Initial Project Information Document (PID)

Report No: AB367

Project Name: MALI - Agricultural Competitiveness and Diversification Project
Region: Africa Regional Office
Sector: Crops (100%)
Theme: Export development and competitiveness (P); Trade facilitation and market access (P); Rural services and infrastructure (S)
Project: P081704
Borrower(s): GOVERNMENT OF MALI
Implementing Agency(ies): MINISTRY OF AGRICULTURE
Ministère de l’Agriculture, de l’Elevage et de la Pêche
Address: BP 61, Bamako, Mali
Contact Person: Mr. Bakary Sekou Coulibaly, Advisor, Ministry of Agriculture, Livestock and Fishery
Tel: (223) 222 29 79          Fax: (223) 223 10 23            Email: bakary.coulibaly@mdr-mali.org

Environment Category: B (Partial Assessment)
Date PID Prepared: October 2, 2003
Auth Appr/Negs Date: February 16, 2004
Bank Approval Date: December 15, 2004

1. Country and Sector Background

A poor country with strong natural and physical constraints. With a per capita income of US$240 (2002), Mali is one of the world’s poorest countries. The country which is landlocked has a surface of 1,241,000 km2 and a population of 11.3 million (2002) with an annual population growth rate of 2.4%. According to survey data (1994-2000), 31% of children under five years old are malnourished; only 52% of Malians have access to safe water (based on 20 liters per day per person), and about 80% lack basic sanitation. The poorest of the population are rural households engaged in subsistence agriculture. The most vulnerable parts of the population are women, children suffering from malnutrition, young people with no access to employment and the elderly.

Contrasted performance in the agricultural sector. Agro-climatic zones in Mali range from Saharan (less than 150mm of rainfall) in the North to Guinean or sub-tropical (1,200mm of rainfall) in the South. Growth in the agricultural sector is constrained by low and irregular rainfall, poor and fragile soils, as well as generally low productivity because of the use of traditional technologies. Socio-economic infrastructure and services are insufficient and access to credit and financial services is limited. However, rainfed cotton cultivation and rice cultivation on the irrigated perimeters of the Office du Niger have expanded considerably during the last two decades. Agricultural production is higher in the South, where rainfall is higher. This is not the pattern for livestock where pastoral production tends to be more evenly distributed. Cotton production has been steadily expanding since the 1960s and represents 45 percent of foreign exchange earnings. Cotton revenues are, however, vulnerable to fluctuations of the world price for cotton lint.

Policy and institutional issues:

Retrenchment of the state and increased private sector participation in the cotton sector. Following the dire financial crisis in the cotton sector in the late 1990s, government has adopted and started...
implementing in 2000/01 a Letter of Cotton Sector Development Policy (LPDSC). This strategy consists in reforming the current institutional set up with CMDT's monopoly on agro-industrial activities, retrenchment of the state and private sector development in order to restore the competitiveness of the sector and foster broad based growth. Now that the initial action plan of LPDSC has been completed, resulting in having initiated a number of key structural changes in the sector (agreement on a privatization scheme for CMDT, greater involvement of farmers organizations), the project would pursue the effective liberalization of the cotton sector, building upon the engagement of the government to carry out the privatization of CMDT and HUICOMA, the cotton seed processing company. However, the removal of the monopoly and the transfer of technical and commercial activities formerly entrusted to CMDT to the private sector raises the critical issue of ensuring access to and recovery of input credit. The current input credit system which has been based on CMDT’s monopoly in delivering agricultural services to cotton producers, would disappear. Therefore, there would be a need to develop an alternative input credit system adapted to the new institutional set-up. The project would address issues such as (i) the urgent need for the private sector to take over the responsibility over ginning and marketing activities; (ii) the necessity to further strengthen producer organizations’ capacities to equip them with technical and commercial skills and empower them as real partners for banks, services providers and inputs distributors; (iii) the imperative of developing viable mechanisms and institutions to ensure adequate access to and recovery of credit for modern inputs; and (iv) the need to put in place and ensure the launching of the activities by the new institutions and the implementation of the adequate regulatory framework.

**A weak environment for domestic and foreign investments.** In spite of the clear orientation of the Malian government towards a market economy and private sector development, government remains involved in a number of economic activities through price setting, subsidies, directed credits, and there is slack inter-enterprise competition. Weak market institutions, including the lack of a business-friendly regulatory/competition policy framework, the absence of an effective bankruptcy regime, weak checks and balances on corruption are barriers to the development of an enabling business environment to attract domestic and foreign investment. Also, the existence of artificial barriers, complex and vague customs regulations, border harassment, etc. inhibit free trade within the country and end up slowing down trade and export development.

**Rural financial services are underdeveloped.** Rural financial services for farmers are predominantly provided by international and local NGOs. Most of the NGOs’ financial products are in the form of a combination of small cash and in-kind. These programs are exclusively microfinance in nature, which is defined as the package of services consisting of the provision of credit, savings, information and training services to the poor. The services are primarily focused on poor households, and mostly women and vulnerable groups. The privatization process for the cotton and the development of high value agriculture products would increase substantially the number and types of clients who are in need of business advisory services, working capital, and medium- to long-term credits in various sectors of the economy such as small-scale enterprises, family business, and private entrepreneurs, etc.

**Underdeveloped agro-processing and agro-industrial sector.** The agro-processing sector ranges from small to large operations that are mostly engaged in the processing of seed cotton, sugar, fruits and vegetables, and dairy products. The infrastructure and processes being used have not always been upgraded through reinvestment, employ more workers than needed, are inefficient and mostly geared to domestic markets or neighboring countries, with the exception of processed cotton, which is exported to Europe and other countries. The lack of standards, packaging and quality control is an additional limiting factor.

**Government strategy:**
The Ministry of Rural Development and Environment (Ministère du Développement Rural et de l'Environnement - MDRE) prepared a long-term master plan for rural development (Schéma Directeur du Développement Rural) in 1992 and an update in 2001 (Actualisation 2000), which includes nine priority action programs that have been integrated in the Poverty Reduction Strategy (Cadre Stratégique de Lutte contre la Pauvreté – CSLP): (1) Support to agricultural services and producer organizations; (2) Development of rural infrastructure and farming equipment; (3) Promotion and improvement of the competitiveness of agricultural product lines; (4) Relaunching of the export of agricultural, forestry, livestock and fishery products; (5) Intensification and diversification of agricultural production; (6) Reinforcement of food security; (7) Promotion of financing of the rural sector and rural credit; (8) Management of natural resources to sustain rural development; (9) Contribution to the finalization and execution of local development plans.

2. Objectives
The Project would seek two development objectives:

1. To increase the revenues derived from cotton for the Malian economy and for cotton-growing farmers in particular, by restoring and improving the performances of the cotton sector through the transition to a more open and competitive organization of the sector, and greater involvement of producers organizations and private sector in the management of the sector, and

2. To increase and diversify rural households incomes and economic opportunities through the development of supply chains for selected high-value agricultural and livestock products.

The project proposes to achieve these objectives by (i) supporting institutional reforms and capacity-building activities to facilitating the transition to a more open, competitive and sustainable cotton sector; (ii) disseminating information on market opportunities and providing training to producers and professional organizations; (iii) developing and disseminating low-cost agricultural technologies and agro-processing techniques for high-value products; (iv) putting in place an efficient information system for cotton and selected high value products; (v) building rural infrastructure to facilitate and support marketing of agricultural and livestock products; and (vi) developing detailed strategies for the further development of selected high-value agricultural and livestock products in Mali.

3. Rationale for Bank's Involvement
The cotton filiere has benefited from support through bilateral donors such as the French Development Agency (AFD), the Dutch and the Swiss cooperations. However this support has been targeted mainly to strengthening the organizational capacities of producer organizations within the existing monopolistic model. It therefore lacked the necessary comprehensive approach to support the liberalization of the sector. The Bank, a neutral institution, would play the required leadership role in assisting the government of Mali to effect the transition to a liberalized and more competitive sector. It would thereby act as a catalyst to consolidate the support to the transition process and provide a well articulated framework that ensure consistency across individual donor activities in the sector. The neutrality of Bank's intervention with respect to bilateral donors is particularly important given the strategic and sensitive nature of the sector.

Also the Bank has been actively involved in the promotion of small-scale irrigation and supply chains for high value products in Mali and has assisted the Government in preparing a coherent strategy for irrigation and rural development. Given its global sector approach, the Bank has a comparative advantage in pushing forward a policy agenda at the central level that promotes private investment in irrigation, agro-processing and marketing of horticulture products. Through the proposed project, the Bank would bring best practices and lessons of successful experiences, especially in the development high value products and the
intensification of agriculture.

4. Description
The project consists of the following components:

Component 1: Cotton sector reform program
The cotton sector in Mali has long been under the control of CMDT, a state-owned company which operates under a monopoly system and thus for many years the private sector was excluded from activities ranging from marketing and ginning of seed cotton, the export of lint and cotton seed, the importation and distribution of inputs, to the provision of services to cotton producer such as extension, credit, and transport. This state-controlled system has been affected by inefficiencies such as lack of transparency and other critical weaknesses which must be addressed. The monopoly system has created vast opportunity for rent-seeking and mismanagement, generally at the disadvantage of farmers. The inefficiencies have also led to recurrent crises and bailouts of the industry by public funds. The Government, since 2002, has undertaken steps to privatize three CMDT ginning plants.

The proposed project will support the privatization and liberalization of the cotton sector, and facilitate the transition to a more competitive model by providing assistance to private-sector operators and their institutions in order to fill the void that may be left by the privatization of CMDT and HUICOMA. The privatization also means that the private sector, including producers organizations, has to take over technical support services that the companies used to provide as part of monopoly system, including the provision of inputs and credit. The project would therefore focus on (i) providing technical and financial assistance to the privatized institutions to enable them to successfully carry out the transition process towards a more competitive sector, (ii) supporting accompanying measures, (iii) building the institutional and technical capacity of cotton producer organizations, and (iv) setting up a cotton information management system and a modelization of the cotton sector data.

Component 2: Support to the development of high value agricultural supply chains
There is a wide range of agricultural products with high value for which Mali has a comparative advantage and that are potential sources of export revenues and growth for the rural economy. Some of these product lines have already been extensively analyzed and tested and have proven to be highly profitable, i.e. mangoes, french beans, Tiger nuts, sesame, potatoes and shallot/onion. Other products with high margin are currently being studied and tested like gombo, arabic gum and shea nut. Because of their added value, employment and income generation, these high-margin value products present a financial and economic development potential for the rural population, thus reducing the widespread rural poverty.

The proposed project would support diversification by promoting selected high-value products that have proven profitable to assist the country diversify its export base. Although high margin products are currently produced, the production level is considerably low compare to that of neighboring countries such as Burkina Faso. The low level of productivity is explained by a number of constraints including the high transport costs, low-quality of products, insufficient professionalism, use of rudimentary production techniques, lack of rural infrastructure such as storage, processing plants, and the lack of market information. The project would therefore support (i) institutional and technical capacity building for producer organizations involved in selected products, (ii) building public/collective infrastructure such as collection centers, storage and processing facilities, and rural-access roads to support horticulture production and processing, (iii) development of detailed intervention strategies for selected products, (iv) facilitation of producers’ access to financial services, (v) establishment of a market information system for producers, (vi) setting up of efficient producers advisory services, and (vii) assisting in removing key obstacles to supply chain development.
Component 3: Dissemination of intensification technologies for high value agricultural products

The project would support the dissemination of low-cost and simple techniques and technologies to improve the production, processing and marketing of selected high value products. Existing techniques for different crops will be modified and tested to better respond to the needs of international markets.

(i) Small-scale irrigation techniques and methods. The project would support the further testing and dissemination of low-cost adapted irrigation equipment in the areas of: groundwater utilization (manual and motorized drilling, improved traditional wells, filters); groundwater recharging (submersible weirs, “seuils”, in streams); water extraction (manual-, wind-, solar-, animal-, biogas-, diesel-, petrol-powered and other pumps); water transport (channels, pipes, hoses, etc.); distribution (surface, drip, sprinkler irrigation). It would support the establishment and development of private supply chains for the provision of equipment and inputs.

(ii) Intensification of cropping techniques and methods for high value products. This concerns improving productivity in terms of planting material, soil and labor, for the following products: (a) mangoes: varieties, grafting, integrated pest management, flowering induction, harvesting, transport, etc.; (b) french beans: irrigation techniques, environmentally sound pest management, harvesting; (c) tiger nuts: cultivation on ridges, irrigation and harvesting; (d) potatoes: cropping techniques fine-tuning, mechanization, fertilization, irrigation, integrated pest management; (e) sesame: improved varieties, intensification, harvesting, seeds, biopesticides, crop management, development of agro-technical referentials, support to emergence and development of private service providers (inputs, advisory services).

(iii) On-farm storage, transformation, packaging techniques and methods. The project will seek at improving the storage of perishable products (potatoes, onions, french beans, mangoes, etc.) and disseminating of techniques such as hygienic drying (solar, gas-powered), steaming, curing and disinfecting techniques for a range of products; juice, jelly, jam, peanut and/or shea butter, oil extraction, husking techniques; packaging for sale and transport, etc.

(iv) Demonstration and product information. The existing agro-business centers should be further expanded, to have on permanent display not only a range of ready for sale locally produced agricultural products, but also to have facilities to demonstrate and make available technologies and methods tested and adapted by the project. For simple technologies, local craftsman will be trained, who will sell the products to local producers and transformers. For more complex equipment and technology, it will be necessary to work through larger enterprises or groups of producers, transformers or traders. Training and information activities will promote the dissemination of proven technology.

1. Cotton sector reform
2. Diversification and agricultural supply chain development
3. Dissemination of intensification technologies for high value agricultural products
4. Project management

5. Financing

Source (Total (US$m))
BORROWER ($2.00)
IDA ($35.00)
Total Project Cost: $37.00
6. Implementation

The project activities are expected to spread over a period of five years. The following institutional and implementation arrangements would be discussed and finalized during the preparation of the project.

Although, technically, cotton is under the responsibility of the Ministry of Agriculture, Livestock and Fisheries (MAEP), management and coordination of activities related to cotton are under the responsibility of the Mission de Restructuration du Sector Coton (MRSC). Promotion of private irrigation and development of high value products are under the responsibility of MAEP. However, Bank-financed projects relating to private irrigation development (PAVCOPA/PPIP) have been managed so far by APROFA Agency, under the umbrella of APROFA, an association which groups all stakeholders involved in these areas of interventions. An institutional study would be conducted during project preparation to analyse the competencies and weaknesses of the MRSC in managing the cotton sector reform program and those of APROFA in coordinating private irrigation and agricultural diversification activities.

Overall Project Coordination:

Project steering committee. Since the project requires inter-ministerial and inter-agency cooperation and coordination, a project steering committee would be created. Its members would include all ministries involved in the cotton and other commercial crops supervision, development of high value products, export promotion, and financial services. The steering committee would provide policy guidance, review and approve the annual work plan and budget, and resolve inter-agency or inter-ministerial problems and implementation bottlenecks of the project.

Project Management.

A small Project Management Unit would be set up within the MAEP to carry out day-to-day project implementation. It would be headed by a project director and include a procurement specialist, a financial specialist, and an accountant. Based on the findings of the institutional study relating to APROFA and MRSC, their future role in the management of the proposed project would be specified.

7. Sustainability

The cotton industry in Mali has performed very well in the past and has been highly successful in spite of the financial and institutional crisis of the late 1990s. The objective of the project is to set it on a stronger footing for the future through greater involvement of the private sector and professional organizations and the introduction of competition at all levels in the procurement of goods and services. Mali enjoys strong comparative advantage for cotton and for a variety of other crops which will be supported by the project. Reinforced competitiveness and diversification both at farm and national level are the expected outcomes of the project, as a means of fostering sustainable development.
8. Lessons learned from past operations in the country/sector
The most important lessons that have been learned with respect to the proposed project and relating to the cotton sector come from the long and extensive interaction with the Government, farmers organizations and the private sector on the strategies to move from a state-controlled system to a market-based system. This interaction has led to the realization that the private sector, primarily ginners and producers, has to take the lead in inventing the solutions to the sector’s problems and take progressively their full responsibilities in managing the cotton sector. Several initiatives in the past have demonstrated that private operators were capable of establishing a collective discovery process for solutions to the problems faced by the sector, if given the opportunity and challenged to do so. In the case of the cotton sector, the national forum on cotton held between all stakeholders in Bamako in April 2001 has given the opportunity to build a wide consensus on the necessary reforms and provided the key elements of the sector policy letter (LPDSC) approved by government later that year.

An other lesson is derived from the observation that one of the main reasons why the cotton sector has not fully contributed to poverty reduction in Mali and other West and Central African countries, is that the decision-making process has been strongly biased against the interest of farmers. The observed implicit taxation, management inefficiencies, and the related rent and transfers have been so pervasive because the primary losers, the farmers, have had very little influence on decision making in the sector. As a consequence, the project places strong emphasis on building the technical and institutional capacity of producers organizations in order to equip them with the skills that are required to become credible business partners and better represent their interests.

A lesson that is also reflected in the design of the project is related to build capacities and market linkages to speed up decision-making processes for agricultural export development. The project has therefore chosen to build the capacity of producers and professional organizations and to heavily involve the private sector in the implementation of the proposed project. From the experience of other agricultural projects in Mali, it is clear that ownership and stakeholders’ participation in priority settings, planning and monitoring are key to success. The proposed project therefore place a strong emphasis in stakeholders’ participation at all project stages through workshops and village meetings, and empowering them to take full responsibility of the implementation of major project activities.

Finally, the poor monitoring and evaluation system of previous projects (PAVCOPA and PPIP) did not permit the Government to quickly respond to implementation issues and problems as they arised, and thus limited the potential outputs expected for these projects. Therefore, a sound M&E system will be prepared and put in place for the proposed project.

9. Environment Aspects (including any public consultation)
   Issues: In light of the World Bank Safeguard Policies, the project's main objectives and components would entail a review of the following issues:
   (a) **Safeguard Policy 4.01 - Environmental Assessment.** The project as a whole will be subject to an environmental impact assessment during project preparation.
   (b) **Safeguard Policy 4.04 - Natural Habitats.** The project does not foresee any activity regarding land clearing and/or the replacement of the natural vegetation. On the contrary, it aims at improving productivity of cotton and diversification crops on already cultivated land and areas. However compliance with this policy will be assessed during project preparation.
   (c) **Safeguard Policy 4.09 - Pest Management.** Although procurement of pesticides is not envisaged under the project, it is expected that the necessary intensification of cultivation techniques and the diversification into high value crops such as horticultural crops will possibly lead to an increased use of pesticides, as well as that of inorganic fertilizers. The project will assess ways of mitigating this potential
impact by the use of alternative crop protection techniques (biological and integrated control techniques).
And other "market" mitigating measures lay in the more and more stringent restrictions on pesticide use
imposed by consumers and importing countries in the global food markets. On these issues, the project will
work with the EU-funded PIP program which seeks at helping countries comply with MRL (Maximum
Residue Limits).

10. List of factual technical documents:
Not available.

11. Contact Point:

    Task Manager
    Patrick Labaste
    The World Bank
    1818 H Street, NW
    Washington D.C. 20433
    Telephone: (202) 473 4999
    Fax: (202) 473 8229

12. For information on other project related documents contact:
    The InfoShop
    The World Bank
    1818 H Street, NW
    Washington, D.C. 20433
    Telephone: (202) 458-5454
    Fax: (202) 522-1500
    Web: http://www.worldbank.org/infoshop

Note: This is information on an evolving project. Certain components may not be necessarily included
in the final project.