

**AN ASSESSMENT OF BANKING PERFORMANCE IN THE PRMC
CREDIT PROGRAM FOR GRAIN TRADE IN MALI**

Prepared for:

**The U.S. Agency for International Development
Bamako, Mali**

by

François K. Doamekpor

and

Scott K. Johnson

REDSO/WCA Indefinite Quantity Contract

No. 624-0510-I-00-9039-00

Delivery Order No. 7

EI No. 8808

30 August 1990

EXPERIENCE inc.

PN - ABH - 611
KN 10817

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AN ASSESSMENT OF BANKING PERFORMANCE IN THE PRMC CREDIT PROGRAM FOR GRAIN TRADE IN MALI

Executive Summary

USAID/Mali initiated this assessment which was carried out by a two person team during August 1990.

Purpose of the Grain Credit Program

Since 1986, five Malian banks have participated in a credit program aimed at facilitating a more productive, competitive and efficient grain trading sector.¹ During the period 1986-90 these banks received funds from the Project for the Restructuring of the Cereals Market (French acronym, PRMC) to grant credits to Malian cereal traders, economic interest groups (GIEs) and village associations (AVs).

The objective of the grain credit program component of the PRMC is to enable cereal traders and village associations to purchase grain and store it for an eventual resale. Proceeds from the resale of the grain are to be used to repay the banks.

The terms establishing the relationship between the PRMC and the banks are stipulated in Agreements (*Protocoles d'Accord*) co-signed by the banks, the Ministry of Finance and the PRMC. Within the context of these negotiated agreements the banks have agreed to offer credit to groups of farmers and traders, assess their creditworthiness and extend credit to them much as they do with their ordinary clients.

The banks are also expected to report to the PRMC on each phase of the credit process, especially that regarding repayment. They are expected to account for and manage the movement of PRMC funds in exchange for established commissions and service charges.

¹. These banks were: the *Banque Internationale de l'Afrique de l'Ouest* (BIAO), the *Banque de Developpement du Mali* (BDM), the *Banque Malienne de Credit et de Depot* (BMCD), the *Banque Nationale de Developpement Agricole* (BNDA) and the Bank of Africa (BOA).

Purpose of the Assessment

The purpose of this assessment is to evaluate the performance of local banks in the context of the cereal market restructure program and to make recommendations for measures to improve bank performance.

Measurement Criteria and Methodology

The specific activities and performance levels assessed for the period 1987 - 1990 included:

- The change in number of clients served during the period
- Recovery rates of funds loaned
- Use of bank services by targeted potential clients
- Rate of actual use of funds loaned
- Degree to which banks respected the terms of agreements made with the PRMC in
 - ▶ interest payments made to PRMC deposit accounts
 - ▶ interest repayments collected from bank/PRMC clients
 - ▶ calculation of commissions due to the banks for loaning and recovering PRMC funds
 - ▶ reduction in number of uncollected loans
 - ▶ implementation and management of storage and release mechanism for secured grain.
- The overall ability of the banks to manage PRMC funds.

The assessment team interviewed bank officials, donor representatives including members of the PRMC, traders and market researchers. Interviews were supplemented by a review of background documents on the PRMC credit programs including all prior evaluations of these programs. A series of meetings was held with officials representing the participating banks to investigate issues related to the responsibilities of the PRMC and the banks as stated in the PRMC/bank agreements.

The banks are responsible for correctly recording interest and principal received from loans of PRMC funds and for crediting interest earned on deposits to PRMC accounts with the proper interest rate. The PRMC allows each bank to deduct commissions due from its PRMC accounts. These rates and amounts are established in the agreements on a case by case basis for each bank. Bank performance was compared to requirements established in agreements. Questionnaires were also administered to bank officials during the data-gathering process.

Findings

Information gathered during the assessment shows that bank performance has not been satisfactory. Within the context of the agreements several incentives instituted to improve bank performance have not produced desired results.

More specifically, no significant changes occurred in bank performance in areas such as increase in the number of program beneficiaries (borrowers), higher incidence of loans made and higher reimbursement rates. Changes in the year to year agreements regarding commissions paid to the banks have not significantly affected their performance.

A review of bank records reveals that requirements called for in the agreements have not been respected. Reporting is irregular and therefore not useful for management or planning. In accordance with the agreements, the banks are applying usual loan application and approval procedures to PRMC loan requests, but management is less than rigorous or enthusiastic.

Only the BOA and the BNDA could explain how they estimate the real cost of processing and management of PRMC funds. BOA charges a flat fee which increases with the size of a loan. BNDA estimates that each AV loan it makes costs the bank the equivalent of the salary for 2.5 person days. The other banks were unable to express the cost of lending in real terms.

In the course of meetings with head accountants at the BDM and the BMCD two rather substantial discrepancies were discovered. Documentation shows that for the December 25, 1989 to March 31, 1990 period, the BDM paid interest on PRMC deposits at 9.5% rather than at 9.85%. The BMCD maintains four accounts for the PRMC on which the bank has never paid interest, in direct violation of the terms of their agreement. This amounts to millions of CFA francs, given the size of the deposits in the credit lines.

Following are illustrative figures demonstrating bank performance in PRMC activities:

- As of March 1990 the BNDA loaned FCFA 766,666,050 in PRMC funds. FCFA 427,315,670 in loaned funds were outstanding at that date.
Reimbursement rate = 44.3%
- In 1987/88 and 1989/90 campaign periods the BIAO loaned FCFA 337,250,000 to large and small traders. FCFA 58,895,000 of this amount is outstanding.
Average reimbursement rate = 78.5%
- The BMCD loaned FCFA 647,500,000 to large and small traders. FCFA 151,455,000 remains outstanding.
Reimbursement rate = 77%.

- The BOA made FCFA 592,775,000 in loans. FCFA 191,534,000 of these remain outstanding.
Reimbursement rate = 67.7%
- The BDM made only one loan, which was for FCFA 10,000,000 to a single client. The entire amount is outstanding.
Reimbursement rate = 0%

The due date for some of the outstanding amounts is September 30, 1990.

Balances in PRMC accounts and total interest earned to date by these accounts are presented below:

BANK	No. & Type of Accounts	Balance (FCFA)	Interest Earned (FCFA)
BDM	328 (GIEs)	93,382,507	
	345 (Traders)	103,371,426	
	310 (Credit Co-op)	72,861,292	23,880,183
	318 (Main A/C)	414,170,587	(Total to date)
	(Balances as of August 21, 1990)		
BNDA	6N (Traders)	0	
	3N (Main A/C)	269,456,194	
	7N (AVs)	389,746,600	114,149,691
	(Balances as of August 24, 1990)		(Total to date)
BOA	42907 (Traders)	144,276,271	
	42903 (Avaled Drafts)	500,000	7,778,958
	42904 (GIEs)	132,788,935	(Total to date)
	42905 (Main A/C)	414,034,356	
	(Balances as of August 23, 1990)		
*BIAO	80177 (Avaled Drafts)	101,658,910	
	80236 (Avaled Drafts)	285,913,521	7,416,188
	80213 (Avaled Drafts)	101,553,481	(Total to date)
	(Balances as of August 23, 1990)		
BMCD	BMCD repeatedly refused to provide the assessors with figures. The BMCD has apparently not been paying interest at the rate stipulated in its agreement with the PRMC on its accounts. The assessment team requested a letter of explanation from the BMCD on several occasions. The BMCD refused to provide such a letter.		

* BIAO does not have a main account

Commissions received by individual banks for their services to PRMC to date:

BNDA	98,002,649 FCFA
BOA	7,778,859 FCFA
BDM	N/A (Commissions not due until 9/30/90)
BMCD	N/A (No information available)
BIAO	N/A (No information available)

Recommendations

The assessment team presents three options for donors and the PRMC cereal market credit program.

- 1) Discontinue the PRMC credit component effort altogether.
- 2) The PRMC become a credit-granting and follow-up organization in its own right.
- 3) The PRMC continue working with the banks to insure finance to the grain market in Mali, expanding its follow-up activities and more actively participating in the management of the cereal trade credit lines.

Discussion

Discontinue the PRMC Credit Program.

The assessment team does not recommend this option. The framework of the program has been established, a significant achievement in itself. The goals of the program have been recognized as valid by USAID/Mali, other donors and the GRM. Implementation remains problematic.

The PRMC become a credit-granting and follow-up organization in its own right.

This challenging option would require the PRMC to take on the role of a banking institution. Possibilities under this option include the PRMC assuming the credit function as a kind of grain credit cooperative with headquarters in Bamako and field offices in the major grain trading centers. The field offices could provide credit assessment services and loan follow-up. They would also be well placed to insure the use of correct prices, provide technical expertise to the AVs and GIEs and traders as to how to approach banks to obtain credit and to help arrange adequately managed storage facilities. The most ambitious of options, this would require an increase in PRMC staff, office space and overhead costs. The cost of implementing this option is probably roughly equivalent to the funds currently

outstanding as unreimbursed loans. If seriously considered, this option should be the subject of a feasibility study.

The PRMC continue working with the banks to insure finance to the grain market in Mali, expanding its follow-up activities and more actively participating in the management of the cereal trade credit lines.

This option would require the PRMC to revise and rethink record management at its main office and more rigorously monitor the entire credit process. Banks would be required to submit summary reports on PRMC account activity quarterly and supply statements on PRMC accounts on a monthly basis. Government and legal support should be sought for the enforcement of terms of agreements with the banks. Banks not complying with agreements would be required to withdraw from the program and, where applicable, face legal sanctions.

If the PRMC credit program is to be continued, certain steps should be taken vis-a-vis its own and bank performance. The PRMC should:

1. Register as a legal commercial entity in Mali.
2. Perform a full audit of all PRMC accounts.
3. Insure an adequate level of staffing to perform, monitor and follow up program activities.
4. Expand *Groupement d'Interêt Economique* (GIE) technical training, reporting and follow-up activities.
5. Subsidize the *Système d'Information de Marché* (SIM) and the *Institut d'Etudes Rurales* (IER) functions and services.
6. Institute inspection of warehouses which store grain used for collateral in the program to insure security and proper management procedures.
7. Evaluate the *Chambre de Commerce et d'Industrie du Mali* (CCIM) performance in grain stocking and consider its replacement by a more appropriate entity such as the *Office des Produits Agricoles du Mali* (OPAM).
8. Identify one bank as a "clearing house" for all PRMC funds.
9. Involve banks in PRMC credit program decision making and program design process.
10. Insure availability of funds to participating banks well in advance of the commercial grain trading season.
11. Standardize a credit application form and credit assessment process.

12. Participate in review of credit applications.
13. Limit borrowers to one type of credit line.
14. Establish minimum reimbursement levels for allowing loan rollovers.
15. Establish a minimum performance level for injection of fresh funds.
16. Increase interest rates to reflect real market rates for agricultural credit.
17. Exclude unstable banks from program participation.

In negotiations with the banks the PRMC should seek to include:

18. A jointly funded reserve for bad debts to cover loan losses.
19. Regular bank loans for cereal market participation to match PRMC funds loaned.
20. Local money market interest rates paid on unused PRMC funds.

INTRODUCTION

The object of this assessment of the credit component of Mali's Cereal Market Restructure Program (PRMC) is to examine banking practices and performance within the context of agreements made between the PRMC and the banks.

The program's ultimate goal is to increase the volume of cereals purchased and sold by traders, thereby reducing state involvement in the trade and encouraging private sector participation in the cereal market. It is also meant to help stabilize prices and the incomes of cereal growers.

Background

Mali's Cereal Market Restructure Program, widely known by its French acronym, PRMC (Programme de la Restructuration du Marché Céréalière) is a joint endeavor involving a group of major food aid donors and the government of the Republic of Mali (GRM). Within the context of the PRMC program, the donors have over the years, provided assistance to the GRM, focusing on measures for liberalizing the cereals market.

Through its initial support for policy reform in areas such as marketing, market liberalization and a cut-back in the extent of government involvement in the grain market, the PRMC sought to create an enabling environment for the development of a viable grain trading sector. This focus led to a reduction in GRM's heavy hand in the grain market. It also contributed to policy changes including free pricing and minimal consumer and producer subsidies.

By the mid 80s, after years of being tightly restricted, the grain market begun to regain a freedom not experienced in the recent past.

With most liberalization measures completed, PRMC begun focusing on policy priorities which could facilitate a more productive, competitive, and efficient grain market. In line with these priorities, credit was seen as the most important measure for promoting and sustaining a viable grain trading sector.

Purpose of the Credit Program

The objective of this credit component of the PRMC program is to encourage private sector participation in the cereal trade and to enable cereal traders and village associations to increase the volume of cereals purchased and sold. The program is also meant to stabilize prices and the incomes of cereal growers.

Importance of the Credit Program

Credit going to private traders and village cooperatives was seen as important for a number of reasons. Credit was necessary to permit the private sector to take up the storage functions previously handled by the government grain marketing parastatal. It was also seen as a way to expand competition and efficiency in the grain market by permitting small traders who traditionally had no access to bank credit to now get access to formal sector loans.

Finally, credit was seen as a way to increase the prices farmers received via two mechanisms. First, to the extent that credit permitted greater grain purchases by traders at harvest, the harvest price of grain would be higher than otherwise. Second, credit was to provide farmers cash against grain at harvest, thereby permitting them to avoid distress sales at low prices at harvest and allowing them to buy back the grain later in the season from the cooperative at a price lower than the market price would otherwise be.

Implementation Problems

Despite lofty gains made over the years, the credit program encountered a number of serious operational problems. First, the groups targeted for participation were not always reached, partly as a result of inadequate bank incentives and capacity to onlend to clients who were not traditionally part of the bank clientele.

Second, the problem of collateralizing the purchased grain stocks and storing them in third party warehouses posed problems both in terms of security of stocks, ability of traders to find collateralized stock to sell and seizing of stocks backing up loans in default. Third, implementation, follow-up, communication and monitoring by local banks was not always adequate.

Fourth, because prices did not undergo their normal seasonal rise due to anticipation of a second good harvest in a row (in late 1989) traders who purchased grain expecting higher prices found it preferable to default on loans than to sell their grain at a loss. Because banks were simply on-lending donor money, rather than their own, they exerted little effort to collect on defaulted loans or to claim the collateralized grain.

Purpose of the Assessment

The purpose of this assessment is to evaluate banking practices and performance within the context of the agreements made between the PRMC and the banks, and to make recommendations for measures to improve bank performance.

Methodology and Organization

A two person team conducted interviews with bank officials responsible for the daily management of PRMC deposits and credit lines. These interviews were supplemented by questionnaires. (See Annex D). Meetings were held with PRMC donor representatives and staff who implement and follow up the program.

The team also met with an officer at the Chamber of Commerce and Industry (CCIM) which is responsible for renting and managing storage space for grain as collateral in the credit program and with a grain market researcher who works with the Malian government market information unit (S.I.M.). Special meetings were arranged with cereal traders in Bamako to gather information on the use of grain as collateral, bank performance and problems they encounter in the course of their trade.

Records and accounting documents in the PRMC representative's office at USAID/Bamako, at the PRMC Secretariat and at the five banks which manage PRMC accounts were examined.

SECTION I

PREVIOUS EVALUATIONS

This section summarizes findings and recommendations of previous evaluations.

Les Lignes de Crédit du PRMC, Analyse et Synthèse des Evaluations et Recommandations

Pierre-Michel Allard and Azzedine Ammara, October 1988

Allard and Ammara addressed long and short term objectives of the PRMC credit component. As long term objectives they considered the transfer of financing of the cereal trade from the government to the banking sector and the means by which the largest number of beneficiaries could obtain access to credit in order to enter the grain trade. Among short term objectives they considered dissemination of cereal market trade information.

On the basis of their findings, they made the following recommendations:

1. The renewal of PRMC credit lines should be announced before October 1 each year.
2. Negotiations between the PRMC and the banks should be based on an analysis of credit usage.
3. Information about credit available for the grain trade to include specifics such as terms, conditions and availability should be widely publicized by all participating entities.
4. Deadlines for loan reimbursement should be established based on cyclical/seasonal availability of funds.
5. GIE and AV members should be trained to forecast costs and profits for prospective cereal crops to inform the credit assessment process.
6. Banks should promote PRMC credit programs in Mopti, Koutiala, Segou, Sikasso and other appropriate locations.

Discussion.

For the past two seasons, the renewal of credit lines has been announced after October 1. Credit usage has been examined and used as a basis in PRMC/bank negotiations. Information about the PRMC credit programs has not been distributed in a timely and comprehensive form. Reimbursement deadlines tied to the agricultural campaign have been established with some degree of success. PRMC field representatives have begun training programs for crop yield forecasting by GIEs in some regions. The program has not been promoted in outlying regions.

Evaluation de Campagnes 1986/87 et 1987/88, Programme Accès au Crédit de Campagne.

Pierre-Michel Allard and Mona Mehta, 1988.

Allard and Mehta made the following recommendations:

- Set up a system to use grain as collateral for loans using controlled public and private warehouses for grain storage.
- Establish a commission to supervise stocks held in lien which includes a representative of each bank. The commission would control quantity and quality of grain stored and its entry and departure from the warehouses.
- Make PRMC funds available to owners of private sector warehouses to renovate and equip storage facilities.
- Offer training in grain stock management.
- Liberalize the Malian Central Bank's (BCEAO) restrictions on credit ceilings for agricultural sector lending to promote market competition.
- Introduce the concept of guarantee deposits to be placed by borrowers.

Discussion.

The use of grain stored in public and private warehouses and used as collateral for loans has been instituted. A commission to supervise and regulate grain storage has not yet been established. Funds have not been made available for warehouse renovation and equipment, although this constitutes a valid use of PRMC funds and could enhance credit component operations. Training in grain stock management has not been undertaken, but skilled OPAM staff have been identified as potential trainers - or as potential managers of PRMC credit component warehouse managers. BCEAO restrictions have not been liberalized. If attempted, this should be accomplished in gradual steps, with careful monitoring of absorption and repayment capabilities. Guarantee deposits have been

introduced as a condition in the GIE agreement in the amounts of FCFA 2.5 million and FCFA 5 million.

Evaluation des Programmes des Campagnes 1986/87 and 1987/88 Programme Crédit/Nantissement.

Pierre-Michel Allard and Mona Mehta, 1988.

In this evaluation, Allard and Mehta examined the credit program now in place for large traders (grossistes). Several of their recommendations are being implemented at the present time.

Recommendations include:

- Make program funds available one month before the harvest and allocate all funds before the first of November.
- Distribute the precise terms and conditions of the program throughout Mali's grain commercialization centers.
- Increase the number of traders qualified for credit lines.
- Encourage the creation of companies specializing in grain commerce.
- Induce banks to inject their own funds into the PRMC credit program equal to up to 50% of the total amounts in PRMC credit lines by obtaining a special authorization from the Central Bank.
- Make quantities of grain to be stored as collateral a function of the size of the harvest, i.e. encourage grain storage when harvests are abundant, discourage storage in years of poor harvests. Ideally, grain should be bought and stored during a good harvest and unstocked and sold just before the new growing season begins. Agreements for various types of borrowers, for example private traders and AVs, should be appropriate to the needs and type of credit line of each as well as for the availability of grain on the market.
- Fund 50% of grain storage management training program.

Discussion.

Despite the merits of making funds available early, this has not been accomplished. Publicity for the PRMC credit component is improving, but could be better. Certain traders, especially Messrs. Achcar and Bally and others are creating successful enterprises specializing in grain commerce and serving as models which demonstrate the possibilities in the grain trade. Banks have yet to make their own funds available to the PRMC program. Training for management of grain stocks has not been done.

SECTION II

PRMC/BANK AGREEMENTS: BANK PERFORMANCE

Negotiated technical agreements (*Protocoles d'Accord*) between individual banks and the PRMC specify actions required of each party regarding reporting, assessment of potential borrowers, use of grain as collateral, interest rates for loans and on PRMC deposits, loan collection and commissions earned by the banks. The agreements have changed since the inception of the PRMC credit program to include incentives for the banks to increase clientele, lend more funds, encourage usage of funds loaned and use of grain as collateral.

Changes in the Agreements and Bank Performance

An analysis of incentive structures and payments in the technical agreements between the PRMC and the banks implementing the credit programs shows that they have had little or no impact on bank performance. From the team's analysis, a clearly defined link cannot be drawn between changes in the agreements and changes in bank performance.

No single bank, except perhaps the BNDA, has been reporting correctly, regularly or accurately to the PRMC as the agreements require. Analysis of bank performance over the period of participation in the PRMC program in terms of amounts loaned and recovered, total number of loans made, timeliness and accuracy of reporting shows that no correlation can be made between performance and changes in the agreements from year to year. For instance, although incentives were introduced to improve reimbursement rates, an average of 20% of loaned funds has remained outstanding at the end of each campaign period.

The most significant changes in the agreements to date have centered on the *ad valorem* commissions earned by the banks for lending and recovering PRMC loans and in the use of collateral to reduce the risk element carried by the banks (Tables 1, 2, 3).

The current terms of the agreements call for special commissions to be paid to the banks in return for specific services rendered. Most of the banks receive a 3% commission on the total amount of loans made and 2% commission on loans recovered. In addition, all banks receive .05% on loans recovered beyond 95% of total recovery. The agreement with the BNDA is slightly different in that it receives a 4% commission or a FCFA 50,000 guaranteed commission for each loan it makes plus 2% on loans recovered on their due date. These incentives have not motivated the banks to lend more or to report on movements in PRMC's accounts as agreed.

Evidence gathered implies that the banks want more payment from the PRMC for management of PRMC credit lines and want to pay the PRMC less interest on unallocated funds left in the cereal program accounts. This is especially true of the three commercial banks, the BMCD, BIAO and BOA.

The commercial banks provide funds to large traders and *Groupes D'Interêt Economique* (GIEs) and sometimes fund rice transactions using special credit lines called *traites avalisées* in addition to managing credit lines for large and small traders. The BNDA, as the state agricultural development bank, is solely responsible for assessing credit risk, loaning to and following up loans to Village Associations (AVs) at the farm production level.

Incentive structures and payments as outlined in PRMC/BNDA agreements center around an *ad valorem* commission paid to the bank on the total amount of funds lent from the PRMC lines, the total amount recovered and a 0.5 percent premium on loan recoveries after 95% of the outstanding amount has been recovered. These percentages differ only slightly between the trader and the GIE credit lines for the three commercial banks and the BDM.

For the BNDA, the commission percentage increases to 4% on credit extended, with a minimum of 50,000 FCFA per loan offered as a guaranteed incentive. The PRMC pays the BNDA 2% on all capital and interest recovered. In its newly proposed *Protocoles d'Accord*, the BNDA is requesting 0.75 percent as a management commission on outstanding loan totals at the end of each quarter.

The BDM recently began a restructuring process under a management contract with the *Banque Marocaine de Commerce Extérieur* (BMCE). Perhaps because of preoccupation with its own restructure effort, the BDM conveyed an attitude of indifference to PRMC incentives and lack of concern with the management of PRMC credit lines.

Table 1

**The Small Trader (GIE) Credit Line
Terms of Agreements
(1988/89, 1989/90)**

Parameters	1988/89	1989/90	Other 1990 Features
Amount Available	FCFA 400 Million	FCFA 150 Million	OPAM approves warehouses
Date Funds Granted	15 November 1988	4 December 1989	SIM provides ceiling price for stored grain
Bank Remuneration	2% for loans made 1% for loans to clients with no bank loan for 5 yrs. 2% for recovered loans 0.5% on amount recovered over 95% of loan amount.	3% for loans made 2% for loans recovered 0.5% for all loans recovered over 95% on any one loan.	PRMC provides weekly, monthly, quarterly SIM and OPAM reports on cereal markets
Expiry Date	30 September 1989	30 September 1990	
Duration of Loans	One year maximum with possible rollover at PRMC discretion and with written request before 15 September 1989.	Until 30 September 1990 with possibility of rollover at PRMC discretion.	Article II: Any bank which does not comply with terms of agreement assumes all PRMC credit on own books.
Interest Rate	8%/year	Central Bank money market discount rate plus 2%	
Disbursements	First = 2X guarantee deposit Second after grain stored if 75% of value of first. Third = same terms as second	First = 2X guarantee deposit Second after proof that 95% stock stored. Third = same terms as second	
Grain Removal	After bank authorization	After bank authorization	
Payment of	Paid by GIEs quarterly	Paid by GIEs quarterly	

Table 2
Large Trader Credit Lines
Terms of Agreement
(1986, 1987, 1988/89)

Parameters	1986/87	1987/88	1988/89	1989/90
Loan Amount	FCFA 250 Million	FCFA 500 Million	FCFA 600 Million	FCFA 150 Million
Bank Remuneration	3% on loans made 2% on loans recovered	3% on loans made 2% on loans recovered	2% on loans made 3% on new client loan 2% on loans recovered on due date. 0.5% on amts over 95% per loan.	3% on loans made 2% on loans recovered 0.5% on amount over 95% per loan recovered.
Due Date	30 Sept. 87	30 Sept. 88	30 Sept. 89	30 Sept. 90
Duration Loan Period	Due date	Due date When grain removed from storage	Possibility of rollover at PRMC discretion.	Possibility of rollover at PRMC discretion.
Interest rate	8%	8% after CCIM confirms grain storage.	8% after grain stored.	Special discount rate plus 2%
Disbursements	FCFA 10 Million	Determined by bank.	First = 25% total.	First = 25% total.
Disbursement Release	First, after grain storage Second, if stock secured.	First, at any time. Remaining, after grain stored.	First, at any time. Remaining, after 75% grain stored.	First, at any time. Remaining, after 95% grain stored.

Table 3

**BNDA Credit Lines - Village Associations
Terms of Agreement
(1988, 1989, 1989/90)**

Parameters	1987/88	1988/89	1989/90	1990/91 (proposed)
Initial Loan	FCFA 600 Million	FCFA 700 Million	Rolled over from 1988/89	FCFA 1 Billion
Date Funds Granted	February 1988	November 1988	December 1989	Beginning campaign 1990/91 or at agreement signature
Bank Remuneration	3% on loans granted. 2% on loans recovered.	3% on loans granted. 2% on loans recovered.	4% on loans granted. Minimum FCFA 50 thousand per loan. 2% on loans recovered.	4% on short and medium term loans. Minimum FCFA 50 thousand per loan. 0.75% on loan portion outstanding end of each quarter. 2% on loans recovered.
Due Date	30 November 1988	31 May 1988	1 October 1989	November 1993
Loan Duration with rollover with	1 year with rollover with PRMC approval	1 year with protocol signature-PRMC approval	1 year with PRMC approval	3 years from signature.
Interest Rate	Ag credit rate	Ag credit rate	8%	Discount rate plus 3%
Disbursement	FCFA 5 million	FCFA 5 million	FCFA 5 million	
Phased Disbursement	In form of advance on sales and based on secured stock at hand.	Funds for cereal purchase at free market prices for storage and resale.	Credit for purchase and storage and sale of cereals. SIM furnishes prices.	Transfer or in cash to AV leaders.

Tables 1, 2 and 3 compare significant changes in the agreements during the life of the project.

Number of Clients Served

Since incentive structures have been added to the technical agreements to induce banks to increase their clientele, the evaluators expected a gradual increase in the number of PRMC clients served by the banks since the program began in 1986. Unfortunately it appears that the incentives have not produced the desired results in terms of number of loans made, total funds placed and total funds recovered. Findings come from interviews at the banks and documents researched.

As shown in Table 4, the number of large traders (*grossistes*) served by the BIAO during the 1987/88 campaign period increased by about 57% (from four to seven). For two other banks, the BMCD and the BOA, the number of large traders served fluctuated erratically. For example, the number of BMCD clients fell from five during 1988/89 to only two in 1989/90. At the BOA, the number was at an all time high of 11 during the 1986/87 campaign period, but fell to two the following year, increased to nine in 1988-1989 and fell again to two during the 1989-90 period.

For small traders (*demi-grossistes*), inadequate data and length of period considered preclude any meaningful interpretation of the growth in size of this group of traders. For the periods 1988-89, 19 small traders received loans. In 1989-90, three small traders were served. Table 5 shows that despite incentives, there was no significant change in the size of the individual loans made by the banks involved in this line of credit.

For the period 1987-90, a comparison was made of the percentage change in the number of PRMC program clients and ordinary credit customers of the local commercial banks. For one of the banks (BCMD) for which data are available, there was an average increase of about 2.7%* in ordinary credit customers. The average growth rate of the number of PRMC clients is negligible.

This disparity is critical. If the banks purport to treat PRMC credit lines identically to the way they treat their own credit lines in accordance with the technical agreement, it is obvious that much has to be done to bring the two rates into tandem.

Reimbursements of Loaned Funds

Banking behavior depends on three significant constants:

- Banks are influenced by the profit motive and carefully calculate gains to be derived from speculation and service charges.
- Banks are risk-cautious.

* Rapport Annuel de la Banque Maitienne de Cr dit et de D p ts, Exercice 1988-89.

- Bank actions are influenced largely by internal banking regulations and statutes.

Against this background, loan reimbursement occupies a great deal of a banker's time and attention. Related to this, a significant amount of his time is spent reviewing a prospective customer's background, his credit worthiness and cash flows.

Similarly, in accordance with the PRMC mandate given to the banks, rigorous credit and background checks are to be conducted when assessing a loan request. The objective is to increase the rate of reimbursement of loaned funds and to eliminate incidence of default. This is crucial if the common fund is to remain a revolving credit line continually renewed by the repayments of principal and interest.

A review of performance shows that the rate of reimbursement of PRMC funds fluctuates from year to year. For large trader loans for the period 1988-1990, no single bank has maintained a 95% reimbursement rate. (Table 4)

The reimbursement due date for the 1989-90 campaign period is September 30, 1990. Based on previous reimbursement records and collections for this period to date, the assessment team predicts that 80% of the outstanding PRMC loans from all banks will be reimbursed as of September 30, 1990, compared to 76% in 1987/88. It should be noted that the due date for the 1988/89 period was postponed until September 30, 1990.

Past performance in loan collection has been discouraging. For instance, for the 1987/88 period only 76% of PRMC funds loaned by the BIAO were reimbursed and only 48% of PRMC funds loaned by the BOA were reimbursed.

Information on the small trader (GIE) loans is inconsistent and too limited for any meaningful interpretation. For the 1988/89 campaign period only 35% of BMCD PRMC loans were repaid and only 26% of BOA PRMC loans were repaid.

Data gathered from other sources and shown in Table 6 estimates the reimbursement rates of large and small traders for the period 1988-89, to be 36.5% and 17.7% respectively. The due date for the outstanding debt is September 30, 1990.

The assessment team attempted to compare PRMC loan reimbursement rates to those of other credit programs. *Compagnie Malienne de Developpement de Textile* (CMDT) and *Office du Niger* (ON) reimbursement rates were 100% (Table 6). The reimbursement rates for the OHV credit program is often near 100%. In other words, it is possible for clients to be responsive to incentives to repay and to adhere to deadlines regarding due dates.

The team observed that there is a serious discrepancy between the bank records of reimbursements and the assessment team's own calculations based on information gathered from other sources. This discrepancy occurs in the banks' average reimbursement rate for large and small traders during the 1988-89 campaign period.

Usage of Credit Lines by Clients

One of the important objectives of the technical agreements is to encourage banks to induce clients to utilize the total amount of credit received from the banks. Banks are remunerated on the basis of credit utilized.

An overview of credits loaned by the banks under the PRMC mandate reveals that a large proportion of credit lines opened by clients are not utilized in full.

Combining information on large and small traders and their ability to utilize funds borrowed, the team discovered that only two cases showed an outright 100% utilization rate. The rate of utilization varies from a high of 97% (1988-89) in the case of the BIAO to 0% (1989-1990) for the BDM.

Credit utilization by borrowers leaves much to be desired and should occupy the attention of the banks, since the more they actually lend, the higher the total of commissions they earn.

That loans are not fully used is perhaps unavoidable in the context of the current market situation. A few large traders seem to be dominating the cereal market activity and using a large part of the PRMC funds. For instance, for the period 1987-88, only four large traders benefitted from the total credits approved by the BIAO.

This situation may also indicate that credit available through the banks is excessive for use in the local grain trade and that the private sector in Mali is at such an embryonic stage that only a handful of prospective clients can qualify for and effectively make use of the PRMC loans.

The Cost of Doing Business

The assessment team attempted to determine the real cost of processing a PRMC credit component application, both through discussion with bank officials and with its questionnaires. It became obvious that most banks do not calculate the real cost of processing PRMC loan applications, nor do they calculate the average cost to process loans made with their own funds.

In general, most bank officials recognize the adequacy of the remuneration structure and conclude arbitrarily that the potential compensation they could receive justifies the cost of doing business. However, they cannot accurately identify their costs to manage the PRMC portfolio and arbitrarily demand more remuneration.

The BOA is more systematic. It has established rates it charges for various services. A breakdown is shown below.

**Cost of Doing Business
Bank of Africa (BOA); Bamako, Mali**

<u>Classification</u>	<u>Charges</u>
Loans from FCFA 500,000 to FCFA 2,500,000	10,000 FCFA
Loans from FCFA 2,500,000 to FCFA 5,000,000	20,000 FCFA
Loans from FCFA 5,000,000 to FCFA 10,000,000	30,000 FCFA
Loans from FCFA 10,000,000 and up	50,000 FCFA

Source: Bank of Africa Head Office Database; Bamako, Mali.

In addition, a 20% surcharge or *Impôts sur les Affaires de Service* (IAS) is paid by the clients. For instance, an applicant for a FCFA 500,000 loan will pay FCFA 10,000 as a processing fee in addition to a 20% surcharge on the FCFA 10,000. The applicant actually pays FCFA 12,000.

In the BOA's formula it appears that a risk factor had been assigned to the different categories of loans. The differences between charges however, are insignificant when computed as a percentage of the loans obtained. For instance, an applicant for a loan of FCFA 500,000 pays only 2% of this amount as a service charge. The percentage charge is even smaller for a loan of FCFA 2,500,000, at 0.8%.

The evaluation team learned from the BNDA's Secretary General that it takes approximately 2.5 person days to process a loan application. He stated that a minimum fee of FCFA 50,000 or 4% of the total amount loaned, whichever is higher, is charged to PRMC. This condition appears in the BNDA agreement. It does not appear that the cost of processing a loan application differs as a function of loan size, particularly since the same procedure is followed for all loans.

BNDA justifies the fees it charges by citing the costs it incurs in assessing its clientele and following up loans in the field. Bank officials said that the bank earns little to nothing on PRMC business, but rather breaks even. The BNDA will begin offering medium term credit for equipment and infrastructure for which it will request an additional 0.75% on outstanding amounts, payable quarterly.

Table 4

Bank Activities for the Period 1986 - 1990
Large Traders

Bank	Campaign Period	Number Secured		Made	Loans		Reimbursement Rate
		Clients	Stock (Tons)		Reimbursed (FCFA 000)	Out-standing	
BIAO	1986/87	-	-	-	-	-	-
	1987/88	4	546	106,250	81,729	24,521	76%
	1988/89	7	3,035	181,000	146,629	34,374	81%
	1989/90	-	-	-	-	-	-
BMCD	1986/87	-	-	-	-	-	-
	1987/88	-	-	-	-	-	-
	1988/89	5	-	177,500	120,864	56,635	68%
	1989/90	2	-	70,000	-	70,000	0
BOA	1986/87	11	2,863	192,700	179,000	13,700	93%
	1987/88	2	-	35,000	17,000	18,000	48%
	1988/89	9	3,195	205,000	152,000	53,000	74%
	1989/90	2	-	15,775	0	?	0
BDM	1986/87	-	-	-	-	-	-
	1987/88	-	-	-	-	-	-
	1988/89	-	-	-	-	-	-
	1989/90	-	-	20,000	-	10,000	-

Table 5

Small Traders (CFA)

Bank	Period	Number Secured		Made	Loans		Reimbursement Rate
		Clients	Stock (tons)		Repaid	Out-standing	
BIAO	1987/88	-	-	-	-	-	-
	1988/89	1	833	50,000	50,000	0	100%
	1989/90	-	-	-	-	-	-
BMCD	1987/88	-	-	-	-	-	-
	1988/89	14	NA	385,000	136,729	248,270	35%
	1989/90	2	NA	15,000	NA	NA	?
BOA	1987/88	-	-	-	-	-	-
	1988/89	4	2,696	145,000	38,166	106,834	26%
	1989/90	-	-	-	-	-	-
BDM	1987/88	-	-	-	-	-	-
	1988/89	-	-	-	-	-	-
	1989/90	1	-	20,000	-	10,000	0%

Table 6

Financial Situation and Total Reimbursements
1988 - 1989
As of 30 May 1990
(FCFA 000)

Credit Lines	PRMC Funds	Loans	Repaid	Out- Standing	Reimbur- sement Rate
Large Traders	614,000	563,500	205,588	357,911	36.5%
Small Traders	580,000	580,000	102,517	477,482	17.7%
Village Associations	1.7				

PRMC Credit Program Compared to Others

Direct Agricultural Credits Offered by Banks and Reimbursement Rates (FCFA 000)

Organization	Funds	Loans Made	Repaid	Reimbursement Rate
C.M.D.T	17,000	17,824 (includes interest)	17,824 (includes interest)	100%
O.N.	2,800	2,800	2,800	100%
O.D.I.P.A.C.	300,000	150,000	150,000	100%

Table 7
Use of Funds by Banks
All PRMC Credit Lines
(FCFA 000)

Bank	Period	PRMC Funds	Amount Loaned	Unloaned At Banks	Amount Used	% Used
BIAO	1987/88	342,500	106,250	239,250	106,250	31
	1988/89	186,000	186,000	5,000	181,000	97
	1989/90	80,707	0	80,707	0	-
BMCU	1987/88	**	-	-	-	-
	1988/89	562,500	562,500	0	562,500	100
	1989/90	300,000	200,000	115,000	85,000	42
BOA	1987/88	35,000	35,000	0	35,000	100
	1988/89	398,000	350,000	48,000	-	-
	1989/90	200,000	59,950	34,000	25,950	12
BDM	1987/88	-	-	-	-	-
	1988/89	-	-	-	-	-
	1989/90	300,000	62,500	62,500	0	0
BNDA	1987/88	-	-	-	-	-
	1988/89	-	-	-	-	-
	1989/90	782,000*	504,378	-	461,909	-

** Large and Small Trader totals only

* Includes FCFA 82 million of Office de Stabilisation et de Regulation des Prix (OSRP)

SECTION III

BANK REPORTING: ACCURACY AND CONSISTENCY

The PRMC Secretariat maintains records and files for each bank participating in the credit program. These were examined closely to check the accuracy and utility of bank reporting. Agreements with the banks for all three types of credit lines call for each bank to generate and submit the same reports to the Secretariat.

The reports are to include the total amounts of loans, amounts reimbursed, amount of interest collected and the amount of cereal stored as collateral for each loan. Annual reports on outstanding amounts for all loans made and an overall report of all credits loaned out under the PRMC program are also required.

Findings

From examination of the records maintained at the PRMC Secretariat and responses the assessment team recorded regarding reporting in the course of visits to the banks, it is clear that the banks have not fulfilled reporting requirements. In general, bank reporting is inconsistent with agreement requirements and frustrates the expectations which PRMC might have for accuracy and utility. No single bank has supplied the PRMC with all the monthly reports required by the agreements. In addition, the banks were unable to furnish reports regarding all credit lines on a regular basis. Only the BDM, a recent addition to the PRMC grain program, and the BNDA are making an effort to stay on top of the reporting requirements stipulated in the agreements.

Although some of the banks send periodic statements of PRMC account activity, it is difficult to determine from these statements which amounts refer to actual PRMC loan activity (loan principal disbursement and principal and interest payments). A number of documents describe actual transfers or requests for transfers from a PRMC Cereal Project accounts which are different than the actual credit line accounts for rice transactions, large traders, GIEs and for village associations (AVs).

The accountant at the PRMC combines both correspondence and account activity information for each bank into a yearly file. This combination constitutes a confusing array of transfer requests, payments, complaints and general banking correspondence in the same file. The chronology is fairly accurate but the presentation of correspondence covering PRMC's seventeen different accounts is confusing and leaves much to be desired.

General Findings and Comments on Documentation

Presented below is background information, general characteristics and types of documents found in the files of the PRMC Secretariat. As pointed out above, the PRMC Secretariat maintains only one file for each bank. All documents relating to PRMC business with the bank are kept in that single file.

The Bank of Africa

- No monthly reports
- A letter dated April 1989 which requested a transfer of funds from the GIE account to the large trader account.
- A letter dated July 24, 1989 which reminded the bank that the interest rate for a GIE in Koutiala should be 8% rather than 9.5%.
- A series of reports dated September 20, September 30 and October 10, 1989 constituting year-end PRMC credit reports and loan statements for large trader and GIE credit lines.
- A letter dated December 7, 1989 from the PRMC renewing the three lines for 1990 and correspondence clearly asking the bank to label the lines as *PRMC--Grossistes*, *PRMC--Demi-Grossistes*, and *PRMC--Securités de Traités Avalisées*. (An identical request is found in each bank's file).

The BNDA

Most information appeared to be up-to-date and complete except for some information lacking on reimbursements at September 30, 1989.

The BIAO

- No monthly reports.
- A report on PRMC amounts loaned, reimbursed and grain stocked as collateral as of 12/1/89.
- A letter to the PRMC requesting that the 1,000 ton per trader restriction be waived and the trader line be increased by FCFA 125 million.
- A report dated April 25, 1989 presenting a summary of movements in the PRMC cereal credit lines for 1988/89 including amounts loaned and grain stored as collateral.

- Several letters requesting that interest on unused PRMC funds be reduced by .75%

The BMCD

- No monthly reports.
- A letter dated April 17, 1989 from the PRMC which asked for information on the PRMC accounts.
- Correspondence alluding to bank loan of funds to large traders without requiring a deposit of grain as collateral.
- A letter dated June 29, 1989 to the PRMC presenting the balance in loan credit lines.
- Correspondence regarding 1989 reports for amounts loaned to large traders without reimbursement or interest figures.

The BDM

- A letter including the management contract with the BMCE for restructure.
- The agreement with the PRMC dated December 4, 1989.
- The BDM showed the assessment team copies of reports it has sent to the PRMC covering the movement of funds within one of its two credit lines for cereal transactions.

In summary, none of the banks are fulfilling reporting requirements agreed to with the PRMC. Only the BNDA and the BDM (which has yet to make a loan) have furnished reports which could be called accurate, useful or timely. Reporting has been spotty and is usually sent to the PRMC toward the end of the due date period for loans made to traders or GIEs. In general, reports show little or no information about interest earned on PRMC funds.

SECTION IV

LOAN APPLICATION AND APPROVAL PROCESS AND GRAIN AS COLLATERAL

The Loan Application Process

All bank officials interviewed stated that they treat the loan application process for PRMC funds in a fashion similar to that of regular loans using their own funds. Variations do exist in the banks' application forms and the assessment process varies according to the type of credit line to be used. Often a loan is made to a large trader on the basis of familiarity with bank personnel, possession of one or several accounts with that particular bank and/or involvement in other commercial activities for which he has received credit.

The assessment of a GIE or an AV may take longer, as the bank needs to assess the creditworthiness of several individuals. Few banks use an actual credit application form. Banks whose officials say that they "make loans only to clients that we know" might find it difficult to assess or even make a loan to a new GIE or an AV which has only existed for several days or weeks. This is true especially when a bank must incur the cost of assessing a credit file for a new client and may be reluctant to take on an additional cost burden. "Getting to know" new clients means opportunity cost for the banks.

Most of the members of newly-formed GIEs may be illiterate or lack numeracy skills, which further complicates the credit application process. The assessment team notes that few companies and even fewer individuals in Mali actually keep financial records in a consistent and businesslike manner.

The banks should apply a flexible, standardized credit application and assessment process to accommodate clients with varying degrees of financial reporting abilities. The objective here is to make credit available based on ability to repay loans rather than on personal ability to prepare financial statements. If the grain storage collateral system is operative and the cereal market is stable, the bank should be repaid its loan from the sale of collateral. A standardized and simplified process would allow bank officials to collaborate with potential clients in application preparation and assess creditworthiness based on key indicators. The BDM loan application is presented as Annex F. It is a potential model for a standardized form which could be used by all banks.

It is instructive to compare one bank's methods of loan approval with those of another to determine relative degrees of thoroughness and efficiency.

The BMCD

BMCD officials stated that if all the elements in a potential or current customer's file are present for the loan in question, the application process and approval time for its loans is usually one week.

BMCD branches which are considered to be profit centers by the Bamako head office forward applications to their headquarters. Branch managers are free to initially accept or reject credit requests but they must justify their decisions.

According to the Assistant Director of the Bamako office, he has the last word on a request. If a potential client is known to the bank staff and has an account and a good credit history, he will most likely receive credit.

The BOA

This bank accepts a letter requesting a credit as its "application form". At BOA the loan-granting process usually lasts from three days to a week.

A deposit as a guarantee must be placed in the client's account at the bank where he seeks a loan. Credit references are checked and the loan office tries to judge the character and morality of the new client.

The BOA branches are not allowed to authorize loans, including those made from PRMC credit lines.

The BNDA

The BNDA takes ten days at a minimum, 20 days on average and in some cases a maximum of 45 days before granting a loan. The BNDA gives potential PRMC loan clients and regular BNDA loan clients the same attention.

A client's honesty and character are important to the BNDA as well as his capacity to reimburse a loan. A careful analysis is made by the bank of his sales figures, current indebtedness and its expiry date and the state of his current assets or liquidity before granting him a loan.

The PRMC was recently asked to provide FCFA 42,700 per dossier by BNDA in order to examine 61 new credit demands. The PRMC made a counter-proposal based on the assumption that a 75% reimbursement rate could be achieved by the bank with minimal effort. The bank originally based its calculation on a much lower repayment rate.

The BIAO

This bank had very little to say regarding its credit assessment process. At this time they have no standardized procedure for processing applications.

The BDM

This bank wants to know that the potential borrower can guarantee his loan and will have the means to repay it on time. Also, the bank hopes to earn a comfortable profit.

In summation, one can state that Malian banks prefer lending funds to individuals, companies, or groups of individuals already known to them. They do not appear eager to establish a rigorous marketing capability to attract new customers.

They assess a loan demand on the basis of whether the proper guarantees are made and whether there is an potential profit margin on the new business. The PRMC is slowly influencing the banks to widen their traditional client base by introducing them to newly-formed and existing GIEs and AVs.

Collateral

Collateral in the credit decision process facilitates the assessment of a prospective applicant's loan request and also reduces the risk of default. Given the relatively low degree of asset ownership by the type of borrower involved in the PRMC program, the choice of collateral available to the banks is limited. Only large traders with extensive commercial assets can provide sufficient guarantees from their own possessions to satisfy the banks' needs for collateral.

Against this background, the use of grain as collateral is appropriate in the PRMC program, especially for newly-formed AVs and GIEs. However, this system does present certain disadvantages to both borrower and lender.

One important disadvantage for storing grain as collateral is its highly perishable nature. Several anecdotal accounts were related to the assessment team of grain stores lost to insects and weather damage. Despite the risks, the team sees no other readily available alternative to the use of grain as collateral.

The participation of the CCIM as the provider of storage facilities has been unsatisfactory to all parties. The CCIM has not acquired the expertise necessary to account for grain movement and maintenance. The establishment of a price acceptable to both the lender and the borrower at the time grain is stocked as collateral is also problematic.

In addition, obtaining a stock removal authorization (*la main levée*) from the bank causes annoyance and delay. Borrowers who cannot pay the bank are not allowed access to the cereal or to sell it.

Others abuse the system by removing grain without authorization. On July 10, 1990, the BIAO authorized its client, Djenebou Sanogo, to collect 100 tons of millet from a storage warehouse owned by CCIM. When the client arrived at the warehouse to collect her grain she found only 25 tons available. No justifiable reason could be given for absence of adequate stores by the warehouse management.

The banks do not yet have expertise in the conversion of grain collateral stocks to currency in the case of default. Even though the present system is far from perfect, the assessment team does not see viable alternatives at this time.

Another kind of collateral used in the program is a deposit guarantee placed at the bank by a borrower. The minimum amount is FCFA 2.5 million in credit.

SECTION V

BANKING POLICY AND PRACTICE, INTEREST RATES

Background

Mali, until quite recently, had its own Central Bank (*La Banque Centrale du Mali*). Like any other regulatory financial institution it supervised banking activities in the country, printed money and implemented GRM monetary policies.

Although a francophone African country, Mali did not belong to the West African Monetary Union (*Union Monétaire Ouest Africain* or UMOA) that includes Togo, Côte d'Ivoire, Senegal, the Republic of Central Africa, Burkina Faso, Niger and Benin. The important aspect of membership is that the currency used in these various countries is generally interchangeable and is pegged to the French Franc (FF). One FF is the permanent equivalent of FCFA 50.

In June 1984 the Malian Central Bank was dissolved and Mali was admitted into the *Union* as a full member. At its admission to membership two Malian Francs were exchanged for one FCFA. Central bank functions performed by the defunct Central Bank of Mali have been assumed by the Central Bank of West African States (*La Banque Centrale des Etats de l'Afrique de l'Ouest-BCEAO*). Monetary policy affecting banking operations in Mali is governed by the BCEAO.

Changes in Monetary Policy

In the mid and late 1980s sluggish economic performance and excessive liquidity characterized by a poor external economic environment greatly affected the economies of most developing countries and in particular members of the UMOA participating countries. In an effort to address these issues, new instruments of monetary policy were set in place in October 1989.

The purpose of those instruments is to control credit qualitatively and to implement new interest rate policies. To ensure successful implementation, a banking commission was created at the UMOA level to supervise banking activities in the member countries.

Of particular interest to this report is the new BCEAO policy regarding applicable interest rates and its impact on PRMC operations. In accordance with the BCEAO instructions⁽²⁾ released on October 2, 1989, the following rates of interest are applicable to various accounts:

² Lettre Circulaire aux Banques du 2 Octobre 1989, de la Banque Centrale des Etats de l'Afrique de l'Ouest, Numero 21541/SS/KAD

- The Discount Rate at which banks borrow from the Central Bank, was fixed at 11%, as of October 1989.
- Since banks calculate interest rates for their ordinary credit by adding one to five percentage points to the current local money market rate, interest rates could be anywhere from 12% to 16% on an ordinary loan.
- The interest rate earned by commercial banks on deposits at the Central Bank is 10.5% for periods of one day up to three months.
- On private deposit accounts,
 - ▶ for amounts below FCFA 500,000 the applicable interest rate is negotiable.
 - ▶ for amounts equal to or more than FCFA 500,000
 - for less than six months the rate = 7%
 - from six months to one year the rate = 8%
 - for more than a year the rate = 9%.
- Qualitatively, the BCEAO must authorize any loan beyond FCFA 30,000,000 regardless of the category of credit.

The Impact of Regulations on the PRMC Credit Program

These regulations do not directly affect the functioning of the credit lines set in place by the PRMC as the PRMC common fund is outside of the normal credit lines of commercial banks. However, in cases where the loans are above FCFA 30 million, BCEAO approval must be sought.

In effect, credits granted to cereal traders are influenced largely by specially negotiated terms and interest rates (*taux d'escompte spécial--T.E.S.*). On the basis of these negotiated agreements, participating banks are obliged to pay special interest on the PRMC common fund accounts and various PRMC credit lines, namely grossistes, demi-grossistes and AVs.

Interest Payments on Accounts

During the information gathering process the assessment team paid special attention to balances on revolving accounts in all participating banks since the PRMC program began, interest earned on the main PRMC account and PRMC credit lines and their applicable interest rates and commissions earned by banks. The results of data gathered and analyzed are presented in Table 8.

The BIAO

Quarterly interest earnings on the two PRMC accounts were regularly credited at the rate of 6%. The use of 6% as the interest rate between 1988 and 1989 and part of 1990 is contrary to the terms in the agreement which specified a market rate of interest minus 1 point. For instance, between June 1989 and June 1990, the applicable interest rate was 9.85% (the market rate of interest minus one point).

As of August 23, 1990, FCFA 24,521,000 or 24% of original funds loaned for the period 1987/88 remained uncollected. FCFA 34,374,000 or 29% of the original funds loaned, were outstanding for the period 1988/89. The due date for 1988/89 loans is September 30, 1990. There are no other outstanding amounts.

The BDM

The BDM was the last Malian bank to open a line of credit to be used in the context of the cereal market restructuring project. In December, 1989 FCFA 100,000,000 was placed in each of two accounts to be used for extending credit to large traders and small traders (GIEs).

The BDM manages four accounts which contain PRMC funds. Balances and interest payments on these accounts from January 1 to June 30, 1990 are summarized below.

<u>Account</u>	<u>FCFA</u>
267/328 (interest) balance 8/21/90	3,371,426 93,382,507
267/345 (interest) balance 8/21/90	3,382,507 103,371,426
267/310 (interest) balance 8/21/90	2,746,716 72,861,292
260/318 (interest) balance 8/21/90	8,049,169 414,170,587

As of August 28, 1990 the total interest paid by the BDM to the PRMC on its accounts is FCFA 23,880,183.

During the period December 25, 1989 to March 31, 1990, the BDM credited the PRMC accounts with only 9.5% interest instead of the correct rate of 9.85% (market rate of interest minus 1 point). The bank accepted full responsibility for use of the incorrect

rate and has accordingly calculated the amount due on the accounts using the correct interest rate.

Under the BDM's first agreement for a small trader (*demi-grossiste*) credit line, it approved 82.5 million FCFA for onlending to traders in the Segou region but only FCFA 20.0 million in credit was granted and FCFA 10.0 million of that drawn down.

There was a seven month delay before BDM's Bamako headquarters made funds available to its Ségou branch for an approved loan. The GRM announcement that there were 600 thousand tons of surplus grains in the market just after the 1989 harvest tended to stifle cereal credit demands.

The BOA

As of August 23, 1990, FCFA 13,700,000 or 17% of funds loaned for the traders' credit lines for the 1986/87 period were outstanding. FCFA 18,000,000 or 52% of the funds loaned for the traders' credit lines for the 1987/88 period were outstanding. For the 1988/89, period 26% of loaned funds were outstanding, but due on September 30, 1990. For the GIEs, 74% of funds loaned remained to be collected by September 30, 1990.

FCFA 16,697,362 were paid in interest for the 1987/88 campaign and FCFA 17,270,018 were paid in interest on the PRMC main account. During the 1989/90 campaign, FCFA 188,628,092 was credited to the account.

The BOA used the market rate of interest minus 1.5% rather than 1.0% as stipulated the PRMC agreement.

The BMCD

As of August 23, 1990, 32% of loans to traders were outstanding for the 1988/89 period and 72% of credits to GIEs were outstanding for the period 1988/89. However, the due date for these loans was carried over to September 30, 1990.

Rates of interest applied and commission charges cannot be calculated for the BMCD as no such payments were ever made or credited to PRMC accounts. According to Mr. Daffé, Assistant Managing Director of the BMCD, interest charges on loans are not posted to the bank's books until after the due date. Since the due date is September 1990, no information is available on interest earned. This is in direct violation of the bank agreement with the PRMC. In effect the BMCD owes the PRMC a considerable sum in interest. The bank repeatedly refused to provide the assessment team with further information.

The BNDA

There are three PRMC accounts at the BNDA. As of March 31, 1990 the BNDA had registered 985 AVs. The total amount loaned by the BNDA was FCFA 766,666,050 as of March 31, 1990. Repayment of interest and principal totalled FCFA 390,118,655 at the same date and the total unpaid amount stood at FCFA 427,315,670. In all cases the correct interest rates and commissions as specified in the PRMC agreement were used. (See Table 8.)

From 1986 until June 1990, the BNDA paid the PRMC FCFA 116,774,725 on its deposits. It collected FCFA 114,149,691 for the PRMC in interest on loans made over the same period. It paid itself FCFA 98,002,649 in commissions for loans made and recovered with PRMC funds.

As of June 1990, there were FCFA 80,364,239 reported by the BNDA to be outstanding. (FCFA 62,550,096 are recoverable but FCFA 17,814,143 are doubtful debts.)

The BNDA applied the appropriate interest rate in accordance with the terms of agreements with the PRMC and has taken its commissions and regularly reported its activities to the PRMC. It has also correctly calculated the interest due on PRMC's deposit balances and credited them accurately.

Summary of Findings

On the whole:

- there is no transparency in the reporting of commissions, interest earnings and payments to PRMC accounts, with the exception of the BNDA.
- with the exception of the BOA and the BNDA, no special effort is being made by the banks to recover long overdue loans.
- The PRMC has been the victim of poor management on the part of the banks as evidenced by negligent reporting and calculation of interest rates as well as bank indifference to terms of agreements made with the PRMC. However there is no concrete evidence that PRMC funds are being deliberately hidden, stolen or even miscredited. There is an example of a bank not paying interest on PRMC deposits.

Table 8
Status of Bank Interest Payment
1986 - 1990

Description	Bank	1986/87	1987/88	1988/90	1989/90
Interest Paid on PRMC Deposits					
	BIAO	NA	NA	NA	NA
	BDM	NA	NA	NA	NA
	BNDA	4,864,817	37,991,575	33,081,519	23,880,183
	BOA	NA	NA	NA	NA
	BMCD	11,938,766	34,585,357	26,614,054	25,014,151
Interest Paid to PRMC by Borrowers					
	BIAO	NA	936,693	642,924	5,836,571
	BDM	NA	NA	NA	NA
	BNDA	28,547,775	5,440,000	50,768,275	29,393,641
	BOA	1,703,593	1,393,175	4,752,876	NA
	BMCD	None	None	None	None
Commission Paid to the Bank					
	BIAO	NA	NA	NA	NA
	BDM	NA	NA	NA	NA
	BNDA	16,176,522	10,941,806	26,884,321	44,000,000
	BOA	6,728,958	1,050,000	NA	NA
	BMCD	NA	NA	NA	NA
Outstanding Loan Amounts					
	BIAO	NA	24,521,000	34,374,000	NA
	BDM	NA	NA	NA	10,000,000
	BNDA	NA	NA	118,000,137	80,364,239
	BOA	13,000,000	18,000,000	98,000,000	NA
	BMCD	NA	NA	56,635,000	70,000,000

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Figures compiled and criteria applied reveal that the banks have not performed adequately. Incentives offered to the banks in agreements with the PRMC have failed to motivate them to improve performance vis-a-vis expansion of clientele, lending, collections or reporting. The banks have been unwilling or unable to properly document and credit interest due on PRMC accounts.

The embryonic stage of the Malian grain market has made the bank task a difficult one as they try to cope with the vagaries of an imperfect grain storage collateral system, a developing price discovery mechanism and potential clients without clearly verifiable financial records. This may have had a mitigating effect on the level of bank performance.

A positive aspect of the PRMC program is that it has made possible the replacement of public sector institutions such as OPAM in the grain market by private traders who have taken advantage of credit made available through the program. Although those traders best able to take advantage of the program are large and already known to the banks, their successes in the market can serve as models as to the possibilities in private sector trade. Although this in fact creates an initial private sector oligopoly, it could have a multiplier effect on the growth of the sector.

Indirect Bank Contributions to Cereal Trading in Mali

The goal of the PRMC credit program is to increase private involvement in the purchase and sale of grain. Storage of grain during periods of abundance and its release in leaner periods helps to stabilize prices and farmers' incomes.

Since grain stocks are tied to the loans obtained, it is understandable that sporadic performance in agricultural production significantly influences borrowing. Over the period for which bank data are available, the results are mixed. For instance, data on secure stock which appears in Table 4, shows that significant changes can hardly be appreciated.

Despite mixed results, people interviewed by the assessment team praised the positive impact the PRMC program has had on the cereal trade in Mali. They appreciate that PRMC credit availability has allowed them to expand their activities and permitted some Malians to enter the grain market for the first time. GIEs and traders are also beginning to appreciate the benefit of storing grain for resale. For example, Messrs. Achkar and Bally and others are creating successful enterprises specializing in grain commerce and serving as models which demonstrate the possibilities in the grain trade.

Recommendations

The assessment team recommends that USAID/Mali adopt one of three options as regards the PRMC cereal market credit program.

The first option may be obvious but is not recommended by the team. It is to discontinue the PRMC credit effort altogether. Significant progress has been made in setting up and getting the program underway. The team recommends that the PRMC program continue as an attempt to develop market forces and private sector initiative in Mali.

The second option is that the PRMC become a credit-granting and follow-up organization in its own right. This would be a challenging task and would in effect require the PRMC to take on the role of a banking institution. The PRMC could assume the credit function as a grain credit cooperative with a headquarters in Bamako and field offices in the main grain trading centers.

Branch Offices could provide credit assessment services and loan follow-up. They would also be on-the-spot to insure the use of correct prices, provide technical expertise to AVs and GIEs and traders in their approaches to banks to obtain credit and to arrange for better management of storage facilities.

This is perhaps the most ambitious option and would require an increase in PRMC staff, office space and overhead cost. However, costs would probably not be greater than the amounts of unreimbursed loans under the present system. The team recommends that a feasibility study be done to determine viability should donors consider this direction.

The third option is that the PRMC continue working with the banks to insure finance to the grain market in Mali. In this respect, the PRMC should reinforce its follow-up activities and play a larger role in the management of the cereal trade credit lines. More specifically, the PRMC should:

- Require that its accounting section separate all credit line reports, information on interest and commissions from all general correspondence between PRMC and the banks.
- Introduce a standardized credit application form and procedure in all banks and periodically check on beneficiaries in the field and at the banks to insure that they are being used properly and appropriately.
- Require that the banks complete a standard report at the end of every quarter and send it to the PRMC Secretariat. Reports would include:
 - ▶ Amounts of loans made,
 - ▶ Interest earned/rate applied
 - ▶ Commissions earned and taken by the bank
 - ▶ Collateral secured and its depreciation, if any, over the life of the loan,

- ▶ Principal and interest repayments.
- Require that banks provide the PRMC with monthly statements showing debit and credit entries and accurate balances.

Other Recommendations

1. The statutes of the PRMC as an organization must be clearly defined. It should be registered as a legal entity under Malian law if possible. This will enhance its credibility in local business circles and help in cases of litigation should they occur (for example: between PRMC and any of its employees).

New agreements should be clearly established as legally-binding documents and their enforcement must be litigable under Malian law. This is important since the current situation underscores the fact that these are but "gentlemen's agreements."

2. A full and thorough audit by outside auditors should be made of all PRMC accounts at the Secretariat and with the banks.
3. The PRMC accounting staff should be expanded to provide adequate accounting and record-keeping, monitoring and follow-up services.
4. GIE technical training, information reporting, and credit follow-up currently performed by Mr. Abdoulaye Kah and his assistant in the field should be expanded and continued.
5. The SIM and the IER's functions and services should be subsidized in part by the PRMC to continue to provide evolving and accurate price information and inputs on improved growing techniques, irrigation techniques etc. to further strengthen the cereal market process in Mali.
6. Technical inspection teams which include a bank member should continually insure the propriety and security of the warehouses. A private grain storage company could be created by one of the largest of the traders or a consortium of traders and could help train and employ permanent warehouse employees and the inspection team. Until that happens, OPAM staff should be retained under contract to provide the technical services required of a good warehousing system.
7. The CCIM, which has not performed up to expectation in grain storage, should be replaced by a restructured OPAM that can rent its units as storage sites for grain-as-collateral. Private sector warehousing should also be encouraged when available.
8. The PRMC should reinstate the system of using one bank as a "clearing house" for all PRMC funds (the BNDA was used in 1986/87). A special commission could be paid to this bank and the role assumed by another banks if performance is not

adequate. This would avoid spreading idle funds throughout the Malian banking system.

9. Involve banks in PRMC credit program decision making and program design process.
10. Negotiations should be completed and funds in place in time for the growing season. Banks must inform potential borrowers about the program's terms and conditions and provide better publicity to the market. They should be encouraged to market their services as credit institutions in competition with each other.
11. Standard application forms and a standard credit assessment process should be introduced for each credit line a bank is granted and for lines it currently manages. Banks that do not abide by this more clearly-defined set of standards should be asked to withdraw from the program.
12. A PRMC staff member should have a permanent seat on each bank's credit committee.
13. Borrower categories should be better defined and borrowers limited to obtaining loans from a single category. For example, a small trader should not be allowed to apply for a loan as a grossiste under another credit line. The amount of credit made available under the lines to large traders should be strictly limited and controlled so that three or four persons do not apply for and obtain funds set aside for this category in several banks at a time.
14. PRMC loans should be rolled over only if there is an acceptable level of repayment of principal and interest on loans made.
15. Quotas for number of loans, FCFA amounts of loans and number of loans per region should be established for each bank. The extent to which a bank meets or approaches its "benchmarks" in these areas should be used to determine future allocations to each bank within the context of the PRMC program and rate a bank's performance over a specific period. No new funds should be made available unless a specified level of performance is maintained.
16. Interest rates for PRMC credit for cereal purchase and resale should be raised to match the current market rates that the banks are charging for ordinary agricultural credit.
17. Given the fact that BDM has made only one loan of 20 million FCFA from the PRMC funds in over ten months, it should be excluded from the next round of the grain credit program. The decision not to include BDM in the program could be re-examined after the first year, when the bank's future will be clearer and the PRMC program a year older.
18. Banks should be required to set aside certain amounts of their own funds as "reserves for bad debts" to offset losses they might incur on loans they make with

PRMC funds. PRMC might participate in these reserves up to 50% of their total. This might induce better bank performance.

19. Participating banks should match PRMC funds for loans to cereal market clients.
20. The PRMC should negotiate an interest rate for unused PRMC funds on deposit with participating banks which approaches or equals the local money market rate.

ANNEX A

ACRONYMS

AID	Agency for International Development
AV	Association Villageois (Village Association)
BCEAO	Banque Centrale des Etats de L'Afrique de l'Ouest (The Central Bank of the West African States)
BDM	Banque de Developpement du Mali (The Development Bank of Mali)
BLAO	Banque Internationale de l'Afrique de l'Ouest (The International Bank of the West African Countries)
BMCD	Banque Malienne de Credit et de Depot (The Malian Bank for Credit and Deposits)
BNDA	Banque Nationale de Developpement Agricole (The National Agricultural Development Bank)
BOA	Bank of Africa
CCIM	Chambre de Commerce et D'Industrie de Mali (The Mali Chamber of Commerce and Industry)
CMDT	Compagnie Malienne de Developpement de Textile (The Malian Company of Textile Development)
GIE	Groupement d'Interêt Economique (A Common Economic Interest Group, in this case, small traders)
IER	Institut d'Etudes Rurales (The Rural Studies Institute)
OHV	Opération de la Haute Vallée (The Haute Vallée Operation)
ON	Office du Niger
OPAM	Office des Produits Agricoles du Mali (The Malian Office for Agricultural Products)
OSRP	Office de Stabilisation et de Regulation des Prix

PAM/WFP	Programme Alimentaire Mondiale (The World Food Program)
PRMC	Programme de la Restructuration du Marché Céréaliier (The Program for the Restructuring of the Cereal Market)
SIM	Système d'Information de Marché. (The Market Information System)

ANNEX B

Scope of Work

ASSESSMENT OF BANKING PERFORMANCE IN PRMC CREDIT PROGRAMS FOR GRAIN TRADE

The purpose of the present evaluation is to analyze the operational success and problems, especially from the standpoint of the banking practice and bank performance, that the credit programs for various groups of grain traders and village associations have faced over the period 1988-1990, and to propose solutions to these problems, in particular changes in the formal agreements between the donors and the banks regarding terms and efforts on part of the banks.

This evaluation will be conducted in tandem with other analysis, done in part by full time technicians resident in country, of the actual impact of the credit programs, and their effects on intended beneficiaries.

Objective

Assess the banks' performance and bank operational problems in a series of trader and farmer grain marketing and storage credit programs, and make recommendations for improvement in arrangements with banks (to be set out in the various protocoles d'accord between banks and the PRMC) for the future of such programs.

Statement of Work

The contractor will conduct an assessment of bank performance in the PRMC grain trade credit programs for large and smaller traders (GIE's) and for cooperatives, based primarily on the 1988/89 and 1989/90 marketing years. The credit programs have taken place in both the rice and coarse grain subsectors. The contractor will focus primarily but not exclusively on the coarse grain subsector. The contractor will complete the following specific tasks:

1. Interview bank officials, PRMC donor representatives and staff, GRM officials responsible for monitoring the credit programs, traders, village associations, and grain market researchers. Primary emphasis will be on bank staff.
2. Review of background documents on credit programs including all prior evaluations of the credit programs.
3. Review of "Protocoles d'Accord" between PRMC and the banks implementing the credit programs, for the past three years.

The contractor will analyze in detail:

- (a) Specific incentive structures and payments to assess the extent to which these have affected bank performance.
 - (b) Changes in the "protocoles" from year to year and from bank to bank to assess the extent to which these changes are correlated with changes in bank performance.
4. Review of banks' reporting, both periodic and end of year reporting, for the past three seasons, the contractor will assess utility and accuracy of reporting, and the extent to which it is consistent with agreements spelled out in the respective protocoles d'accord.
 5. Assessment of loan application, application and approval process, including process time and efficiency, quality of examination of past credit history and financial records. The contractor will assess these by comparison with other bank loans made with the banks own funds.
 6. Examination of quality of collateral and its role in the credit decision process of the banks. The contractor will also examine the extent to which collateral requirements have assisted in the collection of loans in default, and propose alternatives.
 7. Assessment of interest rate policy of banks for these grain trading loan programs within the constraints imposed by overall national and UMOA interest rate and related policies.
 8. Development of performance criteria for individual loans as well as for banks. The contractor will develop these performance criteria to serve two purposes:
 - (a) To provide the basis for his own evaluation, for the final report, of performance of different banks in the credit programs; and
 - (b) To provide the banks the PRMC Secretariat with a workable and informative method of ongoing performance evaluation in future year credit programs.

These performance criteria will include, but will not be limited to the following:

- Number of loans
 - Size of loans
 - Total loaned funds as a proportion of desired and available total financing targeted on the programs
 - Characteristics of clients
 - Reimbursement rates
9. Assessment of bank performance according to performance criteria (recognizing that most reimbursement will not have taken place at the time of the study).

10. To the extent possible, assessment of real costs to the banks of monitoring and managing the PRMC grain market loan portfolios, compared to compensation they receive from the PRMC for this task.
11. Recommendations for improvements in PRMC/GRM protocols d'accord, negotiation with or competition among banks, timing of negotiations enforcement or monitoring, to ensure better bank performance in the future.
12. Recommendation for actions to increase bank willingness to progressively take on some of the new PRMC program clients as its own clients, loaning bank (not donor) funds to these clients.

ANNEX C

Persons Interviewed by the Evaluation Team

Tracy Atwood	AID Agricultural Officer
Babali Ba	Credit Department/BCEAO, Bamako
Paul Bartel	FEWS Representative to Mali
Dennis Bilodeau	USAID/Bamako
Dennis Brennan	Director, USAID/Bamako
Amadou Camara	USAID/Bamako
Many Camara	Deputy Advisor, Canadian Support Program to the PRMC
John Carraciolo	Credit Expert, Experience, Inc. Opération Haute Vallée, Mali
George Charpentie	Deputy Director, PAM
Ahmadou Omar Cisse	Director, BDM, Segou, Mali
Tidjani Coulibaly	Head of Credit, BDM, Segou Mali.
Abdoulayhe Daffe	Deputy Director, BMCD, Bamako, Mali
Nango Dembili	SIM/OPAM, Bamako, Mali
Ibrahima Sory Diakite	Head of Credit - BDM, Bamako, Mali
Anna Diallo	USAID/Bamako
Sidi Gaoussou Diallo	Research Assistant Canadian Support Project to the PRMC
Hamadi Diambou	Deputy Director, BMCD, Segou
Issaka Diarra	Ex-President - CCIM (Grain Trader and Businessman)
Salif Diarra	CCIM - Commercial Section Director
Kangaye Sidiki Diko	Credit Department - BMCD
Abdoul Salam Fane	Head of the Studies Dept. BCEAO

Persons Interviewed cont.

Souleman Fomba	Legal Aide - BNDA-Bamako
Eleni Z. Gabre-Madhin	MSU/SIM (Michigan State University-Researcher)
Daniel Gesbert	Financial Director, BDM-Mali
Cherif Haidara	BIAO, Bamako, Mali
Adly Hassanein	Project Manager, Experience Inc., Opération Haute Vallée
Abdoulaye Kah	Field Technician, PRMC
Mme Konate	Head of the Documentation Center, the Malian Central Bank
Richard Lambert	General Secretary - BNDA
Abdoulaye Maiga	Head of the Treasury Function, Financial & Accounting Service - BNDA
Chuck May	FEWS/Washington
Samake Poboko	Administrative Secretary, CCIM - Segou
Samago Djeneba	Grain Trader, Bamako, Mali
Sidike Lamine Sidibe	Assistant Field Technician, PRMC
Sylla Mohamed	Grain and Gold Trader, Bamako, Mali
Abdurahman Toure	Head of the Financial Service and Accounting Department - BNDA
Ibrahima Traore	Director, BNDA, Bamako
Youssef Traore	Director, BNDA, Bamako
Reid Whitlock	USAID/Bamako
Jack Winn	Controller, USAID/Bamako
Joseph Garibou Yalcovye	Head of the Building & Public Works Department BIAO, Bamako

ANNEX D

QUESTIONNAIRE

.List A-1

QUESTIONS FOR BANKERS

(To be revised)

1. Introduction

- Objective of interview

2. Agreements (Protocoles d'accord)

- What don't you like about the Agreements?
- What changes would you recommend?
- Will your bank be interested in taking up more responsibility for loans?
- What would you recommend for incentive?
- What would you recommend about interest payments?

3. Internal Procedures

- What is the procedure for a loan application?
- How long does it take for a loan to be approved?
- What changes would you recommend in this procedure?
- Do you do any "publicité" to attract clients?
- How do you evaluate applications for loans?
- Are regional banks authorized to approve loans?
- What is the difference between your "critère d'évaluation d'un dossier" for PMRC loan requests and others?
- Can we see a loan application?
- Can we have documentation on the following?
(for the past 3-4 years) GIVE OUT TABLES
 - number of loans (nombres de prêts consentis)
 - size of loans (valeur d'un dossier)
 - total loan funds (montants)
 - client characteristics
 - reimbursement rates
 - credit files for 86-87, 87-88, 88-89, 89-90

4. Reporting (Reportage)

According to the Agreements -- Status of your monthly report to the PRMC of the following:

- Statement of approved loans
- Statement of reimbursements
- Statement of paid interests
- Amount of secured cereals

Do you have any difficulty reporting?

5. Collateral

- What is the importance of the collateral system in the program?
- Is secured credit appropriate for this project?
- If not, suggest alternatives.

6. Interest Policy

- What is the average rate of interest on the market?
- What are you charging PRMC clients?
- What is your margin on these loans?
- What is your cost of doing business?
- Given the cost of doing business, what is the realistic interest rate on the PRMC loans?
- In what areas do the Central Bank's regulations affect your participation in the PRMC program?
- How does the Central Bank regulate banking and credit in Mali?

7. What are your recommendations for improvements in PRMC/GRM agreements?

FORM 1-A

PROGRAMME DE RESTRUCTURATION DU MARCHE CEREALIER (PRMC)
(86-87, 87-88, 88-89, 89-90)

86-87 87-88 88-89 89-90

FRANCS CFA

Fonds Alloués
et Date

Fonds Débloqués
et Date

- Grossistes
Date
- Demi-Grossistes
Date
- AVs
Date
- Autres
Date

Fonds Transférés
sur les lignes
et date

- Grossistes
Date
 - Demi-
Grossistes
Date
 - A.V.s
Date
 - Autres
Date
-

Prêts Accordés

- Grossistes
 - Demi-Grossistes
 - AVs
 - Autres
-

Recouvrements

- Grossistes
 - Demi-Grossistes
 - AVs
 - Autres
-

Reliquats a
payer

- Grossistes
 - Demi-Grossistes
 - AVs
 - Autres
-

Date d'échéance
des prêts non-
payés

- Grossistes
 - Demi-Grossistes
 - AVs.
 - Autres
-

Quantité de Cereal
Nanti

- Grossistes

- Demi-Grossistes
 - AVs
 - Autres
-

Valeur de la Caisse
Mutuelle a la fin de
la période

Pourcentage de
Déperdition

- Grossistes
 - Demi-Grossistes
 - AVs
 - Autres
-

Nombre de
demande de prets

- Grossistes
 - Demi-Grossistes
 - AVs
 - Autres
-

Marges commerciales
moyennes réalisées
(pour la banque)

List A-2

QUESTIONNAIRE FOR BANKERS
(revised)

1. Incentive Structure --
How can you be motivated to improve your performance vis-a-vis PRMC
2. What does the bank gain from handling PRMC's credit lines?
3. How much has your bank earned in the past 4 years on the PRMC's accounts?
4. How much staff time is allocated to the PRMC's dossier in a week/month/year?
5. Re: Agreements (Protocoles d'Accord) --
 - (a) What should be done to increase your level of earnings?
 - (b) Do you feel there are other areas of service to be covered to ensure the "bien-être" of the project
 - (c) On a scale of 1 to 10, how would you rate the bank's services vis-a-vis les dossiers PRMC?
6. Re: Reporting
 - (a) Is it possible to examine the existing reports at your bank for the PRMC Secretariat?
7. Re: Loan Applications
 - (a) What is the application procedure for credit in your bank?
 - (b) What is the average process time for credit in your bank?
 - (c) Is the process the same for PRMC customers?

Form A-2

STATUT DES PRETS ET DES CLIENTS PRETS PRMC
PAR REGION
(revised)

REGION:

86-87 87-88 88-89 89-90

1. NOMBRE DE BENEFICIAIRES

- (a) Grossistes
 - (b) Demi-Grossistes
 - (c) Traités avalisés
(Riz)
-

2. IMPAYES

En francs cfa

- (a) Grossistes
 - (b) Demi-grossistes
 - (c) Associations
Villageois
 - (d) Autres
-

3. NOMBRES DE PRETS
OCTROYES OU PERCUS

- (a) Grossistes
 - (b) Demi-grossistes
 - (c) Associations
Villageois
 - (d) Autres
-

4. COUT DE
TRAITEMENT
(moyen par année
et par ligne)

- (a) Grossistes
 - (b) Demi-grossistes
 - (c) Associations
Villageois
 - (d) Autres
-

5. MONTANT MOYEN
DES PRETS
OCTROYES
(par tete et par
ligne)

- (a) Grossistes
 - (b) Demi-Grossistes
 - (c) Associations
Villageois
 - (d) Autres
-

7. DELAI ENTRE DEMANDE
ET OCTROIE DE CREDIT
PAR LIGNE

ANNEX E

RECOMMENDED CHANGES IN TERMS OF PRMC AGREEMENTS FOR RESPECTIVE LINES OF CREDIT

RECOMMENDED CHANGES FOR PRMC/BANK AGREEMENTS FOR SMALL TRADER (GIE) LINES OF CREDIT.

Article 1: *Objective*

Enter an appropriate amount for the credit line deposit. This amount should be smaller than previous years and should be adjusted upward annually for good performance. The language in the Article should reflect these changes.

Article 4: *Total Amount*

The amount of the credit line should repeat the amount specified in Article 1 and be noted that half of the total will come from the PRMC and half from the bank. Funds will be reallocated at a specific time during the next year if certain benchmarks (such as reimbursement levels) are obtained.

Article 5: *Management of the Credit line*

Commissions paid to banks may be left in place or taken out. Our study has shown that their presence has not positively affected the bank performance to date. However, their removal from the agreements would likely increase negative bank performance.

Article 6: *Duration of the Program*

The appropriate dates for the new year covered by the protocol should be located here.

Article 7: *Guaranties Taken*

The new date for the appropriate year in question should be inserted in the last paragraph.

Interest rate

This should be increased and accurately match the rates used by the bank for similar loans of its own funds.

Storage procedures

If an arrangement can be reached with OPAM, CCIM should be replaced by OPAM.

Article 8: *Bank Responsibilities*

The due date for all reporting should be changed to quarterly reports. These reports should cover the amount loaned, the amount of the principal reimbursed, the amount of interest paid, the amount of interest paid on PRMC deposits in the loan account and the amount outstanding on loans as of the end of each quarter. Commissions paid to the bank should be reported Rates at which interest is conveyed on loans and paid on deposits should be cited.

Article 9: *PRMC Responsibilities*

Change the amount allocated to the line.

RECOMMENDED CHANGES IN THE AGREEMENTS BETWEEN BNDA AND PRMC FOR THE ASSOCIATION VILLAGEOISE (AV'S) LINES OF CREDIT.

The BNDA/PRMC Agreements for a credit line for the Village Association has already been drawn up and submitted to the PRMC. It has been carefully examined by the assessment team in the context of our findings, conclusions, and recommendations.

BNDA seems to have taken care to prepare the draft. However, the PRMC should carefully review certain articles before it enters into a formal, signed agreement.

Article 2: *General Loan Conditions Maximum Price*

The BNDA wants to fix a floor price for the different grains in the market before it starts making loans. The relative advantage would seem to be that a small farmer would only receive a certain amount of credit with which he would buy stock and grain for resale. If the price of the grain was higher when he sold his stock he would be able to repay the bank without problem.

More attention should be paid to the evolution of grain prices and other relative advantages or disadvantages of this clause for both parties.

Article 6: *Payment of Commissions to the BNDA*

Commissions remain more or less the same except that the BNDA wants an additional 0.75% on a quarterly basis on the outstanding loan amounts for medium term agricultural loans for machinery, equipments, and infrastructure. The PRMC must decide whether it wants to get involved in this type of credit which may be deemed to be removed from the original objectives of stabilizing the grain market.

Article 9: *Interest Payment on PRMC deposits*

PRMC would do well to clarify with the BNDA how they arrived at the rate of TMM-4.85 for this article.

RECOMMENDED CHANGES IN THE AGREEMENT FOR THE LARGER TRADER LINES OF CREDIT BETWEEN THE PRMC AND THE BANKS.

Article 1: *Objective*

Change the amount stipulated here to reflect a level of funds available more in keeping with bank enthusiasm for the program and relative ability to make sound credit decisions, disburse funds and follow up on securing repayments.

Article 3: *Total Amount*

The amount stipulated here should correspond to the amount cited in Article 1.

Article 4: *Management of the Credit line*

These commissions may be left the same or removed at the discretion of the PRMC. Our study shows that these incentives have actually had little effect on improving bank performance.

Article 6: *Loan Granting Arrangements*

- Arrangements for disbursement of loans

We recommend that interest charged on loans be equal to the interest banks are charging for ordinary agricultural credit (*crédit de campagne*). Therefore the rate specified in the previous agreement of TES plus 2 points should be adjusted accordingly. The rate appears twice in Article No. 6.

- Storage arrangements

CCIM should be removed from this section and OPAM be inserted in its place if arrangements can be made to engage OPAM facilities and personnel.

Article 7: *Bank Responsibilities to the PRMC*

In regard to reporting requirements, the banks agree to furnish on a quarterly basis the state of current loan amounts, the amount of principal reimbursement received, interest charged and paid on the loans, the amounts of cereal stored, the condition of any grain in stockage and delays in reimbursements. Strict attention should be paid to any disrespect of this reporting convention.

At this place in all the agreements, special mention should be made that regular meetings be prearranged for members of the PRMC, including its accountant, and the people at the banks who are directly involved in managing the credit lines in order to iron out implementation problems and improve implementation.

Article 8: *PRMC Responsibilities vis-a-vis the Banks*

The new amount to be added to the credit line should be inserted here.

ANNEX F

SUGGESTED STANDARD CREDIT APPLICATION FORM

COMPTE D'EXPLOITATION GENERALE
 (En millions de FCFA)
 HYPOTHESE BASSE

NOM DU CLIENT:

NO DU DOSSIER

LIBELLES	19..	%	19..	%	19..	%
CHIFFRE D'AFFAIRES						
Variation stocks produits						
Finis						
PRODUCTION		100 %		100 %		100 %
ACHATS						
Variation stock Matieres Premieres						
CHARGE BRUTE						
CHARGES de personnel						
Impots et taxes						
EXPENSES						
Transport et deplacements						
CHARGES DIVERSES de GESTION						
CHARGES DIVERSES						
RESULTAT NET D'EXPLOITATION						
Dotations aux amortissements						
Dotations aux provisions						
AUTRES produits						
RESULTAT NET COMPTABLE						
IMP et M. BRUTE, 4/ENERGIE Anterieure						
Impots (I. T. CI)						
RESULTAT NET COMPTABLE						
CASH FLOW (M. B. A)						
CASH FLOW (C.A)						

SITUATION FINANCIERE (En millions de FCFA)

ACTIF	19..	19..	19..	PASSIF	19..	19..	19..
SANS VALEURS				CAPITAUX PROPRES			
(Prais d'Éts				Capital			
(Pertes Ant.				Reserves			
(Pertes Exercice				RESULTAT			
IMMOBILISATIONS				Resultat Report.			
(Terrain				Resul. Exercice			
(Construction				PASSIF A TERME			
(Materiel				Dettes a M.L.T			
(Materiel roulant				C/C Associes			
(Mob. Mat/bureau				PASSIF EXIGIBLE			
(Autres Immob.				Pts + Ef. a payer			
TOTAL IMM.BRUTES				Etat + INPS			
(Amortissement				Divers Exigibles			
VALEURS DE ROULEMENT				Banques			
(Stock							
(Clr + Ef. a recevoir							
(Divers Realisables							
TOTAL ACTIF				TOTAL PASSIF			
ACTIF NET CPTABLE				FONDS DE ROULEMENT			
ACTIF NET CPTABLE				CHIFFRE D'AFFAIRES			
C/C ASSOCIES				ACHATS			
				CASH FLOW			
				MOUVEMENT			

A EVALUER PAR LA BANQUE

(1) MOYENS D'EXPLOITATION

Locaux :

Matériel :

Personnel :

Organisation Commerciale :

(2) ANALYSE DE LA SITUATION FINANCIERE :

(3) EXAMEN DES CONCOURS SOLLICITES (Par rapport au Chiffre d'Affaires et perspectives de commercialisation)

(4) AVIS DE LA DIRECTION DES ENGAGEMENTS

ANNEX G

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