18 percent on the lending rate does not cover costs and perceived risks of lending micro and small enterprises - insufficient

information about sector and enterprise business operations, inadequacy of loan guarantees and lack of property titles.

25. **During the past decade formal sector and wage unemployment has stagnated with deep underemployment**. The Economically Active Population (EAP) is about 6 million, or 40 percent of total population (see Table 4). It is estimated to be growing at 4-5 percent, or around 200,000 new job seekers, per year. According to 2007 official survey data, unemployment (typically underestimated in such surveys) is around 10 percent; it is much higher, and has increased faster in recent years, in urban areas. Although the primary sector accounts for 60 percent of employment, most of it represents self-employment on subsistence farms. Industry accounts for 12 percent, services for 20 percent, and public sector for 5 percent. Private sector wage earners represent only 3 percent of the working population or some 120,000 persons of which about 30,000 persons work in formal enterprises, which numbered about 1,500 in 2006. The informal sector employs more than 80 percent of the working population, mostly in small farms and petty commerce entities. Underemployment is estimated to affect 38 percent of the working population but its intensity is not well known.

Table 4
Mali: Trends in
Employment and Unemployment, 1997-2007

	1997	**2001**	**2004**	**2007**
Estimated Economically Active population (millions)	3.8	4.4	4.9	5.4
Estimated number of new Jobs Seekers, (thousands)	140	160	170	190
Unemployment rate (in %)	4.7	5.3	8.5	9.6
Urban (%)	12.5	8.0	12.6	21.7
Rural (%)	1.1	4.0	6.6	5.9
Underemployment, % of Employed Affected				38.0

Source: IMF databases

26. **High costs of business services and factors of production** (apart from transport) hamper private sector activity; notably, energy costs, administrative costs of doing business, and limited and costly access to credit. This constraint affects in particular SMEs which tend to create more employment per unit of value added than large enterprises. This constraint calls for a complementary package of measures, specific to Mali, to support SME expansion including access to finance, access to critical non-financial services, and improvements in the enabling environment.

27. **Low agricultural productivity.** A worrisome trend is that productivity improved for essentially one major crop, rice, with yields of other cereal crops and cotton unchanged or declining from already low levels. While rice output increases stemmed from higher productivity, increases in the production of millet, sorghum and cotton resulted from expansion in cultivated areas. Maize and wheat/barley yields increased, but they account for a small share of total cereal production. Use of agricultural inputs such as improved seeds, fertilizers and pesticides for crop production and vaccines and other drugs for animal production, is presently quite limited. Cotton and rice alone account for 60 percent of fertilizer consumption and 80 percent of pesticide consumption nationwide. Organic matter contents of the soils, which are already low in the semi-arid climate, are not replenished sufficiently, resulting in soil fertility and productivity degradation.

28. **Under-equipped farming systems.** Farm mechanization is limited and so is the adoption of modern agricultural technologies and practices. However, motorized equipment such as small chisel is being increasingly utilized on irrigation schemes within the Office du Niger area. Livestock rearing is widespread, but animal power is common only in the cotton growing areas.

29. **Under-developed agro-processing.** Commercial farming is limited while subsistence farming remains the dominant model. More than 85 percent of Mali's agricultural production is self-consumed. Post harvest losses are high and processing technologies of agricultural outputs are largely underdeveloped. Only 4 percent of farm households sell their produce to market. Agricultural private investments are very low especially in the non-rice or cotton production areas. This is largely attributed to lack of rural credit. Finance institutions are generally reluctant to undertake high risks associated with low levels of collateral and high transaction costs. Exceptions

are for the marketing, processing and export of fruits and vegetables in the sub-urban areas, rice in the Office du Niger zones and cotton in the cotton producing areas.

30. **Under-developed irrigation potential:** As population, urbanization and incomes continue to grow, there are larger domestic and sub-regional markets potential for high-yield and high-value irrigated products (vegetables, rice etc.). However, out of the estimated potential of 2 million ha (FAO), only 300,000 ha have been developed with some water management infrastructure, including about: (i) 100,000 ha for full water control irrigation (in the large-scale irrigation schemes of the Office du Niger in the Segou region, and the small-scale village irrigation –"irrigation de proximité" in the Timbuktu and Gao regions); and (ii) 200,000 ha for partial water control irrigation (flood recession, controlled and uncontrolled flood, low-land water management and other water water harvesting techniques). Under the Government 2008-12 plan and mainly because of lack of budget resources, only about 12,000 ha (or less than 12 percent) were developed with some kind of irrigation infrastructure, out of the tangled 103,000 ha.

D. Opportunities and Potential Strengths

31. **To overcomes these challenges, Mali has a number of opportunities and potential strengths it can leverage to relax the binding constraints.** These include:

- The **abundance of potential crop land** (12 million ha) of which less than 5 million ha are used today. A much larger share could be brought under full or partial water management. There is also a great potential for raising yields per hectare from low current levels.
- Observed increases in agricultural production.
- A border with 7 countries gives Mali a catchment area with higher population and potentially higher demand.
- Regional markets in both ECOWAS and WAEMU offer a huge potential for trade expansion. These have remained unexploited.
- The River Niger offers tremendous irrigation and transport opportunities.
- Membership of OIC offers the opportunities to benefit from and contribute to reverse linkages with other member countries of the IDB.
- Other high growth potential sectors exist such as mining and tourism.

III. MALI'S VISION AND PRIORITIES FOR DEVELOPMENT

A. Growth and Poverty Reduction Strategy Paper (GPRSP) 2007–2011

32. **The GPRSP is anchored on the long-term vision, Mali 2025, which aspires to make Mali a country with a diversified culture; united around democratic institutions that guarantee development and social peace; a strong, diversified and open economy; poverty reduction and social progress for all regions and segments of the population.** The GPRSP can be viewed as the second five-year phase of this vision. The GPRSP has been formulated to build on the achievements of the first generation PRSP 2002-2006. The overarching objectives of the GPRSP are to (i) promote strong growth of 7 percent through wealth generation and employment creation; and (ii) strengthen public sector performance through deepening of on-going reforms covering the decentralization and de-concentration of the public sector, governance, economic and social sectors.

33. **The Government has focused its interventions on three pillars in the GPRSP,** which encompass thirteen priority areas of interventions to achieve these objectives (see Figure 4).

34. **Growth is central to GPRSP.** In order to meet its target of 7 percent economic growth per year, the Government has developed a special Accelerated Growth Strategy aimed at enhancing the competitiveness of the Malian economy, diversify sources of growth and strengthen the private sector to serve as the engine of economic growth. In this regard, growth-oriented sectors have been identified as agriculture, livestock,

Figure 4: GPRSP Strategic Orientation

Pillars	Priority areas of intervention
Development of Infrastructure & Productive sector	• Development of Infrastructure • Food Security & Rural Development • Development of SMEs • Protection & Sustainable Management of Environment • Reform of Business Environment
Consolidation of Structural Reforms	• Consolidation of Public Administration Reform • Pursuance of Reform of the Business Environment • Promotion of Democratic Governance and Public Freedom • Capacity Building for the Civil Society • Strengthening of Regional and Sub-regional Integration Initiatives • Development of Financial sector
Strengthening of Social Sector	• Creation and promotion of long term jobs • Dev. of access to basic social services • HIV/AIDS control

fisheries, agro-forestry, fruits and vegetables to develop and encourage rural production, the mining and energy sector, and the services sector. These sectors are being supported by developing viable industrial zones; ensuring availability of water and electricity at lower prices; construction of transport infrastructure; development of Telecommunications/ICT; and access to financing. In addition, four cross-cutting issues are being addressed: gender, territorial development, population, peace and security.

35. The GPRSP is estimated to cost about CFA F 1,000 billion per annum and financed from annual revenue and grants of about CFAF 932 billion; about CFA F 759 billion is projected to come from revenue collection and CFA F 174 billion from grants. Of the total resource outlay, 32 percent is dedicated to the productive sector while 28 percent is allocated to the social sector.

36. **Assessment of the GPRSP or PRSP II:** A year before the deadline for the implementation of the PRSP II, it can be noted that the main objectives set by the Government, particularly in terms of economic growth and poverty reduction may not be achieved in 2011. Following dialogue with the Government and from assessments on the economic and social developments, this could be attributed to two possible explanations: (i) under-estimation of the level of resources and productivity increase required to meet the 7 percent growth rate; and (ii) successive shocks including the financial and economic crisis.

37. In the PRSP II report, constraints and risks related to the implementation of the strategy, including achieving the 7 percent growth target, have not been adequately assessed and taken into account explicitly. Such an assessment would have helped to better identify the requirements of implementing the strategy. In addition, PRSP II may not have adequately taken into account additional resources needed to be allocated to the social sector to help contain inequalities and reduce poverty.

38. The second explanation relates to the context of implementing the strategy in an environment characterized by a succession of crises, which adversely affected Mali. Mali has been actually stuck in the baseline scenario which envisaged an annual growth of 5 percent. In fact, the measures taken by GoM under its Accelerated Growth Strategy helped to offset the deflationary impact of these external shocks - see Box 1 in Section II - and certainly contributed to lessen the adverse effects on poverty. If it were not for the pro-active actions the actual growth and poverty outcomes would have been far worse.

39. **Perspectives:** The GoM intends to continue its efforts and aim to realize its ambition of the 7 percent growth scenario. The acceleration of growth will remain a central objective of the next PRSP, PRSP III 2012-2016. Based on discussions with the GoM during the MCPS mission, the team expects that "Poles of Economic Growth" will be identified and integrated into PRSP III to stimulate more inclusive balanced and environmentally-friendly growth. Creating employment, particularly youth employment, is also likely to receive special attention. An improved approach for exploiting mineral resources with a view to have a beneficial impact on the population in surrounding areas should also create a ripple effect on job-intensive sectors. Agriculture will participate in this economic upturn by concentrating in three focus areas of growth namely Niger Office, Cotton-cereal production, and livestock/ fisheries and will also make contributions to food security, especially in the most vulnerable regions. These regions will be better targeted to benefit from social support to reduce regional disparities and increase access to basic social services and promote income generating activities. Control of population dynamics is also expected to be at the heart of the next strategy.

B. Risks and Uncertainties–alternative Scenario

40. **Risks to PRSP III will be both endogenous and exogenous in nature: Endogenous risks will largely be under government control** and relate to possible delays in implementation of reforms owing to weaknesses in administrative capacity and insufficient prioritization of government actions as discussed above. The main areas where delays in implementing reforms could affect growth and poverty reduction are: the cotton and utilities sectors; the education and health sectors; and the environment for private sector activity. Other endogenous risks are a possible flare up of socio-political tensions, including in the civil conflict in the North, which could weaken the consensus for pursuing reforms and divert public resources. Factors that could mitigate these risks are: strengthened evaluation and monitoring of GPRSP implementation jointly with donors and strong international support for reform programs, capacity building, and a durable resolution of the civil conflict.

41. **Exogenous risks relate to adverse weather conditions, swings in Mali's terms of trade because of commodity price volatility, and fluctuating or reduced aid flows.** Factors that could help mitigate these risks over time are: vigorous pursuit of the GPRSP objective of increasing diversification, especially in agriculture, longer-term agreements with donors, and promotion of private inflows to finance domestic investment.

42. The GPRSP for 2007-11 set ambitious targets: it assumed an investment/GDP ratio of 20 percent (slightly less than in 2002-06), gross foreign aid of about 10 percent of GDP (above the 9 percent during 2002-06), and slightly better terms of trade, yet it projected growth at 7 percent, compared to

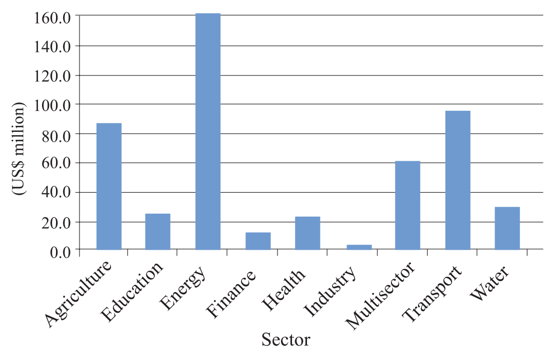
5 percent realized during 2002-06. Hence, the growth target for 2007-11 was implicitly based, as noted earlier, on strong productivity growth. However, productivity growth did not materialize, aid was below expectations, and growth is estimated at some 5 percent during 2007-10. The new PRSP 2011-14 will likely keep the 7 percent growth target, which would again be ambitious in the absence of significantly higher investment or productivity growth. Therefore, a downside scenario assumes investment, productivity growth, and foreign aid to stay roughly unchanged from 2007-11 levels, which would lead to a growth rate of 5 percent.

IV. IDB'S CURRENT INTERVENTIONS & OTHER DONORS' INVOLVEMENT

A. Past Interventions by the IDB Group

43. Mali joined IDB in March 1978. Since then, the IDB Group has approved a total of US$ 665 million for the country of which US$ 200 million is on trade financing by ITFC and the remaining US$ 465 million on 79 project-related and 7 special assistance operations from IDB. Out of the latter, the greatest share (34.2 percent) was spent on energy projects including the construction of Manantali dam and the Toussa dam (see Figure 5). Another 20 percent was spent on the transport sector for projects including the construction of Timbuktou airport, the Sikasso road to the border with Burkina Faso, the Saraya-Kita regional road, the Gao Bridge and the Kayes Bafoulabe road. Projects funded in the agriculture

Figure 5: Approvals by Sector, 1979-2010

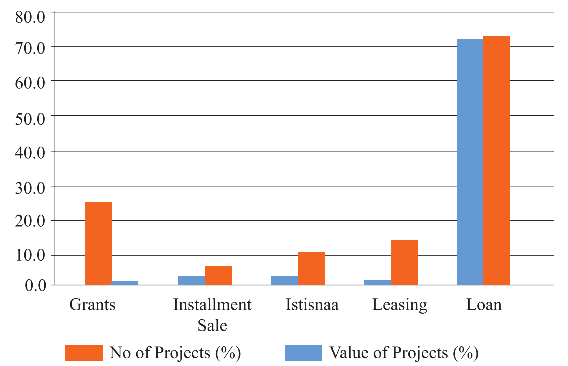


sector amounted to 17 percent and included the integrated agriculture development projects in Kangaba, Djenne and the Niger River valley. About 8 percent of the total financing went to education and health sectors. The former include the construction of 45 primary schools, the Esitex textile training school and the comprehensive Education project, while the health sector projects include the construction of health centres in the Mopti-Timbuktou regions, the river blindness control programme and the pilot programme of the Roll-back malaria. Twelve percent of the financing went to multisector projects which are mainly community development oriented. The remaining projects are in industry and finance.

44. **Financing Mode.** Given Mali's status as an LDMC, concessional financing has accounted for over 70 percent of the portfolio. These soft loans are in various forms including TA Loans, ISFD Loans, LDMC Loans and Line of financing. Thirteen percent of the portfolio is on leasing, 9

percent on Istisnaa, 5 percent on Installment sale and 1 percent on grants. Leasing, Istisna'a and Installment Sale are ordinary (non-concessional) modes. In terms of numbers, out of the 85 operations approved so far, 71 percent of them were contracted on concessional terms and 25 percent as grants, 2 percent on Installment Sale and Istisnaa basis and 1.2 percent on leasing (see Figure 6).

Figure 6: Approvals by Mode of Financing (%)



45. ICIEC has been supporting Mali imports from other member countries. Approvals issued by the Corporation to cover imports made by Malian importers amounted to US$26.15 million. ITAP conducted a needs assessment mission to Bamako in 2008.

B. Lessons Learnt

46. In general, the main problems encountered in the implementation of projects in Mali include: (i) long delays in the signing and fulfillment of effectiveness conditions of financing agreements, (ii) slow project implementation; (iii) long delays in the procurement process; (iv) weak capacity of Executing Agencies; and (v) insufficient knowledge of IDB procedures. From IDB's side, the following issues have been raised: (i) slow response, particularly for clearance of tender documents, and in some instances for processing disbursement requests from the country; and (ii) lack of supervision and follow-up missions and lack of audit of projects.

47. However, several measures have been taken in recent years by IDB to remedy this situation. These measures include: (i) the organization of start-up workshops to ensure ownership and create awareness among stakeholders on project objectives, activities and IDB procedures; (ii) capacity building of staff for PIUs and public administration; and (iii) the recruitment of a Field Representative for Mali to boost the implementation of projects. Above all, the strengthening of the Dakar Regional Office through the recruitment of new staff will allow a close follow-up of IDB operations on the ground which will contribute to reducing the implementation delays.

C. Strategies and Activities of other Development Partners

World Bank Group

48. IDA and IFC adopted in February 2008, a new Country Assistance Strategy (CAS) for Mali. This new CAS supports the key pillars of the Government GPRSP-II, and covers the period 2008-2011. It has two strategic objectives: promote rapid and broad-based growth, and strengthen public sector performance for service delivery. The World Bank also supports Mali under the Regional Integration Assistance Strategy, notably the programs for connection to the West Africa Power Pool, harmonization of country policies and/or regulatory frameworks (telecommunications, agriculture, and financial sectors), water resource development of the Niger and Senegal Rivers, strengthening of road transport corridors and transit facilitation, and strengthening the regional payments system.

49. The overarching objective of WB Group support to Mali is to promote rapid and broad-based growth and strengthen public sector performance for service delivery. Specifically, the Country Assistance Strategy (CAS) to focus on private-sector-led growth by addressing key constraints such as energy and finance and by linking the country to the rest of the world; reduce the deficit of basic services and increase availability of critical factors of production; and undertake targeted sector interventions to accelerate growth.

50. The WB aims to support Mali increase the efficiency of transport operators in roads, railway,

and air through the reduction by 10 percent, of the cost of accessing the key ports of Côte D'Ivoire, Ghana and Senegal; support Mali to link to the Regional Roads Network; connect rural to urban roads, and support improvement and efficiency of Bamako Airport by providing assistance on its concession to a private sector operator. The WB group will also support increased reliability in the power system; efficiency of the financial sector to increase the share of private sector credit; and improve the quality of the business environment and Mali's capacity to mobilize foreign investment. Increasing agricultural productivity, improving competitiveness of selected supply chains, increasing irrigation capacities, and improving agricultural credit will also be undertaken by the Group.

African Development Bank Group

51. The African Development Bank is maintaining and strengthening its Result Based Country Strategy Paper (RBCSP) for Mali that was prepared before the advent of the GPRSP by aligning it to the timeline of the strategy of the GPRSF. Hence, AfDB's strategy remains unchanged with regards to the objectives and pillars, but is extended by two years to cover the 2008-2011 period. This RBCSP will cover the 2008-2011 period so as to fit into the same time line as the Government's 2007-2011 GPRSF and ADF XI. Pillar 1 of this strategy consists in the "improvement of the private sector environment", while Pillar 2 focuses on the "promotion of rural development" so as to reduce the country's vulnerability, especially within the context of the international food crisis and its landlocked position. Specifically, the AfDB support the private sector in synergy with a healthy public sector and macroeconomic sector; support Mali's opening up of the country through Regional Roads and Cote D'Ivoire electricity interconnection programme; promote rural development and support upstream analytic studies through non-project support (TA) for studies and institutional support. For the period, about 5 analytical studies are planned. These studies will inform the AfDB and Mali dialogue on restructuring of the cotton and agriculture sector, structural reforms in the public sector, Improving good governance and social security issues, improving the business climate and private sector development, as well as prepare government for PPP negotiations.

The UN Development Assistance Framework

52. The UN development assistance framework is a common strategic framework for cooperation between the Government Mali and of 17 UN Agencies . It defines the collective, coherent and integrated response of the UN Agencies to the national priorities and needs in the framework of the MDGs and the Commitments from the summits, conferences and international conventions.

53. The UNDAF 2008-2012 aims to achieve the following results: (i) Human rights in Mali are better known and respected for the benefit of a democratic governance, (ii) the capacities of the government, local authorities, civil society organizations and the private sector are enhanced in the field of planning, formulation, implementation and monitoring of development projects and programs, regional integration and sub regional cooperation, (iii) the access of vulnerable groups to quality basic social services are reinforced, (iv) food security, rural development and job creation are enhanced in the most vulnerable rural areas and (v) universal access in the context of the fight against AIDS is improved.

Bilateral Cooperation

54. Mali enjoys good relations with several bilateral including the French Development Agency (ADF), Saudi Fund for Development, the Kuwaiti Fund, DfID, among others. These are active in all sectors from infrastructure (dam construction) to agriculture, education and health.

V. IDB GROUP PARTNERSHIP STRATEGY

A. Strategic Framework for Aligning Mali's Strategy and IDB's Vision 1440H

55. This MCPS is formulated to ensure alignment of the IDB Group support with Mali's development needs and priorities. The pillars of IDB Group support are fully aligned behind two of the three strategic pillars of Mali's Growth

and Poverty Reduction Strategies, those of development of infrastructure and productive sectors, and strengthening of the social sectors (human resource capacity development). The pillars are anchored on Vision 1440H aspiration of helping transform the human development landscape of the Muslim world and restoring its dignity.

56. The pillars are aimed at four of the nine strategic thrusts of the Vision 1440H. They are targeted at poverty alleviation in Mali, expanding the Islamic financing industry, facilitate integration and helping prosper the Malian people. It is therefore envisaged that IDB group support will result in a strengthened institutions and human resource capacities and increased incomes thereby contributing to Mali's move, albeit slow, towards non-LDMC status.

57. **The MCPS process of extensive consultations between IDB staff, the GoM, domestic stakeholders, and development partners underpins the proposed partnership strategy.** These consultations have resulted in a diagnosis of key constraints to the goals of growth and poverty reduction at the sectoral level (Section II). These findings have, in turn, led to an understanding with the government and other development partners on the key areas of IDB intervention in the medium term, taking into account IDB's mandate and comparative advantage and the roles of the other development partners. The MCPS framework also provides for a Results Matrix that should help the GoM and IDB staff monitor progress in implementation of the MCPS across the range of interventions. A mid-term progress review of the MCPS for Mali is foreseen for [mid-2012].

58. **The MCPS aims to contribute to an acceleration of Mali's growth and poverty reduction by seeking to address constraints in three main areas.** The proposed areas of IDB intervention are **agriculture** [and livestock], **transport** [and energy] **infrastructure**, and **private sector competitiveness,** with attention to potential synergies between them, as well as to capacity building needs in each of them. As set out below, the impact on growth and poverty reduction of the proposed IDB interventions is expected to be large. The interventions would be complementary to those of other partners and be part of donor coordination led by the GoM with the aim of reducing aid management and delivery transaction costs. In this context, special attention will be paid to possibilities of co-financing and to the principles of aid harmonization and efficiency of the 2005 Paris Declaration, including steps toward adhering to national project execution procedures.

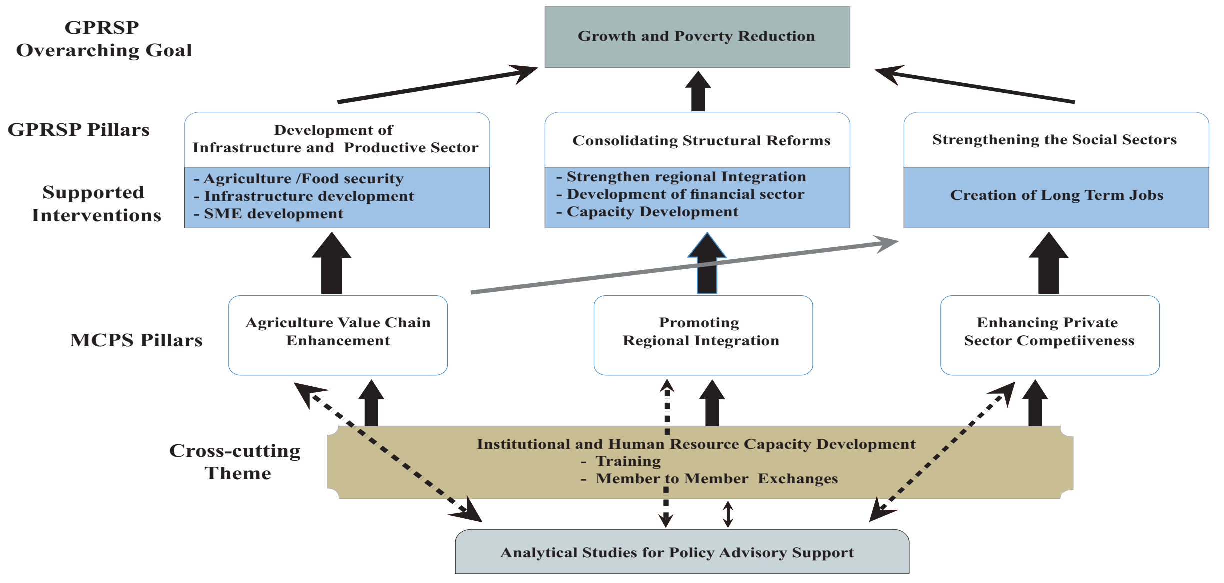
B. Areas of Focus by the IDB Group

59. IDB Group intervention in Mali will be in line with the Bank's agenda and would be primarily seeking to support the Government's development priorities. It is aligned to the Government's GPRSP, which covers the period 2007-2011 whose overarching goal is growth and poverty reduction (see Figure 7).

60. During discussions with the Authorities, the Government confirmed their commitment to pursue its macroeconomic program and to maintain the key strategic thrusts of intervention identified under the Growth and Poverty Reduction Strategy Framework (GPRSF II) as articulated above. At the end of the MCPS technical mission, the following three pillars and areas of intervention were jointly agreed to form the framework of the future IDB Group cooperation with Mali during the period 2011 -2014, to sustain growth and fight against poverty:

- Promotion of regional integration through support to the transport and energy sectors, and development of cross-border cooperation,
- Supporting growth through increased agricultural production and value chain enhancement,
- Supporting private sector development through Islamic and trade financing, credit and investment insurance.
- These pillars are supported by a cross-cutting theme of institutional and human resource capacity development that also leverages the support that can be harnessed from other member countries of the OIC family.

Figure 7: IDB Group Focus Areas and Links to Mali GPRSP



- Policy oriented analytical studies will also be commissioned with the GoM to inform policy advisory support.

61. All these hinges on the 1440H Vision of transforming the human development landscape of the Muslim world and restoring its dignity. The overarching goal of growth and poverty reduction is achieved through the creation of meaningful employment from all three pillars. The increased agricultural production will be accompanied by increased employment and the enhanced value chain in agriculture will raise incomes. The construction in the transport and energy sectors will also create employment as will private sector development.

C. The Strategic Pillars and Cross-cutting Theme of IDB Group Support

62. The pillars of the IDB Group support by are aimed at supporting the relaxation of supply-side constraints in the Malian economy which include energy and transport infrastructure and agricultural productivity. It is envisaged that this support will assist Mali to be able to export agricultural commodities of higher added value especially to the Sub-region, thereby furthering the regional integration of the Community. Furthermore, by enhancing the value chain in agricultural production, average wage rates are expected to rise in the sector to equate the marginal increase in productivity thereby breaking the stagnation of the wage rate that has been observed in the economy. Given that a significant proportion of the population subsists in this sector, the recent advances in poverty reduction will be further deepened.

63. The pillars are mutually reinforcing. **Pillar one** helps in relaxing the transport and energy constraints that currently exist for moving the increased production across the Malian borders. **Pillar two** will enhance value addition as well as increase agricultural production. While, t**he third pillar** and the cross-cutting beam support the creation of an entrepreneurial class to leverage the opportunities that will be created especially through Islamic finance.

Pillar 1: Promotion of Regional Integration through Support to the Transport and Energy Sectors and Development of Cross-border Cooperation

64. As a landlocked country, Mali's imports and exports are dependent on the neighboring countries' overland routes and seaports. It is therefore essential for Mali's exports, particularly fiber cotton, its leading export and which accounts for 85 percent

of export tonnage, to compete on the international market. The dispersion of activities across a vast landlocked territory, the significant disparities in population densities, rapid urban growth, and the ensuing development of trade flows have made domestic transport of goods and passengers particularly important. Transport accounts for 20-30 percent of the cost of most essential products. The cost of transportation in Mali is high because of long distances between agricultural production areas and consumer markets, and because of the poor state of the country's infrastructure. Before 2002, international land traffic was divided about one-third through the railway linking Bamako and Dakar and two-thirds through the road to Abidjan. The sociopolitical crisis in Cote d'Ivoire in September 2002 has resulted in the diversion of international export traffic through the port of Tema in Ghana and, to a minor extent, through the ports of Lome in Togo and Cotonou in Benin. Reducing the vulnerability and increasing the future competitiveness of Mali's economy will depend in large part on improving the operational efficiency of its transport system. Transportation of goods and persons is primarily by road. Ninety percent of goods and 95 percent of exports use the road network.

65. Addressing some of the key challenges will require Mali to further develop a regional outlook, especially when development opportunities can be unlocked through regional initiatives. The IDB Group strategic support through pillar one would need the regional markets to increase the incomes of farmers during the MCPS period. If there are no expanded markets (regional ones being most obvious), the increased production and value addition could result in excess supply in domestic markets, thereby driving prices to the disadvantage of the farmers and then the economy. This can have the potential of making farmers diversifying away from value added products which do not sell. This is not good for the economy in the long run.

66. The IDB Group support to Mali under this pillar will be fully aligned with regional economic program of WAEMU. In the framework of its new strategy for Mali, the Bank Group's intervention under this pillar will mainly support:

- Roads infrastructure,
- Energy, and
- Cross-border cooperation.

A. Transport

67. Transport plays a crucial role in Mali's economy. The road network is poor, with the northern regions of Tombouctou, Gao and Kidal having the least developed transport and communication networks. In the Government's development strategy, the transport sector plays a crucial role, owing to the situation of landlocked countries, the dispersion of economic activities over a vast territory, and the rapid growth of urban centers, the importance of foreign trade and deep integration in regional trade. The Government policy aims to improve the efficiency of the medium-term transport sector, through development of measures to develop on a healthy competition between transport modes and enterprises and improving the condition of existing infrastructure, particularly roads and railways, by adequate maintenance of policy, and further opening up.

68. Based mainly on subsistence agriculture subject to strong weather conditions, the Malian economy depends entirely on imports, and hence the effective operation of international transport for its supply and numerous strategic commodities (including oil), consumption and equipment. The use of food imports even becomes a survival issue for the country in times of drought.

69. Mali's geographic constraint and the fact that the nearest port linked to Bamako by a paved road is more than 1,000 kilometers away have compelled the transport system to focus on the following three major areas: (i) ensure external trade through access road to the sea ports of neighboring countries, especially the ports of Abidjan, Conakry, Dakar and Nouakchott, (iii) transport goods and persons between various localities and between economic centers quite often separated by long distances, (iii) meet the requirements of increasingly competitive domestic and regional markets, and (iv) ensure the opening of domestic regions, especially isolated areas.

70. Over the past two decades, Mali has put substantial effort in the development of its transport infrastructure, particularly its road network. Nevertheless, its road density remains one of the lowest in West Africa. Insufficient resources allocated to road network maintenance have led to substantial maintenance backlogs and have accelerated the deterioration of the existing network. Mali continues to face inaccessibility issues and rural communities in the North of the country cannot be reached by road.

71. The Government undertook between 2003 and 2004 a study which heighted key development issues in the transport sector and evaluated options to solve them. This review recommended a strategy based on three pillars: (i) promotion of sustainable development of transport infrastructure by insuring adequate allocation of financial and human resources to infrastructure maintenance; (ii) an increase in transport sector efficiency by implementing sound market and fiscal policies to support the rapid modernization of Mali's transport companies; and (iii)support of cross-sectoral initiatives, primarily in the areas of economic competitiveness, road safety, rural poverty alleviation and health services accessibility. The study attached priority to the maintenance and rehabilitation of the road network. This would help address the isolation o f the rural community, which prevents Mali from fully exploiting its agricultural potential and reducing poverty.

72. The government has prepared a Transport Sector Program covering the period 2008-15 for an amount of $US6.8 billion. Its specific objectives are as follows: (i) improve transport Infrastructure (including key wharves along the Niger River and provincial airports) to help reduce transport costs, facilitate transport services, and improve access to social services in remote and isolated rural areas; (ii) improve urban mobility of goods and persons; and (iii) strengthen the capacity of ministries and entities involved in the sector. The program size is undoubtedly ambitious compared to its timeline and the amount of funding required.

73. **Proposed package of interventions in the transport sector:** The Bank assistance to Mali in its support to regional integration will be fully in aligned with the above Government strategy and within the framework of policies adopted by both the Economic and Monetary Union (WAEMU) and the Economic Community of States of West Africa (ECOWAS). In the transport sector the following corridors have been proposed by the Authorities:

- Axis Gao-Kidal - Algeria border road;
- Axis Bougouni - border of Côte d'Ivoire road;
- Bamako-Dakar Corridor (Road and Railway);
- Two corridors toward Mauritania (Kayes-Mauritania borber and Bamako-Nara-Mauritania border).

B. Energy

74. High energy costs hinder new investment and constrain diversification. West Africa is structurally short of generating capacity, and Mali is no exception. Only 16 percent of the general population has access to electricity; in rural areas, less than 5 percent. Moreover, electricity has weak reliability and very high cost." Improving delivery

of electricity requires significant attention to institutional reform. Past efforts to improve coverage and quality relied on the privatization of EDM, the electricity and Water Company, in 2000, but the process failed in 2005 and the government now is a majority shareholder.

75. During the MCPS mission, the Authorities stressed the important role of the energy sector as a vehicle for growth and requested that IDB takes it into account in the framework of the current partnership strategy document for Mali under preparation. The overall objective is to contribute to sustainable development of the country through the provision of accessible services to as many people as possible and to contribute to the enhancement of the socio-economic activities.

76. In the area of energy, the Government's priorities are: (i) development and supply of profitable sources of energy (hydroelectricity and new and renewable energies), (ii) rehabilitation of the existing infrastructure, (iii) development of a sub-regional cooperation policy, (iv) sensitization of the populations on the use of sources of energy to substitute wood, and (v) exemption of new and renewable energy equipment from duties and taxes.

77. Proposed package of interventions in the energy sector: Taking into account the Authorities' request, the IDB Group assistance in the energy sector will be fully in aligned with the above Government strategy. Emphasis will also be put on the expansion of production facilities to increase the supply of electricity. In order to promote regional integration, emphasis will be placed on projects of interconnection with neighboring countries. ICIEC could also support Energy projects in Mali by insuring foreign contractors executing projects in Mali in favor of the government or government-owned entities, against the nonpayment risk if the payment is made or guaranteed by the Ministry of Finance of Mali.

C. Cross-Border Cooperation

78. Under this component, actions will be undertaken to develop initiatives for development and cooperation between Mali and neighboring countries. More precisely, the GoM proposed that the IDB Group supports the ongoing cross-border cooperation initiative initiated by the ECOWAS in 2005 to develop the regional integration within the triangular axis Sikasso (Mali), Bobo-Dioulasso (Burkina Faso) and Korhogo (Ivory Coast).

79. The process was launched at the Sikasso workshop co-organized by the ECOWAS, MDP, and UNOWA with the active participation of the Mali's National Borders Directorate in September 2005. This is the first pilot operation implemented within the framework of the ECOWAS Cross-Border Initiatives Programme (CIP). The pilot operation's aim is to stimulate information-sharing and promote collaboration between local actors in this cross-border area. Joint initiatives aim to strengthen the relationship between the border populations and contribute to the concrete improvement of their livelihoods.

80. Sikasso (Mali), Korhogo (Cote d'Ivoire) and Bobo Dioulasso (Burkina Faso) form a triangular intersection of production and circulation of people and trade. The three towns, located 400 km from large urban centers (Bamako, Bouaké, Ouagadougou), possess the intrinsic dynamics necessary for autonomous development. This development is supported by cultural unity between, Sénoufo and Bobo, with the age-old presence, in trade and power, of the Dioula minority. Finally, regional planning based on industrial agriculture and regional trade can be seen through the dominating industry: cotton.

Pillar 2: Supporting Growth through Increased Agricultural Production and Value Chain Enhancement

81. This pillar contributes to the achievement of the first pillar of GPRSP – development of the infrastructure and productive sector through food security and rural development, but more importantly, it will focus on value chain enhancement in the agriculture sector such that part of the increased production can be further processed to add value to the products for both home consumption and exports. This has the effects of both improving the external sector and positively impacting on poverty reduction

as the wage rate in the sector rises to equate the increasing marginal product of labour, thereby moving some of the population above the poverty thresholds.

82. **Mali has abundant land and the River Niger runs through a significant proportion of the country offering the potential for irrigated agriculture.** Its landlocked position also opens up a potential market including the seven countries that it borders. Hence, increased agricultural production and increased agro-processed products have a potential market both within and outside of Mali. The main products of the sector are grains (55 percent of agricultural GDP in 2009) of which rice at 16 percent, is the largest, other crops (cotton, groundnuts, wheat, horticulture, and the like, 4 percent,) livestock products (26 percent), forest, wildlife and fishing activities (12 percent). The main agricultural exports are cotton fiber (30 percent of total exports) and livestock (4 percent). Agricultural export diversification is progressively taking place due to the development of the fruits (mango) and irrigated vegetable sub-sectors.

83. **IDB's partnership program in agriculture will be aligned with the above Government strategy and investment program in the sector.** It will help address the five main challenges mentioned below and contribute to the **higher level objectives** as set forth in the GPRSF. The overall objective of this pillar is to contribute to the achievement of the objectives of the GPRSF of growth and poverty reduction with regards to: (a) accelerating growth by increasing agricultural value added and (b) increasing agricultural production so as to increase the income of the farmers. The specific objective is to develop the agricultural productive capital by (i) modernizing small holder farms; (ii) expanding productive infrastructure; (iv) ensuring sustainable management of natural resources, and (v) expanding horizon tally, by using new land which is in abundance in Mali. In areas that are not serviceable by the Niger River, the prospects of artificial rain will be explored through member country-to-member country cooperation (MC-MCC) with Morocco.

A. Increased Production

84. **Within the agriculture sector, growth has been particularly good on the whole and has even accelerated lately.** The average growth in agriculture as a share of GDP has been positive and sustained during the past three decades. It averaged 3.2 percent during 1981-2004 and increased to an average of 4.8 percent in 2007-09 exceeding the country's overall population growth. This increase represented a contribution by more than half to the growth rate of GDP over this period (see Table 5).

85. **This agricultural growth has been driven mainly by a remarkable growth rate in the production of food grains.** Cereal production which covers 90 percent of the cropped area and is the occupation of more than two thirds of the farmer-households in the country has increased. After a long-term stagnation, overall cereal production has increased over the last two decades, at a pace consistent with the population increase.

Table 5: GDP and Agriculture Growth Rates (in percent)							
	2006[1]	2007	2008	2009	2010	2011	Average 2007-09
GDP Growth Rate							
GPRSF Projections	3.7	7.0	6.4	6.5	7.8	7.1	7.0
Actual	5.3	4.3	5.0	4.5	-	-	4.6
Agriculture GDP Growth Rate	4.3	2.5	13.2	6.0	-	-	4.8
Agriculture contribution to GDP	29.0	19.0	84.0	50.0	-	-	51.0

[1]At PRSP
Source: INSTAT

For example, between 1984 and 2004, production increase was most remarkable for rice (from +190,000 to 850,000 tons). More recently, over the 2001-2009 period, the production increase exceeded 70 percent for sorghum, millet and fonio and as much as 85 percent for rice. While cereal production has increased, cotton output has however declined mainly because of the less-than-attractive farm gate prices offered to the cotton farmers despite increases in international prices.

86. **The increase in agricultural output has strengthened Mali's food security, and reduced rural poverty although results have been mixed.** Output increases occurred not only for marketable crops (rice) but also for subsistence crops (other cereals). It has benefited the majority of the population living in the rural areas which includes about 70 percent of the total population, 80 percent of the active population and 75 percent of the Malian poor. The combination of investments in water infrastructure, liberalization of cereal marketing and other institutional and technological improvement measures appear to have induced this increase in food production. This has facilitated market-based distribution of cereal crops from surplus to deficit regions within Mali. More recently following the world food crisis (2008), the Government embarked upon a new ambitious support program subsidizing fertilizer, seeds and agricultural machinery and providing more technical support to rice, cotton and maize producers. Where applied, all these measures have resulted in reducing poverty especially within and around the areas that are fully irrigated (in the Segou, Timbuktu and Gao regions) and to a lesser extent, the areas that are partially irrigated (in the Mopti region) for the production of cereal, vegetable and forage crops. In the other areas of the country where crop production is predominantly rainfed, poverty reduction has been more modest even, paradoxically, in the main cotton zone of Mali (in the Southern Sikasso region) where about one third of the rural population live.

87. **The recent achievements cannot however be sustained without addressing some key sector development challenges** that impede further improvements in the sector's performance and productivity. These challenges are low agricultural productivity; under-equipped farming system; under-developed irrigation potential, unsustainable natural resources management and under-developed agro-processing. (See Annex 3 for details). Furthermore, the potential markets for agricultural products make increased production a strategic necessity for expanding the fiscal space for the Government of Mali and with it, expanded development opportunities. Hence the IDB Group's strategic support in this sector.

88. Within the context of this strategic intervention (increasing agricultural production), the **specific objectives** of IDB's partnership program will be, in a socially and environmentally sustainable manner:

(i) To foster agricultural productivity through technology transfer and input and service provision to agricultural producers.

(ii) To develop land and water management potential through expanded development of water harvesting and low-land water management ["aménagement de bas-fonds"] in the southern regions of the country, flood [controlled, non-controlled and flood recession] and small-scale village irrigated agriculture ["irrigation de proximité"] in the central Niger Inner Delta, and full-water control irrigation in the Office du Niger zone, etc.

B. Increased value addition

89. As mentioned above, under-developed agro-processing is one of the challenges facing the sector. In wake of the increased production noticed above, especially in rice production (17 percent between 2007 and 2009), the fact that the manufacturing sector grew at zero percent meant that opportunities of increasing the value chain in the sector were not exploited.

90. **Under-developed agro-processing.** As indicated above commercial farming is very limited while subsistence farming on small family farms remains the dominant model. More than 85 percent of Mali's agricultural production is self-consumed. Post harvest losses remain high and processing technologies of agricultural outputs are largely underdeveloped. Only 4 percent of farm households deliver more than half of their produce to the market. Agricultural private investments are very low especially in the non-rice or cotton production areas. This is largely attributed to very limited access to rural credit. Finance institutions generally show reluctance to undertake the high risks, due to low levels of collateral and high transaction costs involved in medium-term lending to private investors or community groups such as producers' organizations (POs) necessary for the development of processing and agri-business sub-projects. Exceptions are for the marketing, processing and possibly export of fruits and vegetables in the sub-urban areas, rice in the Office du Niger zones and cotton in the cotton producing areas.

91. Within the context of this strategic intervention (enhancing the value chain), the specific objectives of IDB's partnership program will also be to promote post harvest value-chain marketing and agri-business activities (through the development of farmer group marketing information services and infrastructure, technical advice and financial support of public-private partnerships of potentially viable agri-business initiatives, etc.). ICIEC is ready to support foreign investors in the agriculture sector in Mali by providing political risk insurance coverage.

92. The IDB would consider providing between US$ 75 to US$100 million to support this pillar during this MCPS.

Pillar 3: Support to Private Sector Development through Islamic and Trade Financing

93. Under this pillar, the Bank Group envisages to contribute to improving the private sector competitiveness, through Islamic banking and finance, and providing trade financing.

A. Private Sector

94. The Mali GPRSF places priority in achieving rapid private-sector-led growth by removing key impediments to such growth, including through improving key infrastructures (telecommunications, airport, industrial zone), (ii) strengthening investment promotion; and (iii) developing nonfinancial and financial services to small and medium enterprises (SMEs) among others.

95. According to the draft orientation law for the private sector which aims at achieving high sustainable growth that could create jobs and reduce poverty, the Government strategy for the Private sector will focus on six main axis:

- Enabling a friendly business environment for boosting social, economic and cultural activities;
- Establishment of industrial clusters for sectors that have a competitive advantage;
- Establishment of economic clusters along regional lines;
- Develop the national corporations, particularly the SMEs, that could be competitive whilst adding value to the economy;
- Enhance national production by promoting the consumption of local products;

- Support the transformation of the informal sector into more organized businesses.

96. The private sector in Mali is a plethora of informal micro-businesses and few large foreign corporations. Small and medium sized enterprises (SMEs) are still at a very infancy stage but are emerging as an engine of growth and are important to the economy in employment creation and local industrialization (value addition).

97. **Constraints and Opportunities for Private Sector Development:** Despite their vital role in the Malian economy, the private sector and mainly the mid-sized firms face multiple internal challenges:

- **Staff skills:** There is a lack of well trained staff locally, given that many emigrate, particularly in rural areas.
- **Management skills (including planning).** Mid-sized firms often emerge from the informal sector and management staff lack formal skills or even education. There is often a reluctance to pay and retain skilled managers even where resources allow.
- **Organization:** Companies are typically family based businesses and the owner is dominant. Problems are often linked to in-fighting over "succession" and HR processes are rarely in place.
- **Market knowledge:** The market is typically very opaque and firms suffer from lack of market data thus finding it difficult to expand.
- **Access to finance:** This is a major constraint for the majority of the mid-sized companies. Banks are reluctant to lend given poor documentation, lack of collateral, perceived risks and the operational intensity of monitoring smaller firms.
- **Technology and MI:** Mali, like most of the emerging countries, lags most of the world in terms of technology innovation. There is very limited use of IT given a lack of skills and of infrastructure. This is compounded by poor record keeping (virtually never electronic) and thus limited MI.

98. Despite all the above critical issues, the country offers several business opportunities in agriculture and mining sectors given that:

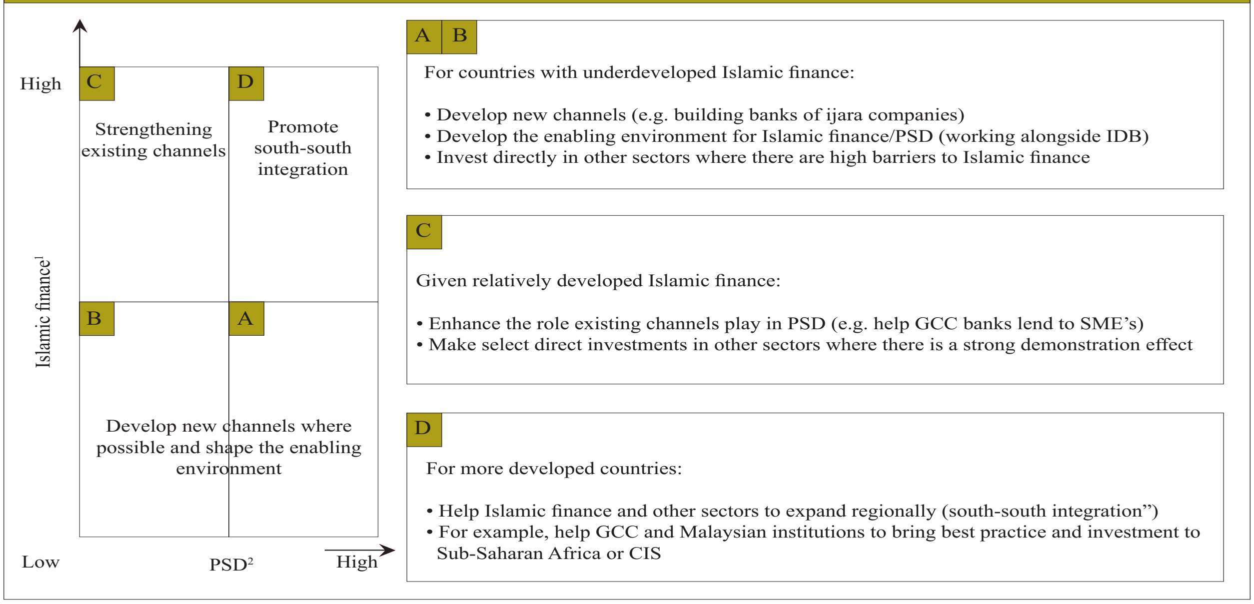
- Mali produces rice, cotton and cereals and the locally-produced rice now competes with imported Asian rice.
- The mining industry has recently attracted renewed interest and investment from foreign companies. Gold and phosphate are the only minerals mined in Mali although deposits of copper and diamonds do also exist.

99. **Proposed package of interventions:** As per the member country mapping (see Figure 8), Mali is positioned in the quadrant B which includes the group of member countries where both Islamic Finance and Private Sector Development are weak or at the initial stage of development. Moreover, ICD will be playing a bridge role by attracting high caliber investors in quadrant D which are countries where both Islamic finance and PSD are in advanced stage like the GCC, to invest in attractive opportunities in the country particularly in the agriculture, mining and energy sectors. Consequently, the intervention in Mali will consist of:

- Developing new channels (e.g. establishing banks or Ijara companies);
- Developing the enabling environment for Islamic finance/private sector development,
- Investing or financing directly in other sectors where there are high barriers to Islamic finance.
- An international investment conference organized by ICD to attracting foreign investors into Mali.

100. ICIEC is ready to support the inflow of foreign direct investment in Mali by providing political risk insurance to foreign investors willing to invest in the country. This will encourage foreign investments in Mali by mitigating risks such as expropriation, war & civil disturbance, transfer restriction. As far as ITAP is concerned, ITAP would prepare a technical assistance program for the National Center for the Promotion of Investment, in order to the help the Center in

Figure 8: Member Country Mapping



promoting Mali as investment destination. The program would include components such as capacity building for the staff of the National Center for the Promotion of Investment, "Country Image Building", and investment generation activities.

B. Trade Financing and Insurance

101. In the trade sector, gold and cotton account for the bulk of Mali's export revenues; livestock and fish are also among the main export products. The main imports are petroleum, machinery and equipment, construction materials, food, and textiles. China, France, Senegal, and Thailand are Mali's most important trading partners. The institutional framework for the integrating of Mali into global trade networks is already in place. The country´s trade legislation and policy largely comply with World Trade Organization (WTO) agreements.

102. Government efforts to revive cotton output, subsidizing fertilizer supply to farmers who had been discouraged by low cotton prices and the problems besetting the sector parastatal, Compagnie Malienne pour le Développement des Textiles (CMDT), continue to make modest progress. Beyond exporting raw cotton, there is also scope to supply cotton to the local textile industry, which has attracted both local and foreign investment and could itself become an exporter. Having sunk to 190,000 tonnes in 2007/08, cotton output reached 210,000 tonnes in 2008/09, and the latest figures show that it climbed back up to 230,000 tonnes in the November 2009-April 2010 marketing season. This is still far short of the levels achieved before 2007, but it does suggest that there is further scope for recovery and it may also help the government to attract foreign investors to participate in the planned privatization of CMDT. The sector will remain disadvantaged by cotton subsidies in the US and the EU. In early April 2010 the US and Brazil settled a challenge—whereby the US will pay damages in the form of financial support to Brazil's cotton sector—brought by the latter against the US's refusal to abide by a 2005 World Trade Organization (WTO) ruling to reduce cotton subsidies. Although this settlement will boost Brazil's cotton industry, the impact on West Africa's producers is likely to be marginal.

103. **Proposed package of Interventions: This pillar will be supported by both IDB and IFTC.** With regard to trade financing, the IDB's intervention will be **mainly** carried through **support to the cotton and mining sectors through direct and indirect financing.** With regards to cotton, the financing will particularly be in favor of CMDT.

104. ITFC will also support the cotton sector mainly by **export financing** which will significantly improve the high price of the cotton post harvest financing thus contributing to the poverty alleviation in rural areas. In addition, Mali being a landlocked country, importing petroleum products is crucial to the economy, and in this regard, ITFC action plans will incorporate **the import financing of petroleum products.** Overall ITFC strategy will be committed to **trade financing** in Mali on structured trade basis in full compliance with the Islamic trade finance guidelines. High consideration will be given to syndication with regional and/or local banks in favor of Mali and with synergy or partnership with IDB Group entities including the new Islamic holding dedicated to developing Islamic banking in West Africa, Tamweel.

105. In terms of budget allocation, ITFC will consider providing a structured trade financing in favor Mali in the range of US$ 50 to 100 million during that MCPS period.

106. ICIEC could support imports of Mali by insuring the nonpayment risk of Letters of Credit issued by Malian banks in favor of exporters in other ICIEC's member countries. In addition, ICIEC could support the imports of capital equipment and strategic goods from non-member countries if the payment is made/ guaranteed by Letters of Credit from Malian banks or the Ministry of Finance of Mali. In this regard, ICIEC could potentially sign MOUs with Malian banks to enable such cover.

Crosscutting theme: Institutional and Human Resource Capacity Development

107. The three pillars will be supported by this cross cutting theme that will strengthen institutional and human resource capacity through training especially leveraging on the potential member country-member country cooperation that could be exploited with other IDB family members. Of particular importance is the development of institutions and systems to anchor the anticipated growth and development. Another critical element of the theme is undertaking policy oriented analytical studies to inform IDB's policy advice to GoM in the effective implementation of the three pillars, such as the identification of institutional systems.

108. A capacity building program will be implemented for the benefit of key ministries involved in the implementation of the pillars identified in the framework of the MCPS for Mali to ensure the achievement of the Government development objectives. These include the Ministry of Agriculture, the Ministry of Equipment and Transportation, the Ministry of Industry, Investment, and Commerce, the Ministry of Livestock & Fisheries, the Ministry of Promotion of Investments and Medium & Small Enterprises, the Ministry of Employment & Vocational Training, and the Ministry of Energy & Water Resources. Mainly, the capacity building will concern both the institutions and the personnel needs; to be built in the areas of project design, financial management, monitoring and evaluation, community and resource mobilization, participatory planning and implementation.

109. A capacity building program for non-state actors whose training will complement those of the Government officials will also be developed. These will include farmers who will benefit from new best practices in agricultural farming systems as well as SME personnel whose training will be effective in enhancing the private sector competitiveness. These non-state actors are expected to leverage the capacity they developed to exploit the opportunities that will accrue from the enhancement of the value chain in agriculture.

110. Institutional capacity building will also be undertaken in collaboration with the African Capacity Building Foundation (ACBF) to help develop systems that will accompany and complement the human resource development.

A. Reverse Linkages

111. Mali has a tremendous opportunity to benefit from reverse linkages with other IDB member countries. One of the areas of intervention during the MCPS is in value chain enhancement in agriculture to increase productivity and deepen poverty reduction. In this regard, IDB will support

reverse linkages with two member countries of the IDB family namely; Indonesia and Morocco. Indonesia is the largest producer of rice which is one of the products that Mali will try to increase production not only for domestic consumption but also for the regional market. In the 1970s, Indonesia was a major rice importer, but by 1985 self-sufficiency had been achieved after six years of annual growth rates in excess of 7 percent per year. From 1968 to 1989, annual rice production had increased from 12 million to 29 million tons, and yields had increased from 2.14 tons of paddy (wet rice growing) per hectare to 4.23 tons per hectare.[1] Indonesia has also acquired knowledge and skills agriculture extension, microfinance and artificial insemination of livestock which will be of benefit to Mali. In this regard, IDB will support skills and knowledge transfer for farmers as well as Agriculture extension workers from Indonesia.

112. Mali is in the Sahel and faces a challenging rain pattern. Fortunately Morocco, among the first countries in Africa to create artificial rain is also a member of the IDB family and has been cooperating with Mali in this area. Artificial rain creates a significant additional quantity of water, which has a direct impact on domestic irrigation and hydroelectric power. An economic assessment of Morocco's programme revealed that inducing 10 percent more rain can generate up to 3.37 percent in additional profit linked to the use of this water.

113. The main focus is Morocco's programme to develop artificial precipitation. Rain can be induced by flying through clouds and spreading a combination of silver, sodium and acetone. However, the technique functions properly only under specific conditions. In particular, clouds must be extremely cold. To determine when they have reached a suitable temperature, the sky must be observed with radar and other sophisticated technology. As a result Morocco has developed a high-tech procedure for meteorological monitoring which can be shared with Mali.

114. IDB will facilitate the exchange between Morocco and Mali by exploring the prospects of developing a watershed basin mechanism for an integrated, sustainable, decentralized, and participatory form of water management. The mechanism will determine the structure needed to assess, plan and managing water resources in the country's water basins.

115. IDB support to Mali is also to establish an Islamic Bank and to effectively do so, IDB will facilitate the sharing of knowledge and skills in Islamic Finance from Bahrain.

116. On the other hand, Mali has been able to development the institutional structures for political stability including the conduct of free and fair elections. This capacity can be shared with other members of the OIC.

B. Policy-relevant Analytical Studies

117. Analytical studies, funded through grant resources will be undertaken to inform policy advice to Government of Mali. These studies which will be decided with GoM will cover all the three pillars if necessary and will also inform

effective implementation of the interventions. A typical one would be an analytical study to enable the assessment of the potential non-traditional sources of development finance that can accrue to Mali. An expanded fiscal space for Mali is good both for Mali as it is able to have more latitude in addressing its development challenges and for IDB and other Development Partners, as Mali could be able, in the long run, to access non-concessional financing to the extent that the accrued fiscal space can allow.

VI. INDICATIVE FINANCING

118. In the course of the five-year period ending in 2010, an average of about US$31 million was disbursed in Mali by the IDB Group against an average approval of US$47 Million. This, representing about 67 percent delivery was mainly before the rationalization of the IDB through its reform programme in 2009. Since then the Bank structure has been rationalized with a more empowered Regional Office in Dakar which will play a pivotal role in the implementation of this MCPS. Furthermore, the enthusiasm that was garnered by the formulation of the MCPS, which will carry over through the implementation phase will also given an added impetus to programme delivery.

119. It is in these regards that the indicative financing for Mali for the 4-year duration of the MCPS is proposed at about US$ 500 million between IDB, ICD and ITFC. Given the rationale above, IDB funding per year is projected at US$50 million a year totaling about US$ 200 Million of which about US$ 78 million will be on Concessionary terms, US$ 120 million on Non-Concessionary terms and US$ 2 million will be technical assistance grant for capacity development. In the same vein ICD is proposed to fund about US$ 100 million and ITFC about US$200 million. Table 6 shows the disbursements and approvals for Mali from 2006 to 2010, while Table 7 details out the proposed indicative financing for the period.

Table 6: Disbursement and Approvals
(in US$ million)

	Disbursed	Approved
2006	15.6	16.1
2007	26.3	80.3
2008	24.9	7.1
2009	57.3	73.9
2010	32.7	57.1
5-Year total	**156.8**	**234.5**
Average	**31.36**	**46.9**

Source: IDB Country Department computation

VII. MONITORING AND EVALUATION

120. The results of the MCPS will be monitored through the Results Matrix in Annex 1 which ensures alignment of the Bank Group's support with select development objectives and results of Mali. In each year, a results-based Country Portfolio Performance Review (CPPR) will be undertaken focusing on MCPS results and execution. A full-fledged Mid-Term Review will be undertaken in early 2013 to determine the progress of implementation and make any amendments if necessary. The Regional Office in Dakar will assist in the annual follow-up of progress of the implementation.

Table 7: Indicative Financing Programme for IDB Group (US$ million)					
	2011	2012	2013	2014	Total
IDB	50.00	50.00	50.00	50.00	50.00
Financing Mode					
Concessionary	19.50	19.50	19.50	19.50	78.00
Ordinary	30.00	30.00	30.00	30.00	12.00
Technical Assistance	0.50	0.50	0.50	0.50	2.00
ICD (Islamic banking, energy, agro-processing, SMEs)	**25.00**	**25.00**	**25.00**	**25.00**	**100.00**
ITFC	**50.00**	**50.00**	**50.00**	**50.00**	**200.00**
Total	**125.00**	**125.00**	**125.00**	**125.00**	**500.00**

Source: IDB Country Department Computations

VIII. RISKS AND UNCERTAINTIES

121. The implementation of the MCPS in Mali would require taking into consideration the major risks and corresponding mitigation measures. The first risk is that of regional socio-political instability. Developments in Guinea and Ivory Coast can impact the effective implementation of the MCPS in Mali, however this risk is very low given the democratic culture rooted in Mali. The second risk is the weak capacity of public administration, which could be mitigated by putting in place Technical Assistance for Capacity Building in favor of the Administration. The last major risk to the Strategy proposed relates to exogenous shocks, notably climate change and fluctuations in international commodity prices that could impede the implementation of the program. This risk is being mitigated as the Government puts more and more emphasis on the diversification of the country's economy.

IX. CONCLUSIONS AND RECOMMENDATION

Conclusions

122. As a large landlocked country, Mali faces enormous challenges which revolve around a number of key constraints i.e: heavily dependence of the economy on agriculture and commodity exports; weak administrative capability; poor infrastructure; inadequate exploitation of regional markets; high cost of basic business services and factors of production; a small and fragile financial sector and limited and costly access to credit.

123. However, Mali can leverage a host of opportunities and strengths, with support from its development partners, to address these challenges. Mali's response to these challenges is its Growth and Poverty Reduction Strategies, which seek to achieve an average annual growth rate of 7 percent, so as to reduce poverty and accelerate progress towards attainment of the Millennium Development Goals (MDGs). The strategies are implemented through three pillars: (i) development of infrastructure and the productive sector; (ii) pursuance and consolidation of structural reforms; and (iii) strengthening of the social sector.

124. The Bank Group's support will be undertaken through three pillars: supporting growth through increased agricultural production and value chain enhancement; (ii) promoting regional integration through support to the transport and energy sectors and development of cross-border cooperation, and (iii) supporting private sector development through Islamic banking, trade finance and credit and political risk insurance. The choice of these pillars stems from the diagnosis of the country's major development constraints and lessons drawn from the implementation of its previous strategy. An indicative financing package of US$ 500M is estimated for the implementation of the strategies.

Recommendation

125. The IDB Group Management has assented the Group's intervention strategy and the financing programme proposed for Mali during the 2011-2014 period based on the three pillars and concentration sectors and the cross-cutting beam which have been jointly adopted with the Government of Mali.

ANNEXES

Annex 1 - Results Matrix

Pillar I -- Supporting growth (through increased agricultural production and value chain enhancement)					
Government Goals / Strategy	**Current Challenges/ Binding Constraints**	**Outcomes that the IDB Group Expects to Support**	**Intermediate Results that IDB Group Expects to Influence During the MCPS Period**	**IDB Interventions**	**Outputs**
Accelerate economic growth, improve food security and reduce poverty in the rural areas	**Low Crop productivity** for cotton and cereals (other than rice) **Under-equipped farming systems** esp. mechanization for modern agricultural practices **Under-developed agro-processing:** high post harvest losses, underdeveloped technologies for processing outputs. **Under-developed** irrigation potential **Natural resource management is** unsustainable--soil degradation, water resources depletion, loss of vegetative.	**Increased agricultural production and value added** (contributing therefore to *accelerating economic growth and improving food security of net-food producers)* **Increased rural household incomes** (contributing therefore to *reducing rural poverty* and improving food security of net food consumers)	**Higher agricultural productivity** **More adopted post harvest value-chain marketing and agri-business activities** **More developed land and water potential**	**Operational and financial support to the National Agricultural Development Fund** **Rainfed and low-land agriculture productivity improvement support** (in the Southern Sikasso region) **Full water control irrigated agriculture development support** (in the Office du Niger in the Segou Region) **Integrated agriculture and natural resources management support** (in the Niger Inner Delta of the Mopti and Timbuktu regions).	**More and better provision of high yielding agricultural inputs** **Expanded use of appropriate farm mechanization equipment** **More and efficient provision of agricultural services** **More developed farmer group and PPP-managed marketing, processing and agri-business** services **Expanded sustainably developed water managed areas** **Higher yield and higher value agricultural production** **More environmentally and socially sustainable and resource management of land, water and other natural resource**

Pillar 2 -- Promoting Regional Integration (through Transport Infrastructure Development and Energy Sectors and Development of Cross-border Cooperation

Government Goals / Strategy	Current Challenges/ Binding Constraints	Outcomes that the IDB Group Expects to Support	Intermediate Results that IDB Group Expects to Influence During the MCPS Period	IDB Interventions	Output
Improving the efficiency and performance of the transport of goods internally and externally; Improving transport infrastructure to facilitate trade, transport and transit.	Transport and transit costs are up to 50 percent higher than for countries with direct access to the sea translate loss of external competitiveness.	improved new road corridors to carry inter and intra-country traffic Increased trade within the sub-region, and between the sub-region and the rest of the world.	At least two new road corridors are opened to allow access to new sea ports. Volume of goods transported is increased among the countries of the sub-region.	Financing for the construction of key road sections. Participating in the financing of other modes of transport such as railway.	Key road sections are constructed.
Improve social and economic relations with member of ECOWAS countries through cross-border cooperation	Lack of organizational framework for cross-border cooperation Non-tariff barriers to the movement of goods and people	Establishment of organizational framework for cross-border cooperation and facilitating movements of goods and services Creating dynamism in border area markets Lower costs and greater reliability of infrastructure services	Substantive increase in economic activity in the border areas Construction of border crossing facilities and protocol Establishment of border market areas A 50 percent increase in the number of people crossing the border Substantial increase in the economic activity in the border zone	TA for replication of experience of cross-border cooperation between Syria and Turkey Construction of border crossing facilities Rehabilitation and expansion of local electricity and infrastructure in border in collaboration with donors	Mechanisms for facilitating cross-border cooperation Upgraded border and market facilities Better physical access and functioning of markets

Pillar 3 -- Support to Private Sector Development through Islamic and Trade Financing

Government Goals / Strategy	Current Challenges/ Binding Constraints	Outcomes that the IDB Group Expects to Support	Intermediate Results that IDB Group Expects to Influence During the MCPS Period	IDB Interventions	Outputs
Enabling a friendly business environment Establishment of industrial clusters around the sectors of competitive advantage Promote territory planning policy based on local/regional development Develop the national corporations, particularly the SMEs, Add value to the national production by promoting the consumption of the local production; Support the transformation of the informal sector into more organized businesses.	Lack of skilled staff Lack of Management skills (including planning), due reluctance to pay and retain skilled managers even where resources allow. Weak organisations as most companies are typically family-based businesses and the owner is dominant. Limited Market knowledge, which triggers lack of market data. Access to finance is difficult as banks are reluctant to lend given the scarcity of bankable projects. Limited use of IT given a lack of skills and of infrastructure.	Improve corporate governance Support SME development Enabling environment for Islamic finance/ private sector development Boost economic growth drivers initiatives/ projects Cooperation with private investors from other member countries	Implement reform of the banking law to enable a friendly environment for Islamic finance Support energy production projects Establish the Islamic bank of Mali Organize the International Investment Conference	SME development & promotion of Islamic financing Support private entrepreneur prepare bankable projects Help SMEs promote corporate governance Support cooperation with private investors from other member countries	Project development Facility Islamic Bank of Mali IPP project International Investment Conference

Pillar 3 -- Support to Private Sector Development through Islamic and Trade Financing (Continued)

Government Goals / Strategy	Current Challenges/ Binding Constraints	Outcomes that the IDB Group Expects to Support	Intermediate Results that IDB Group Expects to Influence During the MCPS Period	IDB Interventions	Outputs
a) Improved Export competitiveness b) Increase access to external trade finance	a) Limited access to external trade finance b) Constricted sea access corridors c) Transport bottleneck and costly	a) Better access to external finance for trade b) Increase intra trade (OIC)	a) Increase Trade Volume b) Contribute to Poverty alleviation c) Increase country's Export revenues d) Reduce import costs	**Planned actions** a) Provide external Trade finance facility to CMDT and Private sector companies b) TA to support the project for the Development of leather sector in West Africa	a) Increase Trade financing operations by approving at least euro 30 million per year b) Increase ITFC presence in Mali

Cross-cutting Theme: Capacity Building					
Government Goals / Strategy Source: PRSP III	**Current Challenges/ Binding Constraints**	**Outcomes that the IDB Group Expects to Support**	**Intermediate Results that IDB Group Expects to Influence During the MCPS Period**	**IDB Interventions**	**Output**
Growth and Poverty Reduction Strategy Paper 2007-2011: One of priority axis is the institution development and improvement of governance and participation **Strategy:** (1) Dev. of productive sectors (agriculture) and infrastructures (2) pursuance and consolidation of structural reforms (3) strengthening social sectors	1. Achievement of targets in PRSP1 were insufficient 2. Weaknesses between PRSP and Government Budget 3. Operational weaknesses of the follow-up, evaluation system 4. Weakness of performance indicators	**2 Specific objectives:** (1) Annual growth of 7 percent by creating wealth and generating employ. in growth oriented sectors (Agriculture, Infrastructure) (2) Improve the functioning of public services	Support to keys sectors of intervention will enable to promote human resource development Example: - The Agriculture sector will benefit from the IDB support - The Infrastructure sector will be supported - Other Ministries will also benefit	**Type of operations which will be used under HDE/STC:** - Stand alone Technical Assistance for keys priority sectors (Agriculture, Infrastructure); - Technical Cooperation Program for the promotion of Islamic Finance and other Ministries of Mali - Science and Technology	- Staff of the Ministries will be better skilled in project management, evaluation, analysis, preparation etc. Key Ministries will be equipped with IT and Office equipments - Transfer of know how and exchange of knowledge

Annex 2: Mali: Selected Socio-Economic Indicators

Indicator	Estimated					Projected				
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Population (million)	12.8	13.1	13.4	13.7	14.0	14.3	14.6	15.0	15.3	15.7
Real GDP (LCU*, Billion)	2,711.6	2,825.2	2,964.0	3,096.2	3,254.6	3,460.2	3,644.0	3,832.3	4,023.2	4,201.3
Real GDP Growth (%)	6.1	4.2	4.9	4.5	5.1	6.3	5.3	5.2	5.0	4.4
Nominal GDP (LCU, Billion)	3,201.5	3,424.6	3,905.9	4,222.0	4,589.0	5,014.5	5,399.1	5,826.7	6,274.5	6,708.4
Nominal GDP (US$, Billion)	6.1	7.2	8.8	9.0	9.5	10.3	11.1	11.9	12.7	13.6
PPP GDP (Current $, Billion)	13.2	14.2	15.2	16.0	17.0	18.3	19.6	21.0	22.5	23.9
GDP Deflator (Index)	118.1	121.2	131.8	136.4	141.0	144.9	148.2	152.0	156.0	159.7
Real GDP per capita (LCU, Billion)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3
GDP per capita (current, LCU Billion)	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4
GDP per capita (current, US$)	480.1	547.9	656.0	655.9	682.5	721.4	755.2	792.2	829.5	866.9
Consumer Price Index (2000=100)	114.1	115.8	126.4	129.1	131.8	135.3	139.1	143.0	147.0	152.1
Inflation (%)	1.5	1.5	9.1	2.2	2.1	2.6	2.8	2.8	2.8	3.4
Current account balance (US$, Billion)	-0.3	-0.6	-0.7	-0.9	-0.9	-0.9	-1.1	-1.1	-1.1	-1.2
Current account balance (% GDP)	-4.2	-7.8	-7.9	-9.7	-9.4	-9.2	-9.8	-9.0	-9.0	-9.1

*LCU = Local Currency Unit

Source: IMF's World Economic Outlook Database, April 2010

Annex 3: Mali: National Accounts, 2007-2012							
	2007	2008	2009		2010	2011	2012
		Estimated	Projected	Projected	Projected	Projected	Projected
			2nd review				
	(Annual percentage change, at constant prices)						
Primary sector	2.5	13.2	5.8	5.9	5.3	5.1	5.3
Agriculture	1.0	20.2	6.5	6.7	5.9	5.7	5.8
Food crops, excluding rice	6.4	14.4	6.1	6.1	4.0	5.0	5.0
Rice	2.6	48.5	6.6	6.0	8.0	6.0	6.0
Industrial agriculture, excluding cotton	8.0	22.0	11.9	9.0	9.0	5.0	5.0
Cotton	-41.1	-16.8	5.0	17.3	17.3	15.0	15.0
Livestock	4.6	4.0	4.2	4.2	4.2	4.0	4.0
Fishing and forestry	4.5	3.7	5.7	5.3	5.3	4.3	4.0
Secondary sector	-4.6	-4.6	0.9	3.4	4.7	5.6	5.9
Mining	-8.4	-6.4	-2.4	-0.6	2.6	3.2	4.3
Industry	-12.0	-14.4	-4.2	4.4	3.4	5.9	6.3
Agrobusiness	0.7	-20.0	-5.0	7.4	2.0	5.5	6.0
Textile	-19.9	-34.0	-10.5	-1.5	1.6	3.0	3.5
Others	-19.1	16.2	0.7	5.0	6.0	8.0	8.0
Energy	9.7	10.0	9.0	7.8	8.8	8.0	7.0
Construction and public works	8.7	4.5	7.5	6.0	7.0	7.0	7.0
Tertiary sector	10.4	4.1	4.2	3.3	4.1	4.8	5.2
Transportation and telecommunications	20.9	10.0	7.3	3.0	5.0	6.5	6.5
Trade	12.0	4.4	3.5	3.5	4.5	5.5	6.0
Financial services	5.0	2.0	4.5	3.5	3.5	5.0	5.0
Other nonfinancial services	7.9	1.0	5.1	5.1	4.7	5.0	4.0
Public administration	2.1	1.2	1.8	2.0	1.9	1.7	3.5
GDP (factor cost)	3.9	5.5	4.2	4.3	4.7	5.1	5.3
Indirect taxes	9.5	-2.0	3.0	4.0	6.0	6.0	6.0
GDP (market prices)	4.5	4.9	4.1	4.3	4.8	5.1	5.3
Nonmining real GDP	5.5	5.9	4.6	4.7	4.9	5.3	5.4
	(Percentage of GDP, unless otherwise indicated)						
Aggregate demand							
Consumption	88.0	90.1	89.5	89.3	90.1	89.1	88.1
Private consumption	73.9	77.6	75.4	75.5	76.3	75.2	74.0
Public consumption	14.1	12.6	14.1	13.8	13.6	13.9	14.2
Gross investment	21.0	20.8	19.3	18.4	19.7	20.9	21.7
Government	8.5	5.7	7.7	6.8	7.2	7.5	7.4
Non-government	12.5	15.1	11.6	11.5	12.5	13.4	14.3
Net Investment	10.3	11.5	9.5	9.5	10.5	11.5	12.5
Changes in inventories	2.2	3.6	2.1	2.0	2.0	1.9	1.8
Net foreign balance	-9.0	-10.9	-8.9	-7.7	-9.8	-10.1	-9.8
Gross national saving	13.3	12.9	11.4	12.2	11.7	12.3	13.2
Of which: domestic saving	12.0	9.9	10.5	10.7	9.9	10.9	11.9
Memorandum items:							
External current account balance[1]	-7.7	-7.8	-7.9	-6.1	-8.0	-8.6	-8.5
Nominal GDP (CFAF billions)	3,425	3,906	4,183	4,246	4,564	4,893	5,251
GDP deflator (annual percent change)	2.6	8.6	2.5	4.3	2.6	1.8	2.0

Sources: Malian authorities; and IMF staff estimates and projections.

[1] including official transfers.

Annex 4: Mali: Balance of Payments, 2007-2012							
	2007	2008	2009		2010	2011	2012
		Estimated	Projected	Projected	Projected	Projected	Projected
			2nd review				
	(CFAF billions)						
Current account balance							
Excluding official transfers	-324.5	-370.9	-405.7	-349.0	-463.4	-519.7	-552.3
Including official transfers	-262.2	-305.7	-331.9	-259.9	-363.4	-421.8	-447.3
Trade balance	-113.6	-201.0	-135.6	-76.1	-174.0	-209.8	-205.3
Exports, f.o.b.	733.7	895.2	845.1	978.4	1,010.3	1,065.9	1,164.5
Cotton fiber	109.6	85.8	60.7	60.9	55.2	80.2	73.8
Gold	546.9	656.1	679.8	737.2	752.3	790.4	850.0
Other	78.2	173.4	104.8	180.3	202.9	215.3	240.7
Imports, f.o.b.	-847.2	-1,098.2	-980.9	-1,054.5	-1,184.4	-1,275.7	-1,369.8
Petroleum products	-188.1	-259.6	-180.3	-182.0	-230.1	-253.6	-273.5
Foodstuffs	-125.5	-152.5	-144.0	-143.8	-147.7	-153.9	-158.9
Other	-533.6	-684.1	-656.6	-728.7	-806.6	-866.2	-937.4
Services (net)	-193.7	-224.8	-235.2	-250.2	-272.8	-282.0	-309.1
Credit	176.5	214.0	184.3	191.5	211.2	218.9	228.2
Debit	-370.2	-438.8	-419.5	-441.7	-484.0	-500.8	-537.3
Of which: freight and insurance	-188.6	-265.5	-237.8	-255.4	-286.9	-294.4	-316.1
Income (net)	-143.2	-109.2	-148.5	-155.4	-160.3	-181.9	-184.0
Of which: Interest due on public debt	-11.1	-12.5	-12.5	-12.5	-14.8	-10.0	-11.3
Transfers (net)	188.3	229.3	185.6	221.8	243.7	251.9	251.1
Private transfers (net)	126.0	164.1	111.8	132.7	143.6	154.0	146.0
Official transfers (net)	62.3	65.2	73.8	89.1	100.0	97.9	105.0
Of which: budgetary grants	27.9	25.0	46.6	46.6	54.4	48.9	52.5
Capital and financial account	252.0	308.3	330.3	460.3	320.9	393.5	427.6
Capital account (net)	141.7	139.5	181.2	158.2	140.6	152.5	164.4
Capital transfers	141.7	139.5	181.2	158.2	140.6	152.5	164.4
Debt forgiveness	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project grants	134.2	109.2	163.6	140.1	120.7	131.2	141.5
Financial account	104.4	168.8	149.1	302.1	180.3	240.9	263.5
Private (net)2	17.1	97.2	-3.0	125.5	41.7	75.7	84.3
Direct investment (net)	78.7	81.9	31.6	206.3	60.7	68.4	71.4
Portfolio investment private (net)	-1.0	2.4	4.4	4.4	4.4	4.7	5.1
Other private capital fows	-60.8	12.9	-39.0	-85.2	-23.5	2.6	7.8
Official (net)	87.3	71.6	152.1	176.6	138.7	165.3	179.0
Disbursements	118.7	99.9	186.0	158.0	172.6	188.3	203.1
Budgetary	18.0	29.1	45.9	45.9	29.9	34.3	36.8
Project related	100.7	70.8	140.1	112.1	142.7	154.1	166.4
Monetary authority	0.0	0.0	0.0	52.5	0.0	0.0	0.0
Amortization due with public debt	-31.4	-28.3	-33.9	-33.9	-33.9	-23.1	-24.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	5.9	-7.2	0.0	0.0	0.0	0.0	0.0
Overall balance	-10.1	-4.6	-1.5	200.4	-42.3	-28.4	-19.6
Financing	10.1	4.6	1.5	-200.4	42.3	28.4	19.6
Foreign assets (net)	-0.8	-6.3	-10.0	-211.9	30.0	28.4	19.6
Of which: IMF (net)	2.0	13.4	2.6	1.5	4.3	1.1	-0.9
HIPC Initiative assistance	10.7	10.9	11.5	11.5	12.4	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:	(Annual percentage changes, unless otherwise specified)						
External trade							
Export volume index	-10.8	-3.4	-3.5	-0.8	3.7	3.7	7.6
Import volume index	6.4	6.6	16.0	11.1	3.4	7.4	5.6
Export unit value	3.4	26.3	15.5	10.1	-0.4	1.7	1.5
Import unit value	3.4	20.3	-14.5	-13.4	8.6	2.7	2.1
Terms of trade	0.0	5.0	35.0	27.3	-8.4	-1.0	-0.5

Sources: Malian authorities; and IMF staff estimates and projections.

[1] Presented according to the Balance of Payments Manual (6th edition); 2008-2010 data after adjustment for MDRI.

[2] Reflects mainly investments in the gold sector; includes short-term capital flows.

Annex 4: Mali: Balance of Payments, 2007-2012 (Continued)							
	2007	2008	2009		2010	2011	2012
		Estimated	Projected	Projected	Projected	Projected	Projected
			2nd review				
	(in percent of GDP)						
Current account balance							
Excluding official transfers	-9.5	-9.5	-9.7	-8.2	-10.2	-10.8	-10.5
Including official transfers	-7.7	-7.8	-7.9	-6.1	-8.0	-8.6	-8.5
Trade balance	-3.3	-5.1	-3.2	-1.8	-3.8	-4.3	-3.9
Exports, f.o.b.	21.4	22.9	20.2	23.0	22.1	21.8	22.2
Cotton fiber	3.2	1.7	1.5	1.4	1.2	1.2	1.4
Gold	15.9	16.8	16.3	17.4	16.5	18.2	16.2
Other	2.3	4.4	2.5	4.2	4.4	4.4	4.6
Imports, f.o.b.	-24.7	-28.1	-23.5	-24.8	-26.0	-26.1	-26.1
Petroleum products	-5.5	-6.6	-4.3	-4.3	-5.0	-5.2	-5.2
Foodstuffs	-3.7	-3.9	-3.4	-3.4	-3.2	-3.1	-3.0
Other	-15.6	-17.5	-15.7	-17.2	-17.7	-17.7	-17.9
Services (net)	-5.7	-5.8	-5.6	-5.9	-6.0	-5.8	-5.9
Credit	-5.2	5.5	4.4	4.5	4.6	4.5	4.3
Debit	-10.8	-11.2	-10.0	-10.4	-10.6	-10.2	-10.2
Of which: freight and insurance	-5.5	-6.8	-5.7	-6.0	-6.3	-6.0	-6.0
Income (net)	-4.2	-2.8	-3.5	-3.7	-3.5	-3.7	-3.5
Of which: Interest due on public debt	-0.3	-0.3	-0.3	-0.3	-0.3	-0.2	-0.2
Transfers (net)	5.5	5.9	4.4	5.2	5.3	5.1	4.8
Private transfers (net)	3.7	4.2	2.7	3.1	3.1	3.1	2.8
Official transfers (net)	1.8	1.7	1.8	2.1	2.2	2.0	2.0
Of which: budgetary grants	0.8	0.8	1.1	1.1	1.2	1.0	1.0
Capital and financial account	7.4	7.9	7.9	10.8	7.0	8.0	8.1
Capital account (net)	4.1	3.6	4.3	3.7	3.1	3.1	3.1
Capital transfers	4.1	3.6	4.3	3.7	3.1	3.1	3.1
Debt forgiveness	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project grants	3.9	2.8	3.9	3.3	2.6	2.7	2.7
Financial account	3.0	4.3	3.6	7.1	4.0	4.9	5.0
Private (net)2	0.5	2.5	-0.1	3.0	0.9	1.5	1.6
Direct investment (net)	2.3	2.1	0.8	4.9	1.3	1.4	1.4
Portfolio investment private (net)	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Other private capital fows	-1.8	0.3	-0.9	-2.0	-0.5	0.1	0.1
Official (net)	2.6	1.8	3.6	4.2	3.0	3.4	3.4
Disbursements	3.5	2.6	4.4	3.7	3.8	3.8	3.9
Budgetary	0.5	0.7	1.1	1.1	0.7	0.7	0.7
Project related	2.9	1.8	3.3	2.6	3.1	3.1	3.2
Monetary authority	0.0	0.0	0.0	1.2	0.0	0.0	0.0
Amortization due with public debt	-0.9	-0.7	-0.8	-0.8	-0.7	-0.5	-0.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	0.2	-0.2	0.0	0.0	0.0	0.0	0.0
Overall balance	-0.3	-0.1	0.0	4.7	-0.9	-0.6	-0.4
Financing	0.3	0.1	0.0	4.7	0.8	0.6	0.4
Foreign assets (net)	0.0	-0.2	-0.2	-5.0	0.7	0.6	0.4
Of which: IMF (net)	0.1	0.3	0.1	0.0	0.1	0.0	0.0
HIPC Initiative assistance	0.3	0.3	0.3	0.3	0.3	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Malian authorities; and IMF staff estimates and projections.

[1] Presented according to the Balance of Payments Manual (6th edition); 2008-2010 data after adjustment for MDRI.

[2] Reflects mainly investments in the gold sector; includes short-term capital flows.

Annex 5: Mali: Central Government Consolidated Financial Operations, 2007-2012							
	2007	2008	2009		2010	2011	2012
		Estimated	Projected	Projected	Projected	Projected	Projected
			2nd review				
	(CFAF billions)						
Revenue and grants	730.3	741.5	907.3	917.0	947.5	1,011.3	1,096.6
Total revenue	569.9	607.3	697.1	706.8	772.5	831.2	902.6
Budgetary revenue	509.4	540.6	625.6	635.3	701.0	754.5	819.6
Tax revenue	487.2	519.4	599.6	609.3	674.1	725.5	788.1
Direct taxes	142.8	149.7	175.4	181.4	187.7	196.3	212.6
Indirect taxes	344.4	369.7	424.2	427.9	486.3	529.1	575.5
VAT	194.4	200.8	230.2	232.1	275.7	298.0	322.3
Excises on petroleum products	36.6	35.2	37.7	37.7	22.5	24.6	26.9
Import duties	62.4	64.3	86.5	87.6	91.0	100.8	111.3
Other Indirect taxes	85.1	91.9	77.3	77.3	99.1	105.7	115.1
Tax refund	-34.1	-22.5	-7.5	-6.8	-2.0	-2.0	-2.1
Nontax revenue	22.2	21.2	26.0	26.0	26.9	29.1	31.5
Special funds and annexed budgets	60.5	66.7	71.5	71.5	71.5	76.7	83.0
Grants	160.4	134.2	210.2	210.2	175.1	180.1	194.0
Projects	79.6	54.6	117.5	94.0	79.8	86.2	93.0
Sectoral	50.6	54.8	46.1	46.1	40.9	44.9	48.5
General	27.9	25.0	46.6	46.6	54.4	48.9	52.5
MDRI grants	2.3	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending	839.0	828.2	1,077.1	1,047.4	1,122.6	1,212.9	1,306.2
Budgetary expenditure	826.1	753.9	994.6	966.9	1,039.8	1,140.2	1,227.1
Current expenditure	437.1	459.1	562.4	581.1	602.3	650.0	711.3
Wages and salaries	162.9	186.0	217.1	217.1	235.8	256.5	277.3
Goods and services	161.3	164.7	179.1	201.3	214.1	226.2	253.9
Transfers and subsidies	99.1	94.3	135.7	146.9	133.4	152.1	163.6
Interest	13.9	14.1	14.8	15.8	19.9	15.2	16.5
Of which: domestic	2.7	1.6	2.3	3.3	5.1	5.1	5.1
Capital expenditure	389.0	294.9	432.2	385.9	437.5	490.2	515.8
Externally financed	227.6	172.8	303.7	252.2	263.3	285.2	307.8
Domestically financed	161.4	122.1	128.5	133.7	174.2	205.0	208.0
Special funds and annexed budgets	60.5	66.7	71.5	71.5	71.5	76.7	83.0
Net lending	-47.6	7.6	11.0	9.0	11.3	-4.0	-4.0
Overall fiscal balance (excl. grants)	-269.1	-220.9	-380.1	-340.6	-350.2	-361.7	-403.6
Overal fiscal balance (incl. grants)	-108.7	-86.7	169.9	-130.4	-175.1	-201.6	-209.6
Adjustment to cash basis	5.2	49.2	-87.6	-93.8	-3.5	10.4	5.3
Overall balance (cash basis, incl. grants)	-103.5	-37.5	-257.5	-224.2	-178.6	-191.2	-204.3
Financing	103.5	37.5	257.5	224.3	178.6	191.2	204.3
External financing (net)	98.0	82.5	163.6	135.6	151.0	165.3	179.0
Loans	118.7	99.9	186.0	158.0	172.6	188.3	203.1
Project loans	100.7	70.8	140.1	112.1	142.7	154.1	166.4
Budgetary loans	18.0	29.1	45.9	45.9	29.9	34.3	36.8
Amortization	-31.4	-28.3	-33.9	-33.9	-33.9	-23.1	-24.1
Debt relief	10.7	10.9	11.5	11.5	12.4	0.0	0.0
Domestic financing (net)	5.5	-45.0	93.9	88.7	27.6	25.9	25.3
Banking system	11.5	-32.6	104.6	-77.9	62.9	50.9	45.3
Net credit to the government	11.5	-32.6	104.6	-77.9	62.9	50.9	45.3
IMF (net)	1.9	12.5	3.0	3.0	2.1	1.5	-0.9
Central Bank credit (net)	-1.1	-2.3	-2.4	46.9	-2.5	-5.0	-4.9
Other	10.6	-42.8	104.0	-127.8	63.3	54.4	51.1
Other domestic financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts	0.7	39.1	13.0	180.4	3.3	0.0	0.0
Other financing	-6.7	-51.5	-23.7	-13.8	-38.6	-25.0	-20.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items	56.8	65.0	104.0	104.0	96.7	83.2	69.3
Basic fiscal balance	-30.8	-37.3	-65.0	-77.0	-74.5	-96.5	-95.7
Underlying basic fiscal balance	-30.8	-37.3	-65.0	-61.0	-49.5	-56.5	-58.7
Domestic government saving	72.3	81.5	63.1	54.2	98.7	104.5	108.3
External budgetary assistance	45.9	54.1	92.5	92.5	84.3	83.2	89.3
Wage bill over tax revenue	33.4	35.8	36.2	35.6	35.0	35.4	35.2

Sources: Ministry of Finance; and IMF staff estimates and projections.

Annex 5: Mali: Central Government Consolidated Financial Operations, 2007-2012 (Continued)							
	2007	2008	2009		2010	2011	2012
		Estimated	Projected	Projected	Projected	Projected	Projected
			2nd review				
	(CFAF billions)						
Revenue and grants	21.3	19.0	21.7	21.6	20.8	20.7	20.9
Total revenue	16.6	15.5	16.7	16.6	16.9	17.0	17.2
Budgetary revenue	14.9	13.8	15.0	15.0	15.4	15.4	15.6
Tax revenue	14.2	13.3	14.3	14.3	14.8	14.8	15.0
Direct taxes	4.2	3.8	4.2	4.3	4.1	4.0	4.0
Indirect taxes	10.1	9.5	10.1	10.1	10.7	10.8	11.0
VAT	5.7	5.1	5.5	5.5	6.0	8.1	6.1
Excises on petroleum products	1.1	0.9	0.9	0.9	0.5	0.5	0.5
Import duties	1.8	1.6	2.1	2.1	2.0	2.1	2.1
Other Indirect taxes	2.5	2.4	1.8	1.8	2.2	2.2	2.2
Tax refund	-1.0	-0.6	-0.2	-0.2	0.0	0.0	0.0
Nontax revenue	0.6	0.5	0.6	0.6	0.6	0.6	0.6
Special funds and annexed budgets	1.8	1.7	1.7	1.7	1.6	1.6	1.6
Grants	4.7	3.4	5.0	4.9	3.8	3.7	3.7
Projects	2.3	1.4	2.8	2.2	1.7	1.8	1.8
Sectoral	1.5	1.4	1.1	1.1	0.9	0.9	0.9
General	0.8	0.6	1.1	1.1	1.2	1.0	1.0
MDRI grants	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending	24.5	21.2	25.8	24.7	24.6	24.8	24.9
Budgetary expenditure	24.1	19.3	23.8	22.8	22.8	23.3	23.4
Current expenditure	12.8	11.8	13.4	13.7	13.2	13.3	13.5
Wages and salaries	4.8	4.8	5.2	5.1	5.2	5.2	5.3
Goods and services	4.7	4.2	4.3	4.7	4.7	4/6	4.8
Transfers and subsidies	2.9	2.4	3.2	3.5	2.9	3.1	3.1
Interest	0.4	0.4	0.4	0.4	0.4	0.3	0.3
Of which: domestic	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Capital expenditure	11.4	7.5	10.3	9.1	9.6	10.0	9.8
Externally financed	6.6	4.4	7.3	5.9	5.8	5.8	5.9
Domestically financed	4.7	3.1	3.1	3.1	3.8	4.2	4.0
Special funds and annexed budgets	1.8	1.7	1.7	1.7	1.6	1.6	1.6
Net lending	-1.4	0.2	0.3	0.2	0.2	-0.1	-0.1
Overall fiscal balance (excl. grants)	-7.9	-5.7	-9.1	-8.0	-7.7	-7.8	-7.7
Overal fiscal balance (incl. grants)	-3.2	-2.2	-4.1	-3.1	-3.8	-4.1	-4.0
Adjustment to cash basis	0.2	1.3	-2.1	-2.2	-0.1	0.2	0.1
Overall balance (cash basis, incl. grants)	-3.0	-1.0	-6.2	-5.3	-3.9	-3.9	-3.9
Financing	3.0	1.0	6.2	5.3	3.9	3.9	3.9
External financing (net)	2.9	2.1	3.9	3.2	3.3	3.4	3.4
Loans	3.5	2.6	4.4	3.7	3.8	3.8	3.9
Project loans	2.9	1.8	3.3	2.6	3.1	3.1	3.2
Budgetary loans	0.5	0.7	1.1	1.1	0.7	0.7	0.7
Amortization	-0.9	-0.7	-0.8	-0.8	-0.7	-0.5	-0.5
Debt relief	0.3	0.3	0.3	0.3	0.3	0.0	0.0
Domestic financing (net)	0.2	-1.2	2.2	2.1	0.6	0.5	0.5
Banking system	0.3	-0.8	2.5	-1.8	1.4	1.0	0.9
Net credit to the government	0.3	-0.8	2.5	-1.8	1.4	1.0	0.9
IMF (net)	0.1	0.3	0.1	0.1	0.0	0.0	0.0
Central Bank credit (net)	0.0	-0.1	-0.1	1.1	-0.1	-0.1	-0.1
Other	0.3	-1.1	2.5	-3.0	1.4	1.1	1.0
Other domestic financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts	0.0	1.0	0.3	4.2	0.1	0.0	0.0
Other financing	-0.2	-1.3	-0.6	-0.3	-0.8	-0.5	-0.4
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items							
Basic fiscal balance	-0.0	-1.0	-1.6	-1.8	-1.6	-2.0	-1.8
Underlying basic fiscal balance	-0.9	-1.0	-1.6	-1.4	-1.1	-1.2	-1.1
Domestic government saving	2.1	2.1	1.5	1.3	2.2	2.1	2.1
External budgetary assistance	1.3	1.4	2.2	2.2	1.8	1.7	1.7

Sources: Ministry of Finance; and IMF staff estimates and projections.

[1]Total revenue less current noninterest spending and net lending, excluding grants, externally financed capital expenditures, and HIPC-financed spending.

Annex 6: Mali: Monetary Survey, 2007-2012								
	2007	2008	2009			2010	2011	2012
	December	December	September	December	December	December	December	December
			Projected	Projected	Projected	Projected	Projected	Projected
			2nd review					
	(In billions of CFAF francs)							
New Foreign Assets	526.4	496.2	699.5	516.2	718.1	698.1	674.7	660.1
BCEAO	460.5	466.8	636.6	476.6	678.7	648.7	620.4	600.7
Commercial Banks	65.9	29.4	62.9	39.4	39.4	49.4	54.4	59.4
Net Domestic Assets	491.9	527.4	388.8	609.2	609.2	605.8	703.7	798.5
Credit to the government (net)	-123.5	-156.2	-319.3	-51.6	-51.6	-171.2	-120.2	-74.9
BCEAO, net	-0.1	5.5	-206.6	...	...	...	...	...
Commercial banks	-122.9	-161.7	-112.7	...	...	...	...	...
Other	0.5	0.0	0.0	...	...	...	...	...
Credit to the economy	618.3	671.2	738.4	673.7	728.9	809.9	856.8	906.3
Other items (net)	-2.9	12.4	-30.3	-12.9	-32.9	-32.9	-32.9	-32.9
Money supply (M2)	1,018.3	1,023.6	1,088.3	1,125.4	1,180.0	1,303.9	1,378.4	1,458.6
Currency outside banks	323.9	317.1	291.4	348.6	354.0	391.2	413.5	437.6
Bank deposits	694.4	706.6	796.9	776.8	826.0	912.7	964.9	1,021.0
Memorandum item:								
Base Norway (M0)	467.5	491.1	443.5	515.2	540.2	596.9	631.0	667.7
Gross international reserves BCEAO	477.4	497.3	666.8	510.0	760.1	734.6	707.3	682.6
in percent of broad money	46.9	48.6	61.3	45.3	64.4	56.3	51.3	46.8
	(In percent of beginning-of-period broad money)							
Contribution to the growth of broad money								
Money supply (M2)	9.3	0.5	6.3	9.9	15.3	10.5	5.7	5.8
Net foreign assets	0.3	-3.0	19.9	2.0	21.7	-1.7	-1.8	-1.1
BCEAO	0.1	0.6	16.6	1.0	20.7	-2.5	-2.2	-1.4
Commercial banks	0.2	-3.6	3.3	1.0	1.0	0.8	0.4	0.4
Net domestic assets	9.0	3.5	-13.5	8.0	-6.4	12.2	7.5	6.9
Credit to the central government	0.5	-3.2	-15.9	10.2	-7.5	5.3	3.9	3.3
Credit to the economy	4.6	5.2	6.6	0.2	5.6	6.9	3.6	3.6
Other items net	3.9	1.5	-4.2	-2.5	-4.4	0.0	0.0	0.0
	(Variation in percent, unless otherwise specified)							
Money supply (M2)	9.3	0.5	6.3	9.9	15.3	10.5	5.7	5.8
Base money (M0)	4.0	5.0	-9.7	4.9	10.0	10.5	5.7	5.8
Credit to the economy	7.5	8.5	10.0	0.4	8.6	11.1	5.8	5.8
Velocity (GDP/M2)	3.4	3.8	3.9	3.7	3.6	3.5	3.6	3.6
Money Multiplier (M2/M0)	2.2	2.1	2.6	2.2	2.2	2.2	2.2	2.2
Currency outside banks / M2	31.8	31.0	26.8	31.0	30.0	30.0	30.0	30.0

Sources: BCEAO; and Fund staff estimates and projections.

Annex 7: Mali: WAEMU Convergence Criteria, 2007-2012								
	Criterion	**2007**	**2008**	**2009**	**2009**	**2010**	**2011**	**2012**
				Projected	**Projected**	**Projected**	**Projected**	**Projected**
	(Ratios in percent, unless otherwise indicated)							
Primary criteria								
Basic fiscal balance/GDP	>=0	-0.9	-1.0	-1.6	-1.4	-1.1	-1.2	-1.1
Inflation (annual average percentage change)	<=3	1.5	9.1	2.5	2.2	1.2	1.6	2.0
Total nominal debt/GDP	<=70	19.4	21.6	38.7	22.5	23.8	25.3	26.9
Domestic arrears accumulation (CFAF billions)	<-0	0.0	0.0	0.0	-87.6	0.0	0.0	0.0
External arrears accumulation (CFAF billions)	<=0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Secondary criteria								
Wages / fiscal revenue	<=35	33.4	35.8	36.2	35.6	35.0	35.4	35.2
Domestically financed investment/ fiscal revenue	>=20	31.7	22.6	20.5	21.0	24.9	27.2	25.4
Current account deficit, excl. current official transfers/	<=5	-9.5	-9.5	-9.7	-8.2	-10.2	-10.6	-10.5
Tax revenue/GDP	>=17	14.2	13.3	14.3	14.3	14.8	14.8	15.0

Sources: Malian authorities; and IMF staff estimates and projections.

Annex 8: IDB Operations in Mali (1978 - 2010)			
	No. of Operations	**Amount**	
		US$ (million)	**%**
Sector			
Agriculture	11	81.1	17.4
Education	5	21.2	4.6
Energy	17	158.9	34.2
Finance	3	8.3	1.8
Health	7	19.3	4.1
Industry	1	0.3	0.1
Multisector	13	57.1	12.3
Transport	24	92.8	20.0
Water	4	26.2	5.6
Total	**85**	**465.2**	**100.0**
Financing mode			
Installment Sale	2	25.09	5.4
Istisnaa	2	42.78	9.2
Leasing	1	60.43	13.0
Line	2	7.00	1.5
Loan	58	325.11	69.9
Loan ISFD	*2*	*40.84*	*8.8*
Loan LDMC	*10*	*21.77*	*4.7*
Loan	*35*	*254.84*	*54.8*
TA Loan	*11*	*7.66*	*1.6*
Grants	20	4.82	1.0
Total	**85**	**265.22**	**100.0**

Sources: Malian authorities; and IMF staff estimates and projections.