

Mali: Building a Better Growth Foundation

Mali is one of the poorest countries in the world and faces many development challenges. IDA is supporting Mali in addressing its economic challenges with a focus on education, agriculture, and energy. Thanks to IDA and other donors' support, Mali's gross primary school enrollment rate is 76 percent in 2009¹, from 60.9 percent in 2001, with significant improvement in school achievement. More than 650,000 people and 803 public institutions, including 172 schools and 139 health centers, have been connected to the electrical grid in rural areas. Through increased access to financing for farmers and other private operators in the agricultural sector, and the rehabilitation of 1,101 km of rural roads, agricultural production in the supported areas has increased by 71 percent in 2009.

Challenge

Mali is a vast landlocked country with a relatively limited natural resource and human capital base, and a highly dispersed population. It is located in the heart of the Sahel, a region threatened by drought and desertification. The vast majority of the people are directly dependent on the environment for their livelihoods through herding, farming, or fishing. Mali is the largest of the Economic Community of West African States (ECOWAS) countries by land area, with a population of approximately 14 million.

Mali's social indicators remain among the lowest in the world. Positive economic growth has not been translated into improved human development outcomes. Between 1980 and 2010,

1. Education indicators have been revised to take into account the data from 2009 census, which indicates a population growth of 3.6 percent instead of 2.8 percent.

Mali's HDI (Human Development Index of the United Nations Development Program—UNDP) rose by only 2.1 percent annually, from 0.165 to 0.309 today. That ranks it 160 out of 169 countries with comparable data and below the average for Sub Saharan Africa. Despite progress in access to basic social services, Mali's prospects for achieving most Millennium Development Goals (MDGs) by 2015 remain low, with the exception of those related to HIV/AIDS, malaria, and other diseases. Gross primary education enrollment rates in 2009 reached 76 percent although the girls/boys parity index remained at 79.4 percent.

Net population growth has been about 3.6 percent per year. The implication of this trend on the fragile environment and the economy are enormous. For instance, by 2015, the government will have to spend 8-to-11 times more on health services than it does today. It will have to build 1500 classrooms per year, compared to the 500 to 600 it does, to maintain an average class size of 60 children. Only 24 percent of Mali's population has access to electricity, and it is substantially lower in rural areas where the rate was about 13 percent in 2009. Agriculture in Mali remains one of the key drivers of the economy and accounts for 40 percent of gross domestic product (GDP). Despite steady urbanization, almost 70 percent of the population live in rural areas and close to 80 percent rely entirely or partly on agricultural production for their livelihoods.

Approach

Providing holistic support to education to promote sustainable growth and alleviate poverty

Equitable access to quality education is at the center of IDA support to Mali. The education system has benefited from the favorable

macroeconomic context, which has translated into increased resources. As a proportion of the total recurrent budget, education has climbed to almost 30 percent in 2008 from 23.7 percent in 2004. IDA has an ongoing investment lending operation to support the implementation of reforms in the Education Sector (closing end of December 2010).

Bolstering agriculture, an essential driver of Mali's economy

IDA is working with Mali in:

- *Fostering agricultural productivity* by scaling up sustainable water and natural resources management practices: A new blended agricultural operation is being financed by Global environment Facilities (GEF) and IDA for \$76.20 million, and co-financing by the International Fund for Agriculture and Development (IFAD) of \$32 million was approved in June 2010.
- *Biodiversity protection* through the GEF Gourma project: The project aims to reduce biodiversity degradation trends and, in some cases, reverse the actual trend in key conservation areas and project sites in the Gourma. This project is funded by the GEF, for \$5.5 million.
- Mali is also benefiting from some *regional projects* such as (i) the Niger River Basin project, which aims to develop and implement sustainable measures for reversing trends in land and water degradation through collaborative decision-making in the Niger River Basin; (ii) the Africa Emergency Locust Project, which aims to reduce the vulnerability of the concerned countries to future infestations by supporting prevention strategies, early warning systems, reaction, and mitigation strategies, at both the national and regional levels; and the (iii) Africa Stockpiles Program, which sup-

ports the governments of Mali, Tanzania, and the Kingdom of Morocco to dispose of the publicly-held obsolete pesticide stocks at selected sites and supports actions to help prevent the future accumulation of new stocks of obsolete pesticides.

Several IDA Analytic and Advisory Activities aim to help Mali overcome challenges and be in position to adapt to and/or mitigate climate change related effects.

Expanding access to energy to help achieve economic growth

The Household Energy and Universal Access Project (\$70.65 million) is designed to help Mali develop (i) a multi-layered approach to rural energy and (ii) a community-based woodland management to ensure sustainable wood fuel supply and fuel substitution initiatives. It will also create the “Agence Malienne pour le Développement de l’Energie Domestique et pour l’Electrification Rurale.” This specialized agency, with staff fully funded by the government, serves as the one-stop agency on household energy and rural electrification in the country. The project also contributed to setting up of a Rural Electrification Fund to finance start-up capital costs of rural electrification sub-projects. This new institutional and financial environment enabled local private operators to become the driving force of this project, by providing an average matching co-financing of 25 percent of rural electrification sub-projects.

Results

Improved access and equity in basic education

Primary Education: gross primary enrollment rate (GER) has increased by 4.6 percentage

points per year on average between 2005 and 2009, to reach 76 percent in 2009. The primary education completion rate in 2009 was only 51.0 percent compared to the Sub Saharan average (70 percent in 2006/2007). A low completion rate reflects relatively high drop-out rates. Although substantial progress was made in this area between 1997/98 and 2006/07 when the drop-out rate fell from 17 percent to 11.7 percent, the rate remains high.

Access to primary education is also inequitable. The enrollment gap between boys and girls narrowed modestly between 2004 and 2008, from 15.2 percent in 2004/05 to 14.8 percent in 2008/09.

Secondary Education has experienced only modest progress in enrollment growth during these periods: GER increased modestly between 2004 and 2008 to reach 15.1 percent during the school year 2008/2009.

The ratio of 64 students per teacher, much higher than the target of 50, and the low quality of learning achievement remain important challenges that need to be tackled.

Improved productivity of targeted horticultural/livestock products and better access to markets, financing, and commercial infrastructure

There have been notable increases in exports of key products, measured in quantities and values over the last three years (2007-2009): mango by 72 and 89 percent; shallot/onion by 71 and 68 percent; and potatoes by 69.5 and 69 percent, respectively. The rehabilitation of 1,100kms of feeder roads has facilitated the transport of 300,000 tons of cotton to ginning factories, as well as 9,000 tons of mangoes to the packing facility and airport. These roads

also provided for the export of 2,000 tons of potatoes to neighboring countries, namely Ghana, Côte d'Ivoire, and Senegal. Some 125 medium-sized agri-business investors benefited from credit facilitation to acquire innovative technologies in micro-irrigation, storage, or post-harvest processing.

Improved control and management of locust infestation and pesticide use

Thanks to the Africa Emergency Locust Project and the Africa Stockpiles Program, an autonomous locust control center has been created with adequate staff and equipment, with operating costs covered by the central government, to ensure close surveillance of locust infestation areas. To date, 87 percent of locust infestation pesticide containers have been collected and properly disposed of. Pesticides are now professionally transported, stored, and are subject to quality control every two years. 1,100 additional tons of obsolete pesticides have been identified in 250 sites and a grant (US\$3.1 million) from the Multi Donor Trust Fund for Africa Stockpile Program, approved on February 1, 2010, will help for their removal and elimination. Five heavily contaminated sites have been treated and cleaned-up. A pesticides monitoring and control mechanism has been created to closely monitor imports, transport and use of pesticides, as well as the proper disposal of containers.

Increased access to basic energy services to help achieve economic growth and poverty reduction

- *Encouraging local private sector participation:* About 80 sub-projects managed by 46 operators are financed by the project. As of May 2010, 43,311 off-grid connec-

tions in households and for public lighting have provided electricity access to about 650,000 people. In addition, through the project, about 803 public institutions including 172 schools and 139 health centers have also been provided with access to off-grid electricity.

- *Empowered women.* Women's associations based on training received in basic accounting in local languages provided by NGOs financed through the project, are playing an important role in remote communities as energy services providers through a multifunctional platform, which is a diesel-run engine mounted on a chassis to which a variety of processing equipment can be attached, including cereal mill, husker, battery charger, and joinery and carpentry equipment. This equipment also contributes to reduce the time and efforts required to process food and therefore allow farmers—particularly women, to sell higher-value products and go to market more frequently. To date, multifunctional platforms have been installed in 64 rural communities, providing 7,200 connections.
- *Introducing renewable energy technologies into Mali's rural energy:* Over a period of six years, more than 7,926 solar home systems and more than 500 solar photovoltaic systems were installed countrywide
- *Promoting sustainable wood fuel management and fuel substitution.* In order to contribute to a sustainable supply of wood fuel, predominantly used for cooking and heating, the project (in partnership with the National Directorate of Nature Conservation) has placed about 874,000 hectares under community management. NGOs and local private operators have disseminated about 748,500 improved wood and charcoal stoves and about 51,385 Liquefied Petroleum Gas (LPG) stoves. The growing

use of improved stoves is expected to help reduce indoor air pollution, which is one of the main environmental health risk factors that women and children are exposed to. Indoor air pollution is associated with acute respiratory diseases, conjunctivitis, and low birth weight.

Improved management of natural resources along the Niger River

Studies have been completed to guide innovative efforts for the restoration of Niger River banks, ecosystems, and pasturelands, and to prevent further degradation of ecosystems while promoting sustainable gardening and recessional agriculture for female associations.

IDA Contribution

Since Mali joined IDA, in 1963, total IDA commitments have amounted to US\$2.5 billion for 111 operations. As of June 30, 2010, the IDA portfolio in Mali amounted to US\$780 million composed of 18 operations, including 8 regional operations. A breakdown of the portfolio by sector is as follows: Energy 32 percent; Transport 17 percent; rural development 15 percent; Institutional development 15 percent; Education 8 percent; Environment 8 percent; Health 4 percent.

The Household Energy and Universal Access Project (with an IDA Credit of US\$35.7 million) and US\$3.5 million from a GEF Trust Fund was presented to the Board in November 2004. Based on satisfactory performance of the project, an additional financing of IDA Credit US\$35 million was presented to the Board in September 2008.

The Competitiveness and Agricultural Diversification Project amount was increased from the US\$35 million credit initially envisaged in the Country Assistance Strategy to US\$46.4 million, as Mali was rated a good performer under the IDA Country Performance Ratings.

The Second Education Sector Investment Project is financed via the original IDA allocation (of US\$35 million approved in 2006), the supplemental IDA allocation (US\$15 million approved in June 2007), and a Fast Track Initiative grant of US\$8.7 million, approved in December 2007.

Partners

A Memorandum of Understanding was signed in March 2006 by Mali's government and a group of donors (including IDA, the African Development Bank (AFDB), the European Commission (EC), Sweden, France, Germany, the Netherlands, and Canada) to provide a framework for a multi-donor approach to budget support. This Budget Support Group initiated annual joint-donor missions in 2007. The last joint donor mission took place in October 2009. Under IDA, EC, and AFDB tripartite Partnership, Mali is a pilot for joint budget support. Close coordination has been maintained in the context of the Joint Management Action Plan on Bank-International Monetary Fund (IMF) collaboration.

Donors are working together in 10 thematic groups: (1) agriculture and rural economy; (2) infrastructure development; (3) decentralization and institutional development; (4) macroeconomic management; (5) justice; (6) democratic process and civil society; (7) private sector development and micro finance; (8) education; (9) health; and (10) drinking water and sanitation.

Moving Forward

Uncertainty as to the speed and strength of the global recovery remains high. While cautious optimism returned during the third quarter of 2009 with the resumption of growth (notably in the US), the speed of recovery varies, unemployment remains high and downside risks stemming from fiscal fragilities have come to the fore. Weak labor markets, particularly in Europe, could result in a continued decrease of remittances. A reversal in terms of trade could affect Mali's macroeconomic outlook. A key concern is that room for policy maneuvers in many advanced economies has either been exhausted or become much more limited, given high debt levels and strained fiscal balance sheets. These uncertainties are compounded by Mali's vulnerability to poor weather conditions and other natural disasters and the anticipated decline of Mali's existing gold production.

Progress made in the last four years through the Household Energy and Universal Access Project should be sustained not only to ensure an increasing number of connections but also

to ensure that energy services are impacting the competitiveness of small and medium size enterprises and social programs.

Concurrently, IDA supported in fiscal year 2009 the update of the Country Status Report (CSR) and a Skills development for competitiveness study. The CSR intends to strengthen the knowledge base for the formulation of national educational policies and the third phase of the country's ten years Education Program (PRODEC) and its third Education Sector Infrastructure Program (PISE III). To address the need of a skilled labor force for the modern economy and to attract more foreign investment, IDA is planning to finance using the outcome of the study on skills development, in the course of FY11, a higher education and skills development operation as to improve the labor force and ensure it is more suited to today's realities. In addition, a youth and development operation will be designed to respond to the needs of the mostly young population and support its participation in the economy.

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