



<b>1. Project Data:</b>		<b>Date Posted :</b> 09/03/2003	
<b>PROJ ID:</b> P001747		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Private Sector Assis	<b>Project Costs (US\$M)</b>	14.18	15.30
<b>Country:</b> Mali	<b>Loan/Credit (US\$M)</b>	12.00	12.04
<b>Sector(s):</b> Board: PSD - General industry and trade sector (58%), Central government administration (30%), Banking (6%), General finance sector (5%), Housing finance and real estate markets (1%)	<b>Cofinancing (US\$M)</b>	2.00	3.26
<b>L/C Number:</b> C2432			
	<b>Board Approval (FY)</b>		93
<b>Partners involved :</b>	<b>Closing Date</b>	12/31/1999	03/31/2002
<b>Prepared by:</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
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## 2. Project Objectives and Components

### a. Objectives

The principal objective of the project was to foster the development of private sector enterprises so they could lead the growth of Mali's economy. The project aimed at putting in place mechanisms and measures to support the Government's strategy of breaking from past reliance on the public sector. The project proposed to achieve this by : (a) completing implementation of recent improvements to the regulatory environment; (b) assisting a private business support institution, APEP, to coordinate a program of institutional support to non -financial enterprises; (c) improving the functioning of the chamber of commerce and industry, the public enterprise bureau, and departments of the Government responsible for administering regulations affecting private enterprises; and (d) inducing institutional and financial strengthening of the banking sector.

### b. Components

There were four components:

- a regulatory component to (a) enlarge the role of the Government's one-stop investment office to include all key administrative formalities routinely requested of businesses, and locate these investment offices closer to businesses in the regions; (b) revise and upgrade of the national accounting plan; and (c) modernize laws, regulations, and procedures on corporate rights and bankruptcy.
- an institutional support component to (a) provide assistance to non-financial private enterprises, including associations, to upgrade their management policies and procedures, accounting, production, technology, marketing, and staff training; (b) provide assistance to commercial banks for audits and institutional diagnoses, train staff, and implement institutional development programs; and (c) strengthen public business promotion and regulation agencies.
- a studies component to identify options to develop mutual saving credit schemes and housing finance, and to prepare an overall financial sector strategy.
- a communications component to familiarize target groups with the project, with government reforms in the regulatory environment, and with the usefulness of quality technical services in improving business performance.

Some components were modified or dropped during the two project restructurings : (i) the enterprise support program was converted from a credit line to a matching grant fund; (ii) support to financial sector institutions was dropped, as these were to be included in a Financial Sector Project in preparation at that time; and (iii) the study to revise the national accounting plan was not carried out, as the country adopted a regional accounting system.

### c. Comments on Project Cost, Financing and Dates

Problems with project design and implementation arrangements were identified early on, leading to a revision in project components and implementation arrangements. Amendments to the project legal agreements were finalized

In December 1997 and became effective in March 1998. The project was amended a second time in 1999 to provide for support to the construction of a building for the Private Sector Center .

Total project cost at appraisal was estimated at \$ 14.18 million with an IDA contribution of \$ 12 million and a contribution by beneficiaries (government and private sector) of \$2 million. Total project cost at completion was \$15.3 million -- \$12.04 million from IDA and \$3.26 million from beneficiaries, the latter reflecting the conversion of the enterprise support program from a credit line to a matching grant fund .

### **3. Achievement of Relevant Objectives:**

Referring to the project's objectives presented in Section 2a above:

The project contributed to improvements in the policy, legal, and regulatory framework . However, the successful implementation of these reforms is uncertain (see Section 4 below).

The project established the practice of public sector support to the nascent private sector by financing an enterprise support program that began as a program of interest-free credits and subsequently changed to a matching grant program. The project had intended to strengthen suppliers of business services and develop a self-sufficient local consulting and training market, but there is little evidence that this objective was achieved .

The institutional development objectives were only partly met . The project had intended to enable the country's economic chambers to function more effectively and to stand on their own outside the Government's shadow . However, the chamber of commerce remained a public sector institution .

In the financial sector, the project-supported preparation of a financial sector strategy led to the definition of the Government's sector reform program. However, the project also had intended to achieve institutional improvements in commercial banks, and there is little evidence that this objective was achieved .

### **4. Significant Outcomes/Impacts:**

The creation of the one-stop shop for business start-up introduced automatic authorization for most enterprises . Enterprises now can be formed and start operations unless they receive explicit objections to their application from the Government within 15 days. For most enterprises, the time for approvals has been reduced from 24 months prior to the reforms to a maximum of 15 days. Training and information provided to legal professionals also yielded results.

Although the project did achieve significant improvements in the one-stop investment approval procedures as well as some legal and regulatory reforms, there is no assurance that the Malian court system is prepared to enforce these new laws, nor that the Government has a satisfactory degree of ownership of the results . Indeed, there is some evidence that, although the Government wishes to proceed with improving the investment climate, it intends to do so with public-private policy coordination structures which are different from those supported by this project . Moreover, a number of other components had to be severely restructured twice, and do not appear to have yielded much in the way of tangible net benefits .

The ICR notes that the changes brought about contributed to business creation and investment, but it is difficult to attribute this growth to the project. In addition, the ICR notes that the matching grant program contributed to enterprise development, but little evidence is provided to support these claims .

### **5. Significant Shortcomings (including non-compliance with safeguard policies):**

As the ICR notes, the project had complex implementation arrangements . Despite the revision in these arrangements mid-stream, the institutions involved in implementing the project continued to be weak, partly due to the transition in political structures and economic policies at the time .

Most of the institutional development objectives were not met . There was limited progress on improving the legal and regulatory framework for privatization; the chamber of commerce remains a government institution; and the agency charged with public-private dialogue had limited impact.

Initially, the enterprise support program financed 75 percent of eligible expenditures through interest-free credits with long grace periods. However, there were no clear mechanisms for recovery . In response, the program was restructured to become a matching-grant facility -- essentially converting loans with little likelihood of repayment into grants. It is not clear that either of these program designs could promote the development of business services markets in a sustainable way.

<b>6. Ratings:</b>	<b>ICR</b>	<b>OED Review</b>	<b>Reason for Disagreement /Comments</b>

<b>Outcome :</b>	Satisfactory	Moderately Unsatisfactory	[the ICR's 4-point scale does not allow for a "moderately sat." rating]. The project partially achieved some of its objectives -- notably, changes in the policy, legal, and regulatory framework affecting business operations. Some of these remain to be implemented. Moreover, the institutional development objectives were largely unmet, and the enterprise support program, which consumed a large proportion of project resources, had little demonstrated impact.
<b>Institutional Dev .:</b>	Modest	Modest	
<b>Sustainability :</b>	Likely	Unlikely	Although the project did achieve significant improvements in the one-stop investment approval procedures as well as some legal and regulatory reforms, there is little assurance that the Malian court system is prepared to enforce these laws in a satisfactory manner, nor that the remainder of the Government has a satisfactory degree of ownership of the results. For example, there are not indications that the Government wished to proceed with improving the investment climate, but with public-private coordination structures different from those supported by this project.
<b>Bank Performance :</b>	Satisfactory	Unsatisfactory	Bank supervision was exemplary according to QAG but not according to the Government's untranslated ICR comments, which complained of burdensome administrative procedures, slow Bank responses to correspondence, and a lack of partnership on project issues of mutual concern. In any case, supervision was unable to rescue weak quality at entry. Restructuring took inordinately long, due in part to frequent turnover of Bank team leaders. Project design was innovative, but inappropriate for Mali's circumstances, and the project was excessively complex and demanding.
<b>Borrower Perf .:</b>	Satisfactory	Unsatisfactory	The lack of leadership and follow-up to resolve project issues, and frequent changes in ministers during project implementation seemed to indicate a lack of government ownership. The Government did not assess the implementation of its private sector development policy nor seek greater private sector involvement in the formulation of economic policy, as it had agreed to do. The performance of APEP, the implementing agency, was also disappointing.
<b>Quality of ICR :</b>		Satisfactory	

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

#### 7. Lessons of Broad Applicability:

Complex implementation arrangements are risky in countries with weak institutional capacity and changing political environments.

8. Assessment Recommended? ☐ Yes ☒ No

**9. Comments on Quality of ICR:**

The ICR was satisfactory in quality. There were two weaknesses: (i) performance indicators (Annex 1) tracked objectives and outputs rather than outcomes; and (ii) the Borrower's comments -- which included a number of criticisms about the burden of Bank procedures, slow response to correspondence, and the lack of a good partnership on project issues of mutual concern -- were not translated.