I. Introduction and Context

Country Context

Mali is a poor landlocked country with a narrow natural resource base and a rapidly expanding population (net growth rate of 3.6 percent per year) of 14.5 million in 2010. With an average 5 percent annual GDP growth during the last decade, Mali has made important progress towards poverty reduction: according to recent household survey (ELIM 2010), poverty headcount declined from 55.6 percent in 2001 to 43.6 percent in 2010. Yet poverty is widespread, and in 2010, an estimated 5.5 million of the population continues to live below the monetary poverty line, with 22 percent living below the food poverty line and are permanently food insecure. Income poverty remains a largely rural phenomenon where over 90 percent of the poor reside and there are significant regional disparities in poverty (Sikasso, Segou, Mopti, Koulikoro account for 4.6 million of the total poor population). Moreover, the country ranks 160 out of 169 countries in UNDP’s 2011 Human Development Index, unchanged from its 2010 ranking. The rapid demographic growth has jeopardized the provision of human capital investments and has important consequences for the economy and food security. In fact, as a result of insufficient GDP growth and high population growth, none of the MDGs is likely to be achieved by 2015.

Mali has maintained a good track record in macroeconomic management, but given the rising importance of agriculture in growth performance, the country remains vulnerable to climatic conditions as well as commodity price fluctuations (primarily of cotton, oil and gold). Moreover vulnerabilities to external shocks remain as the country faces increased external uncertainties that have increased with the political crisis in Cote d’Ivoire and the ongoing political turmoil in the Middle East and North Africa Countries, notably Libya. These crises appear to have already had an estimated impact of 0.6 percent of GDP in 2011 due to higher transportation cost, losses of remittances, and lower exports and foreign direct investment.

Mali’s high vulnerability to a variety of shocks has increased the demand for social safety nets (SSN) programs. The scope and coverage of the existing SSN system is too limited and most interventions (mainly food transfers) are small in scale, designed as temporary programs, fragmented and financed by external and ad hoc resources. Spending on SSN programs only corresponds to 0.5 percent of GDP, while over 22 percent of the population is food insecure. The recent World Bank review (Report No. 53222-ML) of SSN programs concluded that it is not known what proportion of this spending reaches the poor, as these resources are spent primarily on untargeted programs that disproportionately benefit the rich. For instance, general food subsidies, accounted for nearly 50 percent of government-financed safety nets in 2008. Furthermore, the analysis highlights the fact that isolated interventions cannot fully address the needs of the poorest and most vulnerable in Mali. The review points to the need to improve the effectiveness of existing programs and design new programs to complement existing SSN programs and proposes various intervention options. Thus, given the needs of the chronic poor and the limited fiscal space available for SSN programs, an allocation of scarce resources to well targeted and cost-efficient programs are necessary.

Sectoral and Institutional Context
Since the existing safety nets mechanisms are inadequate and limited, fighting poverty, improving living conditions and increasing access to basic social services is a current Government priority as expressed in the Government third generation of Growth and Poverty Reduction Strategy Framework (GPRSF III) (2012-2017) under preparation. The overall objective of the GPRSF III is to make Mali into an emerging country and an agricultural powerhouse, with a good quality of life for the people, both men and women. The GPRSF III is based on three strategic areas: (i) promote the accelerated, diversified and sustainable growth and creator of jobs and activities that generate income, (ii) strengthen the foundations for long-term development and equitable access to quality social services, (iii) support institutional development and governance. In addition, the 2012-2017 GPRSF contains a number of cross-cutting dimensions to take into account gender, environment, population issues / development, peace and security, regional integration, the targeting of the poor and protecting the population against vulnerabilities.

The poverty and vulnerability analysis clearly show that Mali needs a differentiated approach to respond to the needs of various groups. In rural areas where poverty combined with food insecurity, protecting the human capital from depletion should be a priority in the short term. In parallel interventions aimed at creating rural assets and improving agriculture productivity should be pursued. In urban areas, where the poor are most vulnerable to price fluctuations, increasing their purchasing power should be a priority. In parallel increasing people#s employability through skills and capacity should be pursued so they can take advantage of new job opportunities as the economy develops and grow. SSN can play an important role in protecting the human capital from depletion, providing temporary income generating activities and helping smooth consumption during times of crisis and shocks. Mali has already some experience with Cash transfers (Bourse Maman of UNICEF and Cash transfers of OXFAM) and public works. Lessons from these experiences will be integrated in the proposed project design.

To set up a permanent SSN system that meets the needs of the country, the Malian government is, consequently, keen to focus on two areas: (i) strengthen the policy and establish the institutional, financial and monitoring and evaluation framework for a permanent SSN system; and (ii) launch large scale cash transfer programs and public works as part of the SSN system in 2012/13 that could be used to fight against chronic poverty, and expanded in times of crisis. The aim of such programs is likely to be its scalability # that is, the ability to expand the schemes in times of crisis in order to help shield vulnerable sections of the population from climatic and exogenous shocks.

Given the effort underway and the interest of the authorities, the new PRSC series for Mali will support the authorities to develop a permanent social safety net system for the most vulnerable as well as assisting in improving the financial sustainability and efficiency of the pension system. These efforts are in line with the second strategic axis of the GPRSF III, which intends to strengthen the long-term development foundations and equitable access to quality social services, in this case through improvement in the provision of social welfare. With regards to developing a permanent SSN system, the PRSC series support includes the following measures (i) establishing a SSN subcommittee; (ii) operationalizing an institutional system for anchoring SSN (ensuring staff, budget allocations and equipment as well as coordination across multiple ministries) (trigger for PRSC 7 for FY13); (iii) establishing an operational system for SSN monitoring and evaluation ; and (iv) the design and launch of a permanent system of cash transfers and public works targeted to the poorest that can be extended in period of crises (trigger for PRSC 8 for FY14).

Relationship to CAS

The proposed project is consistent with the Bank#s Country Assistance Strategy (CAS) for Mali as noted in the CAS Progress Report (CASPR) discussed at the Board in April 2011. Particularly it is aligned with the CAS Objectives 2 (strengthen public sector performance) to improve delivery of basic services and protection of the vulnerable while providing temporary jobs for those in need. The CASPR suggests a two-stage approach towards social protection: assisting in the short term the poorest and most vulnerable population groups to cope with shocks, while moving towards developing an efficient safety net system in the medium to longer term.

The proposed project, which is designed to reduce vulnerability and build resilience, is fully consistent with the new Africa Strategy. In supporting actions in social protection, the project is helping to set up the basic institutional framework for a more extensive and efficient SSN system for the country.

II. Proposed Development Objective(s)

Proposed Development Objective(s)

13. This Project aims to establish a sustainable social safety net system and scale up programs that increase income and consumption of the poor and vulnerable households through cash transfers and short term employment.

Key Results

14. The PDO level indicators will include the following:

- % increase in the consumption of targeted beneficiary households
- Number of households (beneficiaries) under Cash Transfer (CT) (disaggregated by gender/rural/urban)
- Number of individuals participating in Public Work/cash for work (disaggregated by gender/rural/urban)
- Number of direct total project beneficiaries (disaggregated by gender)
- Number of Beneficiaries (percentage) who are poor
- Existence of a mandated permanent department/institution within the Government structure (with appropriate staffing)
III. Preliminary Description

Concept Description

The project will be implemented as a Specific Investment Loan (SIL) for a period of five years. The operation will comprise the following three components: i) a cash transfer program accompanied with measures to increase human capital in both rural and urban areas; (ii) a PW Plus program in both rural and urban areas, which could be combined with life skills; and (iii) institutional support to set up key elements of a SSN system and build capacities (e.g. management information system, targeting and payment systems, monitoring and evaluation, management support, etc.).

Total IDA allocation for the proposed Mali Social Protection and Promotion Project is currently US$30 million. However, given the scope of the operation, to ensure that the amount is large enough in order to make a visible impact on the ground there is need to increase the IDA allocation to at least US$60 million.

Component 1: Cash transfer program

The objective of this component is to provide targeted Cash Transfers (CT) to increase food consumption of the poorest households in both rural and urban areas. The proposed CT program will be accompanied with measures to support targeted poor and food insecure households by increasing their income and investing in their human capital. The CT program will be implemented as a permanent program and will operate throughout the year. This component will provide adequate regular cash transfers to households exposed to chronic food insecurity, and provide sensitization workshops to selected households for the adoption of essential family practices in health, sanitation, family planning, and nutrition or income generation scheme. The transfer will be made for a period of 36 months and then households are recertified for program continuation or will be referred to other interventions. However, since recertification might add administrative complications, further investigation is needed during the operation#s preparation to assess its feasibility. To achieve the objective of investing in human capital, a single flat or combined of two benefits structure could be considered (example, a basic benefit per household to all eligible families and a variable benefit for households with children subject to attendance to workshops to reinforce nutritional practices, family planning and investment in human capital). The adequate benefit design (variable benefit or flat benefit) and size are yet to be determined during/before preparation mission.

Component 2: Labor intensive public work program (or cash for work)

The objective of this component is to mitigate short term impacts caused by shocks to poor and vulnerable poor through the creation of a predictable source of income during the lean season in rural areas and spread over the year in urban areas. At the same time, PW seeks to enhance the communities’ access to social and economic infrastructure. Other multiplier benefits are increased income and related demand in local markets, increased household asset development, savings and investment. Selected households with adult able to work will be offered to participate in the labor-intensive public works programs. For instance the PW could provide the households with a total number of working days (45) per year, with a limit of 15 days per month during the three months of implementation of PW activities every year in both rural (during lean season) and urban areas (spread over the year). This component will build on lessons learned from the existing experience of PW in Mali and will finance small and micro-projects that will be determined in consultation with local populations in rural and urban areas. The ratio of labor cost will be in average 60% of the total costs.

This component will also include some non-cognitive skills module to reinforce basic life skills and workforce readiness behaviors provided by the overall experience of participating in the public works activities. The proposed design is to add one day of training in non-cognitive skills during each week of work and which will be paid at the same wage as a working day. The training, provided by NGOs, will include modules on basic work-related behaviors, attitudes in the workplace, and simple concepts of punctuality, professionalism, respect, and teamwork. The training could also include sessions on budgeting and managing money. The preparation mission will investigate implementation modalities, the potential integration (overlap) of CT and PW in the same areas, as well as details of potential providers of life skills.

Component 3: System Set Up and Institutional Building

This component will include the following:

# Establishment of a well-performing SSN system: Technical assistance suppor ted by this component will include the development of legal instruments, policies, manuals, procedures, ICT solutions, and training modules in view of: (i) designing registry, (ii) designing and implementing basic MIS to monitor project implementation and the progress of the safety net programs, which includes enrolment, payment, compliance and grievance modules; (iii) designing an efficient and cost-effective targeting system (potentially unified targeting method); (iv) develop monitoring and evaluation procedures/schemes to regularly assess efficiency, effectiveness, and impact of safety net programs; and (v) designing accompanying measures to CT and PW for life skills.

# Monitoring and Evaluation: Given the innovative character of the intervention in Mali, it is necessary to carry out a set of
assessments and evaluations to track project progress, calibrate its processes, follow-up on beneficiary perception and feedback, and measure outcomes and results. With these objectives, the proposed project will finance the following activities: (i) a rigorous impact evaluation of the combined and independent safety net interventions; (ii) regular process evaluations, (iii) beneficiary assessments; (iv) qualitative assessments; and (v) Social audits.

# Project Management: The objective of this sub-component is to support the Government in carrying out the required operational reform to effectively implement the social safety net programs (CT and PW). The proposed operation will provide financial and technical assistance to implement activities including: (i) program management including procurement, financial management, supervision and human resource management, (ii) capacity building through training and technical assistance; (iii) use of ICT, and (iv) development of communication instruments including IEC.

Tentative budget (in US$ million)

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<th>Components and sources of financing</th>
<th>Current IDA Budget</th>
<th>Proposed IDA Budget</th>
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<td>- Cash Transfer program</td>
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<td>- Public Works</td>
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<td>TOTAL BUDGET (US$mill)</td>
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IV. Safeguard Policies that might apply

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V. Tentative financing

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VI. Contact point

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