PN-AAU-390

Country Development Strategy Statement

FY 1984

MALI

January 1982

Agency for International Development
Washington, D.C. 20523

BEST AVAILABLE

THIS STRATEGY STATEMENT HAS BEEN PREPARED BY THE A.I.D. FIELD MISSION. IT IS PREPARED ANNUALLY AND USED FOR PLANNING PURPOSES IN THE FIELD AND IN WASHINGTON. IT DOES NOT REPRESENT OFFICIAL AGENCY POLICY.

FY 1984-1988
COUNTRY DEVELOPMENT STRATEGY STATEMENT
MALI

This CDSS sets forth the conditions which exist in Mali at the end of 1981 and proposes a strategy for U.S. economic assistance programs that copes realistically with these conditions in the context of U.S. policy and Malian development interests.

Mali has resources for development much beyond its current position as one of the ten poorest countries in the world. Only a fraction of the potential of its two great river systems has been tapped for irrigation, power or transport. Mali has agricultural and pastural land which is both misused and underutilized. Mali's mineral wealth remains largely unexplored. Her greatest asset is perhaps her industrious people who over the centuries have not only learned to live in a difficult environment but have established a great cultural and commercial heritage.

Despite the potential, 21 years of independence have not brought prosperity to Mali. Erratic rainfall patterns and generally barren terrain have limited dryland farm production. The design and management problems of irrigated agriculture have denied real success to even the most carefully prepared projects. Mismanagement, caused by inexperience, and unaffordable paternalism have further hindered development, creating a cumbersome government bureaucracy whose overregulated programs often have been counterproductive. Beginning in the latter part of 1980 Malian leaders recognized that their existing system was not progressing and they began to make the basic changes that could pull Mali out of its current stagnation. Among the initiatives taken have been efforts to rejoin the West African Monetary Union (UMOA) which issues the CFA franc, negotiations with the IMF for Mali's first stand-by program of

long-term economic support, a plan to liberalize grain pricing and marketing, a commitment to reform the state enterprises, a promise to limit the budget deficit, and approval of a new, more realistic Five Year Plan.

Key among the U.S. interests is our desire that Mali remain an independent, politically and economically stable country, free of domination by outside powers, friendly toward the United States, and capable of making steady development progress. The United States is encouraged by the events of the past year and hopes to assist their further development.

The proposed U.S. strategy for its Malian assistance program puts primary emphasis on the development of food self-sufficiency both in the areas of grain production and livestock improvements. Secondary objectives include efforts to facilitate the development of private enterprise within Mali and to increase inter-regional trade, since the internal market opportunities in any single one of the Sahelian states are limited. At the same time, the U.S. intends to maintain, in coordination with other donors, its small programs aimed at improving rural health conditions, promoting reforestation activities, and developing alternate energy possibilities.

Recent foreign assistance programs of the U.S. and other donors have encountered many of the same management problems that have plagued the general Malian development effort over the past two decades. Improved performance will be the prime factor in determining the nature of the U.S. commitment over the coming five years. Not only will we be stressing adherence to such positive moves as cereal marketing reforms, state enterprise changes and a more responsible budget process; but we will also put strong emphasis on effective Malian management of the projects we are supporting. We will insist upon appropriate financial management of all of the projects, evaluate project goals more carefully, and seek alternative solutions to persistent problems

by stimulating greater participation by the projects' target groups. In addition, the U.S. plans to continue to support greater donor coordination, take actions which will stimulate individual producer and entrepreneurial initiative, and reduce our current overextension by seeking a concentration of USAID efforts in three main regions of Mali.

The proposed assistance range over the next five years is between $10 and 15 million. To support these programs, a U.S. direct hire personnel level in the range of 20-24 is appropriate because of the complexity of many of the projects and our insistence on effective management.

Approved: David M. Wilson

David M. Wilson
Mission Director

Approved: Parker W. Borg

Parker W. Borg
Ambassador

January 1982

USAID/MALI
COUNTRY DEVELOPMENT STRATEGY STATEMENT
FY 1984

Contents | Page

I. Analysis of the Development Situation in Mali 1

A. Conditions and Constraints 1

1. Physical Resources 1
2. Human Resources 5
3. Economic Conditions 9
4. Social Conditions 14

B. Efforts Toward Development 18

1. Overview 18
2. The Five Year Plan 20
3. Economic Reforms 22
4. External Donor Roles 28

II. Strategy for U.S. Assistance to Mali 33

A. U.S. Interests 33

B. U.S. Assistance Objectives 34

1. Basic Objective: Food Self-sufficiency 34
2. Secondary Objectives: Trade and Private Enterprise 35
3. Related Activities: Human Resources 36
Natural Resources 37

C. Program Criteria 37

1. Measuring GRM Performance 38

-- Macroeconomic Reforms 38
-- Project Management 40

2. USAID Approach 45

-- Collaboration in Planning 45
-- Encouraging Individual Initiative 47
-- Geographic Focus 48

D. Sector Programs 49

1. Food 49
2. Human Resources 53
3. Natural Resources 55

III. Assistance Planning Levels (FY 1983-87) 56

Maps: Mali
The Sahelian Countries

Previous Page Blank

I. ANALYSIS OF THE DEVELOPMENT SITUATION IN MALI

Mali's plight today after more than 20 years of independence suggests that it is a difficult development case. Yet the country has considerable resources and potential. This analysis examines existing physical, economic and social conditions in light of Malian efforts toward development.

A. Conditions and Constraints

Although diversity of natural resources is not one of its strong points, Mali is relatively well endowed with land, water and people, three resources essential to development. The following overview provides a framework for examining Mali's development potential and the constraints affecting it.

1. Physical Resources

Land. With a territory greater than that of California and Texas combined and with 14 people per square kilometer of arable land, Mali is relatively land rich. Range, farmland and forests constitute 483,000 square kilometers or 39% of Mali's territory. The balance is made up of a few urban areas (less than 0.2%) and 754,000 square kilometers of desert (60.8%). Large areas of the country are unpopulated, and populated land is not utilized to its optimum for farming, grazing or forestry. Soil in many areas is poor, and degradation due to erosion, overgrazing and inappropriate agricultural practices continues.

Water. Surface and groundwater are important underutilized resources. The Senegal River in western Mali and the Niger, which traverses the central and eastern part of the country, have potential for energy production, irrigation and transport. The Selingué dam on a tributary of the Niger has been supplying Bamako's electricity needs since mid-1981, but there are no immediate plans to develop its irrigation potential. The vast Office du Niger established in the Sahel zone in the 1930s was originally foreseen as a one million hectare

Previous Page Blank

irrigation scheme, but the Office barely meets operating costs and relies on World Bank, French and Chinese assistance to upgrade its deteriorated facilities that in fact only irrigate some 50,000 hectares. Similar problems are faced by Opération Riz Ségou, assisted by the European Development Fund (EDF), and various smaller irrigated perimeters on both major rivers. Construction of the Manantali dam scheduled to begin in 1982 with multi-donor financing under the auspices of OMVS could transform the economy of western Mali by providing hydroelectric power, irrigation potential and river navigation from Kayes to the port of St. Louis, Senegal.

For most villagers in the river basins, the effect of the rivers on the water table is more important than their irrigation, power or transport potential. The water table fed by the rivers fluctuates considerably from its high to low levels. Aquifers reaching well up into the northern grazing areas are traceable to the Niger. With properly constructed wells, groundwater can be a source of reliable water for villagers and an important factor in preservation (or destruction, if abused by overgrazing) of the Sahelian environment.

Minerals. Mali possesses known, exploitable reserves of gold and phosphates and possible significant amounts of petroleum and uranium, plus unknown quantities of bauxite, iron and other minerals currently of doubtful commercial value due to difficulties of access.

With Soviet assistance, the Kalana gold mine in southern Mali has been reactivated and commercial production will start in 1982. A new accord was signed in December 1981 providing for joint exploitation of the mine and assistance in other fields of economic development. Additional important amounts of alluvial deposits of gold have been located in the Bale valley in southwest

Mali for which American, French and Canadian firms have been invited to negotiate exploration and exploitation rights.

Phosphate production is being financed by German aid in the Tilemsi Valley north of Gao. It can provide an important source of natural fertilizer for the eastern and central regions. Natural, unprocessed phosphate is slow acting, but it has a prolonged beneficial effect on soil fertility. Agronomic research shows very promising results, but its use in Malian agriculture is not yet sufficiently tested to determine its economic potential. Moreover, high transportation costs from Gao to Mopti are another constraint.

Oil explorations are being carried out in two separate concession zones in the far nothern Taoudeni basin by ESSO and ELF-Acquitaine (French). These explorations are based on studies by a French consulting firm financed under a World Bank technical assistance project and data from the Texaco explorations of the 1970s. Initial investment by these companies will total some $40 million. A joint Japanese-Malian uranium exploration team has been working in unspecified areas north and east of Gao, but apparently with no positive results yet.

Bauxite, iron and other minerals found in western Mali could become commercially exploitable with completion of the Manantali dam. A resources survey of the area will be necessary to determine the mineral potential of this area with the planned availability of river navigation.

Weather. The productivity of Mali's agricultural land is with little exception a function of the weather, particularly rainfall. Although no definitive descriptive climate model exists for the Sahel and the drought of the early seventies seems to be over, the most striking characteristic of Mali's rainfall is its capriciousness in amounts and timing. There are indications of at least a short-term trend toward slightly higher and more regular rains. This would have a much more beneficial effect on Mali than millions of dollars of international aid.

The solar resource in Mali is, comparatively speaking, very large. Situated close to the equator in an arid zone, Mali receives a tremendous quantity of insolation. Much of this radiation, however, is diffused by particles in the atmosphere. Although still available for photosynthesis and some technologies, it is not ideal for concentrating solar systems.

The sun, of course, provides the energy for photosynthesis which is the basis of all biomass. The biomass is the basis of life as it not only provides food but also fuel. Unfortunately, in Mali this renewable resource is being exploited faster than it can regenerate, resulting in environmental degradation and the loss of soil fertility.

Several donor projects have demonstrated the technical feasibility of solar and renewable energy in Mali. Techniques include using thermal and photovoltaic devices for converting sunlight into electrical or mechanical energy for pumping, lighting, grinding and refrigeration. More research is needed on the economics of such technologies. This will probably be among the tasks of training, documentation, coordination, research and production assigned to the Centre Régional de Recherche et de la Production de l'Energie Solaire (CRES). CRES, part of a CEAO program of regional centers, is to be established in Bamako by the mid-1980s.

Location. Mali's landlocked position is a serious constraint. The long distances and poor transportation infrastructure to the port cities of Dakar and Abidjan mean lower net foreign exchange earnings from exports and higher delivered costs for imports. Some goods (e.g., food grains) cost more to transport from the African entry ports to their final destination in Mali than for the initial purchase and transportation to the West African coast.

An important consequence of Mali's landlocked position is that it must develop in the context of the West African economy. This means that

investments should be concentrated where it has comparative advantages with regard to its neighbors, e.g., coarse grains and livestock, and that high priority should be given to improving its regional economic linkages.

2. Human Resources

People are Mali's most important resource. Given the harsh conditions, Malians are strong, industrious and well-adapted to their environment. Mali's ability to develop its physical resources will depend on the capacity of its people to transform what their environment offers into productive wealth.

Poverty. With per capita GDP of $120 (compared to $9,590 for the U.S.) and a PQLI of only 14 out of 100, Mali is undoubtedly one of the poorest countries in the world. It is not possible to summarize the conditions of life in Mali with a few statistics. Available data are not reliable and do not indicate qualitative differences among various social groups, in climatically different zones, between urban and rural dwellers or between agriculturalists and pastoralists. Nevertheless, a few overall estimates can give some idea of status and the slow trends of change since independence in 1960.

The cities continue to attract rural people--in spite of the intense competition there for any kind of earned income. Population of Mali's two largest (Bamako and Ségou) doubled between 1968 and 1976. The estimated annual population growth for the capital of Bamako over the last five years is almost 9% and other major urban areas are growing at about 4.5% annually.[1]

Although the cities offer real attraction, it is questionable whether life is better there. Upper level civil servants live relatively well and

---

[1] World Bank, "Mali Urban Development Project," June 1979. Data from the 1976 census and more recent unofficial estimates by the National Office of Urbanism and Housing confirm ongoing heavy migration into the cities.

Table 1: Economic and Social Indicators

	1960	1970	1980
National Population	4,100,000	5,100,000	6,900,000
People per square kilometer	3.3	4.1	5.6
Population growth rate	2.1%	2.4%	2.6%
People per sq. km. of arable land	8.5	10.6	14.2
Gross Dom. Prod. (U.S. $ millions-1964 base)	390	525	790
National Per Capita GNP (U.S. $ - 1964 base)	98	100	120 (1978)
Literacy Rate	3%	10% (1974)	10%[§]
School Enrollment (% children - aged 7-12)	7%	20% (1974)	21%[§]
(% girls - aged 7-12)	unknown	unknown	14%[§]
Life Expectancy (years)	37	38	43
Crude Death Rate (per 1000)	27	27	22
Infant Mortality (to age 5)	60%	50%	45%
People per Doctor	95,000	50,000	25,000
Rural Pop. served by moderan health care	5%	10%	15%
Access to Piped Water (urban population)	unknown	unknown	29%[§]
Access to Safe Water (rural population)	unknown	unknown	25%[§]
Per Capita Calories (% of requirements, varies by region, seasonally and annually)	90%	75% (1974)	90% (1977)
Malnutrition in Children under 10	unknown	unknown	6-10%

Sources: AID/DS/DIU/ESDS ALL DATA report on Mali of November 1980, updated and supplemented from World Bank and USAID/Mali sources.

[§]Indicates data from last year's CDSS which appear inconsistent with latest World Bank data and therefore need re-evaluation.

the merchant class is growing, but over 40% of Bamako's households have incomes below the poverty threshold.[2]

Urban growth and concomitant poverty are severe, but 85% of the population still live and earn their livelihoods in rural areas. As in the cities, some rural families are better off than others for various reasons, such as large land or livestock holdings or the presence of a salaried civil servant, a merchant, a respected religious figure, a well-known traditional healer, an exceptional craftsman or other specialists in the household. Rural Malians consider that the larger the family the more secure it will be, because its alliances are more extensive and its potential access to available resources is greater.

In some zones rural families tend to be better off than in others. For example, agriculturalists with the best living conditions are those in the Third Administrative Region in southern Mali. They practice mixed agriculture, raising food, cash crops and livestock. The use of animal power is more developed there than elsewhere in Mali. There is rather abundant and reliable rainfall (1000-1500 mm annually) and a relatively better road network. This area sits astride the main trade routes between the coastal nations (from Sierra Leone to Togo) and Mali and Upper Volta. Moreover, there is an efficient and experienced development agency--the Malian Textile Development Company (CMDT)--which serves area inhabitants by providing inputs, credit and marketing facilities.

Like agriculturalists in southern Mali, people who live in the interior Niger delta are also relatively well off. This area provides an abundance of

---

[2] Ibid., pp. 4-5. The World Bank defined the poverty level at 30,000 FM ($55 monthly). USAID believes that the current threshold should be higher and that a majority of the population falls below it.

fish, there is normally enough water for dry season pasture for cattle, and some farmers are able to grow substantial crops of irrigated rice with assistance from GRM rural development operations (though these are not nearly as effective as CMDT). The numbers of people living in better-off southern Mali and the Niger delta total about three million, or roughly half the rural population.

The most impoverished rural people are those who live in the Gao zone (the Bourem-Gao-Ansongo corridor running south along the Niger from its great bend) and the dwellers in the Sahel zone (especially northern Kayes, Bafoulabé and Niono and the entire districts of Yelimané, Nioro and Nara). Most people in this zone (numbering perhaps one million) raise livestock as their major activity. The early decade drought caused substantial herd losses. Some families lost as much as 90% of their cattle during those years and the mainstay of the local diet simply disappeared. People were thus forced to devote greater efforts toward crops, but yields are small. Crops are planted in annual flood areas along the river, but such land is limited and newcomers must compete with sedentary people already there. And even crops along the river fail some years due to lower than normal river level.

The foregoing are impressionistic observations of poverty with which most observers of Malian poverty probably would agree. Numerous rural surveys have been carried out, financed mostly by different aid donors; but each has a different perspective and methodology. There is a need for continuous analysis of existing data and for collection, compilation and analysis of additional data over time so that systematic, objective observations can be made of changes, particularly with regard to rural incomes and expenditures. An immense number of problems stands in the way of increasing the incomes of any of these rural people, whether they are now relatively better or worse off. Crop farmers, for example, can only cultivate more land or produce more from

land already cultivated if they bring more energy to bear on their work. But human energy is obviously limited, and classical energy sources are now very expensive. In studies USAID has sponsored, farmers tend to stress labor shortages and to express urgent needs for farm implements and other labor-saving devices. Accelerating the move toward animal traction is essential, as well as finding ways to manage agricultural resources that will raise productivity and avoid degradation.

Population. Since the amount of arable land per capita ranks near the top among African nations, a 2.6 percent rate of population increase does not appear excessive to the Malian government. This feeling is especially strong in light of the high infant mortality rate and the large amount of unused land.

It is distinctly possible that the population growth rate will increase even more over the short run. And once the rate of growth declines, the population will continue to grow for the foreseeable future. It is true that development, including a reduction of infant mortality, may eventually help lower fertility rates; but prevailing traditional attitudes, economic views and religious beliefs may still resist lower fertility trends.

Available demographic indicators suggest that Mali's land resources may be threatened by rapid population growth in some areas. Certainly the period for achieving food self-sufficiency will be prolonged, and Malian planners may not have taken full account of demographic considerations elsewhere. Using available data, the Futures Group RAPID presentation in French has pointed out these neglected factors to Malian officials. Improved data is essential to a better understanding of the impact of population trends on Mali's development.

3. Economic Conditions

Overall economic growth has occurred over the years, according to the World Bank, but it has been irregular and insufficient to provide a

base for sustained development. Furthermore, the unreliability of some of the underlying data due to unrecorded agricultural exports and consumption imports and questionable financial statistics cautions against drawing more than tentative conclusions regarding Mali's growth.

Table 2: Gross Domestic Product by Sector
(at 1972 prices)

	1972		1978		Avg. Growth (%)
	Billion MF	%	Billion MF	%	1972-78
Primary Sector	80.0	42.5	95.0	39.7	2.9
of which:					
Crops	(38.5)	(20.4)	(50.7)	(21.2)	(4.6)
Livestock	(33.8)	(17.9)	(35.6)	(14.9)	(0.8)
Industry	28.4	15.1	36.7	15.4	4.5
Services	79.5	42.4	107.3	44.9	6.1
of which:					
Commerce	(44.7)	(23.7)	(68.4)	(28.6)	(7.4)
Government	(22.7)	(12.0)	(27.0)	(11.3)	(2.9)
Gross Domestic Product	188.1		239.0		4.3

Source: GRM Direction Nationale de la Statistique, IMF and IBRD estimates.

Note: Considering that Mali's economic performance depends heavily on variable rainfall, the choice of beginning and ending years has important implications for growth rate calculations. This is especially true of the 1970s, when the great drought introduced wide fluctuations. The Mission feels that the 1972 vs. 1978 comparison is reasonably representative of the 1970s as a whole.

Table 2 indicates that GDP is composed largely of crops and livestock, but growth has been weaker in the primary sector than in commerce. It may be understated in the former and overstated in the latter due to data collection problems noted above. Much of the growth has been due to increased cotton production in response to high world prices and strong marketing by CMDT.

Coarse grains (millet, sorghum, maize), rice and groundnuts are the most important foodcrops. The parallel (black) market in coarse grains leads to probable underestimation of their production, while rice and groundnut production have dropped off steadily since 1975 due to poor management and marketing problems. Livestock production, which appears to have reached pre-drought levels, may also be somewhat understated due to the high mobility of cattle and small ruminants.

The note to Table 2 states the strong effect of good rainfall and drought years. This effect carries through from the primary sector to the industrial and commercial sectors, which are highly dependent on primary sector production for their inputs. In other words, weather impacts heavily on most sectors of the economy.

Mali is dependent on trade for basic consumer and development goods, e.g., food, petroleum products, vehicles, fertilizers, and pharmaceuticals. Imports rose at a rate of 16% annually from 1972-1979, but exports grew at only 11% during the same period.

Table 3: External Trade
(billion MF)

	1972	1976	1977	1978	1979	1980
Exports	22.2	45.1	61.2	50.1	62.7	86.6
Imports	32.0	53.2	56.0	92.8	106.8	136.9
Trade balance	-9.8	-8.1	5.2	-42.7	-44.1	-50.3

Source: Central Bank of Mali and IBRD estimates

Table 3 shows that the growth in the trade deficit has been particularly rapid since 1978. This is due in part to increases in quantity and price of

petroleum products and food but was also the result of general increases in imports while export earnings have failed to rise correspondingly.

The financing of the trade deficit is indicative in many ways of the basic problems facing the Malian economy. Merchandise exports in recent years have amounted to less than half of merchandise imports. The portion of imports not covered by export earnings is essentially all financed through external donor assistance. In many years, food aid finances half of Mali's foodgrain imports. Imports of intermediate and capital goods are mostly for public sector development projects and again are mostly donor financed. France, through a bilateral monetary accord, has provided Mali with a line of credit (the "operations account") to cover the country's foreign exchange shortfalls and thereby keep the Malian franc convertible at 100:1 with the French franc. Although generous French financing has enabled Mali to avoid balance of payments crises and other donors are contributing large investments in other forms of aid, the economic impetus the country needs for successful long-term development is still not evident.

Foreign exchange, therefore, is not at present a binding constraint on economic growth in Mali, but the lack of domestic resources for investment is critical. Since 1972 consumption has been rising faster than GDP and gross domestic savings have been negative several times. The major causes of low savings are large GRM current account deficits along with policies that subsidize basic consumer goods and stimulate consumption above what it would be if market prices prevailed. A related problem concerns the parastatal sector which, overall, experiences large deficits. Present policy is to finance these deficits through the commercial banking system and the Central Bank. Because recent monetary arrangements with France strictly limit the amount of credit available in the Malian economy after loans have been made to public

enterprise, few funds are available for long-term private sector investments.

The GRM budget is committed almost totally to meeting current operating costs, as summarized in the following table.

Table 4: GRM Revenues and Expenditures
(billion MF)

	1975	1976	1977	1978	1979	1980
Revenues	28.8	36.8	48.0	52.3	54.9	58.6
Current Expenditures	36.4	44.5	51.5	57.8	68.9	71.5
of which:						
Salaries	(25.8)	(29.4)	(31.3)	(35.4)	(38.5)	
Scholarships	(3.0)	(3.8)	(4.8)	(5.5)	(7.5)	
Capital Expenditures	1.1	2.3	3.1	3.4	3.6	3.8
Overall Deficit	-8.7	-10.0	-6.6	-8.9	-17.6	-16.7

Sources: GRM Direction Nationale du Trésor et de la Comptabilité Publique and IBRD estimates.

GRM revenues as a percent of GDP are relatively low but have proven elastic to economic growth, increasing from 11.1 percent of GDP in 1975 to 13.3 percent in 1979. The GRM's main budgetary problem is controlling expenditures. Because of longstanding commitments like hiring all school graduates and providing generous scholarships, the government faces continuous shortages of funds for other expenditures. The major effects of these shortages are: 1) government employees have difficulty performing their functions because of inadequate logistic support, and 2) virtually no government revenues have been available for capital expenditures. The results are evident in steadily deteriorating government services and socioeconomic infrastructure.

Accelerating economic growth in Mali in the near future will depend on expanding agricultural production. This will require reforms in government

policies relating not only to production incentives in the agriculture sector but also with respect to public finances and domestic resource mobilization. The necessary measures are discussed in Section I.B. below.

4. Social Conditions

Three aspects of social conditions seriously affect human resources and general economic development: health, education and administrative institutions.

Health. The health situation in Mali is grim. Not more than 15% of the population has access to health services. The quality of services provided is poor, and there are signs it is deteriorating in the urban centers where most health resources are centered.

Although 7.5% of the national budget is devoted to health (down from 12% in 1960), it amounts to only $2 per person annually. Drugs and equipment are chronically lacking. Two national and six regional hospitals along with 46 health centers and 400 dispensaries form the skeleton of an infrastructure; but these facilities are antiquated and run down, and there are shortages in quantity and quality of personnel to operate them. Linkage is poor between different levels of services because of bad roads, lack of transport and poor communication.

External assistance plays important roles in the health sector. France, the USSR and China provide medical teams in urban centers. Germany, France, the U.S., and WHO are carrying out regional research projects in leprosy, onchocerciasis and schistosomiasis. UNFPA and private agencies carry out mother and child health projects in rural areas. Chinese aid is constructing a pharmaceutical factory. Most donors provide medication, but there is no standardization and control is lacking. A USAID pilot project has tested methods for providing affordable basic health care to rural villages. The

World Bank and EDF are designing expanded rural health projects which will improve training, planning, logistics and management for the system while expanding health services into new areas. The GRM development plan proposes standardization of medication and more emphasis on primary health care.

Education. The great majority of the population is illiterate in the official French language, although some progress is being made in functional literacy in the main national languages. USAID experience with agriculture projects indicates that rural demand for functional literacy appears to be greater than for formal education, which is structured along European classical lines unsuited for rural life and agriculture.

Based on a study of the education sector,[3] the GRM has designated three priorities: 1) to expand basic education and training programs for adults and children, adapting the schooling to the environment by "ruralizing" the curriculum and using national languages for primary school instruction; 2) to develop low and mid-level professional and technical training, and 3) to improve administration of educational activities. Based on these priorities and the GRM development plan, USAID will cooperate with UNESCO, French and other donor representatives interested in the education sector who intend to prepare an overview analysis of the sector in 1982.

Administrative Institutions. Clearly, such factors as climate, limited natural resources, inadequate transportation, etc., are important constraints to Mali's development. Events since 1960, however, suggest that institutional constraints are even more important. Perhaps the most important failing of post-independence governments and the donor community in Mali has been their lack of recognition of how critical these institutional constraints are.

---

[3] World Bank, l'Education au Mali: Problems, Perspectives et Priorités, Fév. 1981.

Since independence the GRM, like other African governments, has faced such serious economic problems as unemployment, inadequate agriculture and especially food production, expanding commodity imports, rising prices, inefficient marketing systems, etc. Invariably the GRM, often with donor support, looked to public sector institutions as the primary instrument for formulating and implementing policies and programs with which to resolve these problems. It created public sector institutions to establish and control prices, to control marketing of key commodities, to monitor agriculture production and produce consumer commodities. It also promised every high school and university graduate employment in the public sector.

The subsequent failure of the policies and programs of these institutions is generally seen as the root cause of Mali's present serious economic problems. Prime examples of such failures include the poor management of public sector finances, the mismanaged and heavily subsidized state enterprise system, and the oversized, underpaid and ineffective government bureaucracy. In the latter category, the mismanaged and ineffective government controlled cereals pricing and marketing offices are often singled out for special criticism because of their contribution to Mali's serious food production problems.

The most important institutional constraint may be the lack of management capacity. Unfortunately, because management approaches, priorities and objectives (and results) are in the final analysis a product of the social, cultural, economic, financial and political context within which they are developed, they are not easily or rapidly changed. Bringing about significant and <u>sustained</u> improvements in management performance must be seen as an evolutionary process requiring decades. At the same time, the need for significantly improved management performance at both program and project levels is immediate. Fortunately, there is a growing recognition of this

need on the part of the GRM and the donor community and multi-dimensional efforts are underway or in the planning stage to address the problem.

For example, as will be discussed below, the GRM has, under IMF pressure, agreed to reform the state enterprise system, public finances and the cereals marketing system. These reforms, if indeed carried out, will result in reducing government intervention in the economy. Thus at the macro level one immediate and important response is to reduce the management load on government institutions by transferring it to the private sector.

At the project level, as is discussed later, USAID is taking steps to insure better management. This includes encouraging the move of decision making and support functions to the private sector where possible and reducing the geographic coverage of projects to coincide more closely with institutional capacity.

In addition, the GRM has created some structures to aid management, and in a broader sense institutional reform. For example, since 1977 the Administrative Reform Commission (with UNDP assistance) has been devising a system of higher and secondary schools to teach technical and administrative skills as well as systems for personnel administration, public finance and local administration.

At the macro and project levels, improvement of institutional performance will require extensive administrative and economic changes, most of which involve difficult choices. Observing and measuring progress toward institutional reform, though not an exact science, is essential. Therefore, it is also essential that the donors and the GRM achieve a consensus on priorities and on how progress is to be measured.

It should be emphasized that USAID is facing significant institutional constraints of its own which have hampered implementation performance.

These constraints along with USAID's response to them are discussed in Section II below.

B. Efforts Toward Development

1. Overview

During the past three years a gradual process has been underway within Malian society away from military rule toward civilian rule and broader-based participation in economic and political decision making. Elections in 1979 established a one-party political system led by President Moussa Traoré, an 82-member national assembly, and a series of political party units at regional, district and community level. The government and party work in unison, administrative decisions and actions being carried out by the government with final policy decisions in the hands of the party's Central Executive Bureau. The party continues to seek a wider political base through organizational efforts at the national, regional and district level and through affiliated organizations of women, labor and youth. The president, who is also party chairman, has traveled widely throughout the country, as have most of the government ministers.

The party and government are committed to a centrally planned economy based on popular support. There is, however, widespread, strong dissatisfaction with the adverse economic situation, which is seen as resulting from administrative incompetence and corruption--both of which are acknowledged and denounced by the party and government. There also has been criticism of the party's unwillingness to share power outside of its established structure. Stability and progress depend upon whether the party and government can bring about improved economic performance while broadening their political base. Much of the current debate involves redefining the meaning and extent of central planning and management.

In response to popular demand and to pressure from external donors, the GRM has committed itself to a series of economic reforms. For over two years, a group of food aid donor representatives has steadily urged the GRM to reform the cereals marketing system. A series of World Bank and IMF missions visited Mali during 1980 and 1981 to analyze the economy, make suggestions, and set specific macro-economic criteria for expanded IDA sector lending and an IMF structural loan package. These missions have resulted in extensive studies of the national economy.[4]

The French government has been urging tighter fiscal discipline to ease pressure on the operations account. The French, Canadian, German and other aid missions, like USAID, are tightening controls over economic assistance project expenditures to prevent misallocation, which has become a common practice in the current economic situation.

In February 1981 Mali began discussions with France and other members to rejoin the West African Monetary Union (UMOA in French). The UMOA members (Ivory Coast, Senegal, Niger, Benin, Togo, and Upper Volta) share a common central banking system (BCEAO) and currency (CFA franc) tied to the French franc at a fixed 50:1 rate. Mali negotiated with France and UMOA throughout most of 1981, but the December summit meeting of member chiefs of state adjourned without accepting Mali's entry. Mali's membership is not likely to be considered again before the next summit meeting planned for late 1982. This partly reflects political differences among UMOA members, but it may also be due to lack of confidence by Mali's neighbors in the management of its economy. Mali's entry into UMOA may also depend, like other actions, on implementation of macroeconomic reforms.

---

[4]World Bank, "Economic Memorandum on Mali," June 1981
IMF, "Mali--Staff Report for the 1981 Article IV Consultation," Oct. 1981.

The sections which follow describe first Mali's planning progress under the new Five Year Plan, then plans for macroeconomic reform, and finally the types and sources of external assistance available to Mali to carry out the Five Year Plan and to support macroeconomic reforms.

2. The Five Year Plan

The history of planning in Mali goes back to the colonial period. Post-independence planning began in 1961, but it has lacked continuity and has generally been ineffective at influencing the direction of development.[5] The new Five Year Economic and Social Development Plan, 1981-85, was given final approval by the National Assembly in September 1981 after more than one year in preparation.[6]

The Plan is a consensus document and therefore not highly analytical. It is the product of a process which involved technocrats and politicians at all levels and attempted to ascertain popular desires at the local levels. At the same time it provides certain overviews and objectives for government priorities. The fundamental objectives of the Plan are: (a) improvement in rural conditions based on food self-sufficiency, (b) development of transportation networks to counter geographic constraints, and (c) development of industries to transform primary resources.

---

[5] Jones, William I., Planning and Economic Policy: Socialist Mali and her Neighbors, 1976. Describes the planning process and institutional structures in the 1960s and analyzes the reasons for economic deterioration during that period.

[6] Only a few copies of the final mimeographed draft of the Plan are available in Mali. Final revisions and editing have been done for printing in France. For the present, the best source of information on the Plan and the process by which it was prepared is contained in a two-month study contracted by USAID while the Plan was in its last stages of review and revision. See Mink, Stephen, "Summary of the Malian Development Plan (1981-85)," September 1981.

Strategy. The Five Year Plan lays out a strategy for decentralization of development, regional balance in investments and encouragement of private enterprise. The decentralization strategy is to be pursued by strengthening regional and community planning capabilities. The GRM intends to encourage local participation in the development process by strengthening planning staffs assigned by the Ministry of Plan and other ministries to the regional level. These staffs will work with local officials of the Ministry of Interior, technicians in the rural development operations, cooperative organizations and non-government organizations to coordinate planning and follow-up evaluation.

At the community level, the GRM is advocating the involvement of existing "tons villageois" (traditional village organizations) or creation of special community associations to undertake self-help projects in cooperation with the government. Rural illiteracy, suspicion of government objectives, lack of experience in economic and administrative functions and a frequent absence of established participatory procedures will make this a slow process. In recognition that local participation must be self-directed, the Plan stresses that these associations must remain voluntary. We expect that little responsibility will be placed on community associations during this Plan period. Expanded rural literacy and strengthening local development expertise are the prerequisites on which the Plan places emphasis at present.

Regional balance is sought under the Plan to redress existing centralization of industrial investment in Bamako and agricultural investment in southern Mali. In addition, there is a need to improve development opportunities in the Gao and Timbuktu regions of the northeast due to sedentarization of nomadic people who continue to move into those areas as an aftermath of the drought. Mali's industrial development hopes are based in large part on exploiting hydroelectric and minerals potential in remote northeastern and western regions.

Planned large-scale dams (Manantali and Tossaye), phosphate production (Bourem), oil and uranium exploration (Gao region), gold mining (Kalana, Kenieba) and diamond mining (Kenieba), which account for over a third of total planned expenditures, are located largely in the Kayes (First) and Gao (Seventh) regions. These investments are expected to lead to a more balanced regional development.

Implementation. The success of the Plan will depend on whether economic reforms are carried out and arrive at their intended effect and whether GRM agencies and donors cooperate to ensure that investment priorities are followed, projects effectively monitored, results objectively evaluated, and planning adjusted or revised accordingly. Follow-up and evaluation of the previous GRM National Development Plan (1974-78) were not effective due to disruption of development efforts by the drought and lack of commitment to the planning process.

3. Economic Reforms.

The GRM has announced a wide range of economic reforms; however, it cannot yet be objectively demonstrated that effective action has been taken. This is due to the complexity of the problems involved, the sequential interdependence of actions, and an apparent need for consensus on each issue before action is taken.

The extreme poverty of most Malians does not allow for much belt tightening; and each tightening down risks doing damage to individuals already living at the margin--as well as those better off who may be taking advantage of economic disorder to get a few steps beyond the poverty line. The ultimate objective of reforms should be to allow enough consumption so as to encourage private initiative while at the same time encouraging domestic savings and directing investments (both domestic and external) into more highly productive areas.

This is well understood by Malian planners. The trick is to build, or rebuild, effective economic mechanisms by which to accomplish the tasks within the constraints already described.

Structural economic reforms can be discussed in three general categories, which depend in part on one another, i.e.: (a) liberalization of the cereals market, (b) reform of the state enterprises, and (c) reform of public finances. Each of these overlaps the others. The following summaries provide a brief overview but cannot adequately describe or analyze them. For a more complete analysis, the World Bank and IMF studies and other cited sources must be studied.

Cereals Marketing. The longstanding cereals marketing system is universally recognized by donors and the GRM as a major constraint to achieving national food self-sufficiency. The basic flaws in the system have been official and consumer prices that are much lower than free market prices and the inability of the state cereals marketing board, OPAM, to perform its assigned monopoly role in cereals marketing. OPAM was created to control the cereal markets by maintaining prices at reasonable levels to producers and consumers, thereby eliminating commercial speculation that takes advantage of producer and consumer alike and, from the GRM viewpoint, "distorts" the market. The approach taken by the GRM has not been successful. Only an estimated one-third of cereals marketed move through official channels; farmers understandably sell the remainder on a parallel market at about twice the official price. OPAM customers, except for the military and some civil servants, receive no more than 25% of their total needs from the official source. OPAM has failed to perform its major function satisfactorily and, in addition, has required subsidies in recent years of $5 to $10 million annually.

The GRM recognizes that market control has not achieved desirable results and is receptive to ideas for changing approaches. Several food donor organizations support the position elaborated by an FAO report[7] which basically called for reducing OPAM's control of the market to a function that would chiefly come into play during very poor or very good crops years which would otherwise cause untenable swings in market prices. As proposed, OPAM would provide a floor price to producer and a ceiling price to consumer. In theory, the floor and ceiling prices would be set at levels which only require OPAM to enter the market if supplies are unusually high or low. The FAO report recognized that a sudden change in OPAM's role would cause inconvenience to those who at present benefit from subsidized cereal prices, mainly government workers including the military. In order to ease the burden of change, it suggested temporary compensation as production adjusted to a free market system which would lead to lower average consumer prices. In accordance with these recommendations, a multi-donor group proposed in November 1980 a program of food assistance to allow the GRM to increase official producer prices fairly rapidly and to increase consumer prices gradually to a corresponding level over five years. At the end of five years, OPAM would be only a market regulator and would no longer supply the market regularly. The GRM accepted the proposal in principle and announced that a liberalized market system would be put into effect with a reduced role for OPAM. The legislation for this action has been passed with some modification from the donor proposal. Rice grown in project areas of heavy government investment has been excepted from decontrol. The law provides for wholesale merchants to be licensed by the state and requires these merchants to respect consumer prices established by

---

[7] H. deMeel, "La Politique Céréalière au Mali," FAO, Rome, 1978.

the government. USAID believes this price condition, if enforced, will nullify many of the free market advantages. However, in anticipation of donor support, the GRM has increased the official producer price of millet/sorghum from 50 FM/kg in 1980/81 to 85 FM/kg for the current marketing period.

State Enterprises. Mali's state sector dates from the immediate post-independence period when a few key companies were nationalized and others created. With independence many French investors and businessmen who had occupied key positions in the economy withdrew, leaving a void which private Malians and other foreign investors were not able or prepared to fill. To ensure the provision of basic necessities and the promotion of economic development, the government stepped into this void. The policy of state-controlled corporations was also strongly influenced by prevailing social ideals: the commercial enterprises served the more directly social role of eliminating the middleman, considered an exploiter, while the industrial enterprises were a source of new jobs and an essential element of a development strategy which focused primarily on the transformation of Mali's agricultural products.

The state sector expanded rapidly in the mid-1960s, though the creation of new companies dropped off during the 1970s. The sector is made up of twenty-five companies under the general supervision of the Ministry of State Enterprises, eight of which are "mixed" public-private corporations responsible to various other ministries. In addition, OPAM under the Ministry of Finance and several operations under the Ministry of Agriculture operate as public sector enterprises.

The state enterprises in Mali dominate the modern sector of the economy, accounting for more than 70% of industrial output, two-thirds of the country's business turnover, and more than half of its exports. They extend into nearly every key facet of economic life, including food and basic necessities, power

and water, pharmaceuticals and transportation, and the production of luxuries such as tobacco and radios. They provide employment directly to almost 15,000 workers and indirectly to more than double that number, thus constituting the means of livelihood for a considerable proportion of Mali's urban dwellers, particularly in Bamako where twenty-one of the corporations are headquartered. In addition, the state enterprise sector is a major source of government revenue, contributing 34% of the total in 1977, 27% in 1978, and an equivalent proportion in 1979 and 1980. Over 90% of these revenues are provided by taxes that are independent of the profitability of these enterprises, such as the tax on value added and export levies.

Revenues have been gleaned in this indirect manner because of the failure of the public enterprises to earn profits. Instead, all but five corporations have engendered increasing yearly deficits. The sector's total deficit reached MF 25.6 billion ($45 million) in 1979, equivalent to 45% of the year's tax receipts. Along with these yearly deficits, the sector's indebtedness soared to MF 120 billion ($214 million) in 1979, equivalent to 28% of the national external debt. In addition, the past few years have been characterized by declining values of sales and declining value added for the major companies, as well as real disinvestment in plant and equipment.

This deteriorating situation of the state enterprise sector is the result of the financial, marketing, supply, and technical problems. The problems, their causes and impact on the Malian economy and the reform measures incorporated into Mali's Five Year Plan have been examined in detail in a recent study by the Embassy.[8]

---

[8] American Embassy, "The State Enterprise Sector in Mali: Evolution, Problems and Prospects," Bamako, November 1981.

The GRM has announced an extensive reform of the state enterprise sector. Only those enterprises which are determined to be "strategic" to the national economy will be kept under government control and measures will be taken to make them financially self-supporting. Others will be opened to private entrepreneurs and converted to mixed (state/private) or private enterprises or closed down. The World Bank will assist the GRM in a study, beginning in early 1982, to elaborate the details of the reform. To the extent the GRM succeeds in carrying out the reform plan, the economy will be freed for expanded private enterprise activity.

Public Finances. As noted in the section on economic conditions, the GRM's inability to reduce expenditures for salaries has not only resulted in increased deficits but has greatly reduced the funds available for materials and equipment, recurrent costs of development projects, and capital expenditures. In effect, most of the GRM expenditures are in the nature of current consumption and are making very little contribution to development. Government services to meet basic social needs, e.g., public health and primary education, are not being provided effectively in part because government personnel lack logistic support.

In the short run the most urgently needed changes relate to expenditures. The GRM must stabilize the number of civil servants. Also, its policy towards the financing of higher education needs to be changed. These steps should, of course, be accompanied by continuous efforts to improve management and efficiency throughout the government service. On the revenue side, there are a number of steps that can be taken to improve tax administration including collection of rental payments due the government; improvement of tax records; readjustment of fee schedules; enforcement of vehicle registration fees; installation of auditors within state enterprises; and restructuring the Customs

Service to enforce tighter standards on both agents and merchants. The increases achieved in revenue collections in 1980 and 1981 are encouraging, but much more needs to be done. In his budget address in December 1981, the president spoke of the need to eliminate corruption and balance the budget, but specific government measures for 1982 have not yet been announced.

As noted in the Harvard study on recurrent costs in Sahelian countries,[9] there are limits to how much revenues can increase as a percent of GDP. Studies comparing Mali's tax efforts with those of other developing countries indicate that there is little scope for increase in tax rates, although continuous efforts are needed to improve tax collections. The only long-term solution to the lack of resources for government services and for the recurrent costs of development projects is more rapid economic growth which in the final analysis can be achieved only through sound economic policies and cost effective development projects.

4. External Donor Roles

While the pace at which economic reform proceeds depends on numerous factors, the degree to which each measure is carried out may depend almost as much upon external donors as it does upon the GRM itself. Foreign donors finance such a large proportion of imports and local expenditures that they have come to play a dominant role in the Malian economy.

Table 5 summarizes donor activities in Mali as of 1979.

Types of assistance can be classified into project, non-project and economic/cultural exchanges. Project assistance in 1979 was predominantly in the secondary sector, i.e., industry, infrastructure and energy with

---

[9] CILSS, Working Group on Recurrent Costs, Recurrent Costs of Development Programs in the Countries of the Sahel: Analysis and Recommendations, Aug. 1980. Technical reports were also prepared on six donor-financed development projects in Mali.

Table 5: External Assistance to Mali - 1979
(Commitments in U.S. $ million equivalent)

Country/Organization	Types of Assistance: Non-Project	Project	Total
OECD Countries			
France	6.8	39.4	46.2
Germany	7.3	46.3	53.6
U.S.	-	17.1	17.1
Canada	-	2.7	2.7
Netherlands	-	5.1	5.1
Switzerland	.2	3.1	3.3
All others	3.2	4.6	7.8
	17.5	118.3	135.8
OPEC Countries and Organizations	7.9	25.0	32.9
Multilateral Donors			
IBRD (IDA)	-	21.0	21.0
Others	9.5	52.6	62.1
	9.5	73.6	83.1
Totals	36.3	216.9	251.8

Communist Countries

Only estimates available are for commitments 1970-1979 as follows: China--$47.2; USSR--$16.3.

Source: CILSS/Club du Sahel, Official Development Assistance to CILSS Member Countries from 1975 to 1979, 1980, with revisions by USAID/Mali.

agriculture (crops and livestock) receiving considerably less and health, education and other social sector projects taking third priority. The larger amounts committed for infrastructure reflect the capital intensive nature of such assistance. Also, citing commitment data, which are all that are available to us at this time, does not show the impact on the economy since there are varying periods for expenditures of funds under different

projects, many taking five years after commitment before sizable resource transfers are made. Non-project assistance consists mostly of food and other commodity imports and budgetary or balance of payments assistance. There are large fluctuations in food aid amounts depending on annual crop conditions. Other commodity imports untied to projects consist mostly of vehicles, drugs and medical supplies. Bilateral budget grants have been obtained from several countries, and balance of payments assistance is mostly through the French-supported operations account. Complete information on non-project assistance is not available at this time, but the total probably runs well over $50 million annually. Economic and cultural exchanges are made with numerous countries--industrialized, socialist and developing. Mali holds periodic joint meetings with many countries which result in economic and cultural accords. On the local level, a number of cities and towns in Mali have sister-city relations with other communities throughout the world. At least twenty non-governmental organizations carry out community and local level projects. The monetary amounts of these exchange programs and private projects are not great, but the government and the official press give them strong recognition for their humanitarian and development work.

Sources of assistance. Much assistance comes from multi-lateral organizations. The World Bank is by far the largest with $175 million in IDA credits outstanding for road, railroad and telecommunications infrastructure, agriculture (crops and livestock), energy, urban development and small industries. The African Development Fund and Arab Bank for Economic Development in Africa each have over $30 million in soft credits outstanding. The IMF has a $27 million Trust Fund loan outstanding and is negotiating with Mali for an extended fund facility conditioned on economic reforms, especially in the area of public finance. The Islamic Development Bank and OPEC Special Fund also contribute

significant amounts of loan and grant assistance for projects. The European Economic Community provides food and technical assistance through its European Development Fund delegation in Mali. The United Nations resident representative in Mali coordinates a range of technical assistance activities of UNDP, WHO, FAO, UNIDO, and UNICEF, plus road construction projects of UNSO and food assistance of WFP. Bilateral programs of the OECD members comprise the second largest external assistance source. France provides direct budgetary assistance as well as balance of payments support through the operations account plus close to $50 million annually in agricultural, infrastructure, health, education and cultural projects. West Germany provides $50-60 million annually for food aid and for road construction, river navigation, small industries and mining, agriculture and health projects. Canada averages about $10 million annually for rural development projects and for food aid. Japan has provided trucks, agricultural commodities and food aid in past years: agreements were recently signed for $25 million of rice and $1.6 million for equipment and services to drill wells in the Gao area. Others (Netherlands, Belgium, Austria, U.K., Norway and Switzerland) provide smaller amounts of technical assistance and food grants. Arab countries and organizations provide important amounts of assistance, mostly for infrastrucutre. Saudi Arabia finances a livestock project in the northwest and a variety of urban development projects and is considering financing for major irrigation projects. It also was agreed to spend $40 million to build a new bridge over the Niger River at Bamako. The Sevaré-Gao road is financed by a consortium of donors including Kuwait, Saudi Arabia, Islamic Development Bank, OPEC Special Fund and Arab Bank for Development plus the African Development Bank and Germany. Libya finances a joint commercial livestock venture. Algeria, Egypt and Syria have commercial accords with Mali containing concessional aspects. The recent Algerian-Malian joint

commission agreed on a $10 million grant of cement along with scholarships and communications equipment as well as tariff and international road transit agreements. Communist countries have provided loan assistance in the past resulting in present large debts. The Soviet Union provides military advisors and some equipment as well as medical teams and assistance in development of the Kalana gold mine in southern Mali. A recently signed Soviet-Mali accord provided for operation of the gold mine, further explorations and expanded economic assistance in unspecified sectors. Numerous cultural and labor missions visit Mali from the USSR. China has financed construction of several manufacturing plants (matches, cigarettes, rice mills, textiles, tannery) for which it continues to provide technical assistance. A modern pharmaceutical plant will be completed in 1982. Capital assistance and technical direction are provided for reconstruction of the Markala dam and sugar mill operations at the Office du Niger near Ségou. Chinese medical teams work in three regional hospitals. Cuba, Yugoslavia and Romania have economic and cultural accords providing mostly for scholarships and other exchanges. North Korea operates a rice irrigation perimeter on the Niger south of Bamako and is constructing a large cultural center in Bamako.

Debt. According to World Bank data, Mali's external debt totaled over $800 million at the end of 1980, of which $140 million was in arrears. Principal creditors are IDA ($175 million), China ($183 million, of which $96 million in arrears) and USSR ($117 million, of which $40 million in arrears). Canada and Germany have cancelled all debts previously incurred. In addition, the Central Bank has cumulative net drawings of about $218 million against the operations account with the Central Bank of France. This total debt of more than $1.0 billion represents over 90% of GDP, a proportion exceeded elsewhere in the world only by Somalia and Mauritania.

II. STRATEGY FOR U.S. ASSISTANCE TO MALI

A. U.S. Interests

The United States has an ongoing interest in Mali as an independent, politically and economically stable country, free of domination by outside powers and friendly towards the United States. Assistance efforts to develop a stable economy in Mali offer the best prospect that Mali will be able to continue to exist free of foreign domination. Contributions the U.S. makes to these efforts support the substantial commitments of other friendly countries to Mali's independence and stability.

The U.S. applauds the gradual evolution of participatory processes in Mali which we believe will allow Mali to seek its own aspirations for national identity more effectively and to secure the wellbeing of its population.

The U.S. believes that an economically strong Mali will promote regional stability, become a better trading partner, and offer greater opportunities for investment. At the same time, Mali's internal market is limited, which means that any prosperity will be limited until there is greater regional cooperation. We support Mali's active participation in the OAU, ECOWAS, CEAO, the Senegal River Valley Authority (OMVS), the Niger River Basin Authority (NBA), and the Sahelian intergovernment drought committee (CILSS) as well as its effort to re-enter the West African Monetary Union (UMOA).

The U.S. wants to encourage the reduction of state control over economic life in Mali and to promote greater private sector participation in the market place, which is a stated policy objective of the GRM.

The United States understands and respects the fact that Mali, as a recipient of important amounts of economic and military assistance from countries around the globe, desires to be a part of the nonaligned world. The only thing that the United States seeks is that this position of nonalignment

be truly neutral and not regularly biased towards the positions of any single outside power.

The United States shares the general international concern that the fragile Sahelian environment remain viable for human habitation and enterprise and that international donors collaborate with the Sahelian states in the development of a region-wide economic strategy. Mali's central location, size and potential for food production give it a key role in any such regional strategy.

Regardless of other considerations, a continuing long-term reason for U.S. involvement in Mali's economic development remains our humanitarian concern for the world's poor. We believe that Mali's development success will depend primarily on Mali's own actions, though donor support can be of great assistance.

B. U.S. Assistance Objectives

Analysis of the Malian economic and social situation and U.S. interests leads to the conclusion that U.S. assistance to Mali should support the GRM's prime objective of sustained economic growth based on food production while encouraging improved regional trade and private enterprise activities in accordance with mandates of the U.S. Administration and Congress. In addition, we see important related needs for developing the human resource base and making better use of natural resources in ways that safeguard the Sahelian environment.

1. Basic Objective: Food Self-sufficiency

The U.S. economic assistance program should continue to support Mali's achievement of its own basic development objectives: increased food production leading to improved rural conditions and sustained economic growth. Malians must be able to see steady progress toward their own goals and security in meeting their basic needs if they are to maintain political independence, succeed in regional integration and preserve their Sahelian environment.

National self-sufficiency in food is not considered achievable within the period of the Malian development plan, i.e., by 1985. Nevertheless, the next several years should lay the basis for its achievement. With the continuing help of external donors, Mali must make perceptible progress toward such a goal if it is to develop in a stable manner. A strategy for working toward this basic mutual objective is proposed in the following sections of this CDSS.

2. Secondary Objectives: Trade and Private Enterprise

Although Mali is not well endowed for international trade and there are numerous constraints to trade expansion, U.S. assistance policy and interests in regional economic stability indicate a need for more private enterprise and increased trade to be a dual objective of the U.S. assistance program in Mali second only to food production. The GRM Plan proposes to improve transport and communications to facilitate trade and to improve the investment climate for small-scale industries. A parallel U.S. objective should be to encourage regional trade and expanded private enterprise activity to stimulate industries appropriate to an agricultural economy. The USAID strategy will integrate these dual secondary objectives into the total U.S. economic assistance strategy in Mali.

The first step will be to explore systematically the existing and potential private sector of the Malian economy within the regional West African economy. Mali is not one of the priority countries identified by the new AID Bureau for Private Enterprise. Nevertheless, a reconnaissance mission by the Bureau during 1982 could enable USAID and the GRM to identify potential areas in the agro-industry, small-scale energy or other sectors where U.S. business expertise could play a role, especially where regional markets are promising. A second or alternative step may be to prepare a country assessment of the type being proposed by AFR/RA.

USAID is collecting reports and proposals by World Bank and United Nations resident experts and study missions which indicate potential for investment and expanded private enterprise activities. A careful analysis of existing studies and coordinated effort with the World Bank and other donors, particularly France, will be necessary.

Any effort to attract private enterprise needs to be based on a sound potential for return on investment. Mali is too poor by itself to provide an adequate market and too far from Europe and the U.S. to compete for Western markets with other developing countries. Instead, its potential appears to lie mostly with regional markets of CEAO and ECOWAS. Therefore, the foregoing suggested analysis of private investment expansion should be carried out in the context of trade expansion within these regional organizations.

USAID/Mali does not possess the knowledge of these sectors or the expertise to define a precise strategy at this time; but projects aimed at achieving the basic objective of food self-sufficiency will be increasingly designed with private enterprise and regional trade in mind while, with AID/W support, the necessary information and expertise are developed to strengthen our capacity in these areas.[10]

3. Related Activities

Human Resources. Poor health and lack of access to information limit the Malian family's opportunity to improve its situation through increased productivity. U.S. assistance cannot deal with the total complex needs of even

---

[10] Prevailing opinion holds that Mali is not a country ripe for foreign investment; however, a World Bank study selects Mali for two interesting examples in cotton production and minerals exploration. See Accelerated Development in Sub-Saharan Africa: An Agenda for Action, 1981 (p. 54 and p. 104). Also, William Jones, cited in Part I of this CDSS, and other economic historians describe Mali's important role in pre-colonial West African commerce.

a small part of the Malian population for health and educational needs. We believe, however, that we should associate our program with GRM efforts to address human resources development, including health, whenever our programs in agricultural development permit, provided that attention is not diverted from agricultural production and U.S. efforts are complementary to larger programs supported by other external assistance donors.

Natural Resources. Continuous research closely tied to food production is needed. Current projects in agricultural and energy research indicate promising results, some of which are being tested at project sites. If production breakthroughs are to be made and built upon, a continuing level of research effort must be maintained.

Likewise, USAID believes that certain aspects of our assistance strategy can strengthen the Sahelian environment. The research base being established under current crops and livestock projects is offering the opportunity to introduce agricultural practices which enhance production and the environment alike. Carried out within USAID-financed production projects, these practices can provide important lessons for the GRM and for other donor organizations with considerably less expertise in this field than the U.S. has. Also, village reforestation tied in with existing agricultural projects can improve land conditions while providing fuel and secondary products, thereby sustaining long-term production and the environment.

C. Program Criteria

As discussed in the Part I analysis, progress toward our assistance objectives depends on a combination of related economic factors and actions to be taken by the GRM in cooperation with other donors as well as USAID. Our strategy assumes limited and gradual GRM action to cope with its economic problems and continued heavy reliance on outside help. It gives particular

attention to how the United States, in conjunction with other external donors, can support and influence GRM development actions in certain limited ways, always mindful that U.S. aid represents a relatively small proportion (5-10%) of total external assistance.

Our proposed program criteria start with the macroeconomic situation and narrow down from there to the project level. With both, the emphasis is on performance, how to measure it and how to condition our assistance on it. The discussion then proceeds to outline how USAID is approaching three key elements whose influence permeates the program: collaborating with the GRM in planning, encouraging individual initiative, and concentrating our projects geographically.

1. Measuring GRM Performance

Macroeconomic Reforms. Without measurable progress toward macroeconomic reforms, there will be little basis to justify continued economic assistance to Mali beyond a minimal USAID presence. GRM statements of its intentions to carry out reforms, however well-meaning, will not suffice. Promulgation of government decrees and instructions are not sufficient evidence of real reform, because entrenched bureaucratic interests at central and local levels are quite capable of frustrating their execution unless strong leadership and direction are applied at central and regional levels. For the U.S. assistance strategy to succeed, certain economic reforms must be carried out within the next two years.

Cereals Market Liberalization. The newly decreed procedures and price structure need to be put into effect by OPAM and the regional administrative officials. If applied as envisaged, we believe two significant results should be observable over time: 1) greater amounts of millet and sorghum will appear in the market (prices will fluctuate as they always have due to the dominant parallel

market), and 2) farmers will realize more cash income and consequently purchase more inputs and plant more area in future years.

Market and rural income surveys will measure spot trends, and USAID will be able to reach some conclusions regarding the Fifth Region and the Bamako area from the perspectives of the rural development operations it finances there. A covenant jointly recognizing the need for producer incentive market systems was included in the Opération Mils (Fifth Region) project agreement at the beginning of its second phase in 1980; therefore, special attention will be given to the effect of market liberalization on producer prices and production levels in that area.

In addition to observations and measures of changes at the rural producer and market end, we expect to observe the effects of the cereals market liberalization in OPAM's operations. First of all, reports by the donor coordinator to the multi-donor group should show clear accounting for food assistance proceeds and their use to purchase grain from Malian producers at the increased prices. Subsequent realignment of the market to more realistic free trade pricing forces should enable OPAM to end up with only emergency stockage and price stabilization roles. Based on preliminary positive reports from the donor coordinator, USAID plans to prepare a PL 480 Section 206 proposal for U.S. participation in the multi-donor cereals market liberalization project.

Positive results from sustained action by the GRM in liberalizing the cereals market will provide a basis for continued USAID support to crop production in the Fifth Region (Opération Mils) and the area around Bamako (Opération Haute Vallée). Failure to execute the liberalization program will require that we consider reducing present levels and phasing out funding for both projects by the end of FY 1983 or FY 1984.

State Enterprises and Public Finances. Reforms in these two sectors are vital to the investment climate for private enterprise and the government's eventual ability to sustain essential public services without wholesale recourse to foreign aid. Therefore, the ultimate viability of development projects financed by USAID also depends on these reforms.

Mali's negotiations with the IMF and UMOA should lead to long-term measures for economic reform. Mali appears committed to satisfying IMF conditions for extended facility loan assistance, which must be based on solid reforms to achieve its intended effect of stabilizing the economy. Likewise, Mali should be able to satisfy fiscal conditions necessary for admission to the Monetary Union. We can reasonably assume that an agreement with the IMF or admission to the Monetary Union in 1982 will indicate satisfactory performance in reform of state enterprises and public finances, which in turn will improve prospects for the viability of USAID-financed projects and create a more favorable climate for private enterprise. Failure to reach agreements with IMF and UMOA will indicate poor prospects for achievement of U.S. assistance objectives in Mali.

Project Management. Evaluations, audits and reviews over the past 24 months have provided clear, consistent evidence that USAID projects are not achieving outputs (much less their purposes) primarily because financial, technical and commodity assistance is not being effectively used. The fundamental causes of project management difficulties have been suggested as:

- inadequate financial and operations planning during project design and project implementation;

- over optimism about GRM management ability, leading for example to overuse of the host country contracting mode;

- lack of clarity regarding the roles and relationships among GRM, contractor and USAID staff involved in project implementation;

- inadequate experience and skills (especially language skills) on the part of contractor personnel;

- inexperienced and inadequately trained GRM project directors and USAID project officers.

Moreover, since January 1, 1982, local currency disbursements from 20 accounts under 15 USAID projects have been suspended due to inadequacy of project accounting systems and the consequent inability of the Mission to make necessary certifications. In the final analysis, the adequacy of financial accounting by GRM project directors and their ability to learn to use technical assistance and commodity inputs effectively may determine which projects are chosen for future financing.

Improving the performance of USAID projects by resolving these management problems is the major preoccupation of USAID/Mali. In addition, as discussed in section C.2, USAID is consolidating the program geographically and sectorally to correspond better with GRM and USAID management capacities.

A major condition for improved GRM project management is the development of improved project implementation plans. To insure that minimum standards are met in the planning process, the Mission will provide technical assistance and training in planning methods for operations, financial planning and management. In addition, formal joint reviews of quarterly plans will be held by USAID/GRM and contractor representatives.

To insure that operations and financial management plans are adhered to, full-time operations and financial management assistance will be provided under all major projects and short-term assistance will be provided under smaller projects as appropriate. In addition to assisting in the development of

simplified management systems, including project tracking systems and management information and reporting systems, the experts will be expected to provide action training to project management personnel at all levels within the projects. The financial management users' manual prepared for the proposed Sahel Regional Planning and Management project should be an effective instrument for installing reliable project accounting systems once it is available in French. Along with the users' manual, of course, must go in-country and regional training for middle-level administrative personnel through this new project, if sustained improvement is to occur.

In order to provide effective technical assistance support to GRM project directors and their staffs in improving their project systems, USAID is seeking higher quality French-speaking technical and managerial personnel on individual and team contracts and trying to improve the contractor selection process, based on recommendations in the Roush report on USAID technical assistance to Mali. Moreover, in order to encourage an environment conducive to expanding the role of technical advisors, USAID is gradually shifting from the host country contracting mode in Mali. As existing contracts come to an end they will be replaced, if appropriate, by direct AID contracts. At the same time, USAID will continue to expect full GRM participation in the contractor selection process.

The Mission's stance toward the uses made of contractor personnel is also changing. In the past, the advice of contract specialists funded under the projects has sometimes been ignored by the GRM and USAID. The GRM has not always known how to take advantage of advice, nor has it necessarily been receptive to it. It has almost always resisted giving operational authority to contractors. From the Mission side, it is possible that the detailed involvement of project officers in all aspects (technical, financial,

administrative, etc.) of day-to-day project implementation has had the effect of undercutting work that contract staff should carry out.

Recently, with increased attention being given to financial management, the role of contract financial management specialists in two major projects has been enhanced. Their advice is being sought increasingly, and their operational authority increased. Where this has occurred, it has resulted in improved financial accountability. Based in part on this experience, the role of other contract consultants is being upgraded as USAID has stiffened requirements for detailed implementation planning, for justifying deviations from those plans once approved and for progress reporting. USAID is increasingly relying on project contractor staff for advice regarding project administrative, economic and technical problems as well as financial questions which must be dealt with.

USAID proposes to continue placing high priority on short-term U.S. management training (in French) for top GRM managers under the regional Sahel Manpower Development Project (SMDP) and as an element of projects in other sectors. Long-term masters level training of future GRM development leaders should continue under the bilateral Development Leadership Training project. Although it cannot be demonstrated for at least another two or three years, we are persuaded that this level of training is needed to provide the top managerial skills needed for sustained development of Mali's public and private sectors. In spite of the language difference, we believe that U.S. training in management and development planning has clear advantages over African and European training at advanced levels.

The need for better management is not, of course, confined to the GRM and to contractor staff. USAID has often fallen short of the mark itself, partly through the use of approaches which experience has now shown to be

faulty, partly because of inexperienced staff or the lack of suitable staff. USAID project officers have tended to be mired in mountains of paperwork and oriented toward getting AID's contributions (inputs) into place within a crisis management context. Less time has been spent monitoring the extent to which project plans are being followed with respect to the allocation of inputs, the quality of use being made of those inputs, the outputs being achieved, the relevance of outputs to project purpose, etc. USAID is modifying its implementation monitoring system in several important ways. The role of project officers (POs) will be modified to emphasize the monitoring function and de-emphasize procurement and delivery of inputs, preparation of funding requests and participation in the day-to-day management of the projects. Where possible these functions will be transferred to contractor staff. Where full-time contractor staff is not available under smaller projects, the Mission will train local staff to assist with these functions under the project officer's supervision.

In the context of the monitoring function, more time will be spent in the field by POs for the purpose of gathering data on attitudes toward the project, identification of beneficiaries, relations between consultants and project personnel, relations between project personnel and target groups, the quality of project records, especially financial records, etc. In addition greater emphasis is being placed on formal systematic progress reporting by POs.

A Project Committee chaired by the PO is being considered for each project to expand the range of expertise available to POs to aid them in carrying out their monitoring function. Such a system may help the Mission Controller's office to become more directly involved in financial monitoring, the Mission agronomist in monitoring agriculture research and production activities, the Mission anthropologist in monitoring the continued social soundness of project activities, etc.

In addition, management training for POs will be expanded. Continued advantage will be taken of the excellent Agency Implementation Management Training course. Also, POs and other Mission personnel will participate in the above mentioned management training sessions conducted by contract or management specialists under the projects. Finally, as the situation warrants, the Mission will enter into short-term contracts with development management specialists to assist POs in developing improved monitoring systems and providing management training seminars for the entire Mission staff.

2. USAID Approach

Collaboration in Planning. The preparation, review and approval of the National Economic and Social Development Plan (1981-85) is part of a Malian planning process which provides a potentially important basis for future development progress. While economic reforms are being induced by external donors, the planning process is essentially a Malian initiative. Although Mali's earlier attempts at development planning were not particularly successful, and experience of many other African countries has likewise been unencouraging, the Ministry of Plan has become an increasingly important organization in Mali during the past year. We believe that the experience gained thus far has laid a promising base for improved economic decision-making along lines suggested by the World Bank's study of African development problems.[11]

USAID has entered into a close working relationship with the Ministry of Plan during the past year. Ministerial and staff level discussions take place on a regular basis. Much of the information and perspectives for the Part I analysis of this CDSS have been drawn from discussions with GRM planning

---

[11] The World Bank, Accelerated Development in Sub-Saharan Africa: An Agenda for Action, 1981; pp. 31-35.

officials. This CDSS will be translated and discussed with the Ministry of Plan, as was last year's CDSS.

USAID supports GRM efforts to strengthen its resource allocation procedures and follow-up evaluations in the context of the Five Year Plan. With UNDP technical assistance the GRM is organizing a donor "Roundtable" for late 1982. This Roundtable will call for pledges of assistance from external donors, especially those without resident aid missions such as the Arab countries and organizations.

Continuous consultations take place on technical levels among GRM, USAID and other donor officials; but exchanges of overview program information are lacking. USAID's senior Malian program specialist, who has just completed the Development Studies Program in AID/Washington followed by Club du Sahel Secretariat consultations in Paris, will utilize his broadened perspectives of international assistance in working closely with the Ministry of Plan to help compile data on assistance programs on a regular basis. The success of the donor Roundtable and follow-up investment decisions would be enhanced if more complete overall data were available to GRM planners and all donor representatives. At the same time we are jointly assessing the USAID program with the GRM Ministry of Plan and other concerned ministries. Updated information on current project status and findings from joint evaluations are being compiled.

On the sector planning level, the CILSS-sponsored Food Sector Strategy Study (FSSS), directed by the Ministry of Agriculture with U.S. and French technical assistance, ought to be completed and incorporated into the Five Year Development Plan. While over-regulation of the cereals market is believed to be a key constraining factor to increased agricultural production, market liberalization will not by itself ensure sustained food sufficiency. A

completed FSSS, added to the livestock strategy approved by AID/W in November 1981, will provide a solid strategy base for the Mission's crop and livestock production programs.

Encouraging Individual Initiative. The charter of the national political party (UDPM) establishes local level initiative as the basic tenet of development, which is likewise incorporated into the Five Year Development Plan. Conceptually, the Malian philosophy emphasizes popular participation similar to that emphasized by AID in rural development projects. The problem is getting a highly centralized bureaucracy to encourage systems by which rural communities can express their needs so that government can cooperate to help meet them.

Two current actions by the government are seeking a workable formula. The Ministry of Plan is strengthening its staff at regional levels and, with UNDP technical assistance, is developing systems for data collection, programming and follow-up on community level projects. At UNDP request, USAID has inquired with AID/W (AFR/DR and DS/RD) regarding possible short-term U.S. technical assistance to help transfer experience from other countries where participatory rural development has been undertaken and to advise on appropriate management information systems. A parallel action is an evaluation by the Ministry of Agriculture, with World Bank technical assistance, of its rural development "opérations." Mismanagement and production shortfalls have characterized most rural development operations, which are run more like state enterprises than farmer support services. By contrast, the cotton operation in southern Mali, CMDT, is a profitable mixed enterprise combining GRM management and French private entrepreneurship, which suggests that operations can work well under the right combination of circumstances.

USAID intends to cooperate, along with other interested donor representatives, with both of these actions and to support, as appropriate, GRM action recommended by the studies.

Geographic Focus. Along with the need for better project management by the GRM, USAID and contractors, already discussed, the USAID has come to realize that it has been trying to cover too much ground for its size and management ability. Specifically, the findings of audits and evaluations conducted over the past two years suggest that our program is overextended geographically. In response, USAID has initiated a gradual consolidation which will result in an orderly reduction in the geographic spread of the program and within the projects themselves. The First Region Integrated Rural Development project was dropped at the design stage, several early accelerated impact projects (AIPs) also in the First Region were allowed to terminate, and the Rural Works project in the Sixth and Seventh Regions has been terminated.

Some geographic consolidation will occur within our two major crop production projects, Opération Mils Mopti and Opération Haute Vallée. The OHV evaluation recommends setting geographic priorities and concentrating resources on them. A similar recommendation is likely from the forthcoming Opération Mils evaluation.

We are negotiating the termination of the Action Blé project in the Sixth Region and the orderly phase-out (over three years) of the Action Riz-Sorgho project in the Seventh Region. Both are located in remote areas. The Mission is also negotiating Phase II of the livestock sector program on a much smaller scale than initially contemplated ($17 million, not $35 million). By FY 84, therefore, the Mission's bilateral program, except for the animal health delivery component of the livestock project, will be operating out of two accessible geographic poles, Bamako and Mopti.

An important exception to the Mission's program consolidation is the regional Senegal River basin Integrated Development project. This project, which is currently under design in Dakar, will include resettlement, health and integrated development components for which the Mission will have primary monitoring responsibility.

The above program modifications, on balance, should help ease the Mission's management load in the primary sector.

D. Sector Programs

This section proposes limited goals in food production, natural resources and human resources which are linked to the program criteria outlined above. Some specific actions are scheduled in 1982-1983 to test the criteria in each sector. The results will be the basis for reaching final decisions on which sector programs to continue after FY 1984-85.

1. Food

USAID/Mali proposes an integrated approach to crop and livestock production increases concentrated in the Fifth Region around Mopti (in the Sahelian zone) and the Haute Vallée area around Bamako (in the woodland zone), supported by training and research at the national level to provide the necessary inputs for sustained production. PL 480 food assistance is proposed as part of a multi-donor program for GRM liberalization of the cereals grain market.

Opération Haute Vallée will be considered for a second phase starting in FY 1984 and Opération Mils, the Fifth Region integrated project, for a third phase starting in FY 1984. Their areas have a potential for grain production beyond any that could be reached in the period of this strategy. Provided the essential program criteria are met, USAID proposes to continue crop production assistance in both areas. Our objective in these projects will be to

help a limited number of farmers achieve significant production increases under cost-effective systems that ultimately can be expanded to the majority of farmers in each area.

Action Blé and Action Riz-Sorgho will be phased out, the first almost immediately. Action Riz-Sorgho underwent an evaluation in 1981, based on which FY 1982 and 83 funding will provide for a level of activity at which the GRM can finance recurrent costs in later years. Our objective is to leave the farmers with essential means to sustain the higher production increases which they have recently begun to achieve with USAID-financed inputs.

Crop production activities must be phased out in the northeast area of Mali, but there are compelling reasons for USAID/Mali to support OMVS activities in the First Region of western Mali. Senegal River valley development presents Mali with the opportunity to integrate its economy with Senegal's and Mauritania's. Multi-donor financing is in place to start construction of the Manantali dam in 1982. AID already has committed itself to resettlement assistance immediately downstream from the dam and is planning the Integrated Rural Development project to encourage agricultural production in the Senegal basin.

The livestock sector is an integral part of USAID's food production strategy because of the income it brings to rural people, its importance for nutrition, its place in earning foreign exchange and government revenues, and American experience in this field. Based on the approved strategy laid out in the Livestock Sector II project paper, USAID is negotiating with the GRM a much reduced version of the earlier proposal before final submission to AID/Washington, a revision that will also serve to concentrate and simplify what we support in this vital sector. The definitive version of the livestock program can be expected to emphasize animal health (vaccine production,

disease diagnosis, field delivery systems), production research (especially for on-farm forage production), and cattle fattening by small farmers.

Even after consolidation, the USAID program's primary sector will operate in three regions. This presents formidable administrative and logistical difficulties over large distances with little transportation and communication infrastructure. Successful implementation will require specific application of the program criteria in the following manner:

(a) Cereals market liberalization should be shown to lead to producer prices that induce farmers to produce beyond subsistence requirements when they have the means to do so. This will be an essential consideration for any Phase III assistance in the Fifth Region, building on the covenant already in the Opération Mils grant agreement, and an essential economic factor in the 1983 final evaluation of Opération Haute Vallée. Likewise, economic viability of the livestock sector will ultimately depend upon GRM reform of the macro-level financial system and agreements with IMF and UMOA. Unavoidable recurrent costs in providing vaccine and other animal health services must be financeable, either directly or indirectly, from revenues deriving from the sector.

(b) Sound project management for all crops and livestock projects is obviously an essential criterion for success. Our technical assistance, more and more aimed toward better financial accountability and useful management information, is the key link between the GRM and us. By sound management from our side, USAID keeps track of whether other program criteria are being met and how GRM management is faring. We need better support from AID/Washington in providing suitable direct hire staff, however. Many current management problems can be traced to long periods of direct hire vacancies in the Mission. At minimum, we must have three experienced, language-qualified project managers in crops and two in livestock to meet basic requirements.

(c) Sector planning and donor coordination are integral to USAID's crops and livestock activities. We look to a completed Food Sector Strategy Study (FSSS) to help establish our long run support for specific food production targets. Since AID obviously cannot provide all the external resources needed, the U.S. program must take its place as an element within a strategy broadly acceptable to the major donors and supported by them.

(d) We look for a clearer articulation of Malian strategy for local level development initiatives. Many GRM project personnel seem highly motivated to serve the rural population, but their actions frequently appear to serve bureaucratic rather than development ends. We support Malian efforts to seek formulas for increasing local level participation and directing benefits to farmers and herders by providing services and preserving or improving the environment without discouraging traditional rural independence and entrepreneurship.

(e) Our geographic concentration is being carried out not just within Mali but also within projects. We intend to limit USAID resources to specific districts and components where demonstrable results can be expected within project life, a particular need in Opérations Haute Vallée and Mils. In addition, the livestock projects will be directed, to the extent feasible, to places where USAID-financed crops projects are also being conducted and will be coordinated with them.

In food assistance, USAID is proposing a PL 480 section 206 project starting in FY 1983 as part of the multi-donor cereals marketing program, provided past food aid accounting problems can be settled. Our total contribution would be some 30-35,000 metric tons starting with a pre-section 206 contribution of 10,000 tons in FY 1982.

2. Human Resources

These USAID programs are closely tied to agricultural production. Literacy, numeracy and mechanical skills are insufficient to provide the base for development. Poor health due to poor nutrition and disease limits productivity, and large families strain incomes and public resources for education, which in turn is inadequate.

Skills Training and Education. Crop and livestock production projects (and supporting agricultural research and education elements) contain in-country training in skills like blacksmithing, animal traction and vehicle maintenance as well as participant training in agricultural sciences. In-country training in basic skills is limited by the low percentage of the population literate in French, but there exists abundant interest among rural populations in functional literacy in the main local languages. This literacy can be an increasingly important factor in the spread of agricultural technology as research yields results and professional agricultural agents are produced who are themselves literate in Malian languages. Functional literacy programs should continue to be incorporated in agricultural production projects to the extent they can be effectively managed by the GRM.

Participant training, another key aspect of the human resources program, is expensive and requires long leadtimes, but numerous instances of poor project performance could probably have been avoided had returned participants been in key project administrative positions. Likewise, we believe that the increasing presence of returned U.S. trainees will make a significant future difference in project management performance. In addition, AID must maintain its commitment to fund the entire Development Leadership project to teach development administration skills at the U.S. masters degree level to 60 future Malian leaders.

Until state enterprises and government finances are reformed, the training and education sector will labor under severe handicaps. Malian participant returnees cannot expect to pursue meaningful careers in development work unless the public sector is overhauled and new opportunities open in the private sector. Reform of the civil service system, sound budget and fiscal systems and management discipline, along with wider opportunities outside the public sector, must be foreseeable if we are to justify continued participant training in the amounts indicated by Mali's development needs.

Continuing management of all training programs at their present level and assessment of the overall education sector require continuous assignment of a USDH Human Resources Development Officer.

Health and Family Planning. The USAID pilot health project terminates in June 1982. Evaluations of the project show that financing even very low cost rural health services delivered by village health workers is beyond the Ministry of Health's current capacity to sustain. Moreover, any improvement of rural health services requires that a minimum MOH support system be established. USAID is participating with the World Bank, EEC, France and Germany in the design of a national health care program that will strengthen central and regional support systems. Long-term assistance will be needed, and USAID expects to submit a project proposal to participate starting in FY 1983.

The project will take into consideration the following issues:

(a) Although the MOH is moving away from attempting to provide free health care, one cannot expect rural villagers to pay the full costs of a primary health care system. Given the macroeconomic problems which depress the entire economy, neither can one expect the MOH to pay the costs of an expanded health system for the foreseeable future. Even limited USAID participation in a project, therefore, must include financing for continued recurring costs shared with other donors.

(b) The MOH also has planning, management and logistical constraints. The health sector project, with the other donors, will try to deal with these problems.

(c) Consolidation will be achieved by limiting USAID project activities to Bamako and the Fifth Region, corresponding with a prime strategy area for agricultural production.

(d) There is unmet demand for family planning in Mali, mainly in Bamako. It makes sense to strengthen family planning services in urban centers to build up the service, training and support base necessary for expansion to rural areas.

Whether a second phase USAID project is financed or not, centrally funded projects in health training and family planning will make continuing contributions. The coordination of these activities in Mali, continual assessment of the health situation (including quick reaction to emergencies like the 1981 meningitis epidemic) and administration of USAID participation in a multi-donor rural health project require continuous assignment of a USDH public health advisor to USAID.

3. Natural Resources

Food production cannot be sustained for the long term unless soil and rangeland vegetation is preserved. The integrated approach to crops and livestock is designed not only to protect the environment but to enhance it. Building on existing knowledge and the Land Use Inventory project data to be completed and published at the end of 1982, we foresee opportunities to finance small-scale reforestation and eventually to support energy production and minerals exploitation on which Mali could diversify its economy. A reforestation element will be considered in each area project as an integral part of USAID's agricultural development efforts, using technical packages from the

ongoing Village Reforestation project. This will avoid burdening the GRM with the recurrent costs of a separate forestry extension service. In energy, FY 1984 is the final scheduled year of financing for the Renewable Energy project. The predominant U.S. capability in energy and energy's importance for Mali's development dictate further support if (a) the state enterprise

reduced from those of FYs 1979-1981, which resulted in an unexpended pipeline of $27 million at the end of FY 1981. With reduced FY 1982 and 1983 funding, a significant pipeline reduction should occur by the end of FY 1983.

Regional funds for the OMVS project in the First Region and the Sahel Manpower Development project (SMDP), as well as centrally programmed projects in health training and family planning, are shown as non-add items. Sahel Institute projects--fully managed by USAID/Mali--are also included to indicate the additional program management required of Mission staff. Other regional projects like Integrated Pest Management and WARDA have elements in Mali and require some Mission oversight, but they are not shown because we have insufficient budget information to make estimates.

Because of acute need for more intense management of the unexpended pipeline and for continuous on-site assessment of GRM performance in many domains, we recommend that USAID/Mali's direct hire ceiling be maintained through the next two years at a total approaching the FY 1982 strength. If GRM performance is satisfactory, consideration should then be given to funding shelf proposals above the assigned levels and administering those activities with the same staff or one that decreases gradually as contractor and FN staff abilities grow. Should GRM performance not be satisfactory, the U.S. direct hire staff two years hence as well as funding levels should be cut back sharply to the minimum.

A U.S. direct hire staff to maintain effective oversight for the proposed strategy during the next two years should be composed as follows:

-- 1 director
-- 1 deputy director (if possible doubling as program economist)
-- 1 secretary
-- 3 controller and financial officers
-- 1 management officer
-- 1 senior agricultural development officer (for policy development and overall supervision of crops and livestock sectors)

Table 6: Planning Levels
($ millions)

	FY 83	FY 84	FY 85	FY 86	FY 87
Food Sector	7.5	8.4	9.5	10.2	11.0
Crop Production					
Action Riz-Sorgho	0.5	-	-	-	-
Fifth Region	1.5	1.7	2.2	2.5	2.5
Haute Vallée	2.7	2.8	3.3	3.5	3.5
First Region (OMVS-Regional)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)
Food Assistance (PL 480)	(1.0)	(1.0)	(1.0)	-	-
Livestock Sector	2.0	3.0	3.0	3.0	3.5
Research	0.8	0.9	1.0	1.2	1.5
Integ. Ag. Ed. & Res. (shelf)	-	-	-	(2.0)	(3.0)
Human Resources	2.0	2.2	1.9	0.8	0.7
Devel. Leadership Trng.	1.0	1.2	1.0	-	-
SMDP (Regional)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)
Rural Health II	1.0	1.0	0.9	0.8	0.7
Health & FP (Central)	(0.2)	(0.3)	(0.3)	(0.4)	(0.4)
Sahel Institute (Regional)	(2.5)	(2.5)	(2.5)	(1.0)	(0.8)
Natural Resources	0.5	0.4	0.6	2.0	2.3
Reforestation	-	0.4	-	0.5	-
Renewable Energy	0.5	-	-	-	-
Energy Development	-	-	0.6	1.5	2.3
Minerals Exploration (shelf)	-	-	(2.0)	(2.0)	(3.0)
TOTALS	10.0	11.0	12.0	13.0	14.0
Non-add					
(Regional/Central)	(5.4)	(5.5)	(5.5)	(4.2)	(4.0)
(PL 480)	(1.0)	(1.0)	(1.0)	-	-
(Shelf)	-	-	(2.0)	(4.0)	(6.0)

-- 1 supervisory crops advisor (to ensure backstopping)
-- 3 project officers for crops (one for each major area including OMVS project in First Region)
-- 2 livestock project officers (to ensure continuous monitoring)
-- 1 agricultural economist (to assess performance and impact)
-- 1 senior general development officer (for policy coordination)
-- 1 health and population advisor
-- 1 human resources development officer
-- 1 natural resources advisor
-- 2 design and evaluation officers
-- 2 program officers
23

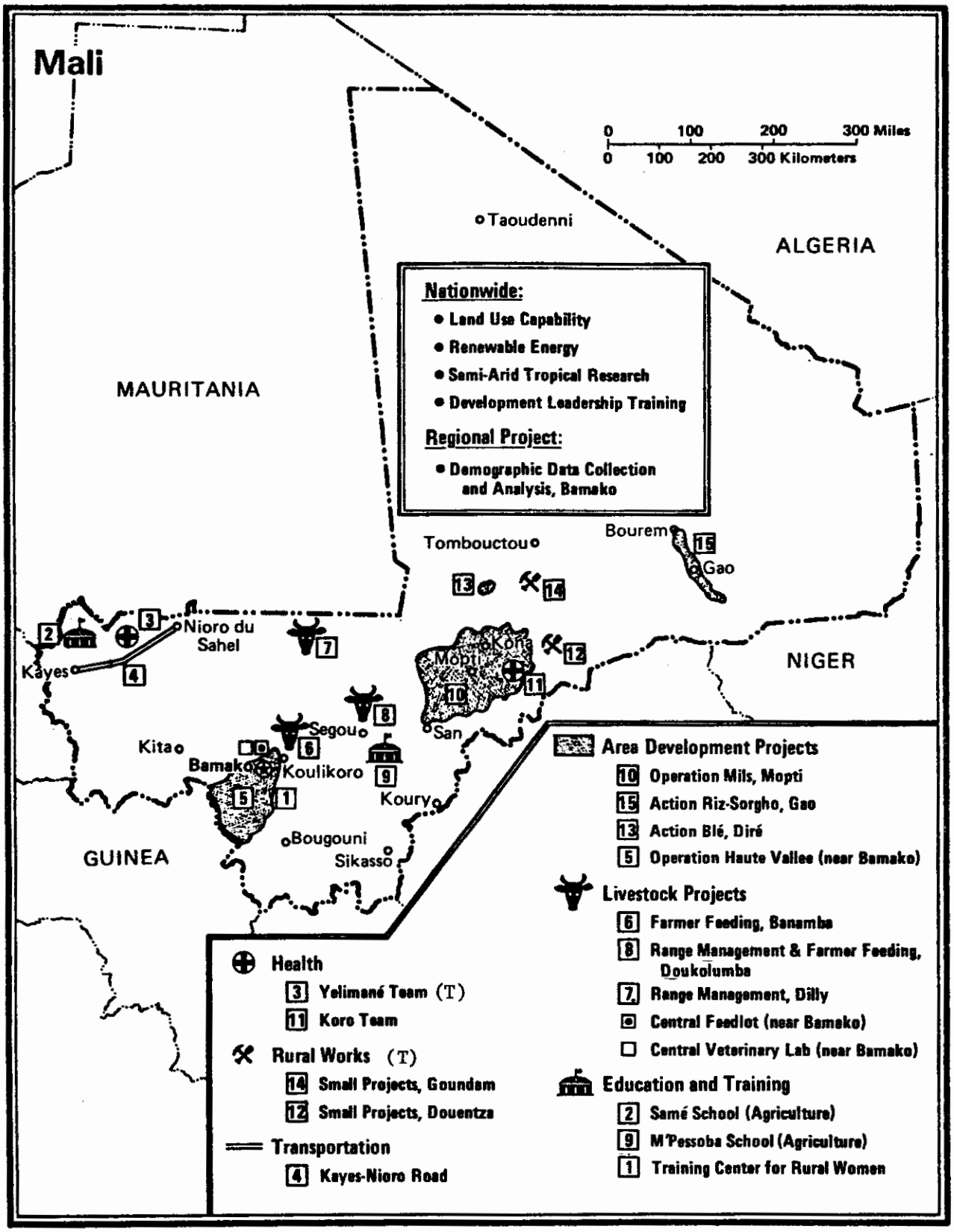
Under the AID project management system which emphasizes close control over project resources, the elimination or vacancy of any project officer or advisor position results in considerable risk to the corresponding projects. Therefore, an AID decision to maintain or add a sector or sub-sector element within proposed planning levels must carry with it a firm decision and necessary action to provide the requisite manpower. Many of our present project woes could have been avoided had manpower requirements of the past been met in a timely manner.

On the other side, elimination of a sector or major project will allow, once expenditures have accrued against commitments, a corresponding manpower reduction. Reductions in funding amounts alone will not automatically allow personnel cuts, however, because a certain minimum oversight or technical input may be necessary even at very low funding.

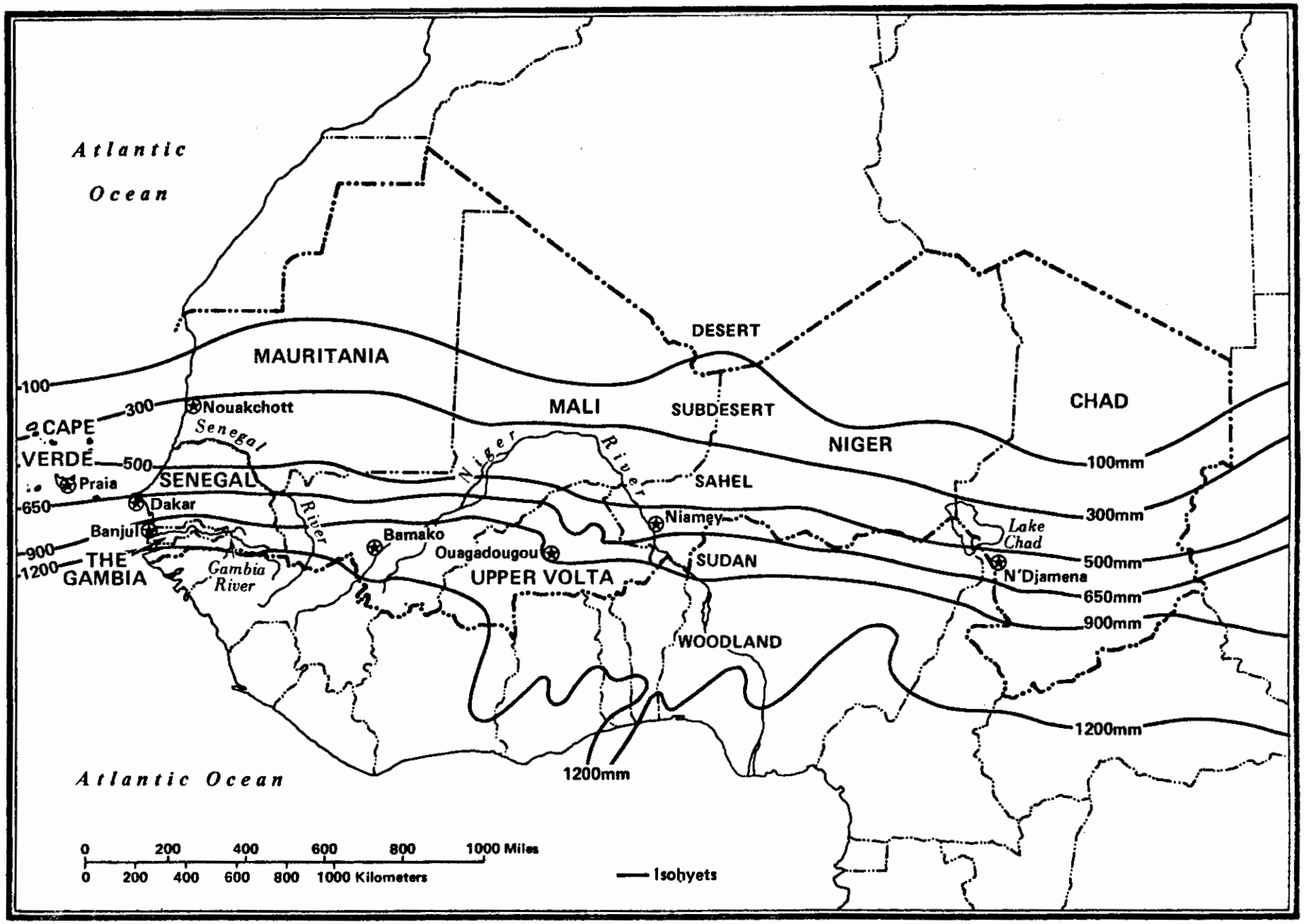
With more experience on the part of project officers, some decreases in administrative positions may be feasible after FY 1983. Foreign national employees continue to develop and may be expected to take over more duties, though cuts in FNDH totals make this more difficult. But this Mission will keep trying to reduce USDH staffing by long-term training of Malians and also by contracting for some services within the local American community.

In conclusion, we see many indications that development conditions and opportunities in Mali may not parallel the assistance planning levels assigned

by AID/Washington. Economic reform may proceed so slowly that the proposed assistance levels will be the most that can be justified during the planning period. It is likewise possible that reform will be delayed and that lack of individual project performance will result in curtailment of even these proposed minimum levels. If, however, macro reforms are instituted during 1982-1983, it is likely that performance criteria could be met fairly rapidly and that considerably higher levels of assistance could be justified. In such an event, USAID believes that the U.S. government should be prepared to consider increases based on then-existing policies and conditions in Mali.



(T) - terminated



The Sahelian Countries