

# Mali Finance

## 2004 Annual Performance Report



Submitted by

**CHEMONICS INTERNATIONAL INC.**

To

**USAID Mal**

**Under contract N° 688-00-03-00069-00**







## TABLE OF CONTENTS

---

TABLE OF CONTENTS.....	4
EXECUTIVE SUMMARY .....	5
ACRONYMS .....	7
SECTION 1.....	8
CONTEXT .....	8
1.1 Purpose.....	8
1.2 Technical Approach.....	9
SECTION 2.....	12
RESULTS .....	12
2.1 Mali Finance Results Framework .....	12
2.2 Baselines .....	15
2.3 Data Reporting Dates.....	15
2.4 Partner Financial Institution Reporting.....	16
2.5 IR3.1 – Number of producers and agro-entrepreneurs accessing credit.....	16
2.6 Performance Results for Sub-IR 3.1 — Access to finance is greatly enhanced for SMEs	18
2.7 3.2 – Number of assisted agri-business business plans resulting in increased finance and investment .....	20
2.8 Performance Result II (Sub-IR 2) — Increased level of investment .....	21
2.9 IR3.3: Number of income-generating activities funded through microfinance Institutions.....	21
2.10 Sub IR 3.3: Financial services become accessible to all populations.....	23
SECTION 3.....	26
THE CURRENT YEAR – 2004 .....	26
3.1 Achievements.....	26
3.2 Success Stories.....	29
3.3 Challenges and lessons learned.....	32
SECTION 4.....	34
OUTLOOK FOR 2005 .....	34
4.1 The North – Our first priority .....	34
4.2 BDS — An expanded presence and phase two.....	34
4.3 Financial institutions — More partners and donor synergy.....	34
4.4 Investment promotion — A key partnership and deals closed .....	35
4.5 Cross-cutting areas.....	35
Annexes.....	37
Data collection forms (MFIs).....	37
Acknowledgement receipt for business plans.....	37
Summary of achieved results .....	37

---

## EXECUTIVE SUMMARY

---

### Objectives

The *Accelerated Economic Growth* (SO-9) strategic objective, one of four inter-related Strategic Objectives, focuses on *increased productivity as well as income in selected agricultural sectors*. The Mali Finance Project has three intermediate results that feed into USAID/Mali's Strategic Objective 9. In order to achieve these intermediate results, the Project is organized into technical components: Business Development Services, Investment and Legal Reform and Financial Institutions/Mali North. Below is a brief overview of the current situation of each component.

### BDS Component

Through its network of partner consulting firms and individuals, and in partnership with Making Cents, a sub-contractor, the BDS component provides beneficiaries with training in core business skills and also assists financial institutions in their capacity to treat cases referred to them for financing by beneficiaries and others. BDS provides services to agricultural and women's organizations and SME's that can benefit from value-added technical advisory services. Cross-cutting priorities for this component are gender mainstreaming, the North of Mali, and joint work on specific cases with SO – 9 partner projects TradeMali and PRODEPAM.

### Investment and Legal Reform Component

Activities involving capacity-strengthening of the country's investment promotion agency, CNPI, were halted at the request of USAID, because of possible incorporation of CNPI into a new government agency to be created. However, the project performed a study in partnership with MIGA for the design of a new entity to succeed CNPI. The component also entails technical assistance for larger investment projects that can attain financial closing and have an impact on Mali's investment environment, as well as training and assistance for financial institutions in the analysis and understanding of investment projects and long-term financing methodologies. Legal Reform involves creating a cross-cutting, practical agenda to accomplish specific changes aimed at improving the flow of investment and access to financing.

### Financial Institutions/Mali North Component

This component of Mali Finance covers technical assistance for small-scale MFIs , large national MFI networks, and commercial banking institutions. The component leader in this area also has overall responsibility for our program in the North, which includes BDS activities. There are several central lines of activities underway in this component, which are starting to produce results.

- Technical assistance for the merger of viable MFIs into strong regional and national networks --- important building block for creating a sustainable national microfinance industry.
- Diversification in agricultural loans by MFIs and training in how to lend to differing agricultural sub-sectors. Many MFIs have limited credit products

and are overly concentrated in one agricultural industry. Mali Finance assigned a well known international consultant to this task, now completed, and the results are expected to show up in the project's 2005 performance results.

- Creation of new medium-term equipment financing products for the leasing / financing of agricultural equipment.
- Assistance provided by the Project and its sub-contractor Weidemann Associates Inc. for the strategic design for a credit bureau with the National Microfinance Association. A seminal meeting in July 2004 was held to present the design and consider next steps toward implementation.
- Increased business linkages between MFIs and commercial banks including assistance in the development and filing of specific loan applications.

### *What Worked Well*

We are on track to exceed targets for two of our indicators, based upon annualized projections of interim data received (see Section 2 below for detail).

Mali Finance fast-tracked certain activities to assure early results by giving priority to needed assistance for projects indicated or referred to us by financial institutions, in addition to working on requests for business plans and other service products from borrower/beneficiaries. As a result, we assisted cases that were further along in their development (closer to or at the financing stage) and accelerated the chances of commitments/disbursements of financing during the first year (positive impact on indicator IR 3.2). We also invested substantially in a range of technical activities for our two microfinance partners, Nyesigiso and Kafo Jiginiew, which are the two most important factors for achieving results under IR 3.1 and 3.3.

With the start-up of the SO-9 production project and the development of its work plan in August and September, 2004, the chiefs of party for the three projects met and agreed to coordinate and integrate work planning. Bilateral efforts between projects were also defined.

### *Areas for Improvement*

There were some delays in the implementation of project activities on the time-line set-out in the initial work plan. While most of the delays were beyond the project's reasonable control, some were manageable and indicate the need for renewed effort on our part. Delays were caused by the slowness of the environment in Mali, unexpected obstacles to partnerships created by potential partner banks, and a lag in fielding some international experts.

From the first year's experience in this area, we have learned to have alternative candidates available for assignments in the event that someone is not available and also to do better advance planning and coordination for expatriate consultants.

## ACRONYMS

---

BCEAO	Banque Centrale des Etats de l’Afrique de l’Ouest
BICIM au Mali	Banque Internationale pour le Commerce et l’Industrie
BNDA	Banque Nationale de Développement Agricole
BDS	Business Development Services
CAECE	Caisse Associative d’Épargne et de Crédit
CMDT	Compagnie Malienne de Développement Textile
CNPI	Centre National pour la Promotion de l’Investissement
GTZ	[German] Gesellschaft für Technische Zusammenarbeit
IR	Intermediate Result
MIGA	Multilateral Investment Guarantee Agency
MOU	Memorandum / Memoranda of Understanding
MFI	Microfinance Institution
PMP	Performance Monitoring Plan
SMEs	Small and medium-sized enterprises
SO	Strategic Objective
USAID	United States Agency for International Development
USG	United States Government

## SECTION 1

---

### CONTEXT

#### 1.1 Purpose

The purpose of USAID/Mali goal for the ten-year period 2002–2012 is to “reduce poverty and accelerate economic growth through partnerships.” The operating principle is that no long-term poverty reduction can be achieved without increasing economic growth. The *Accelerated Economic Growth* (SO-9) strategic objective, one of four inter-related Strategic Objectives, further focuses on “increase productivity as well as income in selected agricultural sectors.” The Mali Finance project supports Intermediate Result (IR) 3, *Access to financing increased*, which calls for improved access to finance for private sector growth, which is closely linked and will synergize with IRs 1 and 2:

- IR 1 - Increase in sustainable production of agricultural products in the target areas;
- IR 2 - Increase in trade of selected agricultural products;
- IR 3 - Access to financing increased.

Chemonics International Inc. is implementing Mali Finance (IR 3) and TradeMali (IR 2), both of which started in September 2003. PRODEPAM (IR 1) began midway through 2004. During September 2004, the three COPs agreed on a strategy for integrating the activities of three projects to a high degree consistent with Mission objectives, effective and efficient use of resources to achieve leveraged SO 9 results. Further planning is underway to integrate work plans for the three projects, which will impact performance reporting.

Mali Finance has three intermediate results that feed into the SO-9 indicator, annual percent change in farm income from selected commodity sales in targeted areas. The indicators are:

- IR 3.1 – Number of producers and agro-entrepreneurs accessing credit in targeted areas
- IR 3.2 – Number of agri-business plans resulting in increased investment
- IR 3.3 – Number of income generating activities funded through partner MFIs

In order to achieve these performance results, Mali Finance has three sub-IRs that address access to finance for small and medium-size businesses (SMEs), increased level of investment, and promotion of microfinance services across the country, including strengthening MFIs linkages with commercial banks. Imbedded in all these activities is a policy and legal reform component that addresses the need for a robust and transparent enabling environment to attract both foreign and domestic investment in agro-businesses. Other major cross-cutting considerations are developing an aggressive strategy for economic growth in the North of Mali, mainstreaming gender equality as a core value in all project activities, and expanding critical market,

business, and civil society communications via radio and other media across the country.

## **1.2 Technical Approach**

Mali Finance is well organized to address the above technical and cross-cutting issues with experienced expatriate and Malian personnel. Senior professional managers head up the three project components, Business Development Services (BDS), Investment Promotion, and Financial Institutions / Microfinance, all of whom report to the COP. In addition a senior professional is responsible for communications, IT, and performance monitoring and evaluation, and the fully staffed operations component is led by an expatriate operations manager.

The project's head office is in Bamako handling the southern regions of Mali, which have the highest concentration of agricultural activities targeted by both TradeMali and PRODEPAM. In order to provide services into the more remote and strategically important northern regions of the country, a satellite office operates out of Sevare/Mopti staffed by both a BDS and a microfinance specialist supported by a small staff. Given the increased Mission emphasis on the North, the project has submitted a proposed strategy for an expanded presence in the North, possibly including a physical presence in Gao, as well as Segou and Sikasso in the South during 2005. Most likely this expansion would be in collaboration with PRODEPAM in locations where there are agricultural activities providing opportunities for joint work activities. Several such opportunities are currently under consideration.

Taking advantage of a very capable and experienced Malian professional staff and a two-pronged geographical presence, Mali Finance has developed three core components that carry out the activities approved in the work plan and generate creative solutions to the on-going challenge of financial sector development in a traditional and cautious African environment.

### *BDS Component*

Business Development Services are designed to increase the demand side of the market for financial services. Financial institutions will not lend to small and medium-sized enterprises (SMEs) that lack strong managerial and operational capacity, sound business plans, and marketing skills. The BDS component aims to provide training in core business skills, and assists financial institutions in their capacity to treat cases referred to them for financing by beneficiaries and others.

The North is a priority, working with agricultural and women's organizations operating agro-businesses or related enterprises that can benefit from value-added technical advisory services. A second priority is taking advantage of opportunities referred by TradeMali and PRODEPAM, either when all three projects can work on the same target cluster together, or when conditions permit with one partner project.

A pro-active, practical approach is emphasized, with a toolkit of well-defined service products, consistent with BDS best practices, involving cost-sharing by beneficiaries. Training programs have been designed so they are demand driven and result in SME participants applying for and receiving loans and other financial services. During April 2004, sub-contractor Making Cents conducted a thorough training needs

assessment, designed and conducted a main training-of-trainers program for more than 15 participants. In June, these trainers conducted six week-long business training programs for 102 agro-entrepreneurs, 54 of whom were women. Each SME which completed this training was charged with producing a business plan, with the undertaking that Mali Finance DBS component would support those SMEs in taking the next steps to obtain financing. This component is closely related to the financial institutions component.

### *Investment and Legal Reform Component*

Investment involves two principal activity groupings: capacity strengthening and public policy recommendations in institutional design to assist the government's investment promotion efforts and climate; and partnerships and activities that involve preparing and financing bankable files for larger investment projects which positively affect Mali's business environment. Activities involving capacity-strengthening of the country's investment promotion agency, CNPI, were halted at the request of USAID, because of possible incorporation of CNPI into a Government of Mali entity. However, the project performed a study in partnership with MIGA for the design of an entity to succeed CNPI. Legal Reform involves creating a cross-cutting, practical agenda to accomplish specific changes aimed at improving the flow of investment and access to financing. Bankworld is the key subcontractor.

### *Financial Institutions/Mali North Component*

The largest component of Mali Finance covering a wide range of financial service providers from small-scale MFIs to large national MFI networks, and commercial banking institutions, this component targets the supply side of the equation. A range of technical services and trainings are provided to identified partners in the microfinance and banking industries through collaboration with the BDS and investment component activities. This component's objective is to increase the sustainability and outreach of MFI partners, increase their industry association's ability to play a strong advocacy role within the government, and increase the linkages with commercial banks to expand access to loan capital by leveraging wholesale lines of credit. In doing so, more agro-entrepreneurs will be better able to access credit.

There are several central lines of activity underway in this component, which are starting to produce the desired results.

- Providing technical assistance for the merger of viable MFIs into strong regional and national networks is an important building block for creating a sustainable national microfinance industry. Shortly after project start-up, Mali Finance was tasked with conducting an assessment of DOT, an MFI in the Northern region of Timbuktu that was operated by Africare. The resulting study and subsequent negotiations could lead to a merger with one of the largest national MFI networks and create a self-sustaining MFI serving an important region.
- Many MFIs have limited credit products and are overly concentrated in one agricultural industry. An example is cotton, which is not a USAID targeted commodity. In order to diversify, partner MFIs need new agricultural lending policies and training for their loan officers. Mali

Finance assigned a well known expatriate consultant to this task, now completed, and the results are expected to show up in the project's 2005 performance results. Training was completed in lending techniques for the potato, mango, and rice sub-sectors.

- A critical constraint to the rapid expansion of credit to SMEs is the lack of a recognized and reliable credit bureau for the microfinance industry. Weidemann Associates Inc. has been working on the strategic design for a credit bureau drawing on experience in Senegal and other developing countries. The National Microfinance Association is a partner in this process and hosted a seminal meeting in July 2004 to receive the credit bureau design and consider next steps toward its implementation.
- Increasing business linkages between MFIs and commercial banks includes providing assistance in the development and filing of specific loan applications.

Weidemann Associates Inc. is a key subcontractor for this component with special responsibility for developing activities in the North, as currently being refined. Our subcontractor Enterprising Solutions is playing an important role researching and developing our strategy for the North, while Making Cents supports the training and business development aspects of the component's strategy.

## SECTION 2

---

### RESULTS

#### **2.1 Mali Finance Results Framework**

This section provides a roadmap for the performance reporting that follows. The Mali Finance results framework flows from the USAID/Mali Country Strategic Plan and is presented in graphic form on the next page. SO-9, “Productivity and Incomes Increased in Selected Agriculture Sub-Sectors,” has a single results indicator: *Annual percent change in farm income from selected commodity sales in targeted areas*. Supporting SO-9 are three intermediate results. Mali Finance supports IR 3:

- IR 1 – Sustainable production of selected agricultural products in target areas
- IR 2 – Trade of selected agriculture products increased
- IR 3 – Access to finance increased

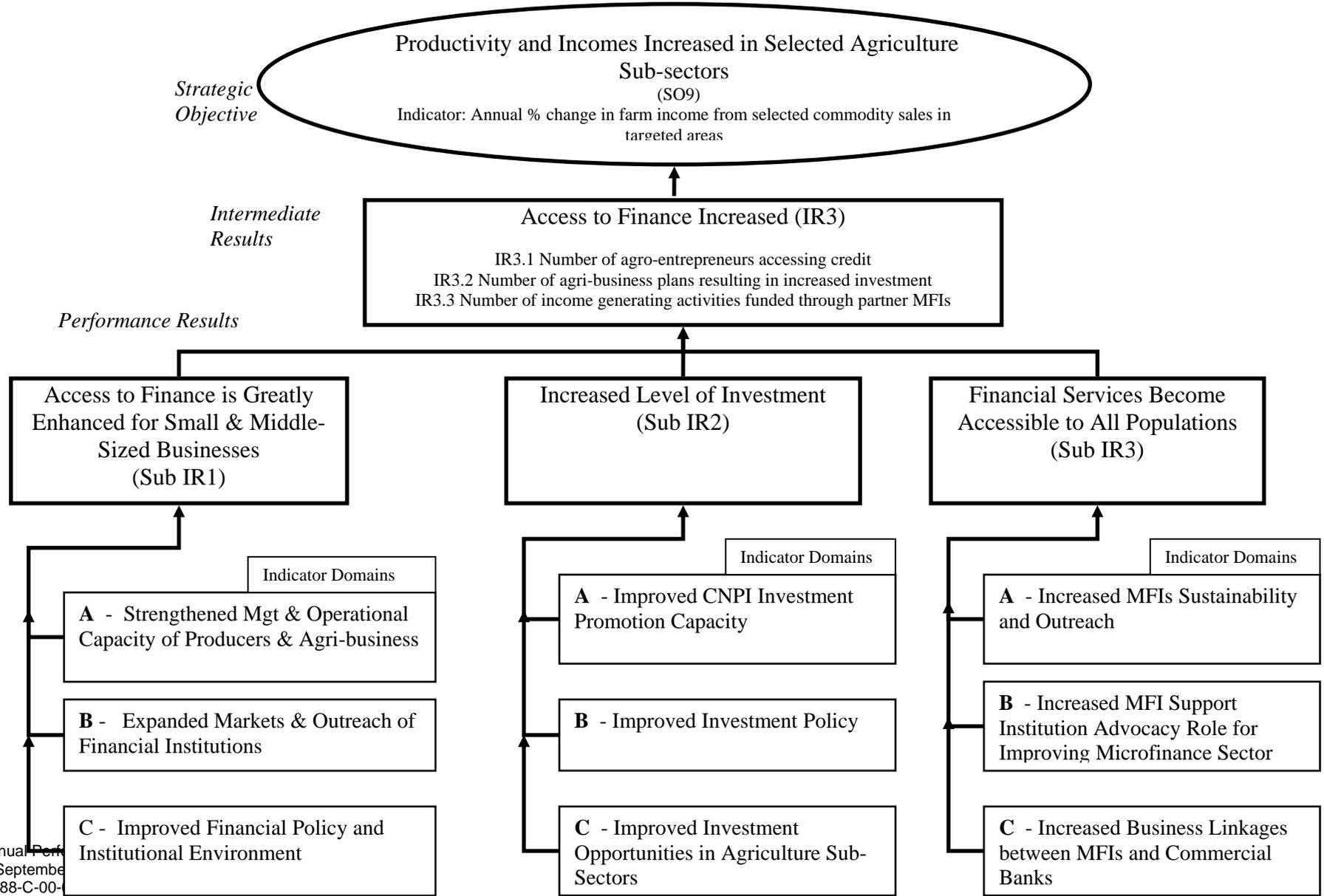
IR 3 has three result indicators:

- Indicator 1: IR 3.1: Number of producers and agro-entrepreneurs accessing credit in targeted areas
- Indicator 2: IR 3.2: Number of assisted business plans resulting in increased finance and investment
- Indicator 3: IR 3.3: Number of income generating activities funded through partner micro-finance institutions

Feeding into IR-3 are three Sub-IRs, each with three key results areas and related performance indicators:

- Sub-IR 3.1 – Access to finance is greatly enhanced for small and medium-sized businesses.
  - Indicator 4 Sub-IR 3.1a: Number of business plans submitted for loans by producers and agro-entrepreneurs
  - Indicator 5: Sub-IR 3.1b: Number of financial services purchased through BDS partners
  - Indicator 6: Sub-IR 3.1c: Number of assisted regulatory and legal reforms recommended
- Sub-IR 3.2 – Increase in level of investment.
  - Indicator 7: Sub-IR 3.2a: Number of agri-business investment projects registered through CNPI
  - Indicator 8: Sub-IR 3.2b: Number of investment opportunities developed
- Sub-IR 3.3 – Financial services become accessible to all populations throughout Mali.
  - Indicator 9: Sub-IR 3.3a: Average percentage of operational self-sufficiency

- Indicator 10: Sub-IR 3.3b: Number of clients registered with partner MFIs
- Indicator 11: Sub-IR 3.1c: Level of partner MFI funding provided by banks
- Indicator 12: Sub-IR 3.1d: Level of savings partner MFIs



## **2.2 Baselines**

### Methodology

This section addresses the rationale for the project baselines and proposed changes in them. During October 2003, Mali Finance held a workshop to present and discuss the PMP with potential partners representing each Sub-IR work area. Based on partner input, the PMP was put into a final form and submitted to USAID/Mali in November 2003. Baseline data were gathered from partners and targets were set considering trends over the last two to five years. The data acquisition methodology for each indicator was established, including data source, frequency, and responsibility for data collection. The source of data, except for IR 3.1a comes from partner institutions, BDS providers, and Mali Finance records. The project team worked with partners to build or adapt their databases to project reporting needs.

### Modifications

The target growth rate for IR 3.1 – number of producers and agro-entrepreneurs accessing credit in targeted areas – was modified to make it consistent with the target of 7.5% established IR 3.3 – number of income generating activities. The rationale, agreed with the SO-9 team, is that the indicator “loans from financial partners to agro-entrepreneurs” is substantially the same as “revenue generating activities,” thus the two indicators should be assumed to change at the same rate.

In general, partner institutions have not maintained data disaggregated by gender. Therefore limited gender data is available for this first year of reporting. During the year the Mali Finance team conducted partner field visits to Kafo Jiginew with Augustin Dembele from USAID to evaluate the data quality against field observations. The importance and usefulness of data desegregation by gender was discussed with Kafo Jiginew staff and they agreed to maintain the information for future reporting. More field visits to improve data gathering, quality control, and reporting are planned for 2005.

## **2.3 Data Reporting Dates**

The first year work plan was prepared to cover September 1, 2003 to December 31, 2004, a 16 month period that aligned the work plan and PMP reporting on a calendar year basis. Calendar-year baselines made sense because two of the three IR-level indicators depend upon reporting from financial institutions, which prepare financial statements as of the end of each calendar year.

In July 2004, the mission requested the annual performance report be delivered on September 30, 2004 to align with USAID’s annual reporting year. It was agreed with the SO-9 team that the first year targets for the performance indicators would be adjusted to reflect the shortened data collection period of nine months versus the 12 months set forth in the work plan. The next work plan, to be submitted in December, will be for a 9-month period, January to September 2005, thus aligning with the PMP reporting date. Thereafter, both the PMP and the work plan will be on the same October 1 to September 30 schedule.

## **2.4 Partner Financial Institution Reporting**

The largest single factor impacting performance indicators IR 3.1 – number of producers and agro-entrepreneurs accessing credit in targeted areas – and indicator 3.3 – number of income generating activities funded through partner microfinance institutions – is the timing and outcome of Mali's annual cotton crop. Among the Mali Finance partner MFIs, Kafo Jiginiew makes 84% of all the loans to agro-entrepreneurs, and accounts for the same percentage of revenue generating activities. The increase, or decrease, in Kafo's loan portfolio is heavily dependent upon cotton production, which can vary in accordance with CMDT policy. This high covariance of results on these two performance indicators with cotton production is likely to continue, even with the introduction of new financial products at Kafo and the addition of financial partners to the Mali Finance baselines in 2005.

Delays and timing inconsistencies were experienced in gathering performance data for this annual report. The latest data available from partner microfinance institutions is as of June 2004. In the case of Kafo Jiginiew, a high volume of loans is made to producers in the cotton sector between April and September each year coinciding with the rainy season and the crop production cycle. In 2004, no new loans were made as of June 30 due to CMDT's delay in making payment for the previous year's crop to farmers. Therefore, the result indicator IR 3.1 is only about 50% of the target for the year on an unadjusted basis.

There was also a significant change affecting our other MFI partner. During the first half of 2004 one of Nyesigiso's member organizations, CAECE, split off from the network. CAECE is a large and successful credit union, and the removal of its performance data from the consolidated totals for Nyesigiso decreased the results as the PMP target included the CAECE figures.

While the two microfinance partners provided data as of June, our partner bank, BNDA, provides data based on the calendar year. For reasons of confidentiality, BNDA does not yet provide interim performance data during the year. The BNDA baseline data is from year end 2002 and the PMP performance results are from financial reports as at December 2003.

The effect of these factors is that for two of our three IR-level indicators that are based upon results specific to financial partners, lower than targeted results may be expected for the shortened nine month reporting period. As additional data is collected over future reporting periods, the reporting results will smooth out. In order to better estimate actual performance for this reporting period, in our presentation below we have included a second table with new projected data from Kafo Jiginiew for the period through September 30, 2004.

### **2.5 IR3.1 – Number of producers and agro-entrepreneurs accessing credit**

This Intermediate Result indicator – number of producers and agro-entrepreneurs accessing credit in targeted areas – includes loans granted to agro-entrepreneurs by partner MFIs and BNDA. While Kafo Jiginiew provides 84% of agriculture loans, and as noted in the previous section, their lending cycle is highly seasonal. Data for the MFIs are for the first six months of 2004, while data from BNDA are for the calendar year 2003. Based on this incomplete data, the actual indicator value was 55,280 loans less than expected, or 50.2% of the target.

**IR 3.1 – Number of producers and agro-entrepreneurs accessing credit in targeted areas**

Baseline Value	Target Change	Target Value for 2004	Actual Value	Variance from Target	% Target Value Achieved
103,272	7.5%	111,017	55,737	(55,280)	50.21%

Data Source: Partner financial institutions

Since this data covers only six months of 2004 for the MFIs and 2003 calendar year data for BNDA, the following table shows a more realistic picture for the nine months of 2004 through September by including projected loan volume during the cotton season – June 30, 2004 to September 30, 2004 – from Kafo Jiginew. Preliminary data show an actual value of 111,981 producers and agro-entrepreneurs accessing credit during the nine month reporting period. This represents a 8.9% rate of growth compared to the targeted 7.5% growth rate. On this adjusted basis for nine months, the performance target will be met. When actual data is received from Kafo during the fourth quarter of 2004, the results will be updated. It is anticipated that for the full work plan year through December 2004, the target will be exceeded.

**Projected results for IR 3.1 as at September 30, 2004**

Baseline Value	Target Change	Target Value for 2004	Projected Value	Variance from Target	% Target Value to be Achieved
103,272	7.5%	111,017	111,981	964	107%

Data Source: Kafo Jiginew for June – Sept, 2004

The following table provides a breakdown of reporting data by financial partner through June 2004. The addition of new partner financial institutions and diversification of loan products is expected to spread the results distribution at least somewhat, diluting Kafo's current high concentration in the database.

Partner Financial Institution	Number of loans granted to agro-entrepreneurs	% of total loans	Data as of
BNDA	649	1.2%	Dec 31, 2003
<b>Total Banks</b>	<b>649</b>		
Kafo Jiginew	46,586	83.6%	June 30, 2004
Nyesigiso	8,502	15.2%	June 30, 2004
<b>Total MFIs</b>	<b>55,088</b>		
<b>Grand Total</b>	<b>55,737</b>		

Data Source: Partner financial institutions

**Recommendations**

In light of this year's experience, we recommend baselines from MFIs for the next year to be for the period June 2004 to June 2005. Also the IR 3.1 and 3.3 baselines should be adjusted to reflect the de-consolidation of CAECE from the Nyesigiso network. Additional adjustments in the baselines will be suggested to account for new financial partners as they are added.

**Key activities supporting IR 3.1**

Mali Finance is working on both the supply and demand aspects of the financial services market to enhance access to finance. The priority for 2004 was setting up and delivering basic training and technical assistance for partner financial institutions and for SMEs. The rationale is that both the supply and demand for financial services need to communicate effectively in

order to development demand driven products and services. In carrying out this strategy, the following key activities were undertaken.

#### Demand Side (Producer and Agro-entrepreneurs):

- Subcontractor Making Cents conducted an extensive training needs assessment for BDS providers, beneficiaries, and financial institutions in April.
- Making Cents and the Mali Finance BDS team trained 15 BDS trainers in April using modules developed by Making Cents based on the assessment.
- The 15 BDS trainers then conducted training seminars on best business practices for 102 agro-entrepreneurs, including 54 women and 18 people from the North.
- As a result of the business skills training, entrepreneurs have been preparing business plans. Mali Finance is providing follow-on technical assistance to these entrepreneurs in completing their plans and preparing to submit them for financing.

#### Supply Side (Financial institutions):

- In order to diversify lending practices at partner MFIs, a senior technical advisor was engaged to develop new agriculture credit policies and to train credit officers in adapted best practice agriculture credit policies.
- As a result, 74 credit agents, including 36 women from Kafo Jiginew and Nyesigiso, were trained in assessing agricultural credit applications from SMEs.
- Subcontractor Weidemann Associates Inc. provided technical assistance in the development of a credit bureau concept structure for the microfinance industry. Developed in conjunction with APIM through a series of consultations with MFIs, the draft proposal was presented at a workshop in July.
- Mali Finance COP and other technical staff provided assistance to partner financial institutions in the assessment of specific loan files.
- In collaboration with the World Bank, Mali Finance conducted a review of public policy impacting foreign investment into Mali. An initiative by the President of Mali is expected to address the investment environment in the country over the near term.
- Technical work was begun on the development of a leasing or equipment finance product for MFIs especially in the rice sector.

## **2.6 Performance Result I -- sub IR 1 — Access to finance is greatly enhanced for SMEs**

There are 3 performance indicators for IR 3.1 that “flow-up” the results framework impacting the intermediate results indicator “number of producers and agro-entrepreneurs accessing credit in targeted areas.” Policy recommendations cut across all three upper level indicators, as does capacity-strengthening for BDS service providers.

#### **Sub-IR 3.1a: Number of business plans submitted for loans by producers and agro-entrepreneurs**

Baseline Value	Target Change	Target Value for 2004	Actual Value	Variance from Target	% Target Value Achieved
20	25%	25	23	(2)	92%

Source: Mali Finance

Mali Finance will continue with activities to strengthen the capacity of its partner BDS providers. Positive results can already be seen in the results for the first nine months of 2004. Having taken the training of trainers' session in Microplan, a module developed by Making Cents, the 15 BDS providers trained are more oriented toward assisting producers and agro-entrepreneurs. In the past, these BDS providers dealt more often with traders and other non-agricultural businesses, as the agriculture sector was new to many of them. Although the results fell short of the annual target based upon 9-month actual data, we are encouraged with the new skills acquired by our partners. Eight incomplete business plans have been submitted and will be finalized by end of November. This will increase the actual value to 31 business plans submitted, 6 more than targeted, or 124% of target by year end.

**Sub-IR 3.1b: Number of financial development services purchased through BDS partners**

Baseline Value	Target Change	Target Value for 2004	Actual Value	Variance from Target	% Target Value Achieved
100	20%	120	111	(9)	92.5%

Source: Mali Finance

While off to a good start with 92.5% of the target achieved in the first nine months, the increased number of contracts was 11 over the baseline, compared to a target of 20. Given the time needed to conduct the BDS needs assessment, develop and train BDS providers on new skills, and then have the BDS providers train agro-entrepreneurs, the first year was overly ambitious when measured on a nine months performance. Naturally, there is a correlation between the number of services purchased by agro-entrepreneurs and BDS providers' capabilities. The new skill and training tools acquired by our BDS partners will need more than a year to take full effect. From 100 contracts last year, our partner BDS providers signed 111 this year, an 11 percent increase. These contracts include 102 for training and 9 market studies for business plans. The 102 training contracts included 54 women and 48 men. The contracts for market studies included four women, four men, and one agricultural organization. The North has a share of 18 training contracts including 8 women. The BDS momentum is building and the results demonstrate Mali Finance and partners' commitment to making a difference for women and underserved populations in the North.

**Sub-IR 3.1c: Number of assisted regulatory and legal reforms recommended**

Baseline Value	Target Value for 2004	Actual Value	Variance from Target	% Target Value Achieved
0	2	3	1	150%

Source: Mali Finance

As a result of requests from partners, especially in the investment component area, Mali Finance provided technical assistance for three public policy recommendations during the nine month reporting period, versus the two expected for the 12 months of 2004. Activities included work with MIGA on a new investment promotion entity for Mali and technical advice on the establishment of a guarantee fund to promote private sector investment. An agenda for legal reform during 2005 – 2006 is being developed by international and Malian legal experts and once approved will establish new activities as part of our 2005 work plan

## **2.7 IR 3.2 – Number of assisted agri-business business plans resulting in increased finance and investment**

This intermediate results indicator covers forms of relevant technical assistance that result in commitment/disbursement of financing (a financing event) as reported by financial institutions. There is a substantial lead time required to develop what is known as a deal-flow pipeline, and recognizing the difficulty of achieving significant results during the first year, our first year target was set at four. Because of this difficulty and the environment we were able only to achieve two instances of commitment / disbursement or 50% of our target for the first 9 months. We anticipate additional results during the balance of our first year and in 2005.

IR 3.2 - Number of assisted agri-business business plans resulting in increased finance and investment

Baseline Value	Target Value for 2004	Actual Value	Variance from Target	% Target Value Achieved
0	4	2	(2)	50%

Source: Partner Financial Institutions

### Key activities supporting IR 3.2

Data under IR 3.2 concern performance specific to technical assistance that results in financing. Following are specific activities that Mali Finance supported.

- Technical assistance both to the partner bank and the borrower for an investment loan application presented to the BICIM for financing. BICIM is a qualifying partner financial institution for USAID's DCA loan guarantee program. A loan disbursement of \$350,000 for a new leather tannery occurred as a result.
- As a result of assistance provided to Kafo Jiginiew with respect to a new mortgage loan program one loan disbursement of about \$120,000 occurred and was reported by Kafo.

For 2005 with momentum gained from our BDS activities, integrated work planning with other SO-9 projects, and new loan products created for partner financial institutions, we expect that additional results will be realized. However, our target of 20 financings (commitments/disbursements) will be a challenge to achieve and should be considered in light of constraints in this area and the issue of the Project's realistic ability to influence lenders' internal decisions. The constraints include: the slow pace of the environment in Mali, lending constraints at certain troubled financial institutions, Mali's credit culture of hide-bound attitudes, non-payment, and financial irregularity, and financial institutions' current practices of lending based on physical collateral rather than good project analysis. In sum, while Mali Finance is assisting dossiers presented to banks and is also training credit officers in lending techniques and new financial products to affect change in the environment, it is the banks that solely (indeed, at times, jealously) control their own internal decisions to refuse or grant credit and the timing of such decisions in a sluggish environment. The Project can improve the quality of files submitted for consideration and work to improve the environment, but it does not have reasonable control over final outcomes for specific beneficiaries. "We can lead the horse to water but cannot force it to drink."

## 2.8 Performance Result II (Sub IR 2) — Increased level of investment

There are two performance indicators for Sub-IR 2 that contribute to an increased level of investment.

First, there is no data to report for Sub-IR 3.2a. In view of the intention of the government to change the status of CNPI, USAID directed that Mali Finance discontinue capacity-strengthening activities for CNPI. This indicator therefore became not applicable. Another or similar indicator may be adopted depending upon the nature of technical support decided for CNPI's successor in 2005.

### Sub-IR 3.2a: Number of agri-business investment projects registered through CNPI

Baseline Value	Target Change	Target Value for 2004	Actual Value	Variance from Target	% Target Value Achieved
132	5.3%	139	NA	NA	NA

Source: Mali Finance

On the second IR 3.2b, we assisted the development of three investment opportunities during 2004 as we sought engagements to assist and mobilize financing for larger projects in Mali that could positively impact the investment environment. Two of the projects were in the transportation area and one involved a cotton processing project.

### Sub-IR3.2b: Number of investment opportunities developed

Baseline Value	Target Value for 2004	Actual Value	Variance from Target	% Target Value Achieved
0	2	3	1	150%

Source: Mali Finance

During 2005 we expect that the pipeline of projects assisted will increase further with focused and aggressive development efforts, and with the implementation of a partnership with BDM, a key bank in the investment area. However, because the projects involved are large and require considerable preparation and follow-through compared to small scale agro-business production credits, the number will be limited for this indicator. No change in the cumulative target value of 5 for the second year is recommended.

## 2.9 IR3.3: Number of income-generating activities funded through microfinance Institutions

In this first year of the project, we established partnerships with two large microfinance networks, Kafo Jiginew and Nyesigiso, to maximize impact. The choice of these two partners was influenced by their presence in nearly every geographic region of Mali. Kafo Jiginew includes 129 village *caisses* while the Nyesigiso network has 48 *caisses*. Mali Finance signed memoranda of understanding (MOU) with both networks. For 2005 a minimum of three additional smaller MFI partners will be added in the North.

Two sets of data are reported below. The first includes data through June 2004. The second includes projected loan data from Kafo Jiginew covering the three-month period July to September, which as noted previously is the height of the agricultural lending season. The results for the six months through June 2004 show that 49.8% of the target value for the full 12 months was achieved.

***IR3.3: Number of income-generating activities funded through microfinance Institutions***

Baseline Value	Target Change	Target Value for 2004	Actual Value	Variance from Target	% Target Value Achieved
102,884	7.5%	110,600	55,088	(55,512)	49.8%

Source: Mali Finance

Based upon estimates obtained from Kafo Jiginew for net new loans to be disbursed from June 30, 2004 to September 30, 2004, 101% of the target will be reached by the September 30 reporting date. When actual data is received during the fourth quarter of 2004, we will update the results. The data from Kafo is highly seasonal because of its concentration of clients in the cotton sector. The projected results exclude a negative variance from de-consolidation of CAECE, formerly part of the Nyesigiso network. Had CAECE been included, it could have added up to 2%, bringing the estimated target value achieved to 103%.

***IR3.3: Projected number of income-generating activities as at September 30, 2004***

Baseline Value	Target Change	Target Value for 2004	Actual Value	Variance from Target	% Target Value Achieved
102,884	7.5%	110,600	111,980	1,380	101.0%

Source: Mali Finance

In order to further understand the impact Kafo Jigniew has on the results, and the geographic distribution of the two networks microfinance activities, a breakdown by region for the data as at June 2004 follows. With 84.6% of the total volume, Kafo had an average of 361 income generating activities per *caisse* for the reporting period. The corresponding figure for Nyesigiso was 177 per *caisse*.

Number of income-generating activities funded as at June 2004

Region	Kafo Jiginew	Kafo % of Total	Nyesigiso	Nyesigiso % of Total	Totals	% of Totals
Bamako	275	7.0	3,656	93.0	3,931	7.0
Koulikoro	1,651	79.5	425	20.5	2,076	3.8
Kayes	0	0	340	100.0	340	0.6
Sikasso	31,569	100.0	0 (CAECE)	0	31,569	57.3
Segou	13,091	77.0	3,911	23.0	17,002	30.9
Tombouctou	0	0	170	100	170	0.4
<b>Total</b>	<b>46,586</b>	<b>84.6%</b>	<b>8,506</b>	<b>15.4%</b>	<b>55,088</b>	<b>100.0%</b>

Source: Partner MFIs

**Key activities supporting IR 3.3**

Most of the activities in support of Intermediate Result 3.3 come under Sub-IR 3, financial services become accessible to all populations throughout Mali. Specific examples follow.

- Mali Finance assisted the development of a credit bureau for the microfinance industry, developed agriculture credit policies, and trained partners in them; assisted in the public policy area, and worked on the development of a leasing or equipment finance product for the rice sector.
- 74 credit agents, including 36 women from Kafo Jiginew and Nyesigiso, were trained in assessing agricultural credit risks.
- Extensive technical assistance was provided to Nyesigiso regarding a possible merger with Dourey Tombouctou (DOT), a project of Africare, in order to facilitate the creation of a sustainable MFI in the Timbuktu Region.

### Proposed Adjustments

For 2005, we propose adjusting the baseline and targets to coincide with MFI data reported between June 2004 and June 2005. Data will not include CAECE, but will include at least three new MFI partners to be added in 2005, primarily from the North. Following orientation sessions with partner MFIs and joint field visits with USAID's monitoring and evaluation expert, Augustin Dembele, our partners understand the need to have data disaggregated by gender. For the next reporting period, data will be disaggregated by gender as well as by region.

## **2.10 Performance Result III --- Sub IR 3: Financial services become accessible to all populations**

There are three performance indicators for IR 3.3 that contribute to the Intermediate Result indicator IR 3.3. They measure MFI sustainability; change in MFI registered clients, and MFI access to commercial bank funding. The rationale is that as MFIs improve their efficiency and operate with a surplus, they will be able to service more clients and will require more loan capital to do so. To the extent MFIs can offer deposit services, they may reduce the demand for commercial bank lines of credit.

### **Sub-IR 3.3a: Average percentage of operational self-sufficiency**

Baseline Value	Target Change	Target Value for 2004	Actual Value	Variance from Target	% Target Value Achieved
125.5%	1%	126.7%	NA	NA	NA

Source: Partner MFIs as at June 2004

The actual value for IR 3.3a is not yet available as the partner MFIs do not currently produce interim financial statements with sufficient detail to calculate operational sustainability. When accurate and complete data is available following the end of the 2004 reporting year, the operational self-sufficiency figures will be compiled and provided.

Mali Finance has fast-tracked activities to increase the number of clients registered with partner MFIs. The results are encouraging and will continue to improve in 2005 as new partner MFIs are added and more new products and services are introduced. The positive variance of 5,451 registered clients over just a six month reporting period indicates that good progress can be made as momentum builds over the next year.

**Sub-IR 3.3b: Number of clients registered with partner MFIs**

Baseline Value	Target Change	Target Value for 2004	Actual Value	Variance from Target	% Target Value Achieved
339,110	7.0%	362,848	368,299	5,451	102.0%

Source: Partner MFIs

Mali Finance provided technical assistance in the development of a new mortgage loan product that was introduced for one of our partner MFIs. In addition, Mali Finance conducted training sessions for credit agents in agriculture loan assessment and accounting. Throughout, a strong emphasis was put on female customer-oriented services. Although the number of women reached is still less than men, it represented a significant increase from last year's data. From 117,644 (Kafo 40,768 and Nyesigiso 76,876) female clients in 2003, the number of women increased by 12% to 132,005. We will continue our gender-based approach as we implement activities for our 2005 work plan. The substantial increase of female clients at Nyesigiso is attributable to the intervention of Freedom from Hunger, funded by USAID. Most female clients who graduated from the CEE (Credit Epargne Education) program in 2003 joined the CEFA (Credit Epargne pour Femmes Entrepreneurs). Mali Finance will build on this achievement by providing Nyesigiso with appropriate technical assistance and guidance to ensure that more women will access adequate financial services.

**Number of MFI partner clients by gender as of June 2004**

MFIs	Women	Men	Groups	Totals
Kafo Jiginew	45,972	121,727	9,300	176,999
Nyesigiso	86,033	104,835	432	191,300
<b>Totals</b>	<b>132,005</b>	<b>226,562</b>	<b>9,732</b>	<b>368,299</b>

Source: Partner MFIs

As the level of client savings increases at partner MFIs, the need for higher cost borrowing from banks to fund loan portfolio growth decreases. This has a positive effect on MFI profitability and operational sustainability. In the reporting period, partner MFIs succeeded in securing more savings thereby reducing the level of bank borrowing required. As a result, the actual value for the first six months was just over half of the expected level for the full year.

**Sub-IR 3.3c Level of partner MFI funding provided by banks (in CFA francs)**

Baseline Value	Target Change	Target Value for 2004	Actual Value	Variance from Target	% Target Value Achieved
5,409,606,157	2.0%	5,517,798,280	3,224,018,895	2,293,779,385	58.4 %

Source: Partner MFIs

Due to high financing requirements at Kafo Jiginew during the cotton production season, the level of MFI funding by banks is expected to rise for the full year. Further increases in bank borrowings are anticipated in future years, in part based upon higher loan volume from products that we are assisting our partners in developing.

**Bank borrowings by partner MFIs, FCFA as at June 2004**

MFI	Bank Borrowing	% of Total
Kafo Jiginew	2,877,639,704	89.0%
Nyesigiso	346,379,191	11.0%
<b>Totals</b>	<b>3,224,018,895</b>	<b>100.0%</b>

Source: Partner MFIs

The Sub-IR 3.3d indicator is related to Sub-IR 3.3c. in that a higher level of client savings should normally result in a lower need for MFI borrowings from banks. This was the case for the reporting period.

**Sub-IR3.3d Level of savings of partner MFIs in FCFA**

Baseline Value	Target Change	Target Value for 2004	Actual Value	Variance from Target	% Target Value Achieved
13,883,290,537	5.0%	14,577,455,063	16,820,984,528	2,243,529,464	115.4%

Source: Partner MFIs

The distribution of client savings at the two partner MFIs is shown below. The higher level of savings at Nyesigiso relative to its total membership (15.4% of income generating activities) may indicate a greater emphasis on client savings products and services. In addition, the beginning of the cotton production season at Kafo in May and June and the delayed distribution of agricultural credit this year may have led to a greater drawdown of client saving accounts to pay for agricultural inputs. We will further study the seasonal financing trends as more performance data becomes available.

Client savings at partner MFIs in FCFA, as at June 2004

MFI	Client Savings in FCFA	% of Total
Kafo Jiginew	10,674,955,705	63.5%
Nyesigiso	6,146,028,823	36.5%
<b>Total</b>	<b>16,820,984,528</b>	<b>100.0%</b>

Source: Partner MFIs

## SECTION 3

---

### THE CURRENT YEAR – 2004

#### **3.1 Achievements**

During its first year of operation, September 1, 2004 to September 30, 2004, the Mali Finance Project realized several key achievements:

- Solid performance against two of the three IR-level indicator targets based on initial six-month reporting data and a positive trend for the full calendar year for these two indicators;
- Fast-tracking of activities in the microfinance and investment promotion areas generating momentum and produced results;
- Provision of responsive and specialized technical assistance to USAID in the evaluation of Africare's relationship with its DOT microfinance program in Timbuktu and assessment of the microfinance FCRMD program in Niono supported mission objectives, although there was no direct impact PMP indicators.
- Timely delivery of PMP and work plan drafts supported by successful outreach and communications with stakeholders and partners;
- Prompt start of integrated work-planning with TradeMali and PRODEPAM will result in leveraging of project resources and results in 2005 and beyond;
- Rapid set-up of project offices and recruitment of a highly professional and motivated team of expatriate and Malian employees led to effective MOUs and supported fast-tracking of selected activities.

#### Solid PMP results

Mali Finance delivered solid results as measured by indicator targets for 2004, especially considering that only 6-month data were available for two of the larger financial partners and there was a discrepancy between the targeted indicator reporting dates and the actual availability of data. As noted, there were some negative variances in actual numbers reported compared to the performance targets for the full 12-month planning period. Positive results are projected on a full-year basis for two of our three IR-level indicators.

For the shortened reporting 2004 reporting period, Mali Finance is on track to exceed the target for two indicators involving financial partners (3.1 and 3.3), based upon annualized projections of interim data received, while we have developed a pipeline of projects and other activities that can allow us to realize increased results under IR 3.2 during 2005 despite constraints in this area.

#### Fast-tracking

In order to optimize the utilization of project resources and build rapidly on known opportunities during the first year, we prioritized technical assistance for projects identified by partner financial institutions. We also started building the project's own deal flow pipeline of requests for business plans and other service products from borrowers. As a result of fast-

tracking, we were able to assist cases that were further along in development and thus closer to or at the financing stage. The probability that assisted projects would result in financing commitments and disbursements was accelerated, although as of September 30 (for the 9 months) we were somewhat short of the annual target for indicator 3.2 “number of assisted business plans resulting in increased finance and investment,” and we face constraints in this area as noted in Section 2 above.

We also invested substantially and efficiently in a range of technical activities for our two microfinance partners, Nyesigiso and Kafo Jiginiew. These MFI networks are the primary partners for indicators IR 3.1, “number of producers and agro-entrepreneurs accessing credit in targeted areas,” and IR 3.3, “number of income generating activities funded through partner micro-finance institutions,” since they represent the majority of the microfinance industry in Mali. This fast-track investment helped to enable favorable performance against our targets for IR indicators 3.1 and 3.3.

### Rapid project set-up

The project head office in Bamako was set up and operational within 60 days of contract signing, with key project staff recruited. However, there was some delay in setting up the project satellite office in Sevare/Mopti to serve the North. That office opened at the end of March, 2004, about 30 days behind our original schedule.

As a result of good advance communication with USAID, the project team was able to agree on the mission’s initial proposals for IR- level indicators without further negotiations, thus facilitating fast-track initiatives. Initial PMP and work plan drafts were submitted to USAID in accordance with the contracted 90-day deadline of November 30, 2003. The PMP format developed by Mali Finance was considered by USAID/Mali as a model document for other SO-9 projects.

### Communications

A communication plan was developed to promote the philosophy and objectives of Mali Finance. The logo shows a map of Mali, representing our ambition to make a difference for the Malian people. With a special focus on women, represented by the four rays of a golden sun designating a new era for Malian women, blue symbolizes our desire for partnership and synergy. Green stands for agriculture, our primary domain of intervention. Using this identity, we jointly launched the project with TradeMali demonstrating our commitment to close collaboration with other USAID-funded projects to leverage resources and maximize impact.

Launching ceremonies took place in Bamako, Timbuktu, and Sikasso jointly with TradeMali. These ceremonies provided good forums to share our plans with partners and participants, and to benefit from their thoughts, insights, and recommendations. Mali Finance developed brochures and helped USAID partners with the distribution of their information leaflets. For example, 600 STD/AIDS brochures from PSI were distributed to producers, agro-entrepreneurs and partner financial institutions in a cross-cutting activity to promote health.

Mali Finance’s major training sessions were broadcast on ORTM, and articles were published in *L’Éssor*, *Le Republican* and *Les Echos*. Plans are underway for the project to make extensive usage of the CLICs to disseminate future messages when and wherever that facility

is available and appropriate. The project provided a success story which was published in the USAID mission's newsletter "BAM."

### *Integrated work planning with SO-9 projects*

Synergy is a key mission objective. With the start-up of PRODEPAM toward the middle of 2004 and the development of its work plan during August and September 2004, the chiefs of party for Mali Finance, TradeMali and PRODEPAM began planning meetings. As a result, they were able to agree on ways to coordinate and integrate their work plan activities for the rice and potato sectors in Segou, Sikasso, and other regions where the commodity value chain strategy clearly promotes effective collaboration that will leverage results.

Special emphasis was given to developing a combined strategy for the North in direct response to the mission's increased emphasis on activities in this strategic region. The outcome is a proposed joint effort to develop the production of anise in Diré, and a tri-partite cooperation in Gao, which will be programmed during 2005. Mali Finance is developing options for the North to include a possible presence in Gao in conjunction with PRODEPAM. Bilateral efforts between the three projects also were defined.

### *Priority technical assignments*

At the request of the mission related to partners on earlier USAID projects, Mali Finance prepared studies on Dourey Timbuktu (DOT), and FCRMD, microfinance institutions in Timbuktu and Niono respectively. The work in Timbuktu involved a full diagnostic study of the Africare-sponsored MFI, followed by detailed strategy recommendations leading to operational sustainability. Technical work for FCRMD consisted of an in-depth evaluation of the USAID-supported and financed portfolio of private irrigation loans in the rice sector.

The technical quality of Mali Finance efforts in both cases required significant project technical resources, and the reports were lauded by USAID as technically competent and responsive. Since the two institutions are not considered financial sector partners for purposes of calculating baselines and targets under IR 3.1 and IR 3.3, there was no contribution to the project's 2004 PMP indicators. However, it is possible that one or both of them might become partners in future years.

### *The project team*

An excellent team of Malian professionals was recruited in an open and transparent manner forming a well integrated team with the three expatriate staff. Two of the three principal technical components are led by senior Malian personnel, and decisions about activities and orientation are made by consensus of team members.

Some team members have multiple project roles, which promotes sharing of responsibility. In addition to a core technical team of six individuals, of which two are expatriate (including the chief of party), the larger project team consists of a Chemonics expatriate operations manager, who will leave in December 2004, international and Malian professionals provided by Chemonics and our four subcontractors, and about 60 partner consulting firms and individuals who are admitted as partners for BDS activities.

## 3.2 Success Stories

We are pleased to report three success stories for 2004: a story from our BDS training in Mopti; the first investment loan disbursement under USAID's Development Credit Authority program; and the signing of an MOU for a unique public-private partnership with Mali's largest bank. These stories underline the impact of fast-tracking activities in business services training for SMEs in the North, focused investment promotion, and active intervention to structure and close a key investment transaction.

### Competitiveness strengthened in the North

Business training sessions for women in Mopti are making a big difference for small enterprises...

Agro-entrepreneurs report a significant improvement in the management of their business after receiving MICROPLAN training, offered by Mali Finance and its partner BDS providers in Mopti. Participating agro-entrepreneurs acquired new skills in business management using this training tool developed by Making Cents International.

Mrs. Diallo Assetou Traore, leader of *LES FOURMIS*, participated in the training program in Sevare. *LES FOURMIS* is a multi sector association involving 10 women in food processing. *LES FOURMIS* is the leader in flour processing in Sevare, producing:

- WASSA, an improved flour to feed babies;
- DEGUE, a sorghum cream for all ages and
- Pre-cooked couscous.

Mrs. Diallo confessed that before she took the Mali Finance business development training, she and her association "worked hectically." Afterwards she gave this account:



*In the past, we could not tell whether we were making profit or losing money. Now we have setup a simple accounting system. We can calculate our production cost and we have developed cost reduction strategies.*

*For example, buying millet, our raw material, when the prices are low can significantly reduce the production cost and therefore increase profit margin. We were scared of competition, but now we know how to defy competitors; we have improved the quality of our products. WASSA, our baby*

*food is sold in nicer plastic sachets of various sizes.*

*People love when they can choose, and they always go for the best! In the months to come, we will apply for quality certification; this way we can make WASSA available at the Community Health Centers.*

We are encouraged to see how these training sessions are making a difference in the way female agro-entrepreneurs manage their business. From a small informal business, *LES FOURMIS* are thinking big. They are ready to conquer new markets and provide new products.

### *Mali's first DCA-guaranteed loan*

Shortly after project start-up in September 2003, in response to a mission request, we provided technical assistance for a new investment project to create a tannery for the export of hides, the TAMAK project. The loan amount of approximately \$350,000 was part of a \$950,000 financing package. It was the first loan guaranteed under USAID's Development Credit Authority (DCA) program and the first agribusiness investment project financed by the participating bank, BICIM.

The project will employ 33 persons directly, as well as create indirect employment in the livestock sector of the economy. In completing this work, Mali Finance personnel met several times with the bank, the owner of the business, Mr. Keita, as well as with USAID, to assist the structuring of the transaction.



The investment financing was disbursed in December, 2003, and the plant has nearly finished construction. Mali Finance is currently providing "post-financing" technical assistance to implement administrative and accounting procedures, an activity which allowed the bank to proceed to disbursement with added confidence of loan repayment.

In December, 2003 the business owner, Mr. Keita, wrote a letter expressing appreciation for the professionalism and diligence of Mali Finance's efforts. Indeed, both he and the bank believe that the transaction would not have occurred without Mali Finance's assistance.

### *Public/private partnership for investment loans*

In June, 2004 Mali Finance signed a Memorandum of Understanding (MOU) with the Banque de Développement du Mali (BDM) for the creation of a new investment loan unit by the bank.

BDM, Mali's largest and most influential financial institution lacks expertise in investment project analysis, structuring, and implementation, but it has medium and long-term money to lend and a balance sheet of about \$500 million. The challenges are large. On the one hand, the bank has extensive experience with poor borrower performance, slow loan repayments, and defaults on investment projects. On the other, BDM realizes there will be increasing demand for its services in this area, especially from SMEs. The market potential is attractive.

The question is how to bridge the knowledge gap in structuring and managing investment projects?

The terms of the MOU, which is non-exclusive with respect to the services of Mali Finance, state that the bank is to contribute financial capital — separate office facilities, staff, and all operating expenses, while the project (subject to USAID approval) will pay for intellectual capital — computers, software, and international and Malian experts, and training. While the investment loan unit will function as part of the bank, it will be supported technically with its performance reviewed jointly by the bank and the project. Selection of projects eligible for assistance will be decided jointly by the bank and the project, and projects selected for assistance will be presented to the bank's credit committee for final decision at the bank's sole discretion.

The partnership will allow significant leveraging of USAID resources by BDM's financial contribution to set-up and staff the investment unit, and by providing access to its substantial pool of medium and long-term funds. The beneficiary will be Malian entrepreneurs and Mali's investment environment.

The jointly agreed strategy is to take on a limited number of projects, evaluate them very well, support their success, and then publicize them as examples of what can be done correctly in Mali. The objective is to create better confidence in the feasibility of medium and long-term financing.

As of September 2004, the parties had agreed on a timetable for implementation of the partnership. First steps are being taken to locate office space and recruit personnel for it.

### **3.3 Challenges and lessons learned**

There were some delays in the implementation of project activities on the time-line set forth in the initial work plan. While most of the delays were beyond the project's reasonable control, some were manageable and indicate the need for renewed effort on our part. Delays were caused by the slowness of the environment in Mali, unexpected obstacles to partnerships created by potential partner banks, and a lag in fielding some international experts.

#### **Slowness in the environment**

We were behind schedule in the establishment of the field office in Mopti, as it took longer than expected to prepare office space for occupancy and organize necessary information technology and administrative support. Timelines were too optimistic in the BDS and Investment parts of our work plan, and actual work performed lagged behind initial expectations as it took longer to organize and carry out activities. Once a beneficiary seeking financing is assisted and a loan application is submitted to a bank, months can pass before a decision, if any, is taken, even for attractive cases.

We learned to be more conservative and realistic in planning the timing of our work plan activities, and to promptly communicate to the CTO when unexpected delays are anticipated.

#### **Partner banks impose unexpected conditions for partnership**

Two expected partner banks, BICIM and BMS, set conditions to our partnering with them and delayed our technical work. We assured BICIM that an amended agreement as participating financial institution for USAID's Development Credit Authority would be forthcoming. The bank then decided not to enter into a partnership arrangement with Mali Finance until the new agreement has been delivered. Final review of the DCA agreement has been pending with USAID regional counsel since June 2004. BMS conditioned their partnership on Mali Finance's providing grants to partner NGOs that would, in effect, permit the bank to lend at reduced interest rates to these NOG borrowers. Since the grants would amount to interest rate subsidies, this requirement was not acceptable to us.

In order to be good project partners, financial institutions must agree to provide regular, accurate and timely financial and operational information for project reporting purposes. Commercial banks have been less willing than microfinance institutions to provide interim financial data; many will only provide a copy of their annual report, believing that non-published information is confidential.

These conditions had the effect of delaying project activities, as well as complicating the reporting of them in our PMP. We learned that some potential bank partners believe that they are doing us a favor by formalizing partnership arrangements and that we must redouble our efforts to sell the project to them. It should be emphasized that only some potential bank partners raised obstacles. Others were more flexible and willing to do business with us. The project will continue to seek willing and reliable partner financial institutions.

*Delays fielding short-term international experts*

Difficulties in the recruitment and fielding of short-term international consultants delayed some critical assessments and evaluations during the project start-up. Although Malian personnel were able to provide much of the information required, some activities in the work plan were not as well advanced or defined as we had anticipated. Two delays of several months occurred in fielding international experts to support the Investment and Legal Reform parts of the work plan. In both cases personal or family health issues beyond the control of Chemonics or our subcontractors were involved, and the Chief of Party decided to wait rather than chose alternative candidates for the work.

We also did not submit timely requests in all cases for CTO approval, which complicated the fielding process. However, in concert with the work plan, we did conduct detailed resource-planning to identify and budget personnel needs, including expatriate short-term assistance, and we were able to hire experienced Malian consultants expeditiously.

From the first year's experience in this area, we have learned to have alternative candidates available for assignments in the event that someone is not available for whatever reason. More timely communications in this area by Chemonics' field and home offices with the CTO will be emphasized.

## SECTION 4

---

### OUTLOOK FOR 2005

#### **4.1 *The North – Our first priority***

In line with USAID/Mali's increased emphasis on the North, we now think of our Mali-North activities as our "project within the project." A detailed sub-working planning process is being implemented in partnership with our sub-contractors Weidemann Associates, Making Cents, and Enterprising Solutions. Additional short-term expatriate and Malian experts will be retained to support the effort.

Our activities for the North of Mali will be "raised to a new level" as our BDS training is expanded and three new MFI partners are added to receive project technical assistance. In addition, we intend to provide assistance to existing MSME groups to create new financial institutions in Gao and Kidal, where little or no financial services exist, and to open an office in Gao. By the end of calendar year 2004, we expect to have a network of personnel and partner institutions in Mopti, Timbuktu, Lere, Douenza, Gao, and Kidal, and to be positioned to expand finance to underserved populations in the North.

#### **4.2 *BDS — An expanded presence and phase two***

We will complete the initial phase of our BDS effort, with continuing investment in training of trainers and beneficiaries and enter the second phase, which will entail assistance before, during, and after the financing process for beneficiaries. We are considering opening offices in Segou and Sikasso to assure outreach in these key cities and an ability to work with producer organizations targeted by the SO-9 production project, PRODEPAM.

We also expect close coordination with the World Bank's upcoming program, which we understand will contain a BDS component similar to Mali Finance's. In collaboration with TradeMali, we will further strengthen the capacity of our business development services providers. Mali Finance and TradeMali will jointly conduct a workshop on enterprise development services. More agro-entrepreneurs will be trained in the North, and those already trained will continue to receive our assistance in the development of business plans and loan applications.

#### **4.3 *Financial institutions — More partners and donor synergy***

After a slower than expected start-up in forming partnerships with MFIs and banks, the number of our formalized MFI partners in the next year will be expanded from two to a minimum of five, and our bank partners from two to three or four.

While our technical assistance during the first year was concentrated by design to fast-track on the larger MFI networks, our assistance in the second year will be focused more on smaller MFI partners in the North and on the banking sector.

Emphasis will also be placed on follow-up on financing cases referred to partner banks by our BDS partners. To avoid duplication, training will be coordinated as part of an overall program under the umbrella of a new training center for all financial institutions being organized by GTZ and the World Bank's PDSF program. Mali Finance will participate in an initial training session sponsored by GTZ, which will be held at our project offices in late September and early October this year.

#### ***4.4 Investment promotion and legal reform — A key partnership and a revised agenda for reform***

When the shape of the Government of Mali's new investment promotion agency is known, we will design activities in coordination with the World Bank's new program in this area. In addition, key activities involving a workshop for Malian and regional investors, identification of promoters interested in agribusiness projects, the establishment of an investment club, and implementation of our public private partnership with BDM will be effected. Emphasis will be placed on mobilizing financing for the portfolio of larger investment projects cases for which assistance began in 2004.

With the assistance of international and Malian legal experts we will propose a practical legal and reform agenda for our 2005 work plan to add to current items to improve access to finance, especially for SME's. Emphasis is being considered for a communications campaign to influence the credit environment.

#### ***4.5 Cross-cutting areas***

In addition to the North, the project has two additional cross-cutting areas, which will be further developed in 2005. They are the implementation of integrated work planning with the SO-9 trade and production projects and gender mainstreaming.

##### ***Integrated work-planning for SO-9 projects implemented***

With the start-up of PRODEPAM, a concept paper for integrated work planning was submitted to USAID. In it the chiefs of party agreed to coordinate and integrate work plan activities for the rice and potato sectors in Segou, Sikasso, and other regions. Special emphasis was also given to the North for the development of anise in Djere, and tri-partite cooperation for Gao was proposed, to be addressed and programmed during the following year.

Mali Finance will integrate these agreements into its work planning for the North, to include a possible presence in Gao. Bilateral efforts between projects were also defined. During 2005, the interdisciplinary effort between the three projects and the integrated work planning will reinforced each other, resulting in a leveraged contribution to the SO-9 strategic objective.

##### ***Gender mainstreaming expanded***

In response to USAID's concerns that gender be a core consideration in all project activities, Mali Finance commissioned an expert report to suggest ways in which the project could improve its approach to gender issues.

While the majority of the 102 beneficiaries of our BDS training in the first year were female, in our 2005 work planning process we will integrate gender considerations impacting both women and men into the design of all of our activities such that they will be an integral part of how we think about development, how we plan activities, and how we work with out partner institutions and organizations.

## **ANNEXES**

---

***Annex A      Acknowledgement receipt for business plans***

***Annex B      Data collection forms (MFIs)***

***Annex C      Summary of achieved results***

## Acknowledgement of receipt

- First Name :
  - Last Name :
  - Project Title :
  - Domain of activity :
  - Cost of Project :
  - Requested amount :
  - Signature:
  - Date :
- 

### Type of support from Mali Finance

- Training
- Business Plan Development
- Follow up
- Study

Mali Finance

---

### Financial Institution

- Name / Title :
- Receiving department :
- Date of receipt

Institution

Signature of Receiver

Indicators	Description	Baseline	2004 targets	targeted % increase	Achieved Results	%achieved
IR31	Number of producers and agro entrepreneurs accessing credit	103,272	111,017	7.50%	55737	50.21%
IR32	Number of assisted business plans resulting in increased finance and investment	0	4	NA	2	50.00%
IR33	Number of income generating activities funded through MFIs	102,884	110,600	7.50%	55088	49.81%
IR31a	Number of business plans submitted for loans by producers and agro entrepreneurs	20	25	1.25%	23	92.00%
IR31b	Number of financial development services purchased through partner BDS providers	100	120	1.20%	111	92.50%
IR31c	Number of assisted regulatory and legal reforms recommended	0	2	NA	3	150.00%
IR32a	Number of investment projects registered through CNPI	NA	NA	NA	NA	NA
IR32b	Number of investment opportunities developed through partners	0	2	NA	2	100.00%
IR33a	Average% of operational self-sufficiency achieved by USAID supported partner MFIs	125.50	126.70	NA	NA	NA
IR33b	Number of Clients registered with partner MFIs	339,110	362,848	7.00%	368,299	101.50%
IR33c	Level of funding provided to partner MFI by banks	5,409,606,157	5,517,798,280	2.00%	3224018895	58.43%
IR33d	Level of savings of partner MFIs	13,883,290,537	14,577,455,064	5.00%	16,820,984,528	115.39%

## QUARTERLY DATA COLLECTION SHEET FOR MFIs

**MFI:** .....

**Quarter ending on:** ...../...../.....

REGIONS	Number of Clients				Number of loans for IGR	Observations:
	Women	Men	Groups	Total		
Bamako						
Koulikoro						
Kayes						
Sikasso						
Segou						
Timbuktu						
Gao						
Kidal						
Mopti						

CHEMONICS INTERNATIONAL INC.