XD-ABB-571-A

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APPENDIX 3A, Attachment 1
Chapter 3, Handbook 3 (TM 3:43)

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete) — Amendment Number: — DOCUMENT CODE: 3

2. COUNTRY/ENTITY: MALI

3. PROJECT NUMBER: 625-0246

4. BUREAU/OFFICE: USAID/MALI — 5

5. PROJECT TITLE (maximum 40 characters): Policy Reform for Economic Development

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 08 DD 30 YY 97

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)
A. Initial FY 91 B. Quarter 4 C. Final FY 93

8. COSTS ($000 OR EQUIVALENT $1 =)

A. FUNDING SOURCE	FIRST FY 91 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total DFA	2,000		2,000	7,000		7,000
(Grant)	(2,000)	( )	(2,000)	(7,000)	( )	(7,000)
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.						
Other U.S. 2.						
Host Country						
Other Donor(s)						
TOTALS	2,000		2,000	7,000		7,000

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
(1) DFA				0		7,000		7,000	
(2)									
(3)									
(4)									
TOTALS				0		7,000		7,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)
A. Code
B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To support private sector-led economic growth.

14. SCHEDULED EVALUATIONS
Interim MM 06 YY 94 | MM YY | Final MM 08 YY 97

15. SOURCE/ORIGIN OF GOODS AND SERVICES
[X] 000 [ ] 941 [ ] Local [X] Other (Specify) Mali

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a ____ page PP Amendment.)

17. APPROVED BY
Signature: [signature]
Title: Director USAID/MALI
Date Signed: MM 08 DD 26 YY 91

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
MM DD YY

3

PROJECT AUTHORIZATION

Name of Country: The Republic of Mali

Name of Project: Policy Reform for Economic Development

Project Number: 688-0246

1. Pursuant to Section 496 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Policy Reform for Economic Development (PREDI) Project for The Republic of Mali (the "Grantee"), involving planned obligations of not to exceed seven million United States dollars ($7,000,000) in grant funds (the "Grant") over a six year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project. Except as A.I.D. may otherwise agree in writing, the planned Project Assistance Completion Date is August 31, 1997.

2. The project will assist the Grantee to formulate and implement reforms designed to foster economic, particularly private sector, growth and improve the management of public finances through the provision of technical assistance, studies, training, equipment and supplies and financial support for operations to the Grantee organizational units responsible for coordination of reform efforts and promotion of private sector development, and to the commercial courts to be established during the project period.

3. The Project Grant Agreement, which may be negotiated and executed by the officers to whom such authority is delegated in accordance with A.I.D. Regulations and Delegation of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

   a. Source and Origin of Commodities, Nationality of Supplies

      (1) The authorized geographic code for all commodities and services procured under the project is geographic code 000, or the Republic of Mali, except as A.I.D. may otherwise agree in writing.

      (2) The suppliers of commodities or services, including ocean shipping, financed by A.I.D. under the Project shall have A.I.D. geographic code 000 as their place of nationality, or the Republic of Mali, except as A.I.D. may otherwise agree in writing.

b. Conditions Precedent

(1) Prior to the first disbursement under the Grant, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee shall furnish to A.I.D., except as A.I.D. may otherwise agree in writing:

a) an opinion of counsel acceptable to A.I.D. that the Project Grant Agreement has been duly authorized and/or ratified and executed by and constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms;

b) a statement representing and warranting that the named person or persons have the authority to act as the representative(s) of the Grantee, together with a specimen signature of each person certified as to its authenticity.

Dennis Brennan
Director, USAID/Mali

8/26/91
Date

Clearances: MGT : Nancy Hoffman (draft) N. Hoffman
CONT: Roland Deschambeault (draft)
CONT: SCrabtree
PRM : Richard Byess
A/DD: Tracy Atwood Tracy Atwood 8/26/91

VZCZCBMA *
PP RUEHC
DE RUTABM #5450/01 214 **
ZNR UUUUU ZZH
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FM AMEMBASSY BAMAKO
TO SECSTATE WASHDC PRIORITY 1044
BT
UNCLAS SECTION 01 OF * BAMAKO 05450

3

CLASS: UNCLASSIFIED
CHRGE: AID 08/02/91
APPRV: DIR:DJBRENNAN
DRFTD: DIR:DJBRENNAN
EAR: NONE
STR: AID AMB DCM
ECON

AIDAC

FOR AFR/SWA SIMMONS

E.O. 12356:N/A
SUBJECT: AMENDMENT TO PRED PAAD

REF: STATE 232737

1. THE PAAD FOR THE POLICY REFORM FOR ECONOMIC DEVELOPMENT (PRED) IS HEREBY AMENDED AS FOLLOWS:

A. THROUGHOUT THE PAAD: NON-PROJECT ASSISTANCE (NPA) IS REDUCED FROM DOLS 18 MILLION TO DOLS 7 MILLION. NPA CONDITIONALITY IS LIMITED TO ELIMINATION OF EXPORT TAXES AGAINST WHICH THE FY 1991 DISBURSEMENT OF DOLS 7 MILLION WILL BE MADE. REFERENCES TO ALL OTHER NPA CONDITIONALITY ARE DELETED. PROJECT ASSISTANCE REMAINS AT DOLS 7 MILLION. THE TECHNICAL ASSISTANCE WILL STUDY ALTERNATIVE REFORMS DURING THE PROJECT. THE AMOUNT OF NON-PROJECT ASSISTANCE MAY BE INCREASED IN SUBSEQUENT YEARS IN RESPONSE TO SUCH OTHER REFORMS AS ARE IDENTIFIED AND AGREED UPON AS THE BASIS FOR SUCH ADDITIONAL ASSISTANCE BY AID AND THE GRM. SEE STATE 232737 AND BAMAKO 5089.

B. ELIMINATION OF EXPORT TAXES: EXPORT TAXES ELIMINATION MATERIAL TRANSMITTED TO AFR/SWA BY FAX ARE INCORPORATED AS ANNEX L. SEE BAMAKO 5089.

C. LOCAL CURRENCY CLAUSES: THE FOLLOWING PARAGRAPHS ARE ADDED TO SECTION V.B. REGARDING MANAGEMENT OF LOCAL CURRENCY FUNDS. TO THE EXTENT THE EXISTING DISCUSSION UNDER SECTION V.B. IS INCONSISTENT WITH THIS AMENDMENT, THE EXISTING DISCUSSION IS MODIFIED ACCORDINGLY. SEE STATE 204855.

THE USE OF TECHNICAL ASSISTANCE TO BE PROVIDED UNDER THE PROJECT PORTION OF THIS PROGRAM FOR MONITORING LOCAL CURRENCY IS NOT NECESSARY OR APPROPRIATE SINCE THE USE OF THE LOCAL CURRENCY TO BE GENERATED BY THE NON-PROJECT ASSISTANCE WILL NOT BE PROGRAMMED.

THE ONLY MONITORING OF LOCAL CURRENCY THAT WILL OCCUR UNDER THE PROGRAM ACCOUNT IS TO KEEP TRACK OF DEPOSITS TO AND WITHDRAWALS FROM THE PROGRAM ACCOUNT. THIS WILL BE DONE BY USAID. ALTHOUGH USAID WILL APPROVE BY PROJECT IMPLEMENTATION LETTER (PIL) THE PURPOSE OF THE WITHDRAWAL

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TO BE SURE THAT THE FUNDS ARE NOT USED IN A MANNER THAT VIOLATES MALIAN LAW OR THE ANTI-ABORTION, MILITARY AND LUXURY USE CONVENANTS OF THE GRANT AGREEMENT, THEY CAN BE USED FOR ANY OTHER PURPOSE BY THE GRM.

USAID WILL VERIFY ONCE A YEAR THE REPORTS SUBMITTED BY THE GRM ON LOCAL CURRENCY SPECIAL ACCOUNT WITHDRAWALS AND DEPOSITS BY CHECKING THEM AGAINST OTHER DOCUMENTS, WHICH, PURSUANT TO THE GRANT AGREEMENT AND PILS, THE GRM WILL BE REQUIRED TO SUBMIT ON REQUEST.

THE SPECIAL ACCOUNT WILL BE AUDITED ONCE IN THE LIFE OF THE PROJECT BY A PRIVATE ACCOUNTING FIRM HIRED THROUGH THE NORMAL AID PROCESS FOR THIS PURPOSE. SINCE FUNDS IN THE ACCOUNT CAN BE USED FOR ANY LEGITIMATE GRM PURPOSE OTHER THAN USES PROHIBITED BY U.S. STATUTE AND THE GRANT AGREEMENT, THE AUDIT WILL BE LIMITED TO THE LEGITIMACY OF THE USE UNDER MALIAN LAW AND THE AID STATUTORY PROHIBITIONS.

THE GRM IS NOT EXPECTED TO CONDUCT A SPECIAL AUDIT OF THE ACCOUNT SINCE THE FUNDS WILL BE FOR GENERAL BUDGETARY USE. THUS, THE ACCOUNT WILL BE COVERED BY AUDITS OF GOVERNMENT EXPENDITURES IN GENERAL PROGRAMMED BY THE GRM.

D. SECTION IV.B. OF THE PAAD, CONTRACTING FOR TECHNICAL ASSISTANCE, IS MODIFIED TO PROVIDE FOR TWO CONTRACTS, ONE OF WHICH WILL BE AWARDED NON-COMPETITIVELY. THE NON-COMPETITIVE CONTRACT WILL BE FOR THE PROJECT COORDINATOR AND FOR PCU-RELATED SHORT-TERM TECHNICAL ASSISTANCE (INCLUDING STUDIES), COMMODITY PROCUREMENT AND TRAINING. THE OTHER CONTRACT, TO BE AWARDED COMPETITIVELY, WILL PROVIDE FOR THE THREE OTHER TECHNICAL ADVISORS AND THE REMAINDER OF THE SUPPORT TO BE PROVIDED UNDER THE PROJECT. SEE BAMAKO 5111.

E. THE INITIAL ENVIRONMENTAL EVALUATION HAS BEEN AMENDED TO REFLECT THE CURRENT PROJECT. SEE BAMAKO 5375.

F. ALL OTHER PROVISIONS OR DISCUSSION IN THE PAAD INCONSISTENT WITH THIS AMENDMENT ARE MODIFIED ACCORDINGLY.

C. CABLES REFERRED TO HEREIN ARE INCORPORATED IN THEIR INTIRETY IN THIS AMENDMENT.

2. PLEASE ADVISE IMMEDIATE APPROVAL TO AUTHORIZE PRED AS AMENDED.
GELBER
BT
#5450

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AGENCY FOR INT'L DEV.
TELECOMMUNICATIONS CENTER

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ACTION AID-00

ACTION OFFICE AFTR-01
INFO AFFW-01 AFOP-06 AFPD-04 AFCO-02 SAST-01 PPCE-01 PPPB-02
CC-01 CCAF-02 ES-01 STPM-02 FPAD-02 AAAF-01
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AIDAC

E.O. 12356:N/A
SUBJECT: POLICY REFORM FOR ECONOMIC DEVELOPMENT (PRED)
** 688-0245 AND 688-0246

REF.: STATE 241598

PROJECT LOCATION: MALI

PROJECT TITLE: POLICY REFORM FOR ECONOMIC DEVELOPMENT
** (PRED) 688-0245 AND 688-0246

FUNDING: FY 83-85: USD US DOLLARS 14,000,000 (INCLUDING
** DOLS 7.0 MILLION NON-PROJECT ASSISTANCE AND DOLS
** 7.0 WITHIN PROJECT FUNDING)

IEE PREPARED BY: GEORGE R. THOMPSON, P.E., MISSION
** ENVIRONMENTAL OFFICER

RECOMMENDATION: CATEGORICAL EXCLUSION.

PROJECT DESCRIPTION:
A. PROJECT OBJECTIVES: THE GOAL OF PRED IS TO PROMOTE LONG-TERM, MARKET-ORIENTED AND SUSTAINABLE ECONOMIC GROWTH. THE OBJECTIVE IS TO SUPPORT GRM IN ITS EFFORTS T (A) PROVIDE AN ENVIRONMENT CONDUCIVE TO EXPANDED ECONOMIC GROWTH AND EMPLOYMENT IN THE PRIVATE SECTOR AND (B) INCREASE THE EFFICIENCY OF THE PUBLIC SECTOR IN ITS SUPPORTING ROLE TO THE NATIONAL ECONOMY.

B. POLICY MEASURES PROPOSED: THE REFORMS PROPOSED BY PRED ARE INTENDED TO ASSIST IN THIS DIFFICULT TRANSFORMATION. TAKING INTO CONSIDERATION THE RELATIVE IMPORTANCE OF THE REQUIRED MEASURES AS WELL AS THE DEMANDS THAT THE IMPLEMENTATION OF THE REFORMS WILL IMPOSE ON THE MISSION, WE PROPOSE THE FOLLOWING SET OF MEASURES TO BE TAKEN BY THE GRM DURING THE LIFE OF THIS PROJECT.

1. FISCAL MEASURES:
** I. ELIMINATE EXPORT TAXES
** II. INTRODUCE A SINGLE INCOME TAX.

2. INSTITUTIONAL AND REGULATORY MEASURES:
** I. ESTABLISH AND MAKE FUNCTIONAL THE COMMERCIAL COURTS ENVISIONED IN THE COMMERCIAL CODE OF 1986

** II. RESTRUCTURE THE NATIONAL OFFICE FOR ECONOMIC AFFAIRS (BNAE)

** [illegible]

OF THE ECONOMY AND FINANCE (MEF).

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OF THESE MEASURES, ONLY THE ELIMINATION OF EXPORT TAXES IS THE BASIS FOR THE DISBURSEMENT OF NON-PROJECT ASSISTANCE (DOLS 7 MILLION). THE OTHER MEASURES ARE ALL COMPONENTS OR OBJECTIVES OF THE PROJECT, WHICH WILL BE ADDRESSED BY TECHNICAL ASSISTANCE PERSONNEL AND THE AID MISSION IN THE COURSE OF PROJECT IMPLEMENTATION.

C. ECONOMIC IMPACT: POLICY REFORM IS A NECESSARY BUT NOT SUFFICIENT CONDITION FOR BRINGING ABOUT CONCRETE CHANGE IN ECONOMIC CONDITIONS. THIS IS ESPECIALLY TRUE IN MALI, WHERE CLIMATIC CONDITIONS AND INADEQUATE INFRASTRUCTURE PLAY SUCH A CRUCIAL ROLE IN THE PERFORMANCE OF THE ECONOMY. NEVERTHELESS, THE FUNDAMENTAL POLICY CHANGES BEING UNDERTAKEN AND ENVISIONED THROUGH PRED AND WITH OTHER DONOR ASSISTANCE ARE CERTAIN TO CREATE A MORE ADAPTABLE AND RESILIENT ECONOMY.

THE PROPOSED REFORMS, DESIGNED TO CREATE A BETTER ENVIRONMENT FOR AN ECONOMY BASED ON MARKET FORCES AND INDIVIDUAL INITIATIVE, ARE EXPECTED TO IMPACT THE ECONOMY VERY BROADLY BY LOWERING COSTS, DECREASING THE TIME ALLOCATED TO BUREAUCRATIC REQUIREMENTS AND INCREASING THE TIME DEDICATED TO PRODUCTIVE ACTIVITIES. HOWEVER THIS IMPACT WILL BE WIDELY DISPERSED AND DIFFICULT TO QUANTIFY WITH PRECISION AND THE ACHIEVEMENT OF THE EXPECTED RESULTS DEPENDS TO A LARGE DEGREE ON THE EXTENT TO WHICH ECONOMIC AGENTS PERCEIVE THE BETTER OPPORTUNITIES OPENED BY THE PROGRAM.

IN THE FISCAL AREA, THE ELIMINATION OF EXPORT TAXES WILL MAKE MALIAN EXPORTS MORE COMPETITIVE WHILE REDUCING CURRENT DISTORTIONS IN THE ALLOCATION OF RESOURCES. THIS SHOULD EXPAND THE OUTSIDE MARKET FOR THESE EXPORT PRODUCTS AND INCREASE INCENTIVES TO PRODUCE THEM. THE DERIVED INCREASES IN EMPLOYMENT AND INCOME WILL SPREAD THE INITIAL IMPACT THROUGHOUT THE ECONOMY.

THE INSTITUTIONAL AND REGULATORY MEASURES WOULD IMPROVE THE OPERATIONAL ENVIRONMENT IN WHICH ECONOMIC ACTIVITIES ARE UNDERTAKEN AND ALSO IMPROVE THE EFFICIENCY WITH WHICH THE TARGETED INSTITUTIONS DELIVER SERVICES TO ECONOMIC UNITS. THE IMPROVEMENTS ENVISIONED FOR THE BNAE WOULD AT THE FIRST INSTANCE IMPROVE TRADE OPERATIONS AND PROFITABILITY. THIS SHOULD IN TURN INCREASE DEMAND FOR MALIAN EXPORTS AND FOR DERIVED EMPLOYMENT AND INVESTMENT. A MORE EFFICIENT ENVIRONMENT FOR IMPORTS COULD SIGNIFICANTLY CUT DOWN ON INVENTORY NEEDS AND EVENTUALLY DECREASE THE CAPITAL TO OUTPUT RATIO AND FREE RESOURCES FOR INVESTMENTS IN PRODUCTIVE ACTIVITIES AND EMPLOYMENT. THE ADVENT OF, AND THE ACTUAL PAYOFF FROM, A FUNCTIONAL COMMERCIAL COURT SYSTEM WILL NOT BE EASILY ACHIEVED. GIVEN WHAT SEEMS UNANIMOUS BELIEF IN THE IMPORTANCE OF SUCH A SYSTEM, THE FIRST CONCRETE STEPS MAY, HOWEVER, HAVE A SIGNIFICANT PSYCHOLOGICAL IMPACT AND GIVE AN EARLY PAYOFF IN TERMS OF MORE CREDIT FROM THE BANKS, MORE INVESTMENT AND INCREASED ECONOMIC ACTIVITIES AND EMPLOYMENT. INCREASES IN NON-SALARY EXPENDITURES IN THE MEF AIM AT INCREASING THE EFFICIENCY OF SERVICE DELIVERY FROM AN INSTITUTION WHICH IS INDEED CRUCIAL TO THE SUCCESS OF ECONOMIC ACTIVITIES IN MALI.

NO CONSTRUCTION WILL BE FUNDED BY USAID. ONLY TECHNICAL ASSISTANCE, TRAINING, RELATED EQUIPMENT (VEHICLES, OFFICE [illegible] SATISFACTION OF THE CONDITION ADDRESSED TO ELIMINATION OF EXPORT TAXES.

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TELECOMMUNICATIONS CENTER

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** DISCUSSION OF ENVIRONMENTAL ISSUES: THE TECHNICAL ASSISTANCE, TRAINING AND RELATED EQUIPMENT WILL HAVE NO CONCEIVABLE EFFECT ON THE ENVIRONMENT AND QUALIFY FOR A CATEGORICAL EXCLUSION UNDER 216.2 (C) (2) (i): PROGRAMS INVOLVING TECHNICAL ASSISTANCE OR TRAINING; AND UNDER 216.2 (C) (1) (ii): THE CASH TRANSFER FUNDS THINGS THAT AID DOES NOT HAVE ADVANCE KNOWLEDGE OF OR CONTROL OVER, AND THE OBJECTIVE OF AID IN FURNISHING ASSISTANCE DOES NOT REQUIRE, EITHER PRIOR TO APPROVAL OF FINANCING OR PRIOR TO IMPLEMENTATION OF SPECIFIC ACTIVITIES, KNOWLEDGE OF OR CONTROL OVER THE DETAILS OF THE SPECIFIC ACTIVITIES FOR WHICH FINANCING IS PROVIDED BY AID.

** RECOMMENDATION: BASED ON THE ABOVE DISCUSSION, I HAVE DETERMINED THAT: PER 216.2 (C) (1) (i) AND (ii) AND 216.2 (C) (2) (i), THE PROJECT IS NOT SUBJECT TO ENVIRONMENTAL PROCEDURES AND I THEREFORE RECOMMEND A CATEGORICAL EXCLUSION.
APPROVED BY DENNIS J. BRENNAN, USAID MISSION DIRECTOR
GELBER

Concurrence:

Bureau Environmental Officer:

APPROVED: [signature]

DATE: 8/26/91

Clearance:

GC/AFR:PJohnson [signature] Date 26 Aug 91

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POLICY REFORM FOR ECONOMIC DEVELOPMENT (PRED)

688-0245, 688-0246

PROGRAM ASSISTANCE APPROVAL DOCUMENT

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ANNEXES

A. ECPR Cable - STATE 343600
B. Summary of the 1991 Adjustment Program, and Related Consolidated Budget Operations, (May 1991)
C. Summary of the 1991 Adjustment Program, (December 1990)
D. Proposals for Budgetary Reductions Following March Events
E. Conditionality for non-Salary Current Expenditures
F. Budget for the Program Coordination Unit
G. Distribution of Tax Revenues in Mali: 1985 to 1990
H. Application of Section 110: Foreign Assistance Act
I. US Dollar and Local Currency Tracking
J. Organization of the Ministry of the Economy and Finance
K. Logical Framework

Executive Summary

A. Request

The Government of the Republic of Mali (GRM) has requested assistance for its policy reform program. In support, the Mission proposes $25 million from the DFA, including $18 million in non-project budget support and $7 million in project assistance.

B. Description

The purpose of the Policy Reform for Economic Development (PRED) program is to support private sector-led economic growth. In this context, PRED addresses two specific objectives: (1) reduce the fiscal burden on the private sector; and (2) improve the ability of the GRM, particularly the Ministry of the Economy and Finance (MEF), to manage the public finances and assist the private sector.

C. Program Component

The $18 million in non-project assistance (NPA) will be disbursed in four tranches over a four-year period.

Conditionality and Tranche Releases

Year	Policy Reform	Amount of Tranche
1991	eliminate export taxes	$ 7.0 million
1992	establish commercial court in Bamako and develop plan for extension, and	
	reduce payroll and minimum business taxes by one-third each.	$ 4.5 million
1993	implement revised organization and responsibilities for the National Directorate of Economic Affairs (DNAE) to support the private sector, and	
	develop a revised budget for the MEF with larger outlays for recurrent non-personnel expenditures	$ 3.5 million
1994	initiate single income tax	$ 3.0 million

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D. Project Component

Project assistance is budgeted at $7 million, as follows: $4.5 Million in technical assistance; $650,000 for DNAE restructuring; $700,000 in operating costs for the Project Coordination Unit; $500,000 for training; $300,000 for assistance in establishing commercial courts; $100,000 for a Mission assistant economist to work with the program; $150,000 for audits and evaluations; and $100,000 for a buy-in to the AFR/MDI PEDS project.

E. Approval

Authority to approve the PAAD in the field was delegated per guidance cable (STATE 343600) at Annex A.

F. PACD

The PACD will be six years from date of the program and project grant agreements.

Policy Reform for Economic Development

PAAD

Program Description

I. Macroeconomic and Policy Framework

A. The Economy

Mali has an overwhelmingly one-sector economy with 82% of the work force in the primary sector as of 1987. Moreover, in 1987, 63% of economic activities took place in the informal economy. In recent years, per capita income has increased at an annual rate of about 1% reaching $260 in 1989, which places Mali well down among the list of least developed countries.

Annual GDP growth averaged about 6% over the past five years and 4% over the past decade. Given Mali's dependence on agriculture, GDP growth varies significantly from one year to the next. Over the decade, crop production, principally cereals and cotton, contributed most to GDP growth. However, the relatively small industrial sector, dominated by agro-processing activities, had the highest average annual growth (8%). The construction, trade and transportation sub-sectors also grew more rapidly than crop production. All other sectors, including public administration, grew more slowly than overall GDP. Exceptionally good weather and an improved policy environment contributed to real GDP growth of 9.5 percent in 1989.

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At 2.2%, the 1990 real GDP growth is higher than anticipated, while current expectation in view of damage to the economy is that GDP growth for 1991 will be below 1%. Gross domestic investment has increased slowly as a share of GDP over the last decade, averaging 23% during 1985-1989 and 20% during 1980-1989. However, the government has taken measures to improve the physical and financial implementation of the investment program. Priority is being accorded to the rural sector and to infrastructure, both human and physical.

The overall government budget deficit, excluding donor grants, fell steadily from 15.2% of GDP in 1985 to 8% in 1990, although in current conditions it is expected to rise to 13.4% in 1991. Government current expenditures declined from 15% of GDP in 1985 to 14% in 1990. In the same period, government revenues rose from 15% to 18% of GDP. Mali's external accounts also showed some improvement in this period.

The current account deficit fell from 31% of GDP in 1985 to 14.2% in 1990. Export volumes have increased at an average annual rate of 4.8% in the last decade and 6% in the last five years. Import volumes have increased at an average annual rate of 2% during the 1980s. Capital inflows, largely official development assistance to finance the public investment program, have increased steadily, and the balance of payments recorded surpluses in 1988 through 1990 after more than a decade of deficits. Total public debt outstanding and disbursed exceeded 108% of GDP at the end of 1990. The debt-service ratio, before debt relief and excluding debt service to China and the Soviet Union, which had risen rapidly beginning in 1983 to 30.9% by 1986, declined to 27% in 1989.

B. Policy Framework

Mali's current policy, regulatory and fiscal environment is the result of an evolutionary process, starting with the country's colonial legacy.

What had evolved by the beginning of the 1980s was a large, inefficient state enterprise sector that eventually became a heavy burden on public finance and the economy. Concurrently, a comprehensive system of price controls and trade regulation was established, with an adverse impact on resource allocation. The result was a slowdown in economic growth, inflationary pressures and a deterioration in the external balance of payments position.

Starting in 1982, the GRM initiated a series of adjustment and stabilization programs under which measures were introduced to reduce budgetary deficits, public enterprise operating losses, and public sector arrears. In addition, initial reforms included market liberalization and improved price incentives intended to increase the efficiency of resource allocation. The government budget and public enterprises were addressed first, followed by the financial sector and internal trade liberalization measures and, finally, external trade reform.

The adjustment efforts from 1982 through 1986 were supported by three successive standby arrangements with the IMF and substantial progress was made in reducing financial imbalances and alleviating economic distortions.

A financial crisis resulting from the collapse of the world price of cotton in 1985 brought Mali into non-compliance with its third IMF standby, and serious slippage occurred in implementation of the adjustment program in the second half of 1986. Nevertheless Mali continued in the reform path when, in September 1985, it signed the Economic Policy Reform Program (EPRP) with AID. This program was instrumental in maintaining the continuity of reform efforts during this difficult period.

In 1988 the GRM initiated the first Policy Framework Paper (PFP) for the period 1988-90 and was supported by the IMF both with a standby agreement and structural adjustment facility.

In 1989 and 1990, the Government prepared PFPs for 1990-92 and 1991-93 respectively. These emphasize encouragement of private savings and investment, international competitiveness and improvement of public resource management. The three key objectives of the program are: to attain an equilibrium annual real growth rate of 4%; to contain the annual rate of inflation at about 3%; and to reach a viable external sector position by 1992. The efforts have been supported by the IMF, the World Bank and bilateral donors.

The objectives of the GRM's PFPs are clear. To create the proper environment for private sector growth and reduce the role of the public sector. The constraints to be addressed are easily identified but difficult to reduce. They point to the policy, regulatory and fiscal reforms needed to continue to move from a statist to a market-oriented economy.

C. The Present

By early 1991, the GRM had in place an impressive array of reform instruments: a 12.7 million SDR standby agreement and 15.2 million SDR structural adjustment facility, both with the IMF; and a structural adjustment loan of $50.3 million, public enterprise privatization project of $49.5, a $53 million, rural reform program and a $26 million educational reform project, each with the World Bank. These were carried out with reinforcing financing through the other major donors, principally the European Community, Canada, France, Germany, The Netherlands and the United States. Each participated in one or more of the reform programs, all within the basic structural adjustment program (SAP).

GRM performance had been good, almost exemplary, and in early 1991 negotiations were successfully concluded with the IMF for an extended structural adjustment facility, which was to go to the IMF Board in May. By then, however, events in Mali had overtaken the question.

As early as mid-last year, political agitation, fueled by a nascent free press, had begun to press for democratic change. In the vocabulary permissible at the time, this increasingly took the form of protest over economic conditions. The economic reform program was singled out as a main culprit for declining standards of living, ceilings on wages, continuing unemployment, lack of economic opportunity and barriers on student access and support.

This protest rapidly escalated in early 1991 with rioting and violence in January. The resultant hardening of GRM resistance both to political and economic change proved the catalyst for the subsequent riots of March. These brought about the overthrow of the government in a setting of violence and loss of life.

In political terms, the outcome is a government of transition, balanced between the democratic groups and the military, with an administration staffed by technocrats largely immune from the infection of the previous regime. The democratic groups include importantly the students and national labor syndicate, each of whom played a key role in the events leading up to the government overthrow.

The new government is pledged to a new constitution, free elections and the installation of a democratically chosen government by January 1992, when the military are to return to the barracks. This is an ambitious agenda, but the task is in hand (already 32 new political parties registered) and the United States is strongly in support in working out the institutions and changes to see this through.

The economic front has proved no less critical, but the complexities of the issues are less amenable to popular explanation. Nevertheless, the process is underway.

The new government immediately proclaimed its adherence to all Malian international obligations, specifically including the agreements with the IMF and World Bank. It had already become clear, however, given the rhetoric of the revolt, that the reform framework had already been compromised. The economic agenda - salary increases of 50%, payment of previous arrears, a halt to dismissals, suspension of the government reorganization and of the privatization of public sector firms, expansion of student facilities, state support of employment, revision of education sector conditionality, etc. -- all these demands were in direct conflict with provisions of the SAP and its related agreements. Popular expectations expressed the view that the money was there to do all these things if only the ill-acquired gains of the previous regime could be located and put to use.

The government, caught between these clearly irreconcilable demands, moved rapidly to bring order out of the situation. Restoration of security and public confidence were a first priority, and in accomplishing this, the government addressed an agenda directed to the domestic political settlement. Ultimately, this called for increase in payments to higher school students of $3.3 million[1], reconstruction of schools $2.3. million, for boarding facilities $5 million, to families of victims $4.5. million, youth programs $1.8 million, preparations for elections $3.3 million, etc. In addition, the repair and reconstruction of damage to public facilities initially recorded an estimate close to $20 million.

In the ensuing three months, the government has undertaken a broad domestic campaign to carry the realities of the country's economic crisis to the people. At the same time, it has pressed forward with the IMF and World Bank, and other donors, to secure agreement on a renewed framework for the reform program.

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1 All financial figures are given at US $1 = FCFA 300 (FCFA - Franc Communauté Financière Africaine).

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It is early in the game, but to date those efforts have borne substantial fruit. The national labor syndicate, for example, has stipulated that it is not opposed to economic reform indispensable to reinvigorating the economy. The union, which says it had not been consulted in preparation of the government reorganization, nor in changes in the labor law, nor equally on the closing down of the public sector, has asked for consultations leading to agreement on these measures. At the same time, the government successfully reopened the school system and persuaded the students to go back to their desks, while agreeing to continuing discussions on the claims of the student organization. The new government also proposed a revision of the early retirement (voluntary early departure or VED program) with a reduction which would still maintain the basic GRM salary ceiling. While none of these measures was conclusive, they demonstrated the government's increasing control of the situation, a broadening public understanding of the issues, and a return to fundamental security where the issues were discussed in conference rather than in the street.

On the donor front, both the World Bank and French government sent missions in April to assess the situation. They were principally concerned to see if agreement could be reached on the main points for restoring economic and financial confidence and the reform program. The findings of both missions were strongly positive, if tentative.

The government had met the monthly salary bill of $12 million and had even maintained a level of $21 million in budgetary receipts (against $20 million projected), with expenditures pared by $29 million. This resulted from economies across the board that reduced a number of budget categories by some 54%. At that juncture the World Bank, the French and the other donors implicitly agreed that there was a reasonable basis for working toward a restoration of the reform program with some modification of targets and criteria. This was confirmed by a subsequent joint IMF/World Bank Mission in May-June which reviewed GRM progress to date and outlined the basics of a new SAP.

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What has evolved is essentially a transitional agreement with the World Bank and something of the same, a 'shadow agreement', with the IMF. The revised estimates of government financial operations (Annex B) incorporate substantial revisions in the new government's initial projections of expenditures and of the 1991 financing gap.

Specifically:

- revenues and grants are down by $8 million, including a $40 million reduction in government budget revenues, but compensated for by increases in budgetary aid.

- total expenditures have been increased by $12 million, while budgetary expenditures were cut by about $20 million.

- net external assistance has dropped by $20 million, and the internal deficit has been increased by almost the same amount.

- costs of reconstruction both of public and private sector damage have been eliminated from the table, relegated to project assistance if available.

- the net financing gap has been established at some $16.3 million, an increase over the zero gap at year's beginning, but a dramatic reduction from the early April estimate of over $100 million.

These revisions take into account a continuation of the SAP with modifications in timing and criteria.

For example, the VED program will begin in July 1991 with a number of 1070 departees, with the plan of increasing ultimately to 3000, as opposed to the early March target of 3600 for 1991. The World Bank has agreed to the GRM revision of the program which is expected to have the same general budget effect as the original projections, an eventual reduction in salary expenditures of some $13 million. At the same time, the Bank has agreed to an increase in the government salary ceiling to $137 million, from the earlier $133 million, a limited adjustment, but one that will give the GRM a little more room for maneuver. More significant, perhaps, is the GRM proposal to include military personnel in the program, a development which could have substantial long term effect on the budget claims from this sector.

Similarly, the public enterprise program for the liquidation and privatization of some 14 companies under the present World Bank tranche is expected to be realized over the next three months. The Bank stands ready to resume budget disbursement of almost $12 million against that condition, to which would be added another $15 million or so from other donors associated with the effort.

The increases in student bonuses are subject to a $15 million ceiling, which represents an increase over previous targets of $12 million. This gives the government some flexibility to resolve this issue in terms that keeps the educational priorities intact. (The details on government negotiations on this question are to be included in a companion FY 1991 project amendment for basic education.)

The $137 million salary ceiling already incorporates an estimated 18% increase over the previous year. While this is far from the 50% being requested by the national syndicate, it provides a new base. Two factors are at work here. One is the deferment of this large increase while discussions continue. Essentially, the later in the year an agreement is reached, the less effect it will have in budgetary terms, unless it is retroactive and that

is doubtful. Second, the consensus for an increase somewhere around 24% or so is being developed in the course of these negotiations. The government, for example, may well come out for a monetary figure which would have principal effect at lower income levels. If these efforts prove successful, the final figure could probably be accounted for or absorbed in the budget for 1992. That remains to be seen, but the opportunity at least has time on its side.

In this context, the first and overriding priority has been to restore order and security, open and maintain a dialogue with labor, students and the other democratic organizations, and keep the management of the public finances in balance. That has been no small achievement.

The most important contribution to the revision in figures, and to reinstallation of the SAP, has been the GRM's own efforts at pressing for economies and increasing revenues. The $12 million monthly salary bill, often paid weeks or months late in previous years, has been paid on time each month. On the revenue front, despite destruction of records and demoralization of staff, as well as popular reluctance to pay, the government has managed to sustain a level of revenues around the $29 million mark per month, or only 12% less than projected from last year. At the same time, expenditures have become increasingly subject to severe reductions, retaining only the most essential and at minimum levels. For example, for 31 budget categories, expenditures planned totalled $53 million, including $43 million from the budget itself. Reductions limited budget expenditures to $20 million (see Annex D). The same pattern is being continued with tightening among all line items.

At the same time, in a move which may have far-reaching effect, the government asserted its oversight of the military. A decision was made to include the military budget in the national budget process, subject to MEF review, and ultimately executive and legislative approval, together with the rest of the budget. When military costs are estimated at 25% of national expenditures, the step has clear implications for savings. In addition, all military procurement is now reviewed by the procurement review board, another measure promising economies. If to this is added a proposed military VED, the military figures on the national account may be in prospect of significant reduction.

On the reconstruction question, the government agreed in the first instance on the need for a European Community (EC)-funded assessment in detail of public sector losses. This report is expected shortly, and the figure is expected to be substantially below the original estimate of $20 million. At the same time, the government has requested EC financing for the same kind of study for the private sector. Ultimately, the final combined totals are expected to be significantly less than the first estimate of $74 million. More important in terms of the budget, and management of the public finances, has been the decision to remove this cost from the national accounts, except for the most immediate repair, which is already being undertaken. The eventual (1992) World Bank and EC project for public employment and construction may take up part of this requirement for the public sector side. In addition, specific sector projects will probably address essential repair and reconstruction within the sector. How to address the private sector losses, however, remains a question.

During this same three months, the government has proceeded with reliquification of the postal checking system in cooperation with the World Bank and France, has met all conditions for effectiveness of the 2nd World Bank health and population project, including issuing a population strategy, family planning action plan and abolishing monopoly import and distribution of pharmaceuticals by the state enterprise.

In that same context, the government has agreed to maintain the 6.5% budget allocation for the health sector and the 25% allocation for education, including in this latter (as noted above) a $15 million ceiling on payments to students. Finally, the government has agreed to increase development expenditures by 10.6%, while at the same time adhering to a current expenditure ceiling of approximately $275 million, or 2.5% less than projected last year. This is to be accomplished with only a slight increase in the deficit ceiling.

Each of these engagements is reflected in the draft SAP at Annex B and the table of consolidated financial operations at the same Annex. The prior SAP and financial operations are shown for comparison purposes at Annex C. In effect, the agreement on the revised adjustment program reflects the determination of this government to restore the reform framework, to apply the necessary austerity to make that a workable scenario, and to do so with popular understanding and even support.

It is perhaps too easy to say that this would have been barely thinkable three months ago. The distance the issues have come is a measure of the earnestness of this government, the reality of limited choice, and the relative success so far which this effort has achieved in bringing along popular appreciation for the issues.

The latter is a constant theme of public pronouncement, but couched in terms that address the specifics of the issues, i.e., the overriding need against the realities of limited national resources to liquidate non-performing public enterprises, to limit subsidy payments to students, to avoid unrealistic commitments for wages, etc. Coupled with this continuing effort at dialogue and information, carried out against a background of intense political discussion and preparation, is the constant call for transparency, for open and honest government.

Among the first acts of this new team was to elevate the office of the controller general (CG) to cabinet status and to reinforce its staff and facilities. In fact, AID expects to obligate next month a $2 million project in direct support of the CG to underscore agreement with this priority. At the same time, the government removed all heads and boards of the state enterprises, a measure designed to reduce management overhead, but also to demonstrate that earlier political ties were no longer an acceptable basis for appointment to office.

What conclusions does all this point to, in general, but specifically with respect to PRED? It is clear on the evidence, for example, that the government has adopted a constructive and businesslike posture with respect to the economic realities of the country. The early announcement of adherence to the reform program was not a temporary and necessary device for securing international recognition. It was a reflection of substantive commitment to the principles expressed in that program. Accordingly, while the political settlement costs and other compromises made so far detract in a measure from that commitment, it is more likely that these are tactical responses to a domestic political and economic crisis which has demanded immediate answers.

This view is strengthened by the consistent application of policy by the government over the subsequent months. The principles of austerity, budget reduction, emphasis on efficiency and transparency, a new attention to public accountability, all these are now part of the record. If that has reflected a balancing out between the realities of the economic costs and the political demands of the new democracy, it has been a balance acquired with increasing assurance.

The conclusion of the interim or transitional SAP for 1991 with the World Bank, the same program serving as a 'shadow agreement' with the IMF, are respectable measures of the success of this effort, how far this government has come in a short time. The calling of a 'Friends of Mali' meeting in Paris on July 3 may in part reflect French unwillingness to carry the weight alone. It also certainly responds to French and other donor respect for the Malian effort to date, and a disposition to consider further support to that endeavor. Each of the other donors has spoken informally on the question and assuming the record can be defended in Paris,

each is expected to contribute to the transitional adjustment program. This specifically includes the African Development Bank proposed loan of FUA 15 million, which the United States government approved in mid-June specifically in support of the SAP.

All this is positive, but there are issues and uncertainties as well. There is no denying or masking the underlying disarray in the economy, nor in the society at large. Apart from the continuing insecurity in the North (the Touareg problem), there is lively debate over the political direction of this country's future. There is overwhelming agreement on the democratic character of that future, but the debate will increase over the succeeding months as the mechanisms and forms for arriving there, for participation, are hammered out.

Could it all erode? Could the government, the old opposition, become simply the new elite and 'on the take?' The answer, of course, is 'yes', but this is also a question of evidence, of probabilities, of confidence or even hope. It is also a question of supporting, working for a commonly desired result. That effort and commitment cannot be without risks.

On the side of the economy and the government's responsibilities, the damage is still part of the equation. Tax records have been destroyed, for example, for some 87% of reporting industries, and probably for 75% of the major traders and proprietors in Bamako, as well as for a similar proportion of the banks and professions. The effect of this is evident in the 51% of business tax yield of which these activities represent, particularly where tax revenues in turn reflect 77% of the national revenues. While the limited shortfall in revenues of some $45 million (Annex B) is testimony to the aggressive and determined character of the government's response to put the country back on a paying basis, the goal is far from being achieved. This represents the end-year target. With more than six months to go and a still disorganized fiscal sector, the challenge and the uncertainties are obvious. Much of the feasibility of the transitional SAP depends upon such revenues. The implications of a failure to realize these objectives would be critical.

Similarly, while deferral of repair and reconstruction may be a necessary budgetary decision in the circumstances, the continued degradation of the Malian infrastructure -- specifically its fiscal infrastructure -- leaves little room for basic improvement in collections and in equity of collections, both of which are required.

Equally and even more fundamental, the incidence of the destruction of industrial capacity, 51% (or $38 million in value) of the total, with private sector damage at 86%of this total, remains a heavy drag on the economy and certainly compromises any major hope for expansion in the modern sector in the near term. In that light, the overwhelming agricultural bias of the economy is a saving factor. It is of less immediate encouragement, however, in the reform context, i.e., considering the basic reform objectives, most of which are addressed to the modernizing sector.

Fundamentally, the question comes down to one of probabilities and an assessment of the risks. There is the clear and present risk, for example, that the new government's program will be partially or completely derailed by the overriding force of political events. There is also the risk that whatever is accomplished in the short term, this transitional year of 1991, will be disavowed or overturned altogether by the elections and new government of 1992. There are the more immediate risks that the economy and the administration simply will not respond adequately to meet even the modified targets of the transitional SAP, or that this government will lose the determination to try to achieve those targets, to make the hard and unpopular choices that will have to be made. Equally, there is the reality that however successful this government may be in deferring expenditures, postponing commitments, that these bets will have to be paid in 1992, simply putting off for the moment an inevitable fall from compliance.

On the probabilities, present evidence at least suggests that some or more of these are unlikely to come to pass. Fundamentally, this conclusion turns on the reality of the economic crisis. If there were another feasible alternative to the reform program, the government might well be tempted. In point of fact, however, there isn't. It is simply not possible within the national resource base to carry out the political, social and economic agenda -- for democratic participation, equity and employment, and economic growth -- through any other means than those now being pursued. Virtually every statist alternative has been tried and discredited in the past, and even if that had not been the case, it is clear to every responsible member of the government that little external assistance would be forthcoming for such policies. On the facts, there is no question of the country responding to the task without such major outside assistance.

This is the reality and essentially it sets the ground rules for what is possible in the directions the government can take. Inevitably that process will involve some defaulting from the basic conditions, compromises at times, continuing discussion with the donors and a give and take, but the fundamental guideline is clear. It is reform or nothing on the assistance front; it is reform or stagnation on the economic plain.

Accordingly, while the risks are present and real, the determinants are equally present and equally real. In that context, if the new government didn't believe in the credo of reform, it would have to adhere to it - and all evidence is it believes and is committed. Also, while predicting the future is a hazardous endeavor at best, that government commitment at least gives weight and probability to the avoidance of other risks along the way.

The transparency and openness of this government should continue to allay the fears of those who see demands for discipline and austerity as a denial of their share. Similarly, the government's aggressive and activist record on moving the political agenda forward, while keeping open the channel for dialogue, presents a reasonable chance that this will see the country through the political and economic crisis of this year. A good rainy season, needless to say, will help.

In addition, while essentially the government is managing the economy in the sense that claims are being limited and deferred where possible, that is fundamentally necessary in the context of 1991 and the transitional SAP. If those targets can be met in this year of crisis, the opportunity for budget planning for the subsequent year allows a flexibility which is virtually absent at present. If, as noted earlier, the $15 million student payment can be held to that ceiling this year, that at least permits an opportunity next year. An opportunity to compensate elsewhere for what might be a further increase, and to do so in measures that perhaps do not compromise the essential priority for basic education. The same principle will be at work on the VED, the question of salaries, etc. Successfully containing these issues this year presents an opportunity to plan, one that is simply not now available in this transition year.

Recognizing the fragility of all this and the acknowledged uncertainty of any conclusion about the future in this context, the case is reasonable that the risks are less than the probabilities, that the fundamental likelihood is that the government will persevere, will stay the course. Essentially, this is a judgment that the SAP for 1991 will be respected in all its major components and conditions, that the economy and administration will continue to be strengthened over the course of this year. That the reform program will provide the framework for the political changes and not the reverse.

Based on that judgment, the Mission recommends that the United States - AID - record its part in this effort through cooperation with the Malian government and the other donors. Specifically, in this context the AID part reflects principally the role of PRED as the vehicle for participation in and reinforcement of economic reform. The PRED is addressed to the private sector and the role of government, both.

D. The Sector

The first PRED objective is promotion of the private sector, but what does that sector mean in Mali?

Mali still fits well the dual economy model; a modern sector which until recently could be said to coincide with the public sector, and a weak private sector largely identified with traditional, informal activities with weak links to the modern sector. With the structural reform efforts the public sector has shrunk, but the modern private sector needs still to grow.

The private sector base is not small; it directly controls 80% or more of Malian economic activity. Its weakness stems from: the dominance of the informal subsector; the taxes imposed on the more visible modern private sector; and the inefficiencies inherent in a complex regulatory system.

Information published by the National Directorate of Statistics and Information (DNSI) shows that as of 1989 the informal economy accounted for 63% of economic activity. The primary sector is the least formalized with 96% belonging to the informal economy while the secondary and tertiary sectors are 61% and 62% formal respectively. The DNSI report estimates that the modern private sector employs less than 9% of the economically active population. It pays, however, a disproportionate share of tax. For example, the business tax, over 80% of which is paid by the private sector, provides some 42% of Mali's direct tax revenues. See Annex G.

The large percentage of informal enterprises with traditional management and technology and limited access to credit means that the creation of a liberal market environment is not likely by itself to generate a rapid response. Entrepreneurs need help to take advantage of opportunities created by the new environment.

A private sector promotion seminar financed by AID held in Bamako December 10-14, 1990, centered on three groups of constraints to which the organizers assigned priority: (1) the economic, legislative and regulatory environment; (2) the organization of the private sector; and (3) private sector financing. The conference produced a long list of recommendations, of which the following were the most important:

- that government structures be adapted to the new demands and concerns of the private sector and that the government involve private businessmen in the conceptualization and implementation of policies;

- that the commercial courts be put into operation making it possible to enforce debtor obligations and other legal rights in commercial transactions; and

- that a program in support of enterprise creation, restructuring and growth be developed; that it include the measures necessary to promote the development of small and medium size enterprises including a management training program, seminars, internships and skill training courses.

The Mission's participation in the proposed FY 1991 AFR/MDI Private Enterprise Development Support (PEDS) project will assist the Mission over the term of the PRED in articulating further this intervention with the private sector. The PEDS is expected to become an integral part of the analytical framework for implementation of the PRED.

E. Other Donors

As noted under I. C above, the PRED is part of the GRM economic reform program, in this instance addressed to the transitional 1991 structural adjustment program (SAP), but by extension to the continuing program. As is evident from the discussion and the material at Annex B, the World Bank and IMF are major actors in the reform program. Both have agreed to the transitional program.

As early as April, the World Bank mission had recorded the conclusion that the new government was respecting the SAP agreements and was fully committed to doing so. At the same time, the Bank recognized that the conditionality was not then actively being met, and in effect postponed further budget aid in that context. Subsequently, with negotiation of the transitional SAP, the Bank stated that it was ready to disburse again against the conditionality of its programs. In the immediate future these include the first voluntary departure program (VED) expected in July 1991, and privatization or liquidation of some 14 state enterprises in the succeeding months. The Bank did not at any point hold the GRM in non-compliance, but reported the agreements as "still in place", a distinction which reinforced GRM willingness to move ahead.

Similarly, the IMF, while it dropped further consideration of the proposed expanded structural adjustment facility (ESAF) scheduled for IMF Board review in May 1991, has also refrained from finding Mali in non-compliance with its agreements. The IMF has essentially accepted the transitional SAP as the basis of a 'shadow agreement' recording the reform objectives of the GRM. They reflect targets which the IMF endorses

and the modified SAP was the product of the May - June negotiations between the GRM and a joint IMF/Bank mission. At the moment, however, Mali's previous structural adjustment facility of 15.2 million SDR and standby arrangement for 12.7 million SDR have both been drawn down. In fact, the GRM is to repay the IMF some $5 million this year and this is noted in the transitional SAP (a payment which will be effected through the regional central bank (BCEAO)[2] which will carry the account).

France, the largest bilateral donor, at some $65 million per year, has already agreed to provide immediate aid of $15 million, including about half in budget aid. France has also indicated it is prepared to equal its previous year's program provided the Malian government works out its agreements with the IMF and World Bank. This has been done. In addition, the French government is convening the 'Friends of Mali' meeting in July to review the policy framework and work out the financing arrangements for Mali for the remainder of the year.

Canada with an annual program of $15 million, Germany with an aid figure of about $25 million and The Netherlands at $20 are all active partners in the reform program, each supporting different components, but each also predicating its assistance on the continuation of a fundamental reform framework. Switzerland is also a contributor and has come forward particularly in the aftermath of the overthrow of the former regime to underwrite the reform program with a grant of some $6 million. Finally, the European Community with some $25 million over a two-year period has agreed to reinforce its contribution to the reform program; a decision on amount may await the Paris meeting in July.

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2 Banque Centrale des Etats de l'Afrique de l'Ouest.

For each of the bilateral donors, the touchstone for their participation has been the reinstatement of a reform framework or the policies, criteria and targets which formulate such a structure. In this respect, their response has been no different than that of the United States - evidence of the right policies and the commitment to carry them out. While these requirements could have been satisfied in the absence of agreements with the IMF and World Bank, it frames the issues with greater clarity when these are in place.

Overall, the donors provide some 93% of Mali development resources and 50% of its total budgetary assets. Given this preponderance, the association of the donors with the reform program objectives has a major effect on the directions which the GRM adopts, as discussed above (I.C.).
As the Mission pointed out in its messages following the events of March of this year, the AID decision would depend on the policies and directions of the new government, taking into account among other criteria the status of its agreements with the IMF and World Bank. The other donors are evidently satisfied with the framework now in place and the July meeting should confirm that.

It is the Mission's recommendation that the United States take the same stance.

II Program Description

PRED begins in 1991. There are four years of conditionality against which NPA will disbursed, through 1994. The project continues through the subsequent year, 1995, with a PACD in 1996.

A. Major Problems and Rationale

As is clear from the SAP documents at Annexes B and C, the major problems are the burden of the state on economic activity at all levels. In a setting where the government fiscal burden is around 16%, the role of government is certainly not insignificant. Equally, when government salaries approach 51% of budgetary expenditures and 6% of GNP, the implications for economic weight of government are obvious.

Over a ten-year period, through the cereals restructuring program, the GRM and donors have accomplished an almost revolutionary liberalization in the agricultural sector, except for those specific activities still controlled by the government (e.g., Office du Niger, CMDT (cotton), etc.). (In the present instance, even these activities are brought under the framework of the SAP. Significant donor resources, for example, are addressed to the Office du Niger as well as to the cotton project.)

The main thrust of this reform program and of the SAP, however, is addressed to government involvement in the industrial and commercial economy, as well as government regulation and oversight of this same sector. This concerns in large part government revenue demands on the sector in addition to controls on economic activity generally.

The reform program generally is addressed to reduction of government size through cutting the numbers and the payroll; to more efficient and equitable administration of the revenue services; improved management of the public finances; fewer regulations on basic economy activity; and less ad hoc interference in the working of the economy. On the positive side, the reform program seeks to encourage business formation, particularly small enterprises moving from the informal sector; greater freedom in compensation and hiring/firing; more equitable settlement of disputes and resolution of claims; and greater production for export.

The program, in effect, reflects a judgment that the constraints reflected in the agenda represent a brake on the economy and an excessive cost for the country. The positive components, on the other hand, record the view that these kinds of encouragements offer a means to invigorate the economy and the private sector, to increase investment and generate greater productivity and income.

In the Malian setting, it should be noted that these remain to some extent tests in the laboratory. It is not difficult to identify and address the negative aspects of over-involvement or inequity in administration, but it is something else to prove that change in these elements brings consequent expansion and growth. To concede the theory is not to deny the fact that growth has been slow in these sectors, notwithstanding nearly 10 years of reform effort. The relatively small industrial sector, with 5% of GDP, had 8% growth over the past decade, but this is offset by the conservative growth of 3% in the agricultural sector.

In fact, however, there is no real alternative to the reform agenda. No other perception can even offer the possibility of change and growth. What remains is the hard work of perseverance and staying with the principle of private initiative. The expectation is that at some point the returns will measure up to the immediate social costs (which probably could not be met otherwise, but political rhetoric remains a constant counterbalance).

The materials at Annex B , outlining the provisions of the SAP and the GRM corresponding budget allocations, are adequate evidence of the range and substantial character of the reform program as it addresses these problems. For AID, for PRED, the specific components to be addressed are with three exceptions already recorded in the SAP. The exceptions, which will be discussed further, engage the reduction of two taxes, the increase of non-salary expenditures in the MEF, and technical assistance in management of the public finances. With regard to the MEF non-salary expenditures and technical assistance, these are entirely consistent with SAP objectives and therefore not exceptions per se.

B. Program Conditionality

PRED provisions accordingly include the following:

Conditionality

FIRST TRANCHE REQUIREMENT	**1991**
Eliminate export taxes.	
SECOND TRANCHE REQUIREMENT	**1992**
Reduce the payroll and minimum business profits taxes each by one-third;	
Establish the Bamako commercial court with plan for establishment in other cities.	
THIRD TRANCHE REQUIREMENT	**1993**
Establish a revised statement of reorganization and responsibilities for DNAE[3].	
Increase non-salary expenditures in the MEF by an agreed standard.	
FOURTH TRANCHE REQUIREMENT	**1994**
Implement the single income tax.	

1. Elimination of Export Taxes

Export promotion is an obvious economic objective for Mali and the reduction of restrictions is clearly part of the SAP. In revenue terms, export taxes generate less than 2% of government tax revenues, with 75% or more allocated to the agency charged with management of GRM debt. The distinction, however, doesn't affect the basic balance of GRM revenues and obligations, just their immediacy.

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3 Direction Nationale des Affaires Economiques.

The overall reduction in government revenues from this measure comes to some $6 million, not an overwhelming total and already accounted for in the transitional SAP. On structural effect, production by the 71 industries comprising the modern sector, mainly addressed to agro-processing, is in effect insufficient to meet the needs of the Malian economy. Essentially, this means a continued low level of exports - valued at some $300 million in an economy of $2.2 billion. The main exports are in fact cotton and cattle, also gold, accounting for 87% of exports by value, with a total value of $272 million.

Apart from these 71 industries, the remainder of the modern industrial sector (largely concerned with production of batteries, hides, pots and pans, etc.) has even less present role or potential for exports. Moreover, most export of agricultural commodities is by the non-formal sector, and most of these, including locally processed agro-products, go over the border without any charge or clearance. Cattle, particularly, are exported without charge; the border is simply too large and open.

In this context, what effect does the elimination of the export taxes have? The answer to that is less addressed obviously to the revenue effect than the discrimination against export activities, while encouraging often inefficient import-substitution activities.

The taxes have in fact been eliminated as of the 1st of February 1991. Already there are documented reports of Bamako industries sending people to neighboring countries to explore the prospects for penetrating the markets across the frontier. As an encouragement to such initiative, doing away with the tax apparently makes sense.

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As the removal of a psychological barrier, an irritant tax, it makes even greater sense. Beyond that, to predict a major expansion of exports would be speculative. In the circumstances, it should be sufficient to accept the limited gains registered by the measure. In effect, the elimination of these taxes reduces the opportunities for ad hoc exactions and probably will encourage exports where the opportunities exist. It will not create such opportunities.

2. Reduce the Payroll and Minimum Business Taxes

Each tax was reduced by an initial one-third through the EPRP (initial AID economic reform program 1985-1991). Evaluations found that the reductions were useful, in the right direction and approved by the business community, but hardly catalytic in their effect. The same will remain true with the proposed further reduction. In each case the reduction is by an additional one-third, from 7.5% of payroll and 0.75% of turnover.

On the payroll tax, what is involved here is a charge on modern sector employment affecting some 15,000 employees in the private sector and another 20,000 in the mixed economy. The amount of the tax is hardly confiscatory, much less intimidating, but it discriminates against employment in a labor surplus economy. Moreover, at receipts of $5 million, its revenue effect is minimal. The disincentive to employment arises from the fact that it is a tax additional to the social security charge of 21% (already to be reviewed as part of the current SAP), and therefore brings the total salary tax paid by the employer to close to 28%.

There is a consensus among Malian business that lowering of the tax will not by itself decide the question whether to employ a person or not. Without similar reduction of the social security tax, the cost difference remains too small to be a main factor. Nevertheless, once again, it is a step in the right direction and the reduction of a nuisance. It indicates commitment to the principle and offers some expectation of future improvement. On that basis alone, it deserves support.

The minimum business tax, on the other hand, has been characterized as a real "brake on investment and anti-economy." It is a charge payable at 0.75% on the volume of business or turnover, whether the company has made a profit or not. It is regarded particularly as a discouragement to new business, which often has to endure before any profits are realized. It particularly stunts the initiative for movement from the non-formal sector.

The revenue implications are again minimal, some $1.2 million in a total tax base of $225 million, and for direct taxes, it amounts to less than 3% of the $39 million total. The government, accordingly, has little need of it; and certainly the business community, neither formal nor non-formal, needs this charge. The reduction is a gesture, but again it is in the right direction. As with the payroll tax, it might just lead ultimately to a decision that it be abolished altogether; but one step at a time.

Neither of these tax reductions is included in the SAP and in both cases the IMF had indicated reservations. Given the minimal significance of both taxes, IMF concerns appear somewhat overstated. The IMF argument that the minimum business tax at least levies a charge on businesses hiding their profits is a cautionary note for the tax evader, but at what price and gain? The revenue is modest, but the cost for the sector is high certainly in terms of business community perception. The fiscal and psychological barriers the tax presents for movement from the non-formal sector is simply an additional weight on the scales.

In any event, given the IMF reservations, implementation of the PRED conditionality for the payroll and minimum business taxes will depend on a finding at the time that this makes sense. In the event the GRM is not persuaded - and it has proposed those reductions - or the IMF remains concerned, alternatives will be considered in consultation with the AFR Bureau.

3. Establishment of Commercial courts

This involves the establishment of a commercial court in Bamako, and a plan to do the same in other cities. The benefits are obvious in terms of the needs of a modernizing and growing private business community, and the opportunity in this period of open and transparent government is clear. The program and principles are both recorded in the SAP which call for the revision of the Commercial Code by September 1991. The courts will apply that code.

While the Mission certainly doesn't claim expertise on the establishment of courts, commercial or otherwise, nor in the procedures to be applied by them, GRM and French practice are heavy with experience on the proposition. The government will proceed with whatever expertise it expects to apply or recruit, and keep the Mission informed. At points in advance of the installation of the Bamako court, and completion of the expansion plan, the Mission will contract for appropriate advice on the question. Without oversimplifying what will be a serious process, there is no point in complicating it either.

The form and substance of such institutions should respond to local need and practice, about which AID experience is limited. The Mission role in this instance will be to determine that the condition has been satisfied on the merits, a task for which the findings will be the product of a series of informed and qualified consultancies. Timing of these will ensure that any AID substantive concerns are reflected early in the process.

4. Redirect DNAE Efforts

The DNAE restructuring program is key to the project portion of PRED, as it will directly and visibly support private sector development. DNAE will directly assist the private sector through (a) information dissemination; (b) training, technical assistance and advocacy services; and (c) special policy-oriented studies aimed at deregulation of the economy.

The DNAE program is the distillation of study and dialogue within the administration and between donors and the GRM. The DNAE workplan in its current form will center on four activities: (1) data collection, (2) information dissemination, (3) revision of regulatory texts, and (4) active private sector promotion, principally for exports. Together with these specific tasks will be policy studies, seminars, debates and information campaigns aimed both at the private sector and at government agents. The DNAE will gather and disseminate data on a variety of topics for the private sector: prices, market structure, availability of inputs, current regulations, and the like. What is envisaged is a system similar to the SIM (Systeme d'Information sur le Marché, Market Information System) currently operated by the cereals market restructuring program.

For the PRED, information dissemination is the core of DNAE. One finding which occurs throughout the private sector studies is the importance of transparency in GRM operations. The lack of information about the requirements for registration or incorporation, about tax and customs rates, as well as the lack of transparency about the respective responsibilities of the various government services involved, constitute an impediment to the creation of businesses in the formal sector but also facilitate arbitrariness in applying the regulations.

On the current role of this DNAE intervention, a comment is in order. Under the previous government, it was the fiscal reform measures which were more straightforward and the regulatory reform measures which were more complicated in their implementation. Why? Because the regulatory structure served the interests of large numbers of people, and because it was difficult to call those interests into question. In the case of DNAE, for example, a fundamental obstacle to such reform had been the fact the entire apparatus functioned both formally and informally to gain revenue both for the service, officially, and for individual agents unofficially. This was true, despite the strong efforts of recent DNAE directors to change that. The opportunity is now and the prospect for DNAE becoming an important factor in the promotion of an open economy is more real, and necessary, than ever before.

5. Increase in MEF Non-Salary Budget Allocations

A basic tenet of the reform program has been that the government payroll is too large, too large per se, too large a burden on the public accounts as well as on GNP, and reflects too large a proportion of the workforce engaged in non-productive employment. The VED program, the salary ceiling recorded in the SAP, the emphasis on rationalization of the salary structure, all these are facets of the same problem, the same perception.

AID, in fact, as it pioneered the VED through the EPRP, also incorporated non-salary increases in the MEF as conditionality in one of the later EPRP amendments. The PRED continues this, but with additional emphasis.

It is not suggested that increases by themselves in non-salary expenditures necessarily carry with them corollary increase in efficiency. Workload, type of requirements,administrative procedures, legal framework, equipment or automation feasibility, all these play a role. In addition, the adequacy of compensation per worker can be as much a factor as the number of employees or the facilities provided for their work.

Incorporation of this component in the conditionality of the PRED is recognition of the continuing importance of the question, of the proportion of salary in expenditure and workforce terms. The condition reflects the basic principle that less should not only cost less but prove more efficient, if there is corresponding increase in non-salary resources. While the image of excessive numbers of civil servants, with many underemployed because the government can't afford to equip them for work, is not really accurate in this government, the basic image has appeal.

The SAP addresses the question both through the VED and through the requirement for a study of civil service compensation. It is one thing to say that too many people are on the payroll. It is a different question when it comes to salary levels. Even lower numbers of civil servants inadequately paid will not necessarily perform better even with greater material resources.

All of which underscores the complexity of the question and its importance as well. The PRED accepts this challenge in the context of the MEF, continuing the effort begun under EPRP. Salary/non-salary ratios are not the expressed standard,. Such ratios are difficult to predict in terms of optimum efficiency and could reflect prospective personnel reductions inadequately in terms of material requirements.

Accordingly, PRED establishes a condition that provides for a process of examination looking toward substantive agreement on the level of resources committed to the material and equipment requirements of the MEF (See Annex E). That is an important part of the salary issue, but it directs the inquiry from a different vantage point. The VED, salary ceiling and the SAP required study of compensation will provide the balance at the other end of the scales.

6. Implement the Single Income Tax

In point of fact, this measure appears in the SAP as a target for 1992, with the GRM obligated this year to complete the preparatory work. Preparatory work, studies and further review of the question will probably be accomplished within the 1992 deadlines. It is less clear, however, that all questions will be resolved and the administration prepared for introduction itself of the tax the same year. In that context, the PRED date of 1994, and it could be beginning 1994, may represent a target date more likely to be met.

There are several reasons for this, the most obvious immediate question having to do with the recent destruction of much of the tax records and collection facilities, as well as the demoralization of the revenue services. Coupled with that is the surfacing of a public reluctance to pay, in circumstances where the present political rhetoric makes much of the abuse of the revenue power by the prior administration.

The new government has made significant progress in restoring confidence and in filling in around the data gaps, and collections have been impressive. But the judgment for purposes of PRED is that there will need to be further recovery and restoration of services before a measure as sweeping as the single income tax could reasonably be introduced.

Part of this necessary period of adjustment is related to the introduction of the VAT or TVA[4] in January of this year. This, too, is a component of the SAP and the previous government met the January deadline. The TVA took the place of an earlier tax on business and services and its initial results certainly reinforced the arguments for the change. In a sample of some eight industries, the receipts in December 1990 under the earlier tax were roughly $300,000. For the TVA in February 1991, that figure had more than doubled to something approaching $750,000.

The subsequent destruction of records, however, as discussed earlier, affected some 87% of local industries and close to 75% of all major categories of larger tax reporting elements in Bamako. The chaos which ensued on the direct tax side has subsequently been aggravated by complaints over the relatively complex requirements involved in complying with the TVA requirements.

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[4]Taxe sur la Valeur Ajoutée

There is little question that the TVA will remain in place, perhaps with modifications. It is equally clear, however, that much of this year will be taken up with dealing with the issue and sorting out both the basic tax eligibility criteria as well as restoring and improving the administration. In terms of priorities, that will leave little room for concentrating on preparation and introduction of the single income tax.

Apart entirely from the present context, the single income tax is still the subject of substantive debate on the merits. In principle, such a tax should respond to the overriding needs of both the GRM and the community for a revenue system which maintains economic incentives and incorporates greater equity, a more efficient administration and an increase in receipts. The single tax integrating five existing separate taxes, with progressive rates and clear declaration of income, should both reduce the chances for administrative abuse and provide an essential equity in the treatment of all taxpayers. Equally, a simplified system should tend to reduce the time and steps required for administration, thus decreasing the cost of collection. Finally, in a new universe where all taxpayers are brought into the same framework, there should be the likelihood of increased revenues. Reasonable marginal taxes should also encourage economic activity.

This is the theory, and this is this basis for the condition in the SAP and for the PRED component.

It is clear, however, that extensive further study and much public discussion will have to take place before such a tax, or a modification of such a tax, is introduced in Mali. In effect, in the view of the business community, as well indeed for elements of the revenue service, the case is not decided.

In this respect, the experience is cited of neighboring countries which have introduced some degree of single income tax. Congo, Chad, Gabon, the Central African Republic, Togo and Senegal are all mentioned as countries in which these measures have been introduced. The results are cited as disappointing, both as to revenue yield and simplicity of administration.

Specifically cited are the incongruities and anomalies of applying a system which requires an income declaration and annual payments in circumstances where much of the paying community is illiterate, keeps inadequate and poor records, is unable to calculate profit, much less deductions and costs, etc. It is equally claimed that the complications of trying to sort through the different categories of income - from industry, commerce and trade, property, lending, etc. - create a patchwork of administrative difficulty which becomes inevitably a vehicle for discretion and abuse.

Paradoxically, the point is made that the best organized and principal payers, who have the accounting and management resources to define their costs and income, may end up with a disproportionatly smaller and inequitable level of liability. Salaried workers would become the main target of the single tax and the non-formal sector would continue to evade.

It is not clear the extent to which these concerns are correct, or if to some extent correct, whether by themselves they militate against the introduction of such a tax. There may be other factors addressing equity and efficiency which are not being given adequate credit, and there may be modifications or adjustments which can address the issues.

The argument is made, for example, that the present Malian list of five taxes permits the revenue services to tax most often at the point of transaction or through the source of the income. In the latter case, that essentially means withholding by employers, pensions funds, tenants and the like. On the transaction side, it can be based on a provisional estimate of turnover or other demonstrated money total. None of these separate taxes is intrinsically or individually better or worse than another, but the argument runs that a working system with some improvements is better than the sweeping introduction of something new.

Regardless of the merits of the debate, what is clear is that the proposition for introduction of a single income tax in Mali will require more study and public discussion. The PRED 1994 date in that context makes sense. Between now and 1994, there is much deliberation involved. What results finally has to be the result of collaborative study and discussion over the intervening period to determine whether such a tax should be introduced, and if so in what form, with what modifications, etc.

In contributing to that agenda, the PRED will participate through the technical assistance component, discussed below, including through individual studies and short-term consultancies, as required. It is not a simple issue, but it is an important one on the fiscal and private sector fronts, and PRED needs to be engaged.

C. Management of the Public Finances

It is a truism to say that economic policy reform by itself is insufficient to effect change, even less to achieve the results put forward as incentive for the reforms. Fundamentally and always, the question turns on the issue of management. The success or failure of the agenda depends as much probably on the efficiency and imagination with which it is addressed as it does on the economics on which it is predicated. This has been no less true in Mali than any other country.

PRED connotes an additional precision in the concept of this linkage. This concept reflects the essential role of the public sector as it affects the operations and opportunities of the private sector to be realized through the reforms. In a word, this means the role of the Ministry of the Economy and Finance (MEF). It is clear that efficient management of public sector financial and economic resources is the principal link and condition to the economic liberalism and increased activity expected from the SAP.

It is obvious this is not solely a question of the efficiency and honesty of tax collections, customs administration, nor of transparency in information to the private sector. It is also at core the capability of the MEF to administer the array of reforms, at the same time to provide for judicious and efficient execution of the normal functions of budget allocation and fiscal control.

It is apparent, for example, that management of the public debt, dealing with the balance of payments, articulation of fiscal and budgetary policy, and even negotiation with donors are all attributes of the MEF which may directly or indirectly impact upon the decisions made by the private sector. Similarly, the discipline in enhancing of revenues becomes a critical factor in the monetary and tax relationships between the reform program and the incentives for the private sector. The list is by no means complete, it embraces virtually every aspect of the efficiency of the MEF as it relates to the efforts of the private sector to give the economy renewed vigor.

In the PRED, it is incumbent to be able to trace the effects on the private sector of the mechanisms employed by the MEF. Essentially, this component addresses an institutional factor depending on adequate reinforcement and advice through technical assistance, training and equipment.

Management of the PRED will be the responsibility of the MEF. As with the EPRP, the principal element charged with this responsibility will be the Project Coordination Unit (PCU), a unit which has now acquired some five years of experience in oversight of the EPRP as well as coordinating with the reform programs of the IMF and World Bank. It has become an institutional asset within the Ministry and its role will be reinforced and strengthened under PRED. Apart from monitoring and reporting implementation of the PRED, the PCU will undertake a continuing broader monitoring and analysis of the overall reform effort, in the larger context. The PCU will inaugurate a management information system (MIS) to develop and process relevant data from within the MEF and other GRM agencies.

The World Bank, largely through visiting teams, carries out periodic assessments of progress on the policy front. Moreover, the Resident Representative is accredited directly to the Minister and keeps current on a continuing basis. Similarly, the IMF Resident Representative is assigned to the MEF and has an office in the building. Contact and monitoring are constant. The French government, also, has an array of technical advisors assigned to the MEF, one to most of the departments and a senior coordinator. Each of these French advisors addresses in greater or less measure the specific elements of the program supported by France, which encompasses a broad range of MEF activity, specifically on the customs and revenues sides. The World Bank and IMF presence is largely concerned with the elements of macro-performance, with a specific Bank concern for World Bank programs within the SAP.

With EPRP, AID pioneered the concept of a unit staffed by Malians and headed by a senior Malian official to oversee and coordinate the AID-financed program. As it developed, the same official, the Supervisor, was also assigned responsibility for the World Bank and IMF programs. The coincidence of authority acted to the benefit of each, as well specifically to that of the AID program. While the French component remained separate in form, the fact that all these people essentially work on the same agenda, in the same building and together has meant that this has not been a coordination problem.

Under the EPRP, the PCU itself was staffed with a resident consultant (the coordinator), and with a Malian staff which included a financial analyst, an administrator, an accountant, plus secretarial assistance. All these were funded from the project. In addition, within the same technical assistance team, a resident consultant was also assigned to work with the MEF in computerization of the payroll, a necessary step to reinforcement of the VED and to control of salary levels.

Parenthetically, it is worth noting the part played by this computerization after the riots last March. The basic payroll documents were all destroyed and had to be reconstructed using the software which had been earlier relocated. Without this, the government could never had made the payroll at the end of March and April as it did. A fortuitous and accidental product of a technical assistance effort? Perhaps, but the effects of modernizing and making the effort cannot be minimized.

PRED and the urgent demands of the new momentum in transparency and better government offer the opportunity for strengthening the role of the PCU as a key element of the reform structure. Over the course of the project, part of the purpose will be to integrate the unit into the MEF through assignment of Ministry staff to continue and confirm the institutional role of this element. Oversight of the PRED, development and processing of information on both the budget and fiscal fronts, monitoring of effect on private sector activities, analysis and special studies, the framing of policy options, these are a major agenda. But the PCU has reached a point where it is poised to assume these responsibilities.

Key to this effort will be the assignment of advisors as a team to work from the PCU across the array of PRED concerns and to guide the PCU in the evolution of its responsibilities. The team will have four members, three of whom will be directly attached to the PCU, which will be reinforced with additional Malian professional staff. The composition and priorities for this staff will be detailed in the PCU work plan. This is to be prepared as an early priority after recruitment of the technical assistance team.
As with EPRP, the coordinator/team leader will have overall charge of and responsibility for the PRED and for advice and guidance to the PCU and MEF on the broader reform elements.

An MIS advisor will also be assigned directly to the PCU, but will also work with the statistical office of the Ministry of Plan.

A public finance advisor will be attached also to the PCU, but with responsibility for working with the Ministry of the Budget as well.

Finally, a private sector advisor will work with the DNAE on preparation of its strategy and action plan, and in implementation of its program.

Table 1
PRED: technical assistance and counterpart assignments

Advisor	Counterpart Bureau
Coordinator	PCU
Public Finance Advisor	PCU, Ministry of the Budget
MIS Advisor	PCU, National Statistical Office, Ministry of Plan
DNAE Advisor	DNAE

This is clearly a strong technical assistance presence, in effect double the component supported under EPRP. There are several reasons for this.

First, of course, is the overriding need to reinforce MEF capability to manage the public finances, and to do so within a framework which permits targets and criteria to be readily identified. The timing in terms of the evolution of government ethics and efficiency is almost ideal. It is an opportunity not to be allowed to pass.

The framework in this case is not only PRED but the array of the economic reform agenda, the SAP. In that respect, AID participation in the SAP through the conditionality reflected in the PRED is obviously important on the merits. It is clear, however, that AID direct leverage on the specific components which make up PRED conditionality -- the export, payroll and minimum business taxes, the commercial courts, DNAE, non-salary emphasis in the MEF and the single income tax -- are not by themselves going to transform the public finance sector nor satisfy private sector requirements for growth.

Second, these components are part of a whole. By themselves the leverage they would exert would not be insignificant, but it would certainly count for less. The SAP or its equivalent larger reform context, therefore, is what gives this conditionality its role. It is clearly the combination of effort that matters in this instance. Third, to reinforce the effort of that conditionality, to ensure that the AID voice, concerns and views are reflected in the essential deliberations that will be part of this effort requires a presence. Essentially, it is this technical assistance presence at the coordinating level which gives the United States the real opportunity to make its contribution. The advisory team becomes that working presence, addressed to the management and policy directions of the reform program.

Essentially, this is the role already accepted by the PCU and the coordinator, but it is a role ready for reinforcement and to be enlarged. It is an essential role for AID at this juncture.

D. Monitoring and Evaluation

The Development Fund for Africa (DFA) focuses on improving management and performance of African economies, and tracking program performance, the results achieved.

One of the three strategic objectives of the Mission Program Logframe--creating an environment conducive to increased private sector growth and employment generation--is also the purpose of the PRED.

1. What to Monitor

Four areas need to be monitored and evaluated:

GRM compliance with the conditions for disbursing program funds;

impact of specific PRED reforms;

the performance of GRM macroeconomic and structural adjustment policies; and

capacity of the PCU to monitor and evaluate these elements.

a. Compliance with Conditions for Disbursement

The $18 million in program assistance to be released in four tranches annually from 1991-1994 is linked to the policy reforms discussed earlier. Monitoring compliance will require the PCU to track progress in fulfilling the conditions for each release. Each reform will be disaggregated into a series of actions that need to be taken. Conditions for the tranche release will have been met once all of the actions have been completed.

(Note: The condition to the first release, elimination of export taxes, has already been met but will need to be documented). Making this system work will require the PCU to work closely with the agencies responsible for bringing about the proposed reforms, making certain that each understands its role in the process. Joint annual reviews held one month prior to the scheduled tranche release will serve as the formal forum to confirm compliance.

b. Performance and Impact of PRED

The PRED policy reforms are part of the broader structural adjustment program. As such, the principal difficulty will be establishing the various functional and causal relationships between the PRED reforms and their effect on the economy. The PCU's job will be to understand and articulate the web of relationships among the reforms, and how they evolve in Mali's economic, social, and political environment. Given this context, the Mission and the GRM will track performance and impact of PRED reforms at (1) the goal level, as measured by the country impact indicators; (2) the purpose or strategic objective level, as measured by the program impact indicators; and (3) the output or target level, as measured by intermediate indicators.

(1) Monitoring the Program Goal

The goal of the PRED program is to promote economic growth. The country impact indicators which best track the impact of the PRED reforms on overall economic growth are:

Table 2
PRED: country impact indicators

Real GDP increases from $2.2 billion in 1990 to $2.6 billion in 1996.

Per capita GDP increases from $260 in 1990 to $310 in 1996.

Exports of goods and non-factor services grow from $330 million in 1990 to $400 million in 1996.

Government expenditure as a percentage of GDP decreases from 26% in 1990 to 23% in 1996.

The fiscal deficit as a percentage of GDP is reduced from 8% in 1990 to 6% in 1996.

These indicators are integral to the Mission's Program Logframe and are monitored annually in the Assessment of Program Impact (API).

The PCU will need to assess the relevance and accuracy of the above indicators as measures of broad program impact. These or any other impact indicators will need to be adjusted for end-of-project status and have annual measurable targets.

(2) Monitoring the Program Purposes

The purposes of PRED are to create an environment conducive to increased growth and employment and more efficient management of the public finances. These will be done by improving performance of the public sector, improving regulatory policy and practice, decreasing the fiscal burden on the private sector, and increasing job opportunities.

The indicators used to monitor the impact of PRED reforms on private sector growth are:

Table 3
PRED: private sector growth and employment impact indicators

Private investment (formal and non-formal) increases from $280 million per year in 1990 to $340 million in 1996.

Household incomes increase from an average of $1560 in 1990 to $1860 in 1996, as a result of increased private investment and business development.

Tax revenues increase from $220 million in 1990 to $330 million in 1993 and $365 million by 1996, through expansion of the tax base and a more equitable distribution of the tax burden.

The number of new jobs created in the formal private sector increases from 15,000 in 1990 to 18,000 in 1996.

MEF non-salary expenses increase from $800 thousand in 1991 to $1.8 million in 1996.

The DNAE, in its role of promoting private sector participation, will be a main source of information on private sector investment and job creation in the formal sector. Similarly, the MEF's tax office, charged with assessing all taxes and collecting indirect taxes, will monitor tax revenues and their sources.

Regarding the impact of fiscal reforms on budgetary revenues, preliminary findings by a local consultant show a correlation between certain tax collection centers in the Bamako District and particular tax groups, e.g., center II for Malian industries, center III-A for the informal commercial sector and liberal professions, center III-B for Malian businessmen and property owners, and center III-C for the banking establishment and petroleum companies. Should these initial correlations prove correct, Bamako tax centers could become the focal point for collecting information on the effects of specific tax measures on particular tax groups, the behavior of the non-formal sector, and tax equity. This, however assumes the destruction and loss of records from these centers will be made up over the course of the next year.

For household incomes and the impact of policy reforms at the household level in general, PRED will primarily rely on data gathered under the World Bank's "Social Dimensions of Adjustment Program" (SDA), scheduled to begin in 1991. This $4 million 4-year program, which will be implemented through the Ministry of Plan's statistical and information service (DNSI), will begin with analysis of the 1988 informal sector and the 1989 household surveys, which will serve as a baseline.

DNSI will carry out five more surveys that measure priority social sector indicators at the community and national levels. These surveys, to be done during the 1991-1994 period, will establish further measures for tracking impact at the household level. They will focus on the more marginal and vulnerable groups, and will pay attention to gender variation. It is expected that the SDA will identify the costs and benefits of the reform program for different socio-economic groups, and suggest measures which will minimize costs and any negative impact on relatively deprived sectors of the population. The Mission and the PCU will explore the need for carrying out special studies that complement the SDA analyses.

(3) Monitoring Program Outputs

Monitoring PRED's goal and purposes focuses on the longer-term impacts of the program. More readily monitorable and more easily linked to specific reforms are intermediate or output indicators. These determine whether the program is being implemented efficiently and in a way considered likely to achieve the intended impacts. Output indicators can also contribute to the measurement of impact incrementally and in various combinations.

PRED will track three sets of intermediate indicators:

Table 4
Intermediate PRED Indicators
to be tracked by the PCU

Fiscal Indicators	All remaining export taxes abolished in 1991.
	Minimum business profits tax rate decreases from 0.75% of sales in 1990 to 0.50% in 1992.
	Payroll tax rate decreases from 7.5% in 1990 to 5% in 1992.
	Integration or elimination of five direct taxes on income in 1994.
Regulatory and Institutional Indicators (specific benchmarks to be determined by the PCU):	
	"X" DNAE agents are trained in new procedures, and provide a private sector support role, by 1996.
	Data relevant to private sector development that is collected, analyzed and disseminated by DNAE increases from "X" to "Y" by 1996.
	"X" number of tax reporting forms are simplified and "Y" number of taxpayer IEC programs in place by 1996.
	DNAE revises "X" number of regulations and proposes "Y" number of new statutes or regulations in support of private sector development by 1996.
	"X" number of business regulations are simplified and publicized in the media by 1996. Number of claims brought to and disputes resolved by commercial courts in Bamako increases to "X" by 1992, and to "Y" in other cities by 1996.
	MEF allocates $1.8 million in budget to non-salary expenses by 1996.
	Personnel levels of the MEF on a "Y" level by 1996.

Private Sector Participation Indicators:

Number of new firms obtaining business licenses in Bamako District increases from 1600 in 1989 to 2500 by 1996.

Unemployed civil servants (3000 by 1993) and unemployed graduates (10,000 in 1991) are absorbed into the formal private sector by 1996.

Available bank credit for SMEs increases 5% per year through 1996.

The share of bank credit given to non-commercial activities increases from 20% in 1990 to 25% by 1996.

Private sector perception of public sector performance improves (e.g., regulatory practices, public service delivery, adjudication in courts) by 1996.

Much of the data needed to monitor these intermediate indicators is straightforward and quantitative (e.g., tax rates, number of direct taxes, business licenses, bank credit, etc.), and can be accessed through existing databases and sources. What is needed is the PCU's (1) establishing or reinforcing collaborative arrangements with the agencies or institutions responsible for collecting and processing these data; (2) assessing reliability of the data, and making any suggestions to improve quality and timeliness; and (3) determining the level of analysis needed to obtain the information for each indicator, and responsibility for conducting it.

Less quantitative are 'process' indicators that yield information on capacity-building activities and perceptions of performance. They will track the 'progress and problems', for example, associated with restructuring the DNAE, implementing new tax changes, and increasing the amount of funds available for non-salary expenditures in the MEF. To measure these indicators, the PCU will need to devise methods to describe and analyze, for instance, the essence of DNAE's private sector support role, the meaning of simplified business procedures, the efficiency of commercial courts, and the effectiveness of the MEF in managing the public finances. Also important is putting in place survey and low-cost appraisal methods that can document changes in the perception of the economic and business environment in particular, and the policy reform process in general.

2. The Role of Evaluation

The kinds of information needed to monitor the goal, purpose, and output indicators detailed above will be gathered and analyzed on a regular basis, so that they feed back into the decision-making apparatus of the reform program. Having this continuous flow and assessment of information will furnish project staff and policy-makers with the management and performance-based information they need to make decisions in a timely manner. This system will be supplemented by periodic special studies. In this context, the mid-term evaluation should not be a major exercise. Most of the data should be available and in an immediately usable form.

An end-of-program evaluation is essential for assessing overall impact of the reform program, particularly with regard to private sector initiatives and growth, but in addition on the management of the public finances. It is also important for deciding the directions for additional policy reform. This external evaluation, to be coordinated by a joint PCU/Mission team, will:

- summarize the results of the annual review sessions, assess GRM effectiveness in resolving problems, and measure progress toward achieving program objectives;
- analyze the effectiveness of the PCU as a mechanism for sustaining policy dialogue and for monitoring program performance;
- evaluate the phasing of the reform measures, i.e., what went as planned, where delays occurred, and what if any remedial actions could/should have been taken; and
- provide a detailed macroeconomic update, focusing on structural change throughout the life of the program, and roles and interventions of other concerned donors.

This evaluation should afford an opportunity to look back at more than a decade of economic reform in Mali.

3. Macroeconomic Performance and Impact of Structural Adjustment Policies

The PCU's foremost priorities are monitoring compliance, impact, and output of PRED-specific reform measures. However, as discussed above, the PCU is to be a unit capable of providing the MEF and the Mission with policy analysis for the entire reform program. A major challenge for the PCU is to build its capability to provide timely and quality analysis of an entire range of policy reform issues. To do this the PCU must be capable of tracking the policy objectives, strategic interventions, and program measures established under the SAP. Specifically,

- agricultural and environmental policies, to promote and diversify production, increase food security, and improve natural resource management.
- pricing and trade policies, to promote market-oriented pricing policies and increase the scope of private sector activities.
- public enterprises, to improve the efficiency of the public enterprise sector and reduce its size.
- public financial management, to reform and simplify the tax system, increase revenues, improve cost recovery of economic and social services, and improve the structure of current expenditures.
- monetary policy, to mobilize domestic savings, improve resource allocation, and improve the efficiency of the banking system.
- external debt, to contain external debt service and maintain normal relations with creditors.
- social dimensions, to improve living standards and avoid negative impact of disorderly adjustment.

For analysis of the macroeconomic program to be useful, the PCU must track reform measures with a view toward (1) assessing the implementation process, to determine whether any implementation problems have resulted from unrealistic design assumptions or on how the economy was to perform; (2) evaluating whether all the policy reforms are producing the desired results; and (3) determining the influence of changes in the social, economic and political environment that could require modifying the content of the reform program.

4. The Capacity of the PCU to Monitor and Evaluate

The way in which the PCU carries out compliance, impact, and output monitoring is the indicator that best shows the capacity of the PCU to keep track of the reform program. Strengthening the PCU through the provision of technical assistance, training, and computer equipment/software will result in a more efficient and productive unit. The PCU's degree of success in accessing and providing accurate and timely information, reducing staff time in compiling information and issuing reports, and carrying out quality policy analysis are key measures of institutional development and capacity building.

This last point, which is especially critical, will be observed through the following:

Table 5
PRED: PCU end-of-project indicators

- an increased ability to observe and evaluate the results of policy changes;
- an increased ability to adjust the reform program and stimulate other policy changes; and
- an increased understanding by policy- and decision-makers of the macroeconomic environment.
- Monitoring the performance of the PCU will be done annually as part of the joint reviews held prior to tranche releases.

5. Gathering and Managing Information

The information requirements for monitoring and evaluating the PRED program in particular, and the structural adjustment program in general, are extensive. They will demand probably increased full-time Malian staff and the MIS expatriate advisor. Following the recruitment of the PCU coordinator and MIS advisor, the PCU will develop as a main component of its work plan a monitoring and impact assessment plan for PRED, which will include:

- an assessment of the monitoring and evaluation systems set up under the EPRP program, highlighting strengths and shortcomings of existing databases, data gathering and analysis techniques, collaborative arrangements with other agencies involved in policy reform efforts, and report preparation;
- the verification and/or further identification of the impact and intermediate indicators above, along with the data and information needed to monitor them and the methods that will be used for collection and analysis;
- baseline information on indicators selected, along with a description of the format, content and timing of the reports and analyses to be used in the assessment of management and program performance;
- protocols or other such relationships which set the modalities for collaboration with other GRM agencies, institutions, and donors with regard to the roles and responsibilities in providing data, information and analysis for the reform program; and
- the PCU resources needed to put in place an effective performance monitoring and impact assessment system.

Emphasis should be placed on developing a management information system (MIS) that is economic and responsive, one that focuses on the minimum amount of information needed to assess performance on a continuous basis.

The PCU may also sponsor special studies as required. On the private sector, for example, the purpose could be not simply to determine the number of businesses registered for a particular activity, or the number of informal activities that become formal. Rather, it could give information on the perception of the business community regarding what the reforms are or are not doing, and the degree of confidence and trust in the reform program, and the GRM's ability to implement it responsibly and equitably. Gathering this kind of information requires more informal methods and participant observation techniques. One way to do this is to survey businessmen and other observers on the impact of the reforms. Although the results of such a method will not be as scientific as more quantitative methods, they can provide a reasonable and complementary basis for judgment at an acceptable cost. An advantage of this method, besides its lower cost, is that it permits the gathering of information on program impact on an fairly continuous basis. Such periodic rapid low-cost surveys, done in coordination with more standard monitoring instruments, could show, for example, if a particular element of the program is helping or not to achieve the program objectives.

In the context of preparation of the PRED, a cross-section of local business has already been engaged in this type of survey. The sample includes a bank, a petroleum company, a construction firm, six industries (five food and one chemical), a commercial agent, a hotel and two professional firms. This core will be retained for purposes of continuing the inquiry during project implementation.

This applied research gets at key issues of the regulatory and institutional reforms, especially transparency and the legitimacy of market transactions.

III Feasibility Analysis

A. The Theory

The preceding sections of this paper contain analysis on and address virtually every aspect of this program.

Accordingly, instead of repeating what has already been said, it may be more useful to dwell on the context, to look at the realities of this kind of effort. The attempt is to come to an understanding of the opportunities, the limitations, risks and probabilities for realizing the objectives of a program such as PRED.

By way of background, it is worth noting the context for the first economic reform in the early 1980s, not just in Mali or even in Africa, but worldwide. Probably the most important and lasting contribution of the Reagan Administration to economic development theory and practice, and in the case of AID the work of Peter McPherson, was the new emphasis on the private sector. 'New' in the sense that it had dropped off the scales during the preceding decade.

The United States initiative in the early 1980s not only restored it to its place, but gave new credibility and reinforcement to the reality that development was not only not primarily the concern of governments, but that governments almost everywhere weighed heavily against the chance of such development.

Other development policy of the early 1980s -- institutional development, technological transfer, policy dialogue and so on -- were in one form or another restatements of what most development agencies were engaged in already and most governments were doing. It was the private sector market theory that was a real innovation, if not new altogether in the form which it has taken in this decade.

Earlier private sector efforts had largely focussed on the opportunities for external -- American in the case of the United States -- investment and entry in the developing world. OPIC, essentially, is the inheritor of this legacy in the United States. In the 1980s, however, the return to this theme was paired with the fundamental recognition of the role and importance of the private sector in the developing world itself. This reflected a basic departure from the directions taken earlier. Nevertheless, it incorporated at the same time something of an ambivalence in addressing these two aspects of the same question. One is reminded of the complaint about people always wanting to take sides. Which side was the private sector emphasis on? Encouragement of external (US) investment and opportunity, or the private sector of the developing world?.

The ambivalence remains, but in muted form. The experience of the past decade has shown that external investment is largely meaningless in the absence of reinforcement and growth of the local private sector, a growth in itself essential to development in every Third World country. It is the developing world private sector that takes, needs and wants first attention.

The private sector debate, which ultimately changed the point of view of virtually every development agency in the world, led inescapably to the principle of government responsibility. If Mali or wherever else hadn't become an arena for private initiative, there must be something wrong with the context. The context was, of course, identified as the government --statist, overblown, heavy with regulations, usurping private fields of opportunity, weighted with inefficient and ineffective policies and so on.

The remedy was obvious. Exclude the government from the field of economic activity, leave it to the private sector. Thus began the first series in the early 1980s of IMF-like strictures written large across even broader areas of government activity. The prescription, however, was not without pain. It became rapidly clear that there were many mixed areas -- education, health, social security, agriculture, etc. -- where theory had to give way. Congressional concern, in the case of the United States, helped that process along.

The outcome didn't compromise the finding of government responsibility as much as it incorporated 'social costs' as a by-product of the changes judged necessary. An extension of the 'safety net' theory, with some variations. The principal variations, of course, being the requirement on the part of the development agencies to show results in human terms -- "development with a human face" was given official sanction. Essentially, the argument revolved around the legitimate extent of government -- health, education, agricultural extension, and so on -- but make it pay, or "sustainable" in the current vocabulary.

Either from exhaustion or because both sides needed practice, the argument has essentially been left there. An uneasy truce, nothing proven and no positions given up, the lines unclear every time there is a skirmish. But, withal, peace among the world's development agencies.

But what of the developing countries? How did they react to all these demands? As one would expect. They conceded, from conviction or expediency.

Simply put, they needed the money and couldn't get it anywhere else. The commercial lending of the 1970s had ended in disaster for the banks and the developing world both. There was nothing more available from that source. The developing world, therefore, had no choice but to play the game according to the developing agencies rules, and essentially these had been decided by the United States at the start of the 1980s.

There was difficulty at the beginning certainly, and complaints and perceived offense often. Dictating policy to governments engaged issues of national sovereignty, pride and independence. Added to this was the aggravation of ideological difference. Most of the developing world had acquired independence and grown up in a period of constant East-West conflict. Its leaders more often than not had matured in a communist/socialist opposition to colonialism in the earlier decades from the 1930s. Collision was inevitable, and it occurred repeatedly, but for once time was on the other side. The decade of the 1980s coincided with the disintegration of the whole socialist (Marxist) system and theory. The entire thought of two generations had suddenly become totally discredited; and there is nothing like failure to fix the mind.

Money, of course, always played its part, although the issues were never expressed solely in those terms. The discussion was almost always conducted about principle and theory, about government and private sector and where the twain meets.

B. The Practice for PRED

So what does all this mean for PRED in Mali in 1991? In fact, it means quite a lot. It means first that PRED and the whole SAP effort are addressed to need, the need of this and any Malian government. That need essentially determines the substance and form of the debate. Whatever the private or personal views of those responsible in the government, whatever the shouting in the street, the risk of violence, or whatever, this government knows it cannot obtain what it has to have unless it accepts the terms of the discussion. And those terms, to the extent they address wage demands, prices, subsidies, student support, etc., go to the heart of the government's ability to manage, persevere and even survive.

The reality of no choice is a factor of enormous importance. 'No-choice' can render conviction almost an irrelevance. Essentially, it may not matter whether a finance minister is a Marxist or a Western-educated advocate of private initiative. The result is the same. Both have to adhere to the same agenda to secure support. That calls for a corresponding forbearance on the part of the development agencies.

To bring the point home, PRED conditionality is not unique. For the most part it reflects and is drawn from a SAP list prepared with the IMF and World Bank. That is the context. The SAP is fundamentally an array of reforms which reflect the truce between economic theory and social responsibility that marked the end of the last decade. There is nothing objectionable in that list at all. It says all the right things: greater efficiency, lower government costs, greater support to the social sectors, more freedom for the private sector, and so on.

But the theory doesn't prove the proposition. The lag between the reforms and economic take-up, the reality of continuing unemployment, the lack of investment, the stagnation in exports, the decline in living standards, all these are equally part of the reality.

Mali has been engaged for almost a decade in a concentrated economic reform program, and the indications are by and large encouraging. The data at Annex B is a record of fiscal and economic improvement over the past four years. A good report card, but where do all the social costs of this program figure? Essentially, they don't, except in minor key.

Just as socialism offered equity and eventual comfort against present inequality and hardship, so does the private initiative response engage the same expectations, but with a different vocabulary. The plain fact, however, is that promise almost always exceeds expectations and reality, and this is no less true with the current market theory. The new Malian government therefore finds itself on the cusp of an irreconcilable contradiction. To do what the donors want, it often has to deny what the people want or think they want. The answer, of course, it to tell the people they really don't know what they want, that government knows better. But that it not an acceptable answer, and so governments try to inform and persuade, and compromise.

Over the next year to four years, whatever Malian government is in office, and our expectation is that it will be democratically chosen, will have to deal with the same contradictions. In that context, there is no question the United States will remain a substantial player, and PRED is the only real way of saying so . Simply put, if the US is not in the SAP game, it will be marginal to the discussion of the next few years about the role of the state and the market, the private sector and the rest. To be in the game does not offer any certainties about results, and such certainties are not part of PRED. The program will do what it is supposed to do on the conditionality front and it will measure the results.

More importantly, it will also attempt to measure the larger reform program and work with the GRM to respond in this broader context. Where the PRED conditionality may not be unique, it is in this involvement that the AID effort is different.

The United States represents a different energy, a different idea. That may sound trite,but in the world of development agencies, it is undeniably true. The private sector emphasis is only an example. Going back to the 1940s, virtually every major development initiative found its first sponsor in the United States development agency. This was as true for land reform, irrigation and extension as it became for WID, the environment and social responsibility. If these initiatives often resulted in the first instance from public interest and Congressional pressure, it is only a measure of the extent to which AID reflects American expectations.

In PRED, this opportunity in presented by the technical assistance component. PRED will count especially to the extent we are able to register our view, participate in the debate, argue the theories and practice, and deal with the institutions and people who have to make the decisions. This is the role of the technical assistance team. Management of the public finances for good or ill has to be done; and the reality of that is as much decided by the efficiency with which it is done, as by the theories and conditions by which it is governed.

It is the repeated, continuous and daily association of Americans working with Malians that will ultimately decide that question, and whether PRED fundamentally is an acronym for money or a development reality.

In that context, feasibility means involvement and the risks of failure as much as the chances of success. In the judgment of the Mission, those chances are well worth the risks.

That is essentially what PRED is all about.

IV. Implementation

A. Project Management

During the first cycle of cash transfer policy programs, it was assumed they would require minimal management by AID Missions. The expectation was that governments would track and assemble the data to meet the conditionality, and what would remain would involve an AID Mission simply in review of material before authorizing the cash release.

The reality, of course, has proved to be dramatically different, certainly in the case of Mali, but equally with other country programs as well. In part, the change results from AID requirements for monitoring and verification.

Accordingly, while the World Bank and IMF carry out their own analysis of data presented to them, they normally do so either periodically (by visiting supervision missions) or through separate studies or analysis conducted directly by the institution itself. AID, on the other hand, usually calls for much more rapid confirmation and analysis of data.

For example, while AID policy reform programs normally talk about annual reviews to confirm satisfaction of conditionality, in fact AID practice goes well beyond that. In one way or another, AID anticipates the review process by addressing the data base, the collection method, the sample, the system, the relevance, etc. Ultimately, AID often becomes involved in the generation of the data to satisfy it own conditions.

Often this involvement tends to extend beyond data development and to engage the Mission in active dialogue on management of the program within the government, essentially participating in the formulation and implementation of policy. To the extent this is what policy dialogue and reform are all about, this only adds weight to the effect of the program. It also reflects a primary justification and rationale for resident AID Missions. It is continued presence and access that make the difference in a dialogue.

Accordingly, the original expectations about a low-level Mission management burden simply did not materialize. Because it usually engaged US direct-hire staff in the full process, the result was a much greater demand on Mission resources than had been expected. Relative to these resources, the programs indeed became labor-intensive.

The answer, in part, has been to recruit consultant or expert assistance to work with the government, matched by US personal services contract recruitment on the AID side to alleviate the load on the Mission. Paradoxically, the result of these increases has often been an even greater involvement by the Mission in program management and in the details and steps involved in government development of data and conduct of policy analysis. The need for staff to be substantively involved, to be part of the process, inevitably leads to greater interaction, more exchanges, and ultimately a closer relationship among government staff, the consultants, AID PSCs and direct-hires involved. All that is to the good, but the outcome essentially is that AID often ends up micro-managing at an increasing level of detail.

This is partly the AID way. It proceeds from the fundamental AID predisposition to be at the center of the issue, to understand the mechanisms and impulses for change, and to wield a direct hand on the levers. Basically, that was not what the original cash transfer programs envisaged, but to more or less degree that evolution of increasing involvement has probably been true in most AID policy reform programs. The opportunity is simply too good to miss.

The Mali pattern has not really been greatly different. Under the EPRP, the Mission set itself a fairly high level of involvement from the outset. Although the Project Coordination Unit (PCU) was in principle charged with oversight of the program, at least of the data confirming compliance, the PCU had to be established to begin with. It then had to be given the opportunity to learn and acquire the experience it needed to do its job. That automatically meant that a major portion of the oversight at the outset rested with the AID Mission. Similarly, although ultimately extremely competent and resourceful technical assistance was engaged, that had taken time. During this interim, Mission involvement and predisposition to be involved had necessarily been confirmed.

With the maturing of the PCU in its institutional place in the MEF, and in its capability to process and analyze the data coming to it from the reform program, the PRED presents an opportunity to do it differently, to pass the management responsibility in all substantive respects to the GRM. In effect, this would be to the PCU and to the management and policy structure of the MEF.

The increase in technical assistance to the PCU -- an MIS expert and a public finance advisor, in addition to the coordinator -- reinforces the capacity of the unit to expand further into this principal role. Administration procedures for the functioning of the PCU are already in place, as are the basic set of implementation agreements with the AID Mission on eligible items for AID funding, documentation requirements, etc. There will be changes with the new project, but these should be minimal.

With this emphasis, the management role of the AID Mission should be substantially reduced. Monitoring should become exactly that, i.e., keeping up with progress of the program and alert to problems. This will of course be supplemented by Mission specific concerns -- the Controller for financial questions, Program for evaluations and funding, etc. -- brought together through the project committee for PRED. Periodic meetings of the group, preparation of the SAPIRs, the normal reporting of general progress of the portfolio, the participation by the Mission in the range of donor joint activities and discussions in Bamako, all these reinforce the normal momentum for Mission participation. Essentially, it means that the Mission stays in touch without taking over.

This is fundamentally what the Mission has been doing over the past year and a half of the present EPRP. The PSC for the expatriate project assistant was not renewed and strengthening of the program oversight of the Mission economist office was effected through recruitment of a highly qualified Malian economist. The arrangement has worked well in a period of declining EPRP activity, but with the right approach, it should continue to serve the Mission as PRED gets underway. It should do so essentially with the Mission in a role of support as opposed to management.

The process will be assisted by the continued availability under the present EPRP of technical assistance and budget support for the PCU through the end of CY 1991.

PRED funding for the PCU should be in place well before that date, thus ensuring a key institutional continuity. While it will not be possible to avoid a gap in the technical assistance, the continuity in PCU oversight should provide the substantive bridge to the new technical assistance team coming into place.

B. Contracting for Technical Assistance

As discussed earlier in this section and in section II.C. above, the technical assistance is a crucial factor in this program. It is an element whose reach and effect potentially extend well beyond the limits of PRED specific concerns. This has also been true with the EPRP, which was fortunate in having a highly effective coordinator whose role in the reform effort reached well beyond EPRP limits.

The EPRP consultant contract had been arrived at through the section 8 (a) Small Business Administration mechanism, although the contract as finally signed did not come under that heading. Consistent with this priority, the PAIP for the PRED had indicated that the consultant contract -- the providing of a technical assistance advisory team -- would be sought through a minority or disadvantaged firm, essentially through the mechanism of a Gray Amendment set-aside.

In the period since the PAIP was presented and approved (September 1990) and the present, the situation and prospects of Mali have undergone a profound, even revolutionary, change. In the MEF itself, the changeover of personnel has been total and dramatic, and the separation of budget responsibilities into a new Ministry has changed the character and structure of this principal implementing agency. More importantly, the economic agenda for the government over the next seven months, to the installation of democratic government in January 1992 (and for that of any succeeding government), is cast against a dramatically different background than the earlier EPRP. The transitional SAP is set in a context of damage and destruction of economic infrastructure and assets, of new power to labor, students and other democratic groups, of enhanced and outspoken expectations, and of the prospect of major constitutional change with elected and popular government in place over the next year. In effect, it is a time of great crisis and promise, both.

EPRP was a principal factor in the establishment of the PCU and the spreading influence of the economic reform idiom. In great measure, however, EPRP and the consultants (and the AID Mission) operated in a predictable environment. Twenty years of authoritarian government, however it had been civilianized, played its part in ensuring that the program was ultimately adhered to. There is no authoritarian government now. In effect, there is principally the cacophony of mixed voices, separate demands, and a loud and strident dialogue. That this dialogue will lead to consensus and continued direction is the objective, and in the view of the Mission attainable.

This is not the time, however, nor the circumstances to present the Malian government with less than the full range of choices with respect to the approaches, qualifications and experience of the proposing firms submitting for the technical assistance advisory contract. In these critical and uncertain conditions, the priority for securing or canvassing the widest range, and permitting the Malian government that choice, outweighs the US priority of set-aside for minority or disadvantaged contracting.

Accordingly, the technical assistance contract will be subject to full and open competition through the normal AID procurement process.

The technical assistance is expected to be provided through a team concept, i.e., the four members of the group work together, collaborate, measure against the same standards and objectives, and ultimately share performance responsibility for the effectiveness of their joint services. It is expected there will be a team leader, the coordinator, who will guide and lead the team's efforts. This person and position would similarly be the principal authoritive source of contact with AID and the MEF. Open communication with counterparts, however, with AID and within the team itself are expected to be a principal criterion. Accountability for the performance of the entire team, individually as team members and as a group, will be the responsibility of the contractor.

Pursuant to the discussion above with regard to reducing the management involvement of the Mission, the technical assistance contract will include responsibility for procurement for the PCU as well as the commissioning and contracting of special studies required throughout the project term. The special studies line item will be subject to approximate individual and total dollar limitations and these will be recorded in the contract at the outset. The provision does not preclude either the GRM nor AID from commissioning such studies as well through available project funding. All special studies, and proceeding with them in principle, will be subject to mutual approval by AID and the GRM. These will not be detailed approvals. Short term consultancies and TDY's will be identified and costed in the contract with agreed limits and contingency.

Equipment needs are clearly secondary, although altogether they are significant. Procurement, therefore, is not a negligible or minor question, but it is subordinate and should not engage protracted attention or cost. Computer equipment, vehicles, training equipment, reproduction facilities and supplies, these are the general categories, with an order of magnitude of $500,000 over the project life. The requirements for the specifications, etc., will all be part of the early workplan of the technical assistance team.

The technical assistance contracting is expected to take from July 1991, first announcement, to some point in the second quarter of CY 1992. Since funding for the PCU remains through the end of this year from EPRP and PRED resources can be applied in advance, there will be no gap in continuity of PCU operations. The present coordinator will also remain in place until the end of 1991, which reduces the gap on the technical assistance side. Clearly, it is in the program interest that the new technical assistance team be in place as soon as possible after the beginning of CY 1992.

V. Financial Plan (placed last for ease of removal)

The following tables give the dollar disbursements plan, projected disbursments, cost estimates of local currency and foreign exchange, methods of implementation and financing, and costing of project inputs and outputs. These are followed by the cash transfer narrative.

A. Program Components

Table 6
FINANCIAL PLAN for
AID Dollar Disbursements
U.S. $'000

Budget Category		Amount
1. Program Assistance		18,000
1st Tranche, 1991: Export Taxes	7,000	
2nd Tranche, 1992: Tax Reductions and Commercial Courts	4,500	
3rd Tranche, 1993: DNAE and MEF Budget	3,500	
4th Tranche, 1994: Single Income Tax	3,000	
2. Project Assistance		7,000
A. Technical Assistance		
Coordinator	1,000	
Public Finance Advisor	1,000	
MIS Specialist	1,000	
DNAE Advisor	1,000	
Short Term TA/Studies	500	
B. DNAE Program	650	
C. Commercial Courts	300	
D. PCU Operating Costs	700	
E. Training	500	
F. AID Assistant Economist	100	
G. Audits/Evaluations	150	
H. PEDS Project	100	
TOTAL		25,000

* Note: Budget line items record the amounts available under each category. This will be confirmed during implementation, including amounts for contingency and inflation, if necessary.

The projected disbursements for the PRED and methods for doing so follow:

Table 7
PROJECTED DISBURSEMENTS BY FISCAL YEAR
(U.S. $'000)

Budget Category	1991	1992	1993	1994	1995	Total
1. Program Assistance						
1st Tranche	7,000	0	0	0	0	7,000
2nd Tanche	0	4,500	0	0	0	4,500
3rd Tranche	0	0	3,500	0	0	3,500
4th Tranche	0	0	0	3,000	0	3,000
2. Project Assistance						
A. Technical Assistance						
Coordinator	0	250	250	250	250	1,000
Public Fin. Adv.	0	250	250	250	250	1,000
MIS Specialist	0	250	250	250	250	1,000
DNAE Advisor	0	250	250	250	250	1,000
TA/Studies	50	100	100	150	100	500
B. DNAE Program	0	300	100	150	100	650
C. Commercial Courts	0	100	150	25	25	300
D. PCU Op. Costs	100	150	150	150	150	700
E. Training Program	0	100	200	100	100	500
F. AID Assistant	0	25	25	25	25	100
G. Audits/Evaluation	0	0	50	0	100	150
H. PEDS Project	50	0	50	0	0	100
TOTAL	7,200	6,275	5,325	4,600	1,600	25,000

* Note: Disbursements above include an order of magnitude $500,000 for commodities and equipment. These requirements will be detailed during implementation, specifically through the annual PCU work plans.

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Table 8
Cost Estimates and Financial Plan

Components	LC	FX	Total
1. Program Assistance			
1st Tranche		7,000	7,000
2nd Tranche		4,500	4,500
3rd Tranche		3,500	3,500
4th Tranche		3,000	3,000
2. Project Assistance			
A. Technical Assistance			
Coordinator		1,000	1,000
Public Finance Adv.		1,000	1,000
MIS Specialist		1,000	1,000
DNAE Advisor		1,000	1,000
TA/Studies		500	500
B. DNAE Program	400	250	650
C. Commercial Courts	200	100	300
D. PCU Operating Costs	500	200	700
E. Training Program	200	300	500
F. AID Assistant	100		100
G. Audits/Evaluation		150	150
H. PEDS Project		100	100
TOTAL	1,400	23,600	25,000

* Note: Section 110 (Foreign Assistance Act) requirements for 25% cost-sharing have been met for both the program ($25,000,000) and the project ($7,000,000). See Annex H.

Table 9
Methods of Implementation and Financing

COMPONENT	METHOD OF IMPLEMENTATION	METHOD OF FINANCING	AMOUNT ($'000)
Program NPA	Direct $ Transfer GRM acct/New York	Direct Disbursement	18,000
Technical Asst	Direct Contract	Direct Payment	4,500
DNAE Program	HC Impl. Unit	Direct Reimb.	650
Commercial Courts	HC Impl. Unit	Direct Reimb.	300
PCU Operating Costs	HC Impl. Unit	Direct Reimb.	700
Training Program	Direct Contr. HC Impl. Unit	Direct Payment Direct Reimb.	500
AID Assistant	Direct Contract	Direct Payment	100
Audits/Evaluation	Direct Contract	Direct Payment	150
PEDS Project	Buy-In/Dir. Contract	Direct Payment	100
TOTAL			25,000

Note: HC Impl. Unit = Host Country Implementation

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Table 10
osting of Project Inputs/Outputs

	Taxes	DNAE	Budget	Courts	PCU Mgt	Total
1. Program Assistance:						
1st Tranche	7,000					7,000
2nd Tranche	2,500			2,000		4,500
3rd Tranche		2,000	1,500			3,500
4th Tranche	3,000					3,000
2. Project Assistance						
A. Technical Assistance	1,143	1,679	143	143	1,392	4,500
B. DNAE Program		650				650
C. Commercial Courts				300		300
D. PCU Operating Costs					700	700
E. Training Program		250			250	500
F. AID Assistant	13	30	13	14	30	100
G. Audits/Evaluation					150	150
H. PEDS Project		100				100
TOTAL	13,656	4,709	1,656	2,457	2,522	25,000

* Note: There is not a one-to-one correspondance between the amount of tranche release and the cost of enacting the particular reform(s) that correspond to it. Rather, the level of program support represents the relative magnitude and substantive contribution to the reform agenda of the measures being carried out.

B. Cash Transfers

PRED will be financed from the Development Fund for Africa (DFA).

The program will use a special account established by the West African Monetary Union (WAMU) central bank, the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO), in the name of the BCEAO for the account of the GRM, at the CITIBANK-NY (111 Wall Street, NY, account no. 036-062-094).

The US Treasury will deposit dollar cash transfers to the above special dollar account upon instructions from AID/Washington subsequent to the meeting by the GRM of the conditions precedent applicable to the particular disbursement under the term of the grant agreement. The BCEAO will notify the AID Mission in Mali (USAID/Mali) in writing of the receipt of a dollar transfer from the US Treasury within three days of such receipt by the CITIBANK.

The GRM (MEF, see below) will provide USAID/Mali with a statement of transaction recording each such cash transfer. Such statements will show that the funds were not commingled and that the account was not accessed for any purpose except for receipt of the US Treasury disbursement.

The Ministry of the Economy and Finance (MEF) is the implementing agency for the GRM for purposes of this program and all monetary transactions in connection therewith. This agency is capable of carrying out its responsibilities effectively. The Mission bases this conclusion on past experience, the technical assistance present and to be in place, and prior 121 (d) certification reviews.

The MEF will establish a separate special FCFA (Franc Communauté Financière Africaine) account at the BCEAO branch office in Bamako in the name of the GRM. The MEF will advise USAID/Mali in writing of the number of the account.

Pursuant to existing BCEAO rules and procedures ratified by WAMU members, the BCEAO will pay into the GRM special FCFA account opened by the MEF in the books of the BCEAO, the equivalent of the dollars at the FCFA/dollar rate on the date of disbursement of the FCFA counterpart to the FCFA special account. The dollars will automatically become part of the foreign exchange pool of the West African Monetary Union. The FCFA deposit will be accomplished immediately after the dollar disbursement from the US Treasury. All deposits into the FCFA special account will be accompanied by a supporting deposit slip showing the FCFA equivalent of the dollar disbursement, a copy of which will be provided to USAID/Mali.

The BCEAO may release FCFA to the GRM from the special FCFA account upon request of the MEF, but only if authorized in advance by a program implementation letter from USAID/Mali.
The MEF and BCEAO will notify USAID/Mali of all deposits to and releases from both the special dollar account and special FCFA account. The MEF and BCEAO will also provide monthly statements of transactions in both accounts within five working days after the end of each month.

Any interest generated by the special dollar account during the period between the receipt of the dollar funds and disbursement of the counterpart by the BCEAO is the property of the GRM. The interest will be used for the same purposes as the principal.

Interest accruing in the special FCFA account will be used for the same purposes as the principal in the FCFA account.

The agreed use of the FCFA generated by the dollar transfers is for general budgetary purposes by the GRM.

The USAID Controller will verify MEF reports periodically through inspection of MEF accounting records and reconciliation of documentation. This will include verifying the transactions by the two special accounts and use of the local currency.

The procedures outlined above for dollar disbursement, transfer to the BCEAO for the GRM, withdrawals from the BCEAO account with AID approval and monitoring of uses are in place at the present for the EPRP. See Annex I. These procedures were reviewed with and cleared by the Regional Legal Advisor (RLA) in November 1989. Recent AID guidance will be incorporated in these procedures as appropriate and reviewed accordingly with the RLA.

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ACTION: AID-2 INFO: CHARGE ECON

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TO RUTABM/AMEMBASSY BAMAKO PRIORITY 2410
INFO RUEHDK/AMEMBASSY DAKAR PRIORITY 5611
BT
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LOC: 139-140 099
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CHRG: AID
DIST: AID

ACTION TAKEN:
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E.O. 12356: N/A
TAGS:
SUBJECT: ECPR -- REVISED PAIP ON MALI POLICY REFORM FOR ECONOMIC DEVELOPMENT (PRED), 688-0245, 688-0246

1. THE EXECUTIVE COMMITTEE FOR PROGRAM REVIEW (ECPR), CHAIRED BY DAA/AFR E. L. SAIERS, MET ON SEPTEMBER 13, 1990 TO REVIEW SUBJECT PAIP. OFFICES REPRESENTED INCLUDED AFR/DP, AFR/TR, AFR/MDI, AFR/SWA, AFR/PD, GC/AFR, SCT/RD, AND PPC/CDIE. MISSION DIRECTOR DENNIS BRENNAN REPRESENTED USAID/BAMAKO.

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2. THE ECPR APPROVED THE REVISED PAIP AND DELEGATED AUTHORITY TO THE MISSION TO AUTHORIZE THE PAAD, SUBJECT TO THE GUIDANCE BELOW. GIVEN THE COMPLEXITY OF THE ISSUES REQUIRING TREATMENT IN THE PAAD, THE ECPR CONSIDERED IT HIGHLY UNLIKELY THAT THE DOCUMENT COULD BE COMPLETED IN TIME FOR AUTHORIZATION AND OBLIGATION BEFORE END OF CY 90, AS PROJECTED IN THE PAIP.

3. ISSUE NO. 1: THE RELATIONSHIP BETWEEN THE PROPOSED REFORMS AND THE IMPACT ON SPECIFIC ELEMENTS OF THE PRIVATE SECTOR.

A. DISCUSSION: THE REVISED PAIP DOES NOT DESCRIBE THE IMPACT OF THE PROPOSED REFORMS ON SPECIFIC TYPES OF ENTERPRISES AND HOW THE LATTER WILL RESPOND SO AS TO HAVE A SIGNIFICANT IMPACT ON PRODUCTION, EXPORTS, JOB CREATION AND OVERALL GDP GROWTH. HENCE DOUBT WAS EXPRESSED THAT THE INTERVENTIONS PROPOSED WOULD ADDRESS THE KEY CONSTRAINTS TO PRIVATE SECTOR DEVELOPMENT.

DIRECTOR BRENNAN GAVE A SUMMARY DESCRIPTION OF THE MALIAN PRIVATE SECTOR, NOTING THAT SOME FIRMS HAD BEEN STRENGTHENED BY PRIVATIZATION AND INITIALLY WOULD GAIN THE MOST FROM THE PROPOSED REFORMS. HE SAID ENTREPRENEURS LARGE AND SMALL WOULD ACCRUE SAVINGS FROM THE PROPOSED TAX REDUCTIONS THAT THEY COULD USE PRODUCTIVELY IN THEIR BUSINESSES. HOWEVER, HE SAID IT WAS DIFFICULT TO PREDICT THE TOTAL IMPACT OF THE REFORMS. CLEARER PROFILES WOULD BE AVAILABLE AFTER TRACKING THE REFORMS FOR A COUPLE OF YEARS.

DUE DATE 10/16
ACTION: PROG
INFO
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B. RESOLUTION: DAA/AFR SAIERS SAID THE PAAD SHOULD (1) HYPOTHESIZE THE IMPACT OF THE REFORMS ON SPECIFIC SUB-SECTORS, PARTICULARLY SMALL AND MEDIUM-SIZED ENTERPRISES (SME'S), AND (2) PROJECT THE IMPACT ON THE TAX BASE, EXPORTS AND INCOME. ONE APPROACH TO ASSESSING IMPACT WOULD BE TO TRACK THE REGISTRATION OF BUSINESSES AND THEREBY THE MOVEMENT OF ENTERPRISES FROM THE INFORMAL TO THE FORMAL SECTOR. IF SIGNIFICANT NUMBERS OF FIRMS REGISTER AND BEGIN TO PAY TAXES, IT WILL BE A SIGN THE REFORMS ARE ATTRACTIVE; IF FEW REGISTER. THE OPPOSITE CONCLUSION WILL HAVE TO BE DRAWN. MID-COURSE CORRECTIONS WOULD THEN BE IN ORDER. REVIEW OF THE IMPACT OF THE CURRENT ECONOMIC POLICY REFORM PROGRAM (EPRP) SHOULD ASSIST IN PROJECTING THE IMPACT OF PRED.

4. ISSUE NO. 2: FEASIBILITY OF TAX REDUCTION MEASURES AND COORDINATION WITH THE IMF, OTHER DONORS, AND MONETARY AUTHORITIES (BCEAO).

A. DISCUSSION: THE PAIP PROPOSES TO ELIMINATE EXPORT TAXES AND REDUCE BOTH THE PAYROLL AND TURNOVER TAXES BY ONE-THIRD. THIS WILL RESULT IN SUBSTANTIAL REVENUE SHORTFALLS -- AT LEAST IN THE SHORT RUN -- WHICH THE PROPOSED AID GRANTS WILL NOT FULLY COVER. THE PAIP DOES NOT MAKE CLEAR WHETHER OTHER-DONOR GRANTS AND NEW TAX MEASURES SUCH AS THE VALUE-ADDED TAX (VAT) WILL MAKE UP THE DIFFERENCE. IN THE IMF'S POLICY FRAMEWORK PAPER

ELIMINATION OF THE EXPORT TAX IS CONDITIONED BY OFFSETTING EXTERNAL ASSISTANCE. BRENNAN SAID PRED GRANTS ARE NOT INTENDED TO COVER THE FULL SHORTFALL; PRED IS PART OF A MULTI-DONOR EFFORT REQUIRING COORDINATION, THOUGH NOT TO THE POINT OF ALLOWING ANOTHER DONOR SUCH AS THE IMF TO EXERCISE A VETO OVER AID. SAIERS AND OTHERS, HOWEVER, POINTED OUT THAT THE IMF MAY UNDO OUR PROGRAM, AS HAPPENED IN SENEGAL WHERE EXPECTED REVENUE SHORTFALLS RESULTING FROM AN AID-SPONSORED TARIFF REDUCTION CAUSED THE IMF TO INSIST ON RE-RAISING THE TARIFF RATE. THE RESULT WAS CONFUSION AND MISTRUST IN THE PRIVATE SECTOR OVER GOVERNMENT AND DONOR INTENTIONS.

THE ECPR ALSO QUESTIONED THE IMPACT OF PRED TAX REFORMS AND REDUCTIONS ON TAXPAYER BEHAVIOR. FOR EXAMPLE, WHY WOULD INFORMAL BUSINESS AGENTS WANT TO ENTER THE FORMAL SECTOR -- AS INTENDED BY THE REFORMS -- AND EXPOSE THEMSELVES TO TAX COLLECTORS WHO MAY SEEK MORE THAN THE TAXES DUE?

B. RESOLUTION:

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(1) COORDINATION ISSUE: TO AVOID A PROBLEM SIMILAR TO THE ONE IN SENEGAL, CLOSE COORDINATION WITH THE IMF, THE BCEAO AND OTHER AGENCIES CONCERNED WILL BE NECESSARY IN CONNECTION WITH PRED-SPONSORED REFORMS, AND SHOULD BE REFLECTED IN THE PAAD. IT WOULD BE USEFUL FOR THE MISSION TO COMMUNICATE WITH USAID/DAKAR FOR FURTHER BACKGROUND ON THE REVERSAL OF THE TARIFF RATE REDUCTION UNDER AEPRP-I IN 1989. (THIS ISSUE IS DISCUSSED IN QUOTE TAX REFORM IN SENEGAL 1986-1990: THE IMPACT OF THE AFRICAN ECONOMIC POLICY REFORM PROGRAM ON THE IMPLEMENTATION OF SENEGAL'S NEW INDUSTRIAL POLICY UNQUOTE PPC/CDIE IMPACT EVALUATION WORKING PAPER NO. 135, FEBRUARY 1990. A COPY OF THIS REPORT WAS PROVIDED FOR DIRECTOR BRENNAN FOLLOWING THE PAIP REVIEW.)

(2) FEASIBILITY ISSUE: CAREFUL REVENUE PROJECTIONS SHOULD BE INCLUDED IN THE PAAD, PARTICULARLY FOR THE VAT, WHICH IS EXPECTED TO BE IN PLACE BY THE END OF 1990 REGARDLESS OF PRED. MOREOVER, THERE IS NEED IN THE PAAD FOR SERIOUS RISK ANALYSIS OF THE TAX REFORMS. THE PROBLEM IS NOT SO MUCH THE IMMEDIATE ECONOMIC REACTION AS INSTITUTIONAL BEHAVIOR (E.G., THAT OF TAX COLLECTORS) AND THE TAXPAYER RESPONSE TO IT OVER THE MEDIUM AND LONG TERM. TAX RATES ARE EASILY LOWERED; THE QUESTION IS, WILL COLLECTION MECHANISMS BE IN PLACE TO COLLECT SMALLER AMOUNTS FROM THE LARGER NUMBER OF TAXPAYERS WHOM PRED WILL SEEK TO ATTRACT INTO THE FORMAL SECTOR? PRIOR TO AUTHORIZATION, PLEASE INFORM AID/W AS TO IMF REACTION TO PROPOSED TAX REFORMS UNDER PRED.

5. ISSUE NO. 3: APPROPRIATENESS OF ESTABLISHING LOAN GUARANTEE FUNDS.

A. DISCUSSION: THE PAIP PROPOSES LOAN GUARANTEE FUNDS (WE ASSUME THE LATTER ALSO TO BE A FORM OF CREDIT) TO BE FINANCED WITH LOCAL CURRENCY WHICH WILL BECOME AVAILABLE AS A RESULT OF THE PROGRAM GRANTS. THE ASSUMPTION IS THAT SUCH GUARANTEES WOULD IMPROVE SMES' ACCESS TO CREDIT, WHICH IN TURN WOULD SPUR THEIR DEVELOPMENT. BRENNAN NOTED A RECORD OF GOOD EXPERIENCE IN THIS AREA; A NEED FOR THE CREDIT; AND THE FACT THAT ANOTHER DIVISION OF AID AND THE EXIM BANK ALSO WERE CREATING TARGETED FUNDS IN MALI. HOWEVER, THE PAIP DOES NOT OFFER EVIDENCE THAT ESTABLISHMENT OF GUARANTEE FUNDS WOULD INCREASE THE SUPPLY OF CREDIT TO SMES; USAID'S EXPERIENCE WITH THE VED PROGRAM, ACCORDING TO THE PAIP, INDICATES THE CONTRARY. THE PAIP ALSO CITES A LACK OF BANKABLE PROJECTS, CREDIT CEILINGS AND LOW INTEREST RATES AS MAJOR CONSTRAINTS TO PROVISION OF CREDIT TO SMES -- CONSTRAINTS THAT CANNOT BE ADDRESSED BY ESTABLISHMENT OF GUARANTEE FUNDS. AID IS WORKING WITH THE BCEAO ON PLANS TO INCREASE INTEREST RATES AND REMOVE CREDIT CEILINGS AND TARGETED CREDIT PROGRAMS. THESE MEASURES SHOULD HELP MOBILIZE SAVINGS NOW HELD IN CASH AND MAKE LENDING MORE PROFITABLE FOR THE BANKS. IT DOES NOT MAKE SENSE IN THIS ENVIRONMENT TO SET UP LOAN GUARANTEE FUNDS -- A FORM OF SUBSIDY AND A MECHANISM FOR

ALLOCATION OF CAPITAL RESOURCES -- SINCE THEY RUN COUNTER TO THE REFORMS BEING CONSIDERED BY THE BCEAO. NUMEROUS STUDIES CONDUCTED WORLDWIDE OVER THE LAST 20 YEARS HAVE SHOWN THAT TARGETED CREDIT IS NOT SUSTAINABLE; IT'S A COSTLY VENTURE THAT OFTEN LEADS TO BANK FAILURES.

SOME ALTERNATIVES TO GUARANTEE FUNDS FOR INCREASING SME ACCESS TO CREDIT (NOT NECESSARILY SUBJECTS FOR PRED ASSISTANCE) ARE: ESTABLISHMENT OF CREDIT UNIONS; FORMATION OF MUTUAL GUARANTEE GROUPS (CAUTIONS MUTUELLES); EQUITY PARTICIPATION BY INDIVIDUAL INVESTORS IN A SME; PROVISION OF TRAINING TO HELP SME'S IDENTIFY/DEVELOP BANKABLE PROJECTS; AND PROVISION OF TRAINING TO ENABLE BANKS TO EVALUATE SME LOAN PROPOSALS AND IDENTIFY CREDITWORTHY APPLICATIONS. AFR/W WILL POUCH MATERIAL ON THESE OPTIONS FOR MISSION CONSIDERATION.

B. RESOLUTION: THE ECPR STRONGLY RECOMMENDED THAT PRED SHOULD NOT INCLUDE LOAN GUARANTEED FUNDS AS A PROGRAM COMPONENT. IF THE MISSION WISHES TO PROCEED WITH A LOAN GUARANTEE PROGRAM, FULL JUSTIFICATION MUST BE SUBMITTED TO AID/W FOR APPROVAL.

6. ISSUE NO. 4: TRANSFORMATION OF THE NATIONAL DEPARTMENT OF ECONOMIC AFFAIRS (DNAE) AND CREATION OF COMMERCIAL COURTS.

A. DISCUSSION: THE TRANSFORMATION OF THE DNAE FROM AN OPPRESSIVE REGULATORY BODY TO ONE THAT SUPPORTS THE BUSINESS COMMUNITY IN SETTING UP AND EXPANDING ENTERPRISES IS VERY IMPORTANT. THE PAIP INDICATES THAT A LONG-TERM ADVISOR WOULD BE CHARGED WITH IDENTIFYING AND HELPING IMPLEMENT THE NECESSARY CHANGES TO DNAE'S MANDATE AND STRUCTURE. SIMILARLY' AID WOULD ASSIGN A

LONG-TERM CONSULTANT TO HELP SET UP COMMERCIAL COURTS WITHOUT A PRIOR FEASIBILITY STUDY. THE COMMITTEE, HOWEVER' FELT THAT FAILURE TO AGREE ON STRUCTURE AND FUNCTIONS BEFORE THE PROGRAM AGREEMENT WAS SIGNED COULD LEAD TO MISCONCEPTIONS AND DISAGREEMENTS AMONG AID, GRM AND THE TECHNICAL ADVISORS DURING IMPLEMENTATION. THERE IS ALSO A NEED TO ADDRESS FEASIBILITY QUESTIONS SUCH AS THE ADEQUACY OF COMMERCIAL COURT AUTHORITY TO REDRESS GRIEVANCES IN A TIMELY WAY, ADEQUACY OF COURT STAFF TO CARRY OUT THEIR MANDATE, ADEQUACY OF FUNDING TO SUSTAIN SUCH COURTS, AND SAFEGUARDS AGAINST UNDUE INFLUENCE ON THE COURT SYSTEM. THE CHIEF ISSUES WITH RESPECT TO THE DNAE ARE WHETHER ITS MINDSET CAN BE TURNED AROUND, AND WHETHER ONE LONG-TERM ADVISOR WILL SUFFICE.

3. RESOLUTION: IT WAS AGREED THAT THE PAAD SHOULD PROVIDE CLEAR DESCRIPTIONS OF WHAT THE MISSION AND GRM INTEND THE DNAE AND THE COMMERCIAL COURTS TO LOOK LIKE BY THE END OF THE PROJECT, EVEN IF THE EXACT PATH TO GET THERE CANNOT BE DESCRIBED. THESE DESCRIPTIONS SHOULD BE BASED ON NECESSARY PRIOR STUDIES. REQUIREMENTS FOR LEGISLATIVE ACTION SHOULD ALSO BE REVIEWED TO ENSURE COMPLIANCE WITH FAA SECTION 611(A)(2).

7. CONCERNS: A. LOCAL CURRENCY: THE ONLY USE FOR LOCAL CURRENCY IDENTIFIED IN THE PAIP WAS FOR THE LOAN GUARANTEE FUNDS WHICH THE COMMITTEE DISFAVORS. INSTEAD OF PROGRAMMING THE LOCAL CURRENCY FOR SPECIFIC SECTORAL USES USAID/M AND THE GRM SHOULD CONSIDER USING THE PROGRAM GRANTS TO COVER REVENUE SHORTFALLS OR TO PAY OFF FOREIGN DEBT, AND THEREBY RELIEVE THE MISSION OF A MAJOR MANAGEMENT BURDEN. NEW, DETAILED GUIDANCE ON MANAGEMENT OF LOCAL CURRENCIES IS UNDER REVIEW IN AID/W. MISSION SHOULD TAKE THE FINAL GUIDANCE INTO ACCOUNT IN PREPARING THE PAAD. THE RLA/DAKAR WILL BE ABLE TO PROVIDE MISSION WITH ADVICE ON NECESSARY ACTIONS FOR COMPLIANCE WITH REQUIREMENTS FOR LOCAL CURRENCY TRACKING AND USE. AID/W WOULD LIKE TO BE INFORMED OF LOCAL CURRENCY USES, IF ANY, AND RELATED MANAGEMENT AND MONITORING PROCEDURES PRIOR TO AUTHORIZATION.

B. NON-SALARY BUDGET EXPENDITURES. THE COMMITTEE ASKED WHY THE PAIP FOCUSED ON ONLY ONE MINISTRY, FINANCE AND COMMERCE, WITH RESPECT TO IMPROVING THE RATIO OF NON-SALARY TO SALARY EXPENDITURES. BRENNAN RESPONDED THAT WITH MFC AT THE CENTER OF THE GRM REFORM EFFORT, ITS IMPROVED EFFICIENCY WILL PROVIDE WIDER BENEFITS FOR THE GOVERNMENT AND THE ECONOMY. HE SAID OTHER PROJECTS DEAL WITH OTHER MINISTRIES ON THE RATIO QUESTION.

C. MONITORING AND EVALUATION AND THE LOGICAL FRAMEWORK: BASED ON THE ANALYSES UNDERTAKEN AND DECISIONS REACHED PURSUANT TO THE ISSUES RAISED ABOVE, THE PAAD SHOULD SET MORE PRECISE AND DETAILED ECONOMIC AND INSTITUTIONAL INDICATORS FOR THE LOGFRAME AND FOR TRACKING UNDER THE MONITORING AND EVALUATION PLAN.

8. GENERAL COMMENTS:

A. THE PAAD SHOULD MAKE CLEAR IN ONE SUCCINCT SECTION WHERE PRED FITS INTO THE GRM AND DONOR SCHEME OF REFORM EFFORTS, HOW FAR PRED REFORMS WILL GO, AND WHAT WILL REMAIN TO BE DONE THEREAFTER.

B. EACH OF THE REFORMS SELECTED SHOULD BE JUSTIFIED AND DISCUSSED IN TERMS OF HOW IT IS EXPECTED TO HELP IN OVERCOMING BINDING CONSTRAINTS TO PRIVATE SECTOR DEVELOPMENT. THE RELATIONSHIPS BETWEEN REFORMS SHOULD BE MADE CLEAR. CAREFUL RISK ANALYSES SHOULD BE UNDERTAKEN.

C. THE PAAD SHOULD INCLUDE A MORE COMPLETE DESCRIPTION OF THE PLANNED TARGET GROUPS AS WELL AS THE ANTICIPATED IMPACT OF THIS PROGRAM ON THESE GROUPS; AND PROVIDE FOR CLOSE TRACKING OF IMPACT ESPECIALLY AT LOWER-INCOME LEVELS.

D. AS NOTED IN PARA. 5.B. ABOVE, IF THE MISSION DECIDES TO PURSUE AN ALTERNATIVE CREDIT COMPONENT, AID/W WISHES TO REVIEW THE RELEVANT PORTION OF THE PAAD. IN ADDITION, THE BUREAU WOULD LIKE TO BE KEPT INFORMED (THROUGH AFR/SWA) ON COORDINATION WITH THE IMF AND ON THE MISSION'S DECISION ON USES OF LOCAL CURRENCY. BAKER
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MALI: SUMMARY OF THE 1991 ADJUSTMENT PROGRAM (May 1991)

Major Arrangements

Regulatory Framework

1. Limit price control to petroleum products only. (January 1, 1991)

2. Develop an automatic internal price adjustment system for petroleum products based on the evolution of import prices. (March 31, 1991)

3. Complete the study on the pricing and taxation system for petroleum products, as well as on the sector structure in order to develop an action plan. (March 31, 1991).

4. Liberalize petroleum products prices (January 1, 1992).

5. Abolish hiring monopoly by ONMOE. (November 1, 1990)

6. Modify Article 44 of the Labor Code in order to liberalize firing procedures. (May 11, 1991).

7. Implement a revised Labor Code. (December 31, 1991).

8. Prepare a draft review of the Commercial Code so as to simplify the procedures for establishing private enterprises. (January 1, 1991).

9. Implement the revised Commercial Code . (September 1, 1991).

10. Implement a revised Investment Code in order to promote private investment, taking into account budget potentials and excluding any border tax exemption. (January 1, 1991).

11. Prepare a strategy for developing the mining sector and prepare changes to the Mining Code based on the following principles (March 31, 1991).

    - State share in the new enterprises limited to 20%.
    - A standardized approach concerning tax exemptions
    - the simplification of prospection and exploitation licence granting procedures.

12. Implement the modified Mining Code. (September 1, 1991).

13. Abolish PPM's monopoly over pharmaceutical product imports in order to enhance medicine availability.
14. Cancel all privileges concerning hide and skin marketing.(January 1, 1991).

15. Inform the public about all the above mentioned measures. (January 1, 1991).

Agricultural Policy

1. Implement the action program for the cotton sector, especially by following through the implementation of the State-CMDT contrat-plan during its second year 1990/91. (1991).

2. Reinforce the restructuration of OPAM in 1990/91 within the context of the 1991-93 contrat-plan, confirming the principle of excluding OPAM from rice marketing activities (1991).

3. Continue the restructuration of Office du Niger, within the context of the renewal of the State-Office du Niger 1991-1993 contrat-plan. (1991).

4. Change SUKALA and OTS into mixed enterprises (September 30, 1990).

5. Propose a detailed restructuration program for five Rural Development Office's ODRs (ODIK, OPRM, ORS, OPSS and OHV). (September 30, 1991).

6. Reinforce agricultural research and extension services. (1991).

7. Prepare a progress report on Desert Control and Natural Resource Management. (May 31, 1991).

Public Enterprise Reform

1. Complete the privatization program for 14 enterprises, under PASEP:

   (a) complete the privatization of PPM's shops (March 1991).

   (b) complete the privatization of EDIM, SOCIMA and SEMA (June 30, 1991).

   (c) complete the privatization of SEPAMA (July 31, 1991).

   (d) dissolve and designate private liquidators for SMECMA, TAMALI and UCEMA. (July 31, 1991).

   (e) complete the privatization of EMAMA and privatization or liquidation of COMATEX (August 31, 1991).

2. Adopt an action plan for restructuring 22 other enterprises (January 2, 1991).

3. Complete the restructuration and privatization of the postal checking system, including the adoption of an opening balance sheet for the new company and the reliquefaction of all the deposits and wipe off all cross-sector debts on ONP, SOTELMA, CCP and the State. (April 2, 1991).

4. Adopt the contrats-plans for ONP and SOTELMA, including an action plan for restructuring ONP and the establishment of an adquate operating fund for ONP (January 30, 1991).

5. Sign new contracts with the public enterprises to be restructured (COMANAV, RCFM, SOTELMA, OERHN, PPM), and improve contrats-plans implementation follow up. (1991).

6. Verify the total amount of liabilities of liquidated enterprises and balance their accounts to the maximum through compensation with State, BDM or other State enterprise credit. (July 31, 1991).

7. Settle the remaining liabilities of privitized or liquidated enterprises through Treasury bonds, without interest and payable on maturity at the end of 10 years, with the option open till December 31, 1991 at the latest, for conversion at 20% of their face value in case of immediate payment.

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Public Investment Program

1. Implement the first phase of the 1991-1993 three year program through BSI (1991).

2. Give priority to agriculture, facility rehabilitation, education and health. (1991).

3. Improve the selection of projects based on economic criteria such as cost-effectiveness, recurrent costs, and debt service; determine and apply selection criteria for social projects. (1991).

4. Increase the number of viable projects, eligible for future funding.

5. Reinforce the follow up of project financial and physical implementation through (i) tight adherence to guidance concerning BSI implementation and (ii) through increased monitoring of Grants and loans, project by project (1991).

6. Establish the financial implementation status, project by project, from 1989 BSI and 1990 BSI through September 30, 1990 (January 1, 1991) and, subsequently, quarterly within two months following the end of each term (1991).

7. Prepare a study on long term prospects and strategy (1991).

Public Finance

1. Limit budget deficit, on Commitment basis, excluding Grants, to 93,1 billions of francs CFA. Revise the State budget in compliance with the financial program (July 1991).

2. Increase State revenues to 104,8 billions francs CFA.

3. In the event petroleum products prices increase beyond the ones stated in the program, the Government shall proceed with an additional consumer price adjustment and shall make all necessary provisions in terms of revenues and expenditures so that program objectives be achieved.

4. Tax Reform

(a) Implement the tax reform while maintaining unchanged the average values of taxes with relation to 1989 weighing basis (February 1, 1991).
Additional measures will be taken, if necessary, in the light of a mid-term review.

(b) Eliminate all remaining export taxes (February 1, 1991).

(c) Reinforce the customs administration (1991), especially through computerization of almost all the Customs offices.

(d) Reduce exoneration at the border line for co-managed firms, gradually assessing them at the ordinary scheme rate as co-management contracts are renewed. No Ad hoc exonerations should be granted. (1991).

(e) Etablish between the Customs and the SGS a system for cross-checking the information given on the statements and verification certificates issued by the SGS. (April 30, 1991).

(f) Control by the Treasury together with SGS of the assessments established by the Customs and of payments made, and implementation of corrective measures if necessary (January 1991)

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5. Fiscal Reform

(a) Introduce the VAT (January 1, 1991). Additional measures will be taken, if necessary, in the light of a mid-term review,
(b) Reinforce the tax administration, especially through data computerization and the identification of tax payers with an individual code (1991).
(c) Complete preliminary work for the introduction of a single income tax in 1992 (December 31, 1991)
(d) Review the General Tax Code in order to identify potential necessary reforms (December 31, 1991).

6. Expenditures

(a) Limit recurrent costs, including interests to --- % representing 81.9 billion CFAF.

(b) Limit the wage bill to 41.0 billion CFAF and suspend all decisions related to salaries pending the results of the study on the compensation system (September 1, 1991).
(c) Reach an agreement on an action plan for restructuring salaries in the light of the mid-term review, in compliance with budget objectives.
(d) Limit subsidies and transfers, except for transfers to CRM, to 0.7 billion CFAF (1991)
(e) Increase the share of budgetary outlays allocated to the health sector and maintain the share of education, including the level of scholarships to 4.5 billion CFAF
(f) Increase budgetary outlays for operating and maintenance costs.
(g) Limit expenditures on travel costs to 6.0 billion CFAF.
(h) Increase development expenditures by 10.6%.
(i) Implement the extended early voluntary retirement program, including agents from the Defence Ministry.
(j) Complete preliminary work for changing staffing patterns (cadre organique) into budgetary lines (December 31, 1991)
(k) Develop proposals about the status of ORSP and Petrostock in the national budget (September 30, 1991)
(l) Strengthen the cash-desk unity by entrusting the Treasury responsibilities for the management of all public accounts (January 1, 1991)
(m) Conduct a financial and technical audit of INPS balance sheet to the end of 1990 and of the 1990 fiscal year, as well as a study on medium term financial prospects. (October 31, 1991)
Develop an action plan designed to: (i) ensure medium term financial balance; (ii) assess the impacts of the payroll contributions on employment; et (iii) propose a reduction of management costs in order to increase the resources available for social transfers (October 31, 1991)
(n) Review financial prospects for the CRM and prepare its integration into the State Budget (October 31, 1991).

7. Follow-up of Arrears Payments and Expenditure Control

(a) Change salary payment system so as to order and pay due salaries at the end of every month (1991)
(b) Conduct a study on salary payment by checks drawn on the Treasury (September 30, 1991)
(c) Eliminate all extrabudgetary remaining arrears identified and checked, totaling 0.3 billion CFAF (1991).
(d) New domestic arrears should not be accumulated (1991)
(e) Reinforce the arrears monitoring system and expenditure control through:
  (i) a better assessment of balances to be paid by penalizing the failing DAFs (1991).
  (ii) an increased monitoring by DNB of the billing to the State for utilities through:
    - the transmittal of a copy to DNB of all monthly statements of bills sent to the DAFs (1991)
    - monitoring of certification and invoice settlement within prescribed time. (1991).
    - verification of all the telephones and electricity counters billed to the State (Bamako: March 30, 1991; Regions: September 30, 1991).

GB

Social Dimension

1. Help the participants of the extended voluntary departure program to establish in the private sector through the creation of a vocational training and preparation fund, a bank credit guarantee fund, and an independent reinsertion structure.

2. Help the workers leaving public corporations through the PASEP reinsertion fund and financing available from other donors' programs.

3. Reinforce social indicators collection

4. Reinforce projects aiming to increase women participation in development

5. Conduct a study on the role of women in order to develop a strategy for the role of women in development (1991)

Education

1. Take measures for raising the rate of school attendance; closely follow up progress in this regard.

2. Prepare a strategy for reorganizing secondary and high education (1991)

3. Complete revision of the primary school curriculum (October 30, 1991)

Health and Population

1. Define the standards for investment and operation budgets of health institutions (September 30 1991)

2. Adopt a population strategy and a family planning strategy (May 31, 1991)

Statistics

1. Make a diagnosis of statistics problems and develop an action plan with the technical assistance from the IMF and the World Bank (July 31, 1991)

2. Ensure the effective enforcement of the new law on statistics obliging all services and economic operators to answer to questionnaires (1991)

3. Establish a Statistics Coordination Committee (SCC) to increase coordination among services and official institutions in order to improve data quality and availability (May 1991)

4. Make all the enterprises adopt a new standardized accounting plan

5. Take measures to develop long statistics series and ensure their storage.

6. Increase vocational training.

Ministry of the Economy and Finance
May 27, 1991

Monetary and Banking Reform

1. Money and Credit

(a) Limit the increase of the money sypply to 4.5% (1991).

(b) Reduce claims on the government to 5,1% of the money supply of the beginning of the period (1991).

(c) Increase credit to the economy to 2.8% of the money supply of the beginning of the period (1991).

2. Banks

(a) Adopt a definite opening balance sheet for BDM-SA and a financing plan for losses from the BDM previous portefolio (July 31, 1991).

(b) Reinforce BDM consolidated loan collection, especially through increased support from judicial services (1991).

(c) Proceed with the opening of the new postal checking bank (SCPCE) (April 2, 1991).

(d) Continue the restructuration plan for BALIMA, especially through an increase of the capital (1991).

External Debts

1. No non-concessional loans should be contracted or guarantied, except for short term commercial credits concerning imports or for debt rescheduling or refinancing.

2. No external payment of arrears will be accumulated.

Evolution of GRM Policy Stance on Selected Policies

	prior to March events/*	April 22 Proposals/*	June Proposals/#
Labor Code			
Facilitate Layoffs	30 June 1991	April 1992	before 31 Dec. 1991
New Code	31 Dec. 1991	April 1992	before 31 Dec. 1991
VED Program			
Program total	8200	3000	8200, including the military
No. of Departees in 1991	3600	1500	3000 including military
Implementation of Cadres Organiques	1991	30 June 1992	before Dec. 31 1991
Computerization of Personnel Management	May 1, 1991	30 June 1992	
Ceiling on Civil Servant salaries	$133 million	without total savings of 1.3 bn FCFA from VED can respect ceiling	$137 million
Financial and Technical Audit of INPS	June 30, 1991	April 30, 1991	June 1991
Public Enterprises			
Completion of privatization operations	31 May 1991	Jan 20, 1992	31 August 1991
Education			
Higher education	< 19% of total ed budget	MEN calls for renegotiation of PASEP	being negotiated
Basic education	> 42% of education bud.	jeopardized by expenses for scholarships and boarding school expenses	
Scholarship Ceiling	$12 million	Increased by 50 and 75%, after May 91 and January 1992	$15 million
ESAF Presentation to IMF Board	May 1991	Calls for agreement with IMF on macroeconomic framework	

Sources

/* Ministry of Economy and Finance, New Propositions for Structural Adjustment Program, April 4, 1991

/# Ministry of Economy and Finance Draft Policy Framework [illegible]

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Mali: Consolidated Government Operations (millions dollars)

	1988 Actual	1989 Actual	1990 Proj.	1991 Proj. Feb. 91	1991 Proj. May 91
Revenue and Grants	398.3	476.7	510.3	515.0	506.3
Total revenue	285.3	365.3	389.7	397.3	349.3
Budgetary revenue	186.0	251.0	253.3	362.0	313.3
Tax revenue	167.0	214.3	221.0	305.7	0.0
Non tax revenue	18.7	35.7	30.7	56.3	0.0
Other revenue	0.3	1.0	1.7	0.0	0.0
Special funds and annexed budgets	99.3	114.3	136.3	35.3	36.0
Grants	113.0	111.3	120.7	117.7	157.0
Projects	92.0	81.0	85.3	90.7	90.7
PASEP	0.7	4.3	0.0	2.0	2.0
Budgetary	20.3	26.0	35.3	25.0	64.3
	0.0	0.0	0.0	0.0	0.0
Total expenditures (commitment basis)	487.7	578.3	571.0	648.3	659.7
Budgetary	397.7	481.3	469.7	617.7	596.7
Current	203.3	225.7	222.7	280.0	273.0
Personnel	126.0	128.3	124.7	133.3	136.7
Supplies	21.0	19.3	17.7	23.0	19.0
Scholarships	11.3	10.7	9.3	11.7	15.0
of which: supplies	...	...	...	7.7	7.7
Communication-Energy	5.3	13.0	16.3	14.0	14.0
Travel	25.3	27.7	22.7	27.3	20.0
Interest due	...	...	...	37.3	39.3
IMF	...	...	...	4.7	5.7
BCEAO statutory advance/BDM	...	...	...	6.7	7.7
Other (CAA)	...	...	...	26.0	26.0
Other expenditures	14.0	26.7	32.0	33.3	29.0
Development and PASEP, BDM, PDV	194.7	254.7	247.0	337.7	323.7
Development	184.0	203.3	223.0	259.7	246.7
Externally financed	172.3	190.0	211.7	226.7	226.7
Loans	80.3	109.0	126.3	136.0	136.0
Grants	92.0	81.0	85.3	90.7	90.7
Equipment and investment	11.7	13.3	11.3	33.0	20.0
PASEP and public enterprises	10.7	5.3	24.0	55.0	55.0
BDM	0.0	47.0	0.0	1.0	0.0
Voluntary departure program	0.0	0.0	0.0	22.0	22.0
Special funds, annexed budgets	82.3	88.3	85.7	30.7	29.7
of which: interest due	33.3	40.3	36.3	...	...
IMF	4.7	4.3	4.7	...	...
BCEAO	5.7	10.3	8.3	...	...
Other (CAA)	22.7	25.7	23.3	...	...
Extrabudgetary	7.3	9.0	15.7	0.0	33.3
DEFICIT, commitment basis	-89.3	-89.3	-60.7	-133.3	-153.3
excluding grants	-202.3	-202.3	-181.3	-251.0	-310.3

Mali: Consolidated Government Operations

	1988 Actual	1989 Actual	1990 Proj.	1991 Proj. Feb. 91	1991 Proj. May 91
Changes in arrears	-95.7	-105.3	-12.3	-1.0	-1.3
Domestic	-30.7	-52.0	-12.3	-1.0	-1.3
Reduction	-38.0	-52.0	-12.3	-1.0	-1.3
Accumulation	7.3	0.0	0.0	0.0	0.0
Extrabudgetary	-30.7	-52.0	-12.3	-1.0	-1.3
Reduction	-38.0	-52.0	-12.3	-1.0	-1.3
of which: PASEP	0.0	-40.0	...	0.0	0.0
Accumulation	7.3	0.0	0.0	0.0	0.0
External	-65.0	-53.3	0.0	0.0	0.0
Reduction	-65.0	-53.3	0.0	0.0	0.0
Accumulation	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0
Adjustment to cash basis	22.0	-5.0	-3.7	-11.7	-11.7
Unpaid vouchers (treasury)	-1.3	-3.0	-1.7	0.0	0.0
Reduction	-1.3	-3.0	-1.7	0.0	0.0
of which: PASEP	0.0	0.0	...	0.0	0.0
Accumulation	0.0	0.0	0.0	0.0	0.0
Unexpended commitment	23.3	-2.0	-2.0	-11.7	-11.7
Reduction	...	-2.0	-2.0	-11.7	-11.7
Accumulation	...	0.0	0.0	0.0	0.0
Complementary period	4.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0
DEFICIT, cash basis	-163.0	-212.0	-76.7	-146.0	-166.3
FINANCING	0.0	0.0	0.0	0.0	0.0
External financing (net)	163.0	211.7	76.7	146.0	150.0
Loans	190.7	251.0	148.0	184.0	164.7
PASEP	143.7	214.3	169.3	212.0	193.0
BDM	35.3	49.3	9.3	20.3	20.3
Projects	0.0	28.7	0.0	0.0	0.0
Budgetary aid	80.3	109.0	126.3	136.0	136.0
Amortization	28.0	27.3	33.7	55.7	36.7
Debt relief in negociation	-37.0	-40.7	-34.0	-34.0	-34.3
Obtained	76.3	77.3	12.7	6.0	6.0
Paris Club	76.3	77.3	12.7	6.0	0.0
Other	...	26.0	4.7	3.7	0.0
Arrears	...	9.0	8.0	2.3	0.0
Rescheduling requested	...	42.3	0.0	0.0	0.0
Rescheduling debt in negociation	0.0	0.0	0.0	0.0	6.0
	7.7	0.0	0.0	0.0	0.0

Mali: Consolidated Government Operations

	1988 Actual	1989 Actual	1990 Proj.	1991 Proj. Feb. 91	1991 Proj. May 91
Domestic financing (net)	-27.7	-39.0	-71.3	-38.0	-14.7
Banking system	-50.0	-49.0	-66.3	-61.7	-38.3
Claims on central government	-34.7	-33.7	-51.0	-46.3	-23.0
Statutory advance	25.0	-14.3	-33.3	-41.0	0.0
IMF repurchase	-7.3	-26.3	-18.7	-9.7	-9.7
IMF purchase	...	7.0	25.7	24.3	0.0
Other (net)	-52.3	0.0	-24.7	-20.0	-13.3
Other monetary financing	-15.3	-15.3	-15.3	-15.3	-15.3
Other financing	22.3	10.0	-5.0	23.7	23.7
Financing gap	0.0	0.0	0.0	0.0	16.3

Source: Ministry of Economy and Finance
Date: June 12, 1991

MALI: SUMMARY OF THE 1991 ADJUSTMENT PROGRAM (December 1990)

Regulatory Framework

- Develop an automatic internal price adjustment system for petroleum products based on the evolution of prices. Under this system, prices at the pump will be adjusted within 15 days following price variation at import, except if the monthly average price for refined petroleum products remains within a range of 7,000 to 8,500 CFA a baril. (March 31, 1991).
- Approve a revised system for energy pricing and taxation. (June 30, 1991)
- Prepare a draft revised Commercial Code in order to simplify procedures for the creation of private enterprises (January 1, 1991);
  - Approve the revised Commercial Code (May 31, 1991)
  - Enforce the revised Commercial Code (August 1991)
- Prepare a strategy for developing the mining sector and prepare changes to the Mining Code based on the following principles (March 31, 1991).
  - State share in the new enterprises limited to 20%.
  - A standardized approach concerning tax exemptions
  - the simplification of prospection and exploitation licence granting procedures.
- Approve a draft revised Mining Code. (May 31, 1991).
- Enact the revised Mining Code (August 1, 1991)
- Enforce the changes in the Labor Code making more flexible firing requirements (Article 44). (June 30, 1991)
- Adopt and enforce a new Labor Code (December 31, 1991)
- Establish and make operational the Commercial Courts (March 1, 1991)
- Establish and make operational the Administrative Courts (March 1, 1991)

AGRICULTURE:

- Change SUKALA and OTS into mixed-capital enterprises (June 30, 1991)
- Propose a detailed schedule for the restructuration of five rural development agencies ODRs (ODK, DKIPAC, OKS, OPSS and OHV (August 31, 1991)
- Prepare a progress report on Desert control and natural resource Management program (March 31, 1991)
- Prepare an action plan for the developmenet of the livestock sector (June 30, 1991)
- Establish a State-Office du Niger contrat-plan for the period 1991-95 (December 31, 1991)

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PUBLIC ENTERPRISES REFORM:

Verify the total amount of liabilities of liquidated enterprises and balance them to the maximum through compensation with State, BDM or other State enterprise claims. (June 30, 1991).

Settle, as of July 1, 1991, the remaining liabilities of privatized or liquidated enterprises through Treasury bonds, without interest and payable on maturity at the end of 10 years, with the option open till December 31, 1991 at the latest, for conversion at 20% of their face value in case of immediate payment. (December 31, 1991).

Complete the privatization program for:

- six enterprises (SOCIMA, EDIM, SEMA, UCEMA, PPM, TAMALI) (March 31, 1991)
- three enterprises (EMAMA, SMECMA, SEPAMA) (April 30, 1991)
- Comatex (May 31, 1991)

Assess the cost for the implementation of the action plan which provides for: (June 30, 1991)

- the privatization of 7 enterprises (BETRAM, FRUITEMA, SNED, ULB, Abattoir Frigorique, Pharmacie Veterinaire, SOGEMORK).
- the liquidation of 3 enterprises (ORTI, SOKITRAM, PETROSTOCK).
- the restructuration of 7 enterprises (Opération Puits, Aéroport du Mali, UMPP, EMASE, EMACI, CNREX, SONAREM).

Complete the restructuration and privatization of the postal checking system. (March 1991)

PUBLIC INVESTMENT PROGRAM:

- Establish a quarterly financial implementation statement of BSI, project by project, within two months following the end of each term. (February 28, 1991; May 31, 1991; August 31, 1991; November 31, 1991).

PUBLIC FINANCE:

Fiscal Reform:

- Implement the tax reform (February 1, 1991)
- Introduce the VAT (January 1, 1991)
- Complete the study on the replacement of the schedular Tax by a single tax on income of individuals and business profits (June 30, 1991)

Civil Service Restructuring:

- Develop an action plan and a compensation system putting emphasis on merit on the basis of a current study on the structure of wages in the Civil Service. (June 30, 1991).

Implement the expanded voluntary departure program through:

- the establishment of an appropriate structure for program management
- the adoption of all the cadres organiques, 1991
- the implementation of the cadres organiques, 1991
- making surplus personnel available to MEFP, 1991
- the redeployment of surplus personnel, 1991
- the payment of premiums due to each departee, 1991-1992
- the setting up and management of a project preparation and training fund, 1991-1992
- the setting up and management of a guarantee fund, 1991-1992
- the suppression of 3,600 employments in the Civil Service, 1991
- the computerization of the administrative side of personnel management, May 1, 1991

Follow-up of arrears and expenditures control

- Conduct a study on salary payments by cheques drawn on the Treasury, April 30, 1991
- Reinforce the follow-up system of arrears and the control of expenditures through:
  (i) a better inventory of all balances to be paid, penalyzing defaulting DAFs, 1991
  (ii) an increased monitoring by DNB of billing to the State for use of utilities, 1991.

In order to complete the identification and checking of extra budgetary arrear payments accumulated over the past years, any non extinguished claim related to arrear payments should be recorded with the Ministry of Finances and Commerce by March 31, 1991. No claim will be taken into account after this date. March 31, 1991

Limit the ceiling of the wage bill to 40 billion CFAF; this amount was calculated on the basis of:

- the wage bill paid in 1990 (37.4 billion CFAF),
- the personnel expenditures handled through special funds and annexed budgets integrated in 1991 (0.6 billion F),
- financial impact of the release of 3 promotion series (1986/87, 1987/88, 1988/89, or 3.3 billion F)
- the savings generated through the voluntary departure program (1.3 billion in 1991), 1991

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STATUS OF PUBLIC INSTITUTIONS:

- Adopt an action plan for the restructuring of ORSP, June 30, 1991
- Carry out a study on the future status of INRSP, CVL and LONAMA, June 30, 1991
- Carry out a financial and technical audit of INPS in order to reduce its operating costs as well as a study on the medium term financial prospects, June 30, 1991
- Conduct a financial audit of CRM in order to assess its medium term financial viability and determine whether it should be integrated into the regular budgetary process, May 31, 1991

HEALTH - WOMEN CONDITION:

- Define standards for investment and operating budgets of health institutions, March 31, 1991
- Adopt a population strategy, March 31, 1991
- Adopt a family planning strategy, March 31, 1991
- Carry out a study on women's role in order to adopt a strategy on women's role in development, 1991

EDUCATION:

- Maintain education expenditures to at least 25% of State recurrent costs., 1991-1993
- Maintain the share of higher education at a maximum of 19% of the budget of the Ministry of National Education, 1991
- Raise the share of the first cycle of primary education to at least 42% of the budget of the Ministry of National Education in 1991. 1991
- Maintain the amount allocated for scholarships (including teaching material) at 3.0 billion CFAF in 1991. 1991
- Develop a strategy for the restructuring of secondary and higher education, 1991

SOCIAL DIMENSION:

STATISTICS:

Prepare a diagnosis of statistical problems and an action plan with the required technical assistance, April 30, 1991

Set up a Statistical Coordination Committee, February 1, 1991

Ministry of the Economy and Finance
April 4, 1991

Mali: Consolidated Government Operations (millions dollars)

	1988 Actual	1989 Actual	1990 Proj.	1991 Proj. Feb. 91	1991 Proj. May 91
Revenue and Grants	398.3	476.7	510.3	515.0	506.3
Total revenue	285.3	365.3	389.7	397.3	349.3
Budgetary revenue	186.0	251.0	253.3	362.0	313.3
Tax revenue	167.0	214.3	221.0	305.7	...
Non tax revenue	18.7	35.7	30.7	56.3	...
Other revenue	0.3	1.0	1.7	...	...
Special funds and annexed budgets	99.3	114.3	136.3	35.3	36.0
Grants	113.0	111.3	120.7	117.7	157.0
Projects	92.0	81.0	85.3	90.7	90.7
PASEP	0.7	4.3	0.0	2.0	2.0
Budgetary	20.3	26.0	35.3	25.0	64.3
Total expenditures (commitment basis)	487.7	578.3	571.0	648.3	659.7
Budgetary	397.7	481.3	469.7	617.7	596.7
Current	203.3	225.7	222.7	280.0	273.0
Personnel	126.0	128.3	124.7	133.3	136.7
Supplies	21.0	19.3	17.7	23.0	19.0
Scholarships	11.3	10.7	9.3	11.7	15.0
of which: supplies	...	...	...	7.7	7.7
Communication-Energy	5.3	13.0	16.3	14.0	14.0
Travel	25.3	27.7	22.7	27.3	20.0
Interest due	...	...	...	37.3	39.3
IMF	...	...	...	4.7	5.7
BCEAO statutory advance/BDM	...	...	...	6.7	7.7
Other (CAA)	...	...	...	26.0	26.0
Other expenditures	14.0	26.7	32.0	33.3	29.0
Development and PASEP, BDM, PDV	194.7	254.7	247.0	337.7	323.7
Development	184.0	203.3	223.0	259.7	246.7
Externally financed	172.3	190.0	211.7	226.7	226.7
Loans	80.3	109.0	126.3	136.0	136.0
Grants	92.0	81.0	85.3	90.7	90.7
Equipment and investment	11.7	13.3	11.3	33.0	20.0
PASEP and public enterprises	10.7	5.3	24.0	55.0	55.0
BDM	0.0	47.0	0.0	1.0	0.0
Voluntary departure program	0.0	0.0	0.0	22.0	22.0
Special funds, annexed budgets	82.3	88.3	85.7	30.7	29.7
of which: interest due	33.3	40.3	36.3	...	...
IMF	4.7	4.3	4.7	...	...
BCEAO	5.7	10.3	8.3	...	...
Other (CAA)	22.7	25.7	23.3	...	...
Extrabudgetary	7.3	9.0	15.7	0.0	33.3
DEFICIT, commitment basis	-89.3	-89.3	-60.7	-133.3	-153.3
excluding grants	-202.3	-202.3	-181.3	-251.0	-310.3

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Mali: Consolidated Government Operations

	1988 Actual	1989 Actual	1990 Proj.	1991 Proj. Feb. 91	1991 Proj. May 91
Changes in arrears	-95.7	-105.3	-12.3	-1.0	-1.3
Domestic	-30.7	-52.0	-12.3	-1.0	-1.3
Reduction	-38.0	-52.0	-12.3	-1.0	-1.3
Accumulation	7.3	0.0	0.0	0.0	0.0
Extrabudgetary	-30.7	-52.0	-12.3	-1.0	-1.3
Reduction	-38.0	-52.0	-12.3	-1.0	-1.3
of which: PASEP	0.0	-40.0	...	0.0	0.0
Accumulation	7.3	0.0	0.0	0.0	0.0
External	-65.0	-53.3	0.0	0.0	0.0
Reduction	-65.0	-53.3	0.0	0.0	0.0
Accumulation	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0
Adjustment to cash basis	22.0	-5.0	-3.7	-11.7	-11.7
Unpaid vouchers (treasury)	-1.3	-3.0	-1.7	0.0	0.0
Reduction	-1.3	-3.0	-1.7	0.0	0.0
of which: PASEP	0.0	0.0	...	0.0	0.0
Accumulation	0.0	0.0	0.0	0.0	0.0
Unexpended commitment	23.3	-2.0	-2.0	-11.7	-11.7
Reduction	...	-2.0	-2.0	-11.7	-11.7
Accumulation	...	0.0	0.0	0.0	0.0
Complementary period	4.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0
DEFICIT, cash basis	-163.0	-212.0	-76.7	-146.0	-166.3
	0.0	0.0	0.0	0.0	0.0
FINANCING	163.0	211.7	76.7	146.0	150.0
External financing (net)	190.7	251.0	148.0	184.0	164.7
Loans	143.7	214.3	169.3	212.0	193.0
PASEP	35.3	49.3	9.3	20.3	20.3
BDM	0.0	28.7	0.0	0.0	0.0
Projects	80.3	109.0	126.3	136.0	136.0
Budgetary aid	28.0	27.3	33.7	55.7	36.7
Amortization	-37.0	-40.7	-34.0	-34.0	-34.3
Debt relief in negociation	76.3	77.3	12.7	6.0	6.0
Obtained	76.3	77.3	12.7	6.0	0.0
Paris Club	...	26.0	4.7	3.7	0.0
Other	...	9.0	8.0	2.3	0.0
Arrears	...	42.3	0.0	0.0	0.0
Rescheduling requested	0.0	0.0	0.0	0.0	6.0
Rescheduling debt in negociation	7.7	0.0	0.0	0.0	0.0

Mali: Consolidated Government Operations

	1988 Actual	1989 Actual	1990 Proj.	1991 Proj. Feb. 91	1991 Proj. May 91
Domestic financing (net)	-27.7	-39.0	-71.3	-38.0	-14.7
Banking system	-50.0	-49.0	-66.3	-61.7	-38.3
Claims on central government	-34.7	-33.7	-51.0	-46.3	-23.0
Statutory advance	25.0	-14.3	-33.3	-41.0	0.0
IMF repurchase	-7.3	-26.3	-18.7	-9.7	-9.7
IMF purchase	...	7.0	25.7	24.3	0.0
Other (net)	-52.3	0.0	-24.7	-20.0	-13.3
Other monetary financing	-15.3	15.3	-15.3	-15.3	-15.3
Other financing	22.3	10.0	-5.0	23.7	23.7
Financing gap	0.0	0.0	0.0	0.0	16.3
GDP	1957.3	2135.7	2224.7	2312.3	2312.3

Source: Ministry of Economy and Finance
Date: June 12, 1991

PROPOSALS FOR BUDGETARY REDUCTIONS FOR 1991 (million dollars)

NATURE OF EXPENDITURES	AMOUNT	REDUCTION
COMMON EXPENDITURES:	35.00	18.10
Field trip allowance	3.76	1.25
International travel	5.30	1.77
Assessment of regular liabilities	0.55	0.27
Settlement of arrears	1.18	1.18
Contracts of previous fiscal years	0.51	0.17
Purchase of office equipment	8.36	2.79
Embassies expenditures	2.33	2.33
Participation to Financial Institutions	7.33	3.67
Construction expenditures (Palace)	3.33	3.00
Contributions to International Organizations	2.34	1.67
MINISTRIES:	1.54	0.72
National Assembly	1.04	0.43
Economic and Social Council	0.50	0.29
SOVEREIGNTY EXPENDITURES:	1.99	1.00
EX-BEC	0.43	0.15
Presidential supplies office	0.29	0.21
Other	1.27	0.63
Equipment Budget:	4.69	3.80
New constructions:		
Embassy in Alger	0.04	0.02
Judiciary premises in Bamako	0.18	0.09
Embassy in Accra	0.25	0.13
Embassy in Abidjan	0.30	0.15
Embassy in Washington	0.17	0.08
Regional Directions of Plan	0.17	0.08
Arrears payments:		
Kalana High voltage line	2.88	2.88
Mali Word Est Project	0.71	0.37
Liabilities of liquidated and co-managed firm	10.00	5.00

Evolution of GRM Budget Estimates for 1991
(million dollars)

	February	April 18	May 15	May 30	June 1991
Revenues and Grants	515.0	432.7	473.0	506.3	506.3
Total Receipts	397.3		315.7	349.3	
Budgetary Receipts	362.0		285.7	313.3	
Fiscal Receipts	305.7				
Non-Fiscal Receipts	56.3				
Grants	117.7		157.3	157.0	
Total Expenditure (Comm. basis)	647.7	561.0	691.3	659.7	659.7
Budgetary expenditures	617.7		604.7	596.7	
Current expenditures	280.0		276.7	273.0	
Personnel	133.3		144.3	136.7	136.7
Equipment	23.0		18.3	19.0	
Scholarships	11.7		15.0	15.0	15.0
Development	259.7		255.0	246.7	
Extra budgetary + Reconstruction			651.7	33.3	
Deficit (Comm. basis)	-133.3		-218.3	-153.3	153.3
Excluding Grants	-251.0		-375.7	-310.3	310.3
Deficit (cash basis)	-146.0		-231.0	-166.3	166.3
Financing	146.0		150.7	150.0	
FINANCING GAP	0.0	126.7	80.3	16.3	16.3

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Sources

/*,+ Ministry of Finance, Consolidated Operations of the Government, May 1991

/# Ministry of Plan, Summary Evaluation of the Damages of March 1991, April 18, 1991

/$ Ministry of Economy and Finance, Draft Policy Framework, June 1991.

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CONDITIONALITY FOR NON-SALARY CURRENT EXPENDITURE.

EPRP used the ratio of non-salary current expenditures to salary expenditures as a proxy for efficiency of the public sector. The evaluation found that the average ratio did indeed increase although the distribution on the increases were biased in favor of the Defense and the Presidency and that in the Ministry of Finance and Commerce, the target for major productivity increases, the ratio decreased between 1987 and 1988. PRED narrows its focus to the Ministry of the Economy and Finance and replaces the ratio measurement with specific level increases on materiel expenditures. With ongoing and potential future changes in personnel levels, an improvement in the ratio could arise more from the removal of personnel than adequate allocations for materiel.

The 1993 PRED disbursement addressed to this condition, also to the DNAE program, will be based on a program worked out by that date for 1993 and subsequent materiel allocations through 1996, the end of project. These will be renewed and adjusted each year, taking into account the experience to that date, specifically evidence of MEF ability to meet its materiel requirements.

The following table records the data to date and illustrative projections for future years at a notional five percent increase per year, or 22 percent between 1992 and 1996. The significantly larger increase between 1991 and 1992 is designed to correct the even larger decrease between 1990 and 1991.

Budget of the Ministry of the Economy and Finance
($000)

	1985	1986	1987	1988	1989
Personnel	4787	6140	6117	6253	6437
Materiel	667	1140	1227	1013	1050

	1990*	1991*	1992	1993	1994
Personnel	6550	6710			
Materiel	1887	803	1500	1577	1653

	1995	1996
Materiel	1737	1823

* The figures for 1990 and 1991 are respectively those voted by the national assembly and proposed by the government. Both exclude the regional budgets which are included in the figures for the previous years actual figures.

Source: Ministry of the Economy and Finance

Budget de l'Etat, Several issues

June 1991

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BUDGET FOR THE PROGRAM COORDINATION UNIT (PCU) /*

	1991	1992 to 1995	TOTAL
Salaries	13,364	40,092	173,731
Social Security	3,050	9,149	39,647
Allowances	7,291	21,872	94,777
Travel costs	1,604	4,812	20,853
Training	938	2,815	12,199
Office Supplies	8,734	26,202	113,542
Vehicle Maintenance	3,609	10,827	46,917
Offfice Maintenance	3,118	9,354	40,534
Telephone and Banking Costs	1,660	4,980	21,580
Vehicle Insurance	351	1,053	4,563
Gas and Oil	5,414	16,242	70,382
General Documentation	702	2,106	9,126
Information on PRED	165	495	2,145
Equipment	50,000		50,000
TOTAL	100,000	150,000	700,000

/* Indicative Budget to be confirmed as part of the PCU work plan.
Adapted from Eprp PCU Budgets, June 1991

eprppil123, o31.u70

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Distribution of Tax Revenues in Mali, 1985-1990
(MILLION DOLLARS)

	1985	1986	1987	1988	1989	1990 *
INDIRECT		84.3	101.2	111.4	41.3	43.0
Payroll (CF)	6.3	4.9	4.3	4.4	4.9	5.5
IAS #	19.8	24.2	24.2	23.2	28.3	29.3
Private Sector	12.6	16.4	18.8	18.3	19.3	22.8
Public Sector	7.2	7.7	5.4	4.9	9.0	6.5
IGR	5.0	5.9	6.8	6.5	7.4	8.2
DIRECT		38.9	38.8	26.0	38.5	21.8
Profit (BIC)	12.2	10.4	16.1	10.7	15.8	11.7
Private Sector	9.9	8.4	13.3	9.3	14.1	10.0
Public Sector	2.3	2.0	2.8	1.5	1.7	1.7
IMF	1.1	0.8	0.8	1.2	1.9	1.3
IGR	6.2	6.8	7.1	7.2	8.0	8.8
DOUANES	69.9	76.8	72.7	60.5	89.3	69.9
Import	65.4	70.9	68.2	67.5	90.3	65.7
Export	4.5	5.9	4.5	4.8	6.0	
Regional	6.0	9.1	9.3	8.4	10.0	9.2
OTHER	83.5	92.1	95.9	92.9	92.0	
TOTAL		196.4	223.6	263.0	271.1	

* First threee quarters only for BIC and Douanes
Exchange rate: 300 FCFA/$

Replaced by VAT in 1991

Source: Ministry of Economy and Finance, various publications.
June 1991

Definitions:

CF: Contribution Forfaitaire; Payroll Tax
IAS: Impots sur les Affaires et Services: Sales Tax
VAT: Value Added Tax
IGR: Impot General sur le Revenu; General Income Tax
BIC: Impots sur les Benefices Industriels et Commerciaux; Profit Tax
IMF; Impot Minimum Forfaitaire; Minimum Business Tax
Douanes: Custom Taxes

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APPLICATION OF SECTION 110 OF FOREIGN ASSISTANCE ACT

The financial contribution of the GRM to the overall Structural Adjustment Program (SAP) is well over the minimum 25 % requirement. The essential statistics supporting this conclusion appears in in the following table of historical and projected data for the 1988 to 1993. The GRM's financial contribution to the overall development effort is established by subtracting the grant component from the overall development effort.

The development expenditures are of course the financial component of the reform program. It includes the grants and loans of all donors as well as the contribution of the host country. PRED is a relatively small part of the total, some $5 million dollar per year out of more than $80 million dollar grant total and more than $200 million per year development total.

Between 1988 and 1991, the government's share of either the development budget alone or of the development plus other programs such as the Public Enterprise Sector Adjustment Program and the restructuring of the Development Bank (BDM), is consistently above 50 percent. According to IMF projections, during the first three years of PRED, 1991 to 1993, a similar distribution of the development burden, with ratios above 55 % will be maintained. The available data justifies the assumption that the these ratios will be maintained or increased in the future.

For the project side of PRED, $7 million dollars for five years, i.e., $1.4 million per year, we note that the MEF budget for 1989, the last year for which we have actual data, was $7.5 million dollars. The amounts voted for 1990 and 1991 are similar and should be maintained for the life of the project. See Annex E. Given the ratios of total revenues, excluding grants, to overall expenditures shown in the following table, Section 110 considerations are certain to be met in the project side also. This ratio reaches a low of 53 percent in 1991, under current extraordinary circumstances, but has been significantly higher in the past. Under the IMF scenario, which of course assumes that the adjustment program is followed through, the ratio reverts to the 70% range.

	1988 Real.	1989 Real.	1990 Real. pro Feb 1991	1991 Proj rev May 1991	1992	1993
					Projections	
			(Million Dollars)			
25 TOTAL EXPENDITURES	487.7	578.3	571.0	659.7	568.3	599.7
26 Budgetary Expenditures	397.7	481.3	469.7	596.7	484.7	513.0
27 Current Expenditures	203.3	225.7	222.7	273.0	235.0	243.3
39 Development, PASEP, BDM and PDV	194.7	254.7	247.0	323.7	249.7	269.7
40 Development	184.0	203.3	223.0	246.7	249.0	269.7
41 External Financing	172.3	190.0	211.7	226.7	234.0	253.0
42 Loans	80.3	109.0	126.3	136.0	123.0	134.3
43 Grants	92.0	81.0	85.3	90.7	111.0	118.7
14 Total Receipts	285.3	365.3	389.7	349.3	410.0	436.7
Devel.+PASEP, BDM, PDV less Grants	102.7	173.7	161.7	233.0	138.7	151.0
Development less Grants	92.0	122.3	137.7	156.0	138.0	151.0
Share of GRM Contrib. to Dev+PASEP+	0.53	0.68	0.65	0.72	0.56	0.56
Share of GRM Contrib. to Dev Budget	0.50	0.60	0.62	0.63	0.55	0.56
Domestic Revenues/ Total Spending	0.59	0.63	0.68	0.53	0.72	0.73

Exchange rate: 300 FCFA/$

Source: 1988 to 1991, Ministry of Economy and Finance, June 1991
1992 and 1993, IMF, Review Under Standby, June 1989
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USAID MALI
AMBASSADE AMERICAINE

USAID/Bamako
B.P. 34
Bamako, Mali
Tél. 22-36-02

Bamako (I.D.)
Dept. of State
Washington, D.C. 20520
Telex 448

NOV 30 1988

The Minister
Ministry of Finance and Commerce
Government of the Republic of Mali

- B A M A K O -

Subject: Economic Policy Reform Program No. 688-0240
Project Implementation Letter No. 15

Ref: U.S. Dollar and Local Currency Tracking

Dear Mr. Minister:

The purpose of this Implementation Letter is to establish mutually agreeable procedures in accordance with the EPRP Program Agreement Amendment of August 15, 1988, and applicable United States legislation, with respect to the disbursement and utilization of funds made available under that amendment.

These Procedures are as follows:

1) The BCEAO will establish a special dollar account (or sub-account) in a United States bank in the name of the BCEAO for the account of the Government of the Republic of Mali. The GRM will advise A.I.D. of the name of the bank and the account number. The BCEAO will notify USAID/Mali in writing of the receipt of a dollar transfer within three days of its receipt by the United States bank.

2) The U.S. Treasury will deposit dollar cash transfers to the special dollar account upon instructions from A.I.D. subsequent to the meeting by the GRM of the conditions precedent applicable to the particular disbursement under the terms of the Grant Agreement.

3) The GRM will establish a separate special CFAF account at the BCEAO branch office in Bamako in the name of the GRM. The GRM will advise A.I.D. of the number of the account.

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4) Pursuant to existing BCEAO rules and procedures ratified by the WAMU members, the BCEAO will pay into the GRM special CFAF account opened by the GRM in the books of the BCEAO, the equivalent of the dollars at the CFAF/Dollar rate on the date of disbursement of the CFAF counterpart to the CFAF special account. The dollars will automatically become part of the foreign exchange pool of the West African Monetary Union (WAMU). The CFAF deposit will be accomplished immediately after the dollar disbursement from the U.S. Treasury. All deposits into the CFAF special account will be accompanied by a supporting deposit slip showing the CFAF equivalent of the dollar disbursement, a copy of which will be provided to A.I.D.

5) The BCEAO may release CFAF to the GRM from the special CFAF account upon request of the GRM, but only if authorized in advance by a program implementation letter from USAID/Mali.

6) The GRM and BCEAO will notify USAID/Mali of all deposits to and releases from both the special dollar account and special CFAF account. The GRM and BCEAO will also provide monthly statements of transactions in both accounts within five working days after the end of each month.

7) Any interest generated by the special dollar account during the period between the receipt of the dollar funds and disbursement of the CFAF counterpart by the BCEAO is the property of the GRM. The interest will be used for the same purposes as the principal.

8) Interest accruing in the special CFAF account will be used for the same purposes as the principal in the CFAF account.

9) The GRM will provide, upon request by USAID/Mali, any information that USAID/Mali may reasonably request, concerning implementation of these procedures. The procedures set forth above are in addition to requirements stated in the agreement, as amended. All the provisions of the Grant Agreement, as amended, remain in effect.

Please indicate your agreement with the contents of this letter by signing in the space provided below and returning a signed copy of this letter.

Sincerely yours,

Dennis Brennan
Director

Approved by: _____
Tiena Coulibaly
Minister of Finance
and Commerce

Date _____

Acknowledged by: _____
Younoussy Toure
General Director
B.C.E.A.O/Mali

Date 6-12-88

ORGANISATION OF THE MINISTRY OF THE ECONOMY AND FINANCE

1) MINISTRY OF ECONOMY AND FINANCE

- Cabinet
- Direction Nationale des Affaires Economiques (Economic Affairs)
- Direction Administrative et Financiere (Administration and Finance)
- Direction Nationale des Industries (Industry)

2) DELEGATE MINISTRY IN CHARGE OF BUDGET

- Cabinet
- Direction Nationale du Tresor et de la Comptabilite Publique (Treasury)
- Direction Nationale des Impots (Tax administration)
- Direction Generale des Douanes (Customs)
- Direction Nationale du Controle Financier (Financial Control)
- Direction Generale des Marches Publics (Public Markets)
- Direction Nationale du Budget (Budget)

3) DELEGATE MINISTRY IN CHARGE OF TOURISM AND CRAFT INDUSTRY

- Cabinet
- Commissariat au Tourisme (Tourism)
- Projet Secteur Non Structure (informal sector)

Source: Journal Officiel April 30, 1991

POLICY REFORM FOR ECONOMIC DEVELOPMENT
(683-0245/0246)
LOGICAL FRAMEWORK

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Goal: To promote economic growth in Mali	1. Real GDP increases from $2.2 billion in 1990 to $2.6 billion in 1996 2. Per capita GDP increases from $260 in 1990 to $310 in 1996 3. Exports of goods and non-factor services grow from $330 million in 1990 to $400 million in 1996 4. Government expenditure as a percentage of GDP decreases from 26% in 1990 to 23% in 1996 5. The fiscal deficit as a percentage of GDP is reduced from 8% in 1990 to 6% in 1996.	World Bank Reports IMF Mission Reports Program evaluations and impact assessments MEF surveys DNSI statistics	The current transitional and upcoming elected governments remain stable Democratic initiatives are effective There are no significant unforseen climatological changes
Purposes: (a) To create an environment conductive to increase growth and employment, and (b) to improve the management of public finances.	1. Private investment increases from $280 million annually in 1990 to $340 million in 1996 2. Household incomes increase from an average of $1560 in 1990 to $1860 in 1996 3. Tax revenues increase from $220 million in 1990, to $330 million in 1993, to $365 million in 1996 4. Private sector perception of public sector performance improves 5. MEF non-salary expenses increase from $800,000 in 1991 to $1.8 million in 1996	MEF and PCU reports World Bank SDA Income Surveys DNSI statistics USAID/DNAE Joint studies Attitude surveys on the business climate	Government adheres to structural adjustment program World market situation for Malian exports does not change dramatically

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Outputs:			
1. Taxes are abolished or reduced	1. Remaining export taxes are abolished by 1991; minimum business profits and payroll taxes decrease one-third by 1992; direct taxes on business income decrease to one by 1994	MEF and DNAE reports ONMOE statistics and labor surveys PCU analyses Chamber of Commerce records and reports	MEF applies new budget resources effectively
2. DNAE is restructured to support the private sector	2. DNAE agents trained by 1993, disseminating information, revising regulations & proposing new statutes in support of the private sector	DNSI statistics	
3. New firms and jobs are created	3. New firms obtaining business licenses in Bamako District increases from 1600 in 1989 to 2500 in 1996; the number of jobs created in the private sector increases from 15,000 in 1990 to 18,000 in 1996		
4. Commercial courts are established and functioning	4. Number of claims brought to and resolved by commercial courts in Bamako (1992) and two other cities (1996)		
5. Bank credit for SME's increases	5. Available credit for SME's increases 5% per year through 1996; share of bank credit given to noncommercial activities increases from 20% in 1990 to 25% in 1996		
Inputs:			
Program Assistance	$18 million	Project and Controller Reports	Inputs are provided in a timely manner
Project Assistance	$ 7 million	GRM financial statements	Allowances are received from AID/W
a. Tech. Assistance	a. $ 4,500,000		
b. DNAE Program	b. $ 650,000		
c. Commercial Courts	c. $ 300,000		
d. PCU Operations	d. $ 700,000		
e. Training	e. $ 500,000		
f. AID/PSC Economist	f. $ 100,000		
g. Audits/Evaluations	g. $ 150,000		
h. PEDS Buy-In	h. $ 100,000		

Prepared 25 June 1991

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to: (A) FAA funds generally; (B)(1) Development Assistance funds only; or (B)(2) the Economic Support Fund only.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FY 1990 Appropriations Act Sec. 569(b). Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully? No.

2. FAA Sec. 481(h); FY 1990 Appropriations Act Sec. 569(b). (These provisions apply to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, narcotics education and awareness, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs

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3(A)2 - NONPROJECT ASSISTANCE CHECKLIST

The criteria listed in Part A are applicable generally to FAA funds, and should be used irrespective of the program's funding source. In Part B a distinction is made between the criteria applicable to Economic Support Fund assistance and the criteria applicable to Development Assistance. Selection of the criteria will depend on the funding source for the program.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED?

A. GENERAL CRITERIA FOR NONPROJECT ASSISTANCE

1. FY 1990 Appropriations Act Sec. 523; FAA Sec. 634A. Describe how authorization and appropriations committees of Senate and House have been or will be notified concerning the project.	A Congresionnal Notification was submitted on
2. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?	No further legislative action is required.
3. FAA Sec. 209. Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.	No.

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4. FAA Sec. 601(a). Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.	(a) yes, through export promotion; (b) yes; (c) yes, indirectly; (d) yes, through supporting the IBRD public enterprise restructuring program. (e) & (f) yes, through encouragement of a market economy & reduced Government controls.
5. FAA Sec. 601(b). Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	This program will encouraged such activities encouragi: the growth Malian private secto: and market economy.
6. FAA Sec. 121(d). If assistance is being furnished under the Sahel Development Program, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of A.I.D. funds?	PRED is DFA funded.

B. FUNDING CRITERIA FOR NONPROJECT ASSISTANCE

1. Nonproject Criteria for Economic Support Fund

a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?	Yes
b. FAA Sec. 531(e). Will assistance under this chapter be used for military or paramilitary activities?	No

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c. FAA Sec. 531(d). Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106?	N/A
d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?	N/A
e. FY 1990 Appropriations Act, Title II, under heading "Economic Support Fund," and Sec. 592. If assistance is in the form of a cash transfer: (a) Are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds?	(a) Yes
(b) Will all local currencies that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account, and has A.I.D. entered into an agreement with that government setting forth the amount of the local currencies to be generated, the terms and conditions under which they are to be used, and the responsibilities of A.I.D. and that government to monitor and account for deposits and disbursements?	(b) yes
(c) Will all such local currencies also be used in accordance with FAA Section 609, which requires such local currencies to be made available to the U.S. government as the U.S. determines necessary for the requirements of the U.S. Government, and which requires the remainder to be used for programs agreed to by the U.S. Government to carry out the purposes for which new funds authorized by the FAA would themselves be available?	(c) No, since the the purpose of the program & eocnomic support.
(d) Has Congress received prior notification providing in detail how the funds will be used, including the U.S. interests that will be served by the assistance, and, as appropriate, the economic policy reforms that will be promoted by the cash transfer assistance?	(d) Yes

2. Nonproject Criteria for Development Assistance

a. FAA Secs. 102(a), 111, 113, 281(a). Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

(1) PRED will encourage entry of small informal firms into the formal economy.

(2) Cooperatives will be encouraged along with other small & informal enterprises.

(3) PRED directly supports the medium-term readjustment program and the self-help measures implied therein (4) Yes, by promoting the informal sector in which women are heavily representated. (5) Yes, It will encourage regional trade by encouraging growth of the Malian private sector.

b. FAA Secs. 103, 103A, 104, 105, 106, 120-21. Is assistance being made available (include only applicable paragraph which corresponds to source of funds used; if more than one fund source is used for assistance, include relevant paragraph for each fund source):

(5) [120-21] for the Sahelian region; if so, (a) extent to which there is international coordination in planning and implementation; participation and support by African countries and organizations in determining development priorities; and a long-term, multidonor development plan which calls for equitable burden-sharing with other donors; (b) has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of projects funds (dollars or local currency generated therefrom)?

Yes, between IBRD and IMF and AID; (b) Mission makes an annuam 121(d) certification.

(b) Yes.

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to: (A) FAA funds generally; (B)(1) Development Assistance funds only; or (B)(2) the Economic Support Fund only.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FY 1990 Appropriations Act Sec. 569(b). Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully? No.

FAA Sec. 481(h); FY 1990 Appropriations Act Sec. 569(b). (These provisions apply to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, narcotics education and awareness, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs

are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government): (a) Does the country have in place a bilateral narcotics agreement with the United States, or a multilateral narcotics agreement? and (b) Has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without Congressional enactment, within 45 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (1) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals agreed to in a bilateral narcotics agreement with the United States or in a multilateral agreement, to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, to prevent and punish drug profit laundering in the country, and to prevent and punish bribery and other forms of public corruption which facilitate production or shipment of illicit drugs or discourage prosecution of such acts, or that (2) the vital national interests of the United States require the provision of such assistance? N/A

3. 1986 Drug Act Sec. 2013. (This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.) If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec 481(h)), has the President submitted a report to N/A

Congress listing such country as one: (a) which, as a matter of government policy, encourages or facilitates the production or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country?

4. FAA Sec. 620(c). If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity? No.

5. FAA Sec. 620(e)(1). If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? No.

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6. FAA Secs. 620(a), 620(f), 620D; FY 1990 Appropriations Act Secs. 512, 548. Is recipient country a Communist country? If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, South Yemen, Iran or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan? — No.

7. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property? — No.

8. FAA Sec. 620(l). Has the country failed to enter into an investment guaranty agreement with OPIC? — No.

9. FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made? — No.

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10.	FAA Sec. 620(q); FY 1990 Appropriations Act Sec. 518 (Brooke Amendment). (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the '90 Appropriations Act appropriates funds?	No.
11.	FAA Sec. 620(s). If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)	PRED is funded from DFA sources and is a grant.
12.	FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?	No.
13.	FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.)	Current

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14. FAA Sec. 620A. Has the President determined that the recipient country grants sanctuary from prosecution to any individual or group which has committed an act of international terrorism or otherwise supports international terrorism? No.

15. FY 1990 Appropriations Act Sec. 564. Has the country been determined by the President to: (a) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons? No.

16. ISDCA of 1985 Sec. 552(b). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures? No.

7 FAA Sec. 666(b). Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? No.

18. FAA Secs. 669, 670. Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) No.

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19. FAA Sec. 670. If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device?

20. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo.)

The present Government of Mali derived from a popular revolt against the previous authoritarian regime. It is committed to a democratic initiative and has confirmed it's frendly relations with the U.S.

21. FY 1990 Appropriations Act Sec. 513. Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance?

22. FY 1990 Appropriations Act Sec. 539. Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin?

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B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

a. FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy? — No,

b. FY 1990 Appropriations Act Sec. 535. Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? — No.

2. Economic Support Fund Country Criteria — (Not applicable: DFA Funding)

a. FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

b. FY 1990 Appropriations Act Sec. 569(d). Has this country met its drug eradication targets or otherwise taken significant steps to halt illicit drug production or trafficking?

5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded with Development Assistance loans; and B(3) applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1990 Appropriations Act Sec. 523; FAA Sec. 634A. If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified?

   Congress has been notified by a congressional notification which was submitted on

   and expired on

2. FAA Sec. 611(a). Prior to an obligation in excess of $500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

   (a) no engineering o financial plans are needed; (b) yes.

3. FAA Sec. 611(a)(2). If legislative action is required within recipient country with respect to an obligation in excess of $500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?

   No such action will be needed prior to obligation.

4.	FAA Sec. 611(b); FY 1990 Appropriations Act Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)	N/A.
5.	FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?	Project does not involve capital assistance.
6.	FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.	No, this is a bilateral endeavor.
7.	FAA Sec. 601(a). Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.	(a) yes, through elimination of export taxes; (b) yes, through regulatory simplification; (c) yes, through support for private sector; (d) yes, through dissolving parastatal enterprises; (e) yes, through greater private sector activitity; (f) yes, through greater private sector ctivity.
8.	FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	The project will encouraged U.S. private sector trade and investment by fostering the growth of the private sector and a market economy in Mali which will creat "hospitable climate for U.S. trade investment. U.S. private enterprise will participate in the project as a supplier of services.

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9. FAA Secs. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.	The country will contribute 25% of the costs of the project. There will be the U.S Government local currency.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?	No.
11. FY 1990 Appropriations Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?	Assistance is not for the production pf a commodity for export.
12. FY 1990 Appropriations Act Sec. 547. Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?	No.
13. FAA Sec. 119(g)(4)-(6) & (10). Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other	N/A.

(4)

wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

14. FAA Sec. 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)?

Mission will determine that the GRM complies with Section (121d) of the DFA.

15. FY 1990 Appropriations Act, Title II, under heading "Agency for International Development." If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

N/A.

16. FY 1990 Appropriations Act Sec. 537. If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?

N/A.

17. FY 1990 Appropriations Act Sec. 514. If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

N/A.

18. State Authorization Sec. 139 (as interpreted by conference report). Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).	It will be.
19. Trade Act Sec. 5164 (as interpreted by conference report), amending Metric Conversion Act of 1975 Sec. 2 (and as implemented through A.I.D. policy). Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?	Yes.
20. FY 1990 Appropriations Act, Title II, under heading "Women in Development." Will assistance be designed so that the percentage of women participants will be demonstrably increased?	Yes. The Project will help all Malians especially those in the non-formal sector where women are more heavily represented than in othe sectors.

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21. <u>FY 1990 Appropriations Act Sec. 592(a).</u> If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies, has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?	Yes (see infra., section on financial management (b) these will be specified in the grant agreements; (c) yes, in the grant agreements.
Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?	Yes.
Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?	Yes
If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?	Yes, per the terms of the gramt agreements to be signed with the GRM.

3. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FY 1990 Appropriations Act Sec. 546 (as interpreted by conference report for original enactment). If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?	N/A.
b. FAA Sec. 107. Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?	N/A.
c. FAA Sec. 281(b). Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.	N/A. This is a policy reform project.

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d. FAA Sec. 101(a). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?	Yes.
e. FAA Secs. 102(b), 111, 113, 281(a). Describe extent to which activity will: (1) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries.	(1) Project will support the GRM's microenterprise and small enterprise promotion policies, tax reforms in support of decentralization; (2) Project will work where feasible to promote group and credit union lending; (3) This project supports the stated self-help measures previously agreed to; (4) See item 20 above; (5) The project will promote regional trade by fostering growth of the Malian private sector.
f. FAA Secs. 103, 103A, 104, 105, 106, 120-21; FY 1990 Appropriations Act, Title II, under heading "Sub-Saharan Africa, DA." Does the project fit the criteria for the source of funds (functional account) being used?	Yes
g. FY 1990 Appropriations Act, Title II, under heading "Sub-Saharan Africa, DA." Have local currencies generated by the sale of imports or foreign exchange by the government of a country in Sub-Saharan Africa from funds appropriated under Sub-Saharan Africa, DA been deposited in a special account established by that government, and are these local currencies available only for	N/A

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use, in accordance with an agreement with the United States, for development activities which are consistent with the policy directions of Section 102 of the FAA and for necessary administrative requirements of the U. S. Government?

h. FAA Sec. 107. Is emphasis placed on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

i. FAA Secs. 110, 124(d). Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

Mali will provide at least 25%.

j. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

Yes.

k. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

PRED will support deregulation of the econom and support economic development through encouragement of private energies and individually owned enterprises.

l. FY 1990 Appropriations Act, under heading "Population, DA," and Sec. 535. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

No.

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Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?	No.
Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?	No.
Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services?	N/A.
In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning?	N/A
Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?	No.
m. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?	Yes, Contracts for goods & services under the project will be awarded o the basis of opem competition.
n. FY 1990 Appropriations Act Sec. 579. What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and	Select on process will encourage participation of economically & socially disadvantaged firms. etc.

private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

o. FAA Sec. 118(c). Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a

Yes. See IEE

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condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; and (11)/utilize the resources and abilities of all relevant U.S. government agencies?

p. FAA Sec. 118(c)(13). If the assistance will support a program or project significantly affecting tropical forests (including projects involving the planting of exotic plant species), will the program or project: (1) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (2)/take full account of the environmental impacts of the proposed activities on biological diversity? N/A.

q. FAA Sec. 118(c)(14). Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; or (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas? NO

r. FAA Sec. 118(c)(15). Will assistance be used for: (1) activities which would result in the conversion of forest lands to the rearing of livestock; (2) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (3) the NO

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colonization of forest lands; or (4) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

s. FY 1990 Appropriations Act Sec. 534(a). If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry?

Assistance does not relate to tropical forests.

t. FY 1990 Appropriations Act Sec. 534(b). If assistance relates to energy, will such assistance focus on improved energy efficiency, increased use of renewable energy resources, and national energy plans (such as least-cost energy plans) which include investment in end-use efficiency and renewable energy resources?

Assistance does not relate to Energy.

Describe and give conclusions as to how such assistance will: (1) increase the energy expertise of A.I.D. staff, (2) help to develop analyses of energy-sector actions to minimize emissions of greenhouse gases at least cost, (3) develop energy-sector plans that employ end-use analysis and other techniques to identify cost-effective actions to minimize reliance on fossil fuels, (4) help to analyze fully environmental impacts (including impact on global warming), (5) improve efficiency in production, transmission, distribution, and use of energy, (6) assist in exploiting nonconventional renewable energy resources, including wind, solar, small-hydro, geo-thermal, and advanced

biomass systems, (7) expand efforts to meet the energy needs of the rural poor, (8) encourage host countries to sponsor meetings with United States energy efficiency experts to discuss the use of least-cost planning techniques, (9) help to develop a cadre of United States experts capable of providing technical assistance to developing countries on energy issues, and (10) strengthen cooperation on energy issues with the Department of Energy, EPA, World Bank, and Development Assistance Committee of the OECD.

u. FY 1991 Appropriations Act, under heading "Sub-Saharan Africa, Development Assistance" (to implement FAA Sec. 496 "Development Fund for Africa"). If assistance will come from the Sub-Saharan Africa DA account, is it:

(1) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (2) being provided in accordance with the policies contained in section 102 of the FAA; (3) being provided, when consistent with the objectives of such assistance, through African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (4) being used to help overcome shorter-term constraints to long-term development, to to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take

(1) Yes.

(2) Yes.

(3) N/A. The Assistance to be provided is not appropriate for provision through a PVO

(4) Yes

into account, in assisted policy reforms, the need to protect vulnerable groups; (5) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks, to maintain and restore the renewable natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

(5) Export Tax reform will encourage livestock exports.

v. International Development Act Sec. 711, FAA Sec. 463. If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (1) the world's oceans and atmosphere, (2) animal and plant species, and (3) parks and reserves; or describe how the exchange will promote: (4) natural resource management, (5) local conservation programs, (6) conservation training programs, (7) public commitment to conservation, (8) land and ecosystem management, and (9) regenerative approaches in farming, forestry, fishing, and watershed management.

N/A.

w. FY 1990 Appropriations Act Sec. 515. If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified?

N/A.

2. Development Assistance Project Criteria (Loans Only) N/A.

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?

c. FAA Sec. 122(b). Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

3. Economic Support Fund Project Criteria N/A

a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?

b. FAA Sec. 531(e). Will this assistance be used for military or paramilitary purposes?

c. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.) — N/A.

6. FAA Sec. 603. Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? — No.

7. FAA Sec. 621(a). If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? — Yes.

International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? — Yes.

FY 1990 Appropriations Act Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? — Yes.

10. FY 1990 Appropriations Act Sec. 524. If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)? — Yes.

11. Trade Act Sec. 5164 (as interpreted by conference report), amending Metric Conversion Act of 1975 Sec. 2 (and as implemented through A.I.D. policy). Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage? — Yes.

12. FAA Secs. 612(b), 636(h); FY 1990 Appropriations Act Secs. 507, 509. Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services. — US does not own excess FCFA.

13. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? — No.

14. FAA Sec. 601(e). Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? — Yes.

B. CONSTRUCTION

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used?	Not a capital project
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?	No construction will be financed.
3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed $100 million (except for productive enterprises in Egypt that were described in the CP), or does assistance have the express approval of Congress?	N/A.

C. OTHER RESTRICTIONS

1. FAA Sec. 122(b). If development loan repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?	N/A
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?	N/A.
3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?	Yes.

4. Will arrangements preclude use of financing:

a. FAA Sec. 104(f); FY 1990 Appropriations Act under heading "Population, DA," and Secs. 525, 535. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; or (4) to lobby for abortion? Yes.

b. FAA Sec. 483. To make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? Yes.

c. FAA Sec. 487. To or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance? (Section 487 requires the taking of "reasonable steps to ensure that assistance" (under the FAA and the Arms Export Control Act) is not provided in the foregoing cases.) Yes.

d. FAA Sec. 620(g). To compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? Yes.

e. FAA Sec. 660. To provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes.

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f. FAA Sec. 662. For CIA activities? Yes.

g. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes.

h. FY 1990 Appropriations Act Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? Yes.

i. FY 1990 Appropriations Act Sec. 505. To pay U.N. assessments, arrearages or dues? Yes.

j. FY 1990 Appropriations Act Sec. 506. To carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? Yes.

k. FY 1990 Appropriations Act Sec. 510. To finance the export of nuclear equipment, fuel, or technology? Yes.

l. FY 1990 Appropriations Act Sec. 511. For the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? Yes.

m. FY 1990 Appropriations Act Sec. 516; State Authorization Sec. 109. To be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? Yes.

5. FY 1990 Appropriations Act Sec. 574. Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate? Yes.

6. FY 1990 Appropriations Act Sec. 582. Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law? No

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