Mali

Economic Policy and Public Finance Management Credit

The Economic Policy and Public Finance Management Credit (EPPFMC) was part of the CAS base case lending scenario of budget support operations. The thematic coverage of the EPPFMC focused on policy and institutional issues in macro, public finance, and selected sector areas. It complemented self-standing sector investment operations covering health, education, rural infrastructure, agricultural competitiveness, support to growth, and transport corridors.

The EPPFMC aimed to: (i) promote growth and poverty reduction through (a) strengthening macroeconomic and fiscal management and (b) implementing key actions underpinning Mali’s long-term growth and competitiveness; and, (ii) improve efficiency, accountability, and transparency in public finance management through strengthening (a) public expenditure management at central and decentralized levels and (b) the public procurement system.

Impact on the ground

The operation was successful in achieving its objectives, and the Government’s actions under the operation have paved the way toward achieving most of the desired outcomes.

- **Growth:** The Government established a mechanism to minimize the risks of cotton sector deficits and their potential impact on the budget (a tri-partite protocol was signed with farmer organizations and the CMDT to regulate the setting of the cotton producer price in line with international market developments). The price mechanism has been implemented successfully for two crop seasons (2005-06 and 2006-07), resulting in additional price payments to the producers,
- **Financial Sector.** Recapitalization, restructuring, and improved management of the Mali Housing Bank (*Banque de l’Habitat du Mali* – BHM) has enabled it to resume its lending activities and lift all ceilings on deposit withdrawals. The Mali International Bank (*Banque Internationale pour le Mali* – BIM) was also restructured with a view to its privatization and its information system is being modernized.

- **Micro-finance.** The Government separated the supervisory from the promotion activity, placing them in two separate entities. In view of the concentration of the sector, the promotion activities are expected to encourage new entrants, particularly in geographic areas with a minimal presence of microfinance institutions.

- **Private sector development.** For export promotion, in October 2006 the Government adopted an arrêté, removing the expertise tax on handicraft exports that was previously collected by the national museum. This should enhance the export performance of the crafts sector, and strengthen the capacity of artisans. The Government has also started to establish norms and standards that will allow agricultural products to comply with export markets requirements.

- **Trade facilitation.** With the support of the EU and France, Mali launched a program during 2004-2007 to improve customs performance. Some computerization of customs procedures has been implemented under the program. The efficiency of customs clearance has improved, and the cost to the private sector has fallen.

- Under the National Rural Infrastructure Program (PNIR), the Government is piloting two financing mechanisms to attract private sector financing of irrigation.

- The Malian authorities are addressing the issue of high transportation and transit costs that hinder growth, by commencing implementation of an integrated *road transport and transit facilitation* program.

### Lessons learned

- For a country such as Mali, with weak institutional and administrative capacities, it is important to be realistic on what can be achieved, and be selective on which issues are undertaken within a short timeframe. This lesson was adhered to in the EPPFMC.

- The operation demonstrated the merits of including in Mali’s policy-based lending operations, policy and institutional reform measures complementary to and supportive of ongoing sector operations.

- A complete M&E/Results framework must be developed to enable clear assessment of program outcomes. Absence of clear baseline values or target years in the EPPFMC results framework did not permit measurement of achievements after the one year horizon of the operation. However, this deficiency has been rectified with the fully developed results framework under the follow-on PRSC-1 operation.

- Policy measures should be better matched to the objectives sought. In the Mali cotton case, although the cotton reform actions were and continue being implemented, the cotton sector remains in a precarious financial situation due not only to weak management but also to (a) stagnant or adverse international cotton prices and (b) an appreciating currency, resulting in lower local-currency denominated revenues on marketed cotton.