Board Meeting of May 26, 1998
Statement by Andrei Bugrov

Mali - Country Assistance Strategy

We welcome this opportunity to discuss the first joint IDA-IFC CAS for the Republic of Mali, broadly support the proposed strategy, and also commend the Staff for the preparation of this important document.

We are pleased to see that the strategy is based on a development vision and the priorities that Mali has set for itself have been articulated in a recent document “Propositions pour une croissance accélérée et de développement à l’horizon 2010”. Within this framework, the CAS supports the development agenda which has been determined by the Government for the medium term.

It is indeed encouraging that the proposed strategy derives important lessons from the implementation of the previous CAS. We appreciate the self-critical and open approach with respect to the successes of the previous Bank group strategies for Mali. But we nevertheless feel some uneasiness while reading the summary of “What worked well” and “What worked less well”. In fact, the only significant improvements that have been achieved have been in macro-economic management -- mainly the area for IMF actions. Key structural reforms in areas designated for the Bank have not been implemented or remain unfinished. This gap between improved macro-management and stalled structural reforms creates serious tensions and endangers the sustainability of the present macro-economic framework. One also can get the impression that the Bank failed in implementing its mission in Mali. But we believe that this reflects rather the over-optimism of the previous CAS which has been analyzed in respective OED works.

The new CAS seems to be more realistic. It recognizes the Government’s limited capacity to effectively implement difficult and sensitive reforms, as well as a weak commitment to some key sector policies. Accordingly, a less complex and more pragmatic approach with a focus on two core areas is suggested. One area is human development, including basic education, primary health service, malnutrition and family planning. The other is rural development with an emphasis on IDA and rural infrastructure and an IFC emphasis on small and medium agro-businesses. We support this approach which also manifests an increased strategic selectivity of the Bank Group’s assistance to Mali.
We generally agree with the volume, composition and triggers of the proposed Bank assistance program and support its base-case lending scenario. One major suggestion that we have relates to the non-lending activity -- namely, we would like to stress the need for more attention to poverty analysis.

Mali is one of the poorest countries in the world with per capita income of US$240, severe malnutrition, inadequate basic health services and a very low primary school enrollment ratio. The country is highly vulnerable to droughts and food shortages. Poverty is deep and widespread. The most distressing fact however is that, according to estimates, the incidence of poverty increased from about 41 percent in 1989 to about 70 percent in 1996.

It is very disadvantageous that in this troublesome situation the CAS lacks a thorough and comprehensive analysis of poverty. We strongly believe that for countries such as Mali such an analysis is absolutely necessary. Otherwise the Bank runs the risk of compromising its reputation as the major poverty-fighting international organization. Therefore, while we note that the CAS envisages another poverty profile update in FY00, we urge for a speedy preparation of a full-fledged Poverty Assessment for Mali.

This CAS document is the first of nine pilots for CAS self-evaluation. Though this undertaking is most welcome, we regret to note that the quality of the country performance and Bank self-evaluation indicators presented in the Country Assistance Strategy Matrix (Annex B9) are very uneven. Some of them are much too vague to be monitorable, some do not seem operationally meaningful, and some are missing (e.g., those which relate to poverty reduction).

This CAS document is remarkable in a sense that it represents one of the few examples of a realistic assessment of the nascent private sector in a poor country as well as the Bank Group’s joint strategy in the area of private sector development. We are especially pleased to see that the proposed strategy is based upon consultations with representatives of the domestic private sector which attaches to it a needed degree of realism. Natural factors, weak financial sector, infrastructure bottlenecks as well as serious legal and institutional constraints hamper private sector development in Mali. Due to these weaknesses, privatization and parastatal reform have not brought about the expected results in terms of increased efficiency and alleviating the strain on the budget. The proposed joint strategy aimed at enhancing the growth prospects and removing the existing impediments to private sector development seems to be very appropriate. It also appropriately addresses the major issues in the domestic financial sector since these weaknesses can become a major source for economic distress. We believe that the Bank Group can play a crucial role in promoting private sector development in a country such as Mali. While commending the Staff on preparing a good strategy paper we are also looking forward to a progress report describing the results and lessons learned in this extremely complex but very important endeavor.