

Mali: Joint Staff Assessment of Poverty Reduction Strategy Paper

The attached Joint Staff Assessment (JSA) of the Poverty Reduction Strategy Paper for Mali, prepared by the staffs of both the World Bank and IMF, was submitted with the member country's Poverty Reduction Strategy Paper (PRSP) or Interim PRSP (IPRSP) to the Executive Boards of the two institutions. A JSA evaluates the strengths and weaknesses of a country's poverty reduction objectives and strategies, and considers whether the PRSP or IPRSP provides a sound basis for concessional assistance from the Bank and Fund, as well as for debt relief under the Enhanced Heavily Indebted Poor Countries (HIPC) Debt Initiative. The Boards then decide whether the poverty reduction strategy merits such support.

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REPUBLIC OF MALI

Poverty Reduction Strategy Paper
Joint Staff Assessment

Prepared by the Staffs of the International Development Association
and the International Monetary Fund

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I. OVERVIEW

1. The Poverty Reduction Strategy Paper (PRSP)¹ finalized by the Malian authorities in May 2002 presents a **credible policy framework to reduce poverty**. It builds upon the Interim-Poverty Reduction Strategy Paper (I-PRSP) presented to the Boards of the International Development Association (IDA) and the International Monetary Fund (IMF) in September 2000. The PRSP was prepared via intensive consultations with all stakeholders, and their input was used to diagnose the poverty situation and to design the country's objectives, strategies, and priorities to reduce poverty over the period 2002-06. The new President, who took office in June 2002, strongly endorsed the PRSP and explicitly mandated his cabinet members to implement the strategy in their respective areas of responsibility.

2. The following are the **strongest aspects of the PRSP**: (i) the consultative and participatory process, which has been successful despite the large size of the country and its thinly spread population; (ii) the poverty analysis, which is adequate despite the limited availability of quality data; (iii) the integration of ongoing sector reform programs and the strategy's focus on macroeconomic stability, private-sector-led growth, and good governance, in addition to human development and access to basic social services; (iv) the integration of the sectoral strategies within a coherent, long-term vision; (v) the efforts at costing the strategy; and (vi) the introduction of results-oriented indicators. The PRSP also makes an adequate assessment of the risks associated with implementing the strategy, including Mali's vulnerability to exogenous shocks.

¹ Government of Mali, *Cadre Stratégique de Lutte contre la Pauvreté*, May 2002.

3. The authorities underscored that the formulation of the poverty reduction strategy was an iterative process, which would evolve as new information became available. In this light, the staffs note that further work is desired on some of the strengths identified above. **Key shortcomings and challenges** the authorities would need to address in 2003 and 2004 are the following: (i) deepening the poverty analysis once the expenditure data from the 2001 household survey become available in 2003, including the analysis of the impact of government policies and actions on poverty; (ii) addressing weaknesses in prioritization; (iii) ensuring that components of all existing sector strategies are adequately reflected in the text (notably those for transport, drinking water supply and sanitation, urban development, and soil fertility); (iv) reinforcing and building upon existing mechanisms to monitor and evaluate strategy implementation and outcomes; and (v) further developing the strategy for high and sustainable pro-poor growth.

II. THE PARTICIPATORY PROCESS

4. **The PRSP clearly describes the participatory process**, which drew from a long tradition of consensus-based policies and strategies, which have yielded the decentralization policy (1992), the National Strategy for Poverty Reduction (1998), and the National Prospective Study – Mali 2025 (1999). Participation for the PRSP was secured by (i) establishing a broad mechanism for dialogue at both the steering and the technical levels; (ii) involving a wide range of actors representing public administration, civil society, and social and development partners; (iii) making special arrangements to involve representatives of local community administrations; (iv) conducting surveys of the poor; and (v) organizing seminars, workshops, and videoconferences at various stages of the process with a variety of different involved groups.

5. **Consultation activities for the formulation of the PRSP included two notable elements.** First, 11 thematic working groups² were established under an overall National Technical Committee to facilitate the participation of sectoral line agencies in the PRSP process. Second, national and regional-level consultations on the draft PRSP were held.³ This approach resulted in (i) the identification and inclusion of the principal development constraints and strengths of each region; (ii) the consideration of certain specific regional issues in PRSP projects and programs; (iii) the buy-in to the PRSP process by regional and

² The 11 thematic groups covered the following: (i) the macroeconomic framework, growth, and competitiveness; (ii) governance, institutions, and democracy; (iii) revenue-generating activities, solidarity, and social security; (iv) basic infrastructure for development; (v) rural development and natural resources; (vi) education and literacy; (vii) health and population; (viii) environment and living conditions; (ix) jobs and training; (x) culture, religion, harmony, and security; and (xi) analysis and monitoring of poverty and gender.

³ The regional consultations took place in each of the eight regions and the district of Bamako between December 2001 and March 2002.

local actors; and (iv) the establishment of regional and local committees to steer and implement the PRSP. Two specific issues that emerged early from the participation process—insufficient inclusion of civil society concerns, and inadequate focus on the private sector’s key role in generating growth and employment—have been incorporated in the PRSP.

6. The PRSP acknowledges the need for further work to systematize participation and consensus building in the management of public affairs and to strengthen and sustain the consultation process with the poor. The authorities have started addressing these needs by reorienting the working groups and other institutional structures that prepared the PRSP to (i) better incorporate core beneficiary social groups; (ii) strengthen the capacity of civil society to contribute more effectively in sector and macroeconomic policy dialogue; (iii) intensify the consultation process between the government and civil society and between the government and the private sector; (iv) empower the poor by improving the information, education, and communication (IEC) program; (v) extend the PRSP regional committees to all *cercles* and as many communes as feasible;⁴ and (vi) undertake more qualitative surveys, so as to better understand poverty determinants and appropriate strategies from the perspective of the poor. The staffs believe that these actions are appropriate for improving the quality of stakeholder participation.

III. ASSESSMENT OF THE PRSP

A. Poverty Diagnosis

7. **In the staffs’ view, the PRSP presents an adequate diagnosis of poverty despite the remaining data constraints.** The diagnosis draws on the 2001 household survey to define the poverty profile, based on an indicator of access to basic social services (health, education, water supply and sanitation, and housing) that characterizes the living conditions of the population. The poverty profile quantifies both the extent and depth of poverty and is disaggregated by region. Initial work has been done to understand the determinants of poverty (through sector-specific assessments such as the third Demographic and Health Survey and the education program review). Other diagnostic studies whose findings are not explicitly summarized in the PRSP (such as project preparation reports, and assessments of the links of agricultural policies to sector performance and rural incomes) also informed the

⁴ Mali has four levels of administrative entities: the central government, the region, the *cercle*, and the commune. Committees created at the level of the region are chaired by high commissioners, those at the level of the *cercle* are chaired by prefects, and those at the commune are chaired by mayors. The committees are permanent entities comprising the technical departments, representatives of the decentralized communities, local elected representatives, civil society, the private sector, and external development partners. Secretariat functions for each committee are provided by the staff of the government planning and statistical units.

design of PRSP programs. It would be useful to include in the progress report the findings of the diagnostic studies and ensure that assessments of key reform programs already initiated (for instance, health, education, rural development, decentralization) are also included, in order that the PRSP programs may clearly reflect the lessons from past implementation experience.

8. The review of aid to Mali undertaken jointly by the government and the donor community, as well as various reports of the government's Audit Office, and the regional consultations, provided inputs to the PRSP on other factors that have contributed to poverty, such as (i) the role of insufficient growth and macroeconomic policies; (ii) the insufficient focus of public spending on the needs of the poor; (iii) the role of corruption in weakening the effectiveness of public sector programs; and (iv) the low technical capabilities of the local community administrations, which have so far limited the impact of the decentralization program on living conditions of the poor. The disproportionate impact of poverty on women and children is highlighted as a critical issue to be integrated into policy design. These findings have been taken into account in the poverty diagnostics and in the elaboration of the poverty strategy.

9. The PRSP acknowledges other dimensions of poverty, namely "income poverty" and "potential poverty";⁵ however, these are not discussed in detail at this stage, owing to the unavailability of the expenditure data from the 2001 household survey. The authorities intend to analyze the full survey data (to become available in March 2003) as well as the distributional impact of growth and key policies – the findings of this work will be reflected in the first annual progress report. The staffs intend to work with the authorities to conduct poverty and social impact analysis of key proposed programs. Such analysis is planned for the cotton sector reform program by mid-2003, and is envisaged for the privatization program that includes enterprises in a range of other sectors.

B. Targets, Indicators, and Monitoring

10. **In the staffs' view, the PRSP presents a clear set of indicators and targets for monitoring and evaluating implementation of the sectoral strategies** in education, health, and infrastructure development, as well as, to some extent, in other sectors. The targets are set with reference to the Millennium Development Goals (MDGs), as well as to goals under the New Partnership for Africa's Development (NEPAD).⁶ Some of the poverty targets, however, appear to be overly ambitious—in particular, the targeted reduction in poverty from

⁵ Income or monetary poverty is manifested as a low level of income, while potential poverty is identified as a lack of access to capital or the means for generating income (land, equipment, credit, employment, etc.).

⁶ See Annex 3 of the PRSP for the definition of these objectives. The PRSP refers to International Development Goals, the previous name for the MDGs.

64 percent in 2002 to 47.5 percent in 2006. In 2003-04, the authorities will need to reassess this target in light of the upcoming analysis of growth and poverty linkages, as well as in view of the revised macroeconomic framework (paras. 15-19).

11. **The authorities intend to center PRSP evaluation on a few results-oriented indicators that are considered the most essential for assessing medium-term progress, and for which data are readily available.** To this end, an indicative list of indicators (Table A-2 in Annex 1 of the PRSP) has been prepared, based on current data availability, as well as on the relevance and utility of those indicators (that is, those with well-understood causal links to poverty reduction). Targets and indicators also appear in other annexes (Annexes 5 and 7), and in the text (including regional targets to promote geographical equity). The staffs urge the government to consolidate in the coming year the presentation of the targets and indicators in order to clarify and facilitate monitoring of the program. For some sector programs, the long list of indicators would benefit from greater prioritization and inclusion of quality and efficiency indicators, in addition to the physical or access indicators.

12. **The quality of the statistical system will be a key factor in the success of the monitoring and evaluation effort.** The system is currently inadequate and will need to be significantly strengthened to ensure timely availability of quality data. Measures will be required at the regional, local as well as national levels. It will also be necessary to collect annual data to complement household surveys undertaken on a less frequent cycle. The staffs encourage the authorities to pursue implementation of the comprehensive statistical capacity building program that was developed with IDA assistance in late 2002 and covers core national accounts data in addition to information on sector programs.

13. **The staffs concur with the PRSP's conclusion that these indicators will need to be revised and the indicator list improved over time as data availability and information systems improve, and as a results-oriented management process becomes standard practice.** The specific actions identified in the PRSP as measures to strengthen monitoring mechanisms (including improving the indicator list), are well in line with critical needs and adequately build upon ongoing reforms. As part of this effort, the authorities with the assistance of development partners (notably Sweden, Canada and the European Union) over the course of 2002, have now identified and adopted a limited set of indicators to be monitored annually. Furthermore, with IMF technical assistance during 2002, the authorities implemented a new budget classification system that permits the tracking of social spending, including those financed by resources freed up in the framework of the HIPC Initiative.

14. **The institutional structures created for PRSP preparation are to be given new responsibilities for monitoring implementation of the strategy. The staffs particularly welcome the voice being given to stakeholders and development partners in the monitoring of the strategy.** However, the modalities still need to be determined in the course of PRSP implementation, based on an assessment and the relevance of existing monitoring tools. To operationalize the monitoring system, staffs support the authorities in implementing the following key steps during 2003-05 that are outlined in the PRSP, most notably: (i) rationalizing the selection of monitoring indicators to ensure their utility as

management tools; (ii) strengthening the public expenditure system to make it more transparent (e.g., provide for public access to budget information) and with well-defined internal controls; (iii) enhancing feedback loops to ensure that the monitoring and results indicators are used in planning and policy formulation processes; and (iv) supporting the involvement of non-governmental organizations (NGOs) and other civil society entities in the overall PRSP monitoring and evaluation system.

C. Macroeconomic Framework

15. The macroeconomic policies implemented in 2002 were in line with those described in the PRSP, as well as those of the program supported by the IMF under the Poverty Reduction and Growth Facility (PRGF). However, as indicated in the cover letter transmitting the PRSP, the Government has revised its macroeconomic framework presented in the PRSP, given the adverse impact of both the Côte d'Ivoire crisis and unfavorable rainfall conditions in the second half of 2002. Hence, real GDP is now projected to fall by 0.4 percent in 2003 before rebounding in 2004. The revised macroeconomic framework would need to be incorporated in forthcoming PRSP progress report, which is to be prepared in an iterative and participatory process.

16. In spite of the less favorable outlook for 2003, the staffs support the authorities in their determination to increase social outlays slightly this year in line with the PRSP objectives, while improving the fiscal stance by strengthening revenue mobilization and public expenditure management. A basic fiscal surplus, excluding HIPC Initiative expenditure, of 0.7 percent of GDP is projected, compared with a deficit equivalent to 0.4 percent of GDP estimated in 2002. The overall fiscal balance, on a commitment basis, will show a deficit of 8.3 percent of GDP before grants in 2003, and a deficit of 4.7 percent of GDP after grants. The staffs expect the deficit in 2003 to be financed mainly through external assistance on highly concessional terms. Reflecting both increased revenue mobilization and expenditure controls, the overall fiscal deficit, excluding grants, is expected to improve to 7.1 percent of GDP by 2006.

17. The staffs view the growth, inflation and current account projections over 2004-06 as attainable, provided that (i) there is no major drought throughout the period; (ii) the strategy is fully implemented through concrete actions; (iii) the Bamako-Abidjan road is reopened; and (iv) the terms of trade are favorable (see Section IV below on the risks). To meet the growth targets, the PRSP acknowledges the need for continued efforts to (i) implement structural reforms, especially the reform of the cotton sector and the privatization program; (ii) maintain low inflation; (iii) foster private investment; and (iv) pursue a prudent external debt policy. The staffs concur with the PRSP's approach to reducing poverty, not only by improving the environment for growth and increasing the supply of essential goods and services but also by enhancing the distributional impact of growth through specific measures aimed at the poor. These include promoting alternative energy sources in rural areas, adopting labor-intensive approaches to industry development, focusing on programs in disadvantaged regions, and promoting income-generating sectors directly linked to the poor (such as tourism and handicrafts).

18. The PRSP acknowledges the fragility of the growth projections, given Mali's exposure to external shocks and variable climatic conditions. In this light, it offers three growth and related fiscal scenarios (reflecting the possible instability of agricultural production and decreases in gold production, as well as a combination of these two). These scenarios differ somewhat from those developed to assess Mali's debt sustainability. Nevertheless, they arrive broadly at the same conclusion: although a less favorable growth outlook would slow the pace of poverty reduction and increase the debt burden, it would not threaten implementation of the poverty reduction strategy, so long as budget allocations to pro-poor programs are maintained and external financial support⁷ continues to be available (see para. 33). The staffs view this situation as feasible, yet one that would need to be monitored closely to ensure that medium-term debt sustainability is maintained.

19. The staffs are working with the authorities on deepening the analysis of the potential sources of growth and export diversification. The outcome of the analysis would be the elaboration of a program to overcome the oft-cited challenges to growth in Mali (mainly the variable climatic conditions and commodity price shocks). This would likely include intensified development of Mali's considerable water resources (the Niger and Senegal Rivers) and increased processing of its agricultural export products. The growth analysis will be complemented by the Integrated Framework for Trade activity supported under the World Trade Organization and being conducted in 2003. The PRSP progress report would need to incorporate the updated growth and trade strategies.

D. Institutional, Structural, and Sectoral Policies

20. **The PRSP presents a coherent framework that adequately addresses the key policy incentives and institutional constraints on poverty reduction.** In as much as the PRSP consolidates and extends the various ongoing sector or thematic reform programs supported by Mali's development partners, the PRSP draws from lessons of past experience and is consistent with the issues highlighted in the diagnosis, the priorities established during the consultative process, and the resulting poverty reduction objectives. In addition to the precondition of achieving strong, sustainable, and shared economic growth, the strategy is articulated around three pillars: (i) improved governance, and participation of civil society; (ii) the promotion of human development and strengthening access to basic social services; and (iii) the development of infrastructure to support private sector economic activity. The staffs note that a key challenge will be to deepen the decentralization and de-concentration process, so it permeates through all programs. To this end, the authorities would need to

⁷ External financial support would need to be in the form of grants, or loans with a grant element of at least 50 percent, for Mali to maintain its debt ratio indicators at sustainable levels after reaching the completion point under the enhanced HIPC Initiative (see Enhanced HIPC Completion Point Document – EBS/03/15 (2/14/03) and IDA/R2003-0021 (2/13/03), Section D).

ensure that the local administrations receive the required capacity building support and sustainable financial resources from the national budget.

21. **The PRSP's broad approach to institutional development and governance is appropriate.** The diagnosis and action plans for improving public sector management and addressing governance and corruption issues are adequate. The staffs note the efforts made to take into account the main recommendations of the Report on the Observance of Standards and Codes (ROSC), including the involvement of the National Assembly in the preparation, presentation and execution of the budget. The staffs welcome the PRSP's emphasis on public expenditure management, and the highlighting of annual public expenditure reviews (PERs) as an important part of the budgetary process. The PER reports and consultations are well integrated into the annual budget cycle; however, there is a need to strengthen them so that they can better serve their intended fiduciary role. The staffs plan to work with the authorities in this area in 2003-04.

22. **The staffs consider that the anti-corruption policies and action plan require further development.** The anti-corruption report prepared by IDA staff at the request of the previous President and published in May 2002, could serve as the basis for a concrete governance strategy. The staffs also believe that successful implementation of the governance and anti-corruption programs will be essential for improving the quality and transparency of the public sector and the participation of civil society in the policy dialogue, as well as for raising the level of private financial flows in response to an increased level of confidence in the economy.

23. **The staffs view the overall orientation of the structural and sector policies as appropriate.** In addition to improving the provision of core basic services, the second pillar of the PRSP appropriately emphasizes multi-sector approaches to fighting malaria, trypanosomiasis, and HIV/AIDS, and to addressing population issues. As the ongoing sector development programs (PRODEC for education and literacy; PRODESS for health and social protection) tend to have weak linkages with other sector programs, inter-ministerial coordination arrangements would need to be strengthened, to reflect the multi-sectoral approaches highlighted in the PRSP. In the coming year, the authorities will need to focus on making effective the transition from sector-specific programs to multisector approaches (the health sector achievements, for example, depend to an important extent on education, water supply and sanitation programs, and would be enhanced through better integration of these programs).

24. **The third pillar of the PRSP aims at improving the environment for private sector development as the main engine of economic growth,** while emphasizing specific measures to involve the poor and reduce disparities among regions, communities, urban/rural areas, and genders. The strategy is appropriate, but could be made more effective by integrating the strategies for private sector development, small and medium enterprises, employment creation, trade, and investment promotion. In that context, in 2003-04, it would be useful for the authorities to formulate a coherent and integrated strategy for private sector development, poverty reduction and growth.

25. **The staffs are encouraged to note the emphasis placed in the PRSP on water resources in the rural development program.** Further development of Mali's untapped hydrological potential for agriculture and drinking water purposes is a critical need, as it directly addresses one of Mali's core vulnerabilities—that of the temporal and spatial variability in rainfall, as well as the uncertainty of climatic conditions. In keeping with the tone of the PRSP in discussing other sectors, a multidimensional and multi-sector approach is adopted for rural development, with appropriate emphasis on food and nutrition security and income-generating activities for rural residents.

26. **The PRSP adequately addresses the need for specific programs targeted toward the poor and other marginalized groups, including programs dealing with issues faced by women and children.** The PRSP section on vulnerability and social protection presents a good analysis of constraints faced by the poor. Yet, as the social protection actions and analysis relate mainly to the urban formal sector—a small segment of the economy—more emphasis will need to be placed in the future on programs for the rural poor. This could be reflected in the PRSP annual progress report.

E. Public Expenditure Program and Financing

27. **The medium-term expenditure program laid out in the PRSP is in line with the strategic priorities for poverty reduction.** Emphasis is appropriately placed on the social sectors, the rural sector, and infrastructure. Resources freed by debt relief under the HIPC Initiative, estimated to average CFAF 33 billion (US\$47 million equivalent) a year between 2003 and 2005, would also be allocated to priority needs (education, health, and access to basic social services and microfinance).

28. The staffs note that the slight increase proposed in budget allocations for health and education over the medium term (PRSP Tables 3 and 4) reflects the already heavy emphasis placed on these sectors, and the sectors' limited additional absorptive capacity.⁸ Allocations to other priority sectors, notably the productive sectors, increase only nominally, as most of the activity is expected to be driven by the private sector. The staffs welcome the authorities' intention to keep the wage bill stable relative to GDP over the medium term and to observe the corresponding convergence criteria agreed within the WAEMU. However, in light of the

⁸ For the health sector, this is reflected in inadequate numbers of personnel owing to supply constraints in the training institutes and an incentive structure for personnel that inadvertently favors assignments in the capital. The authorities are implementing a program to modify the incentive structure and decentralize the training of nurses to attract local candidates into the profession. Facing similar supply constraints, the education sector aims at decentralizing schooling administration further to ensure that local schools have adequate resources. Additionally, for both sectors, the authorities intend to work with development partners to harmonize the various donor procurement procedures.

staffing needs for health and education, proposed recruitments for other sectors may need to be reviewed downward.

29. The staffs encourage the authorities to ensure that policy priorities are effectively observed in the budget, that public investment is set to levels commensurate with absorptive capacity of the sectoral ministries, and that the rate of execution of the investment budget (which currently averages about 80 percent) is increased. With the implementation of the new budget classification system, the authorities should also improve the coverage of development expenditure, so that it reflects only capital spending, rather than all foreign-financed items, including outlays for associated recurrent expenditures. This would bring the level of public investment closer to the figures included in the national accounts (about 8 percent of GDP).

30. **The link between the objectives set forth in the PRSP and the allocation of public expenditures needs further clarification in the PRSP progress report.** In particular, a broad understanding should be reached on the criteria to be used in adjusting expenditures in response to unfavorable developments, such as negative external shocks or a shortfall in public resources. The reflections undertaken in the course of finalizing the 2003 budget (see attached letter from the authorities) in response to lower projected growth for 2003 (owing to lower rainfall and the Côte d'Ivoire crisis) could provide the elements upon which to formalize the prioritization criteria in the PRSP progress report. On this basis, the progress report would usefully include alternative resource allocation proposals corresponding to the alternative growth scenarios.

31. As the PRSP builds upon ongoing sector programs supported by the donors, it is necessarily based on detailed costing undertaken during preparation of the respective programs. It would be useful, nonetheless, to clarify in the PRSP progress report the assumptions adopted in estimating the program costs. It would also be useful to provide information on bridging the gaps in costing between the PRSP and the ongoing programs. The staffs note that better information on gaps in costing will be more readily forthcoming for health and education, for which detailed sectoral medium-term expenditure frameworks (MTEFs) are being finalized in 2003 with assistance from the World Bank. Sectoral MTEFs for rural development and possibly infrastructure are also expected to be prepared in 2003.

32. **The overall fiscal stance is consistent with the poverty reduction objective. The PRSP is intended to be financed through a major increase in government revenue, and external financing.** A significant increase in private sector financing is also anticipated—while not explicitly mentioned in the section on financing, this is mentioned elsewhere in the document and is the natural outcome of the policy of government divestment from direct economic activities. Total government revenue is expected to make up about 62 percent of PRSP financing, and external resources to finance the remainder. To increase government revenue, the Government indicates that it will pursue the fiscal reform initiated in 1997 that aims at strengthening tax administration and broadening the tax base. To support the projection of a 10-11 percent increase in government revenue over 2002-05, the PRSP progress report would need to provide details on the impact on revenue of the fiscal

measures taken thus far and of measures envisaged in the coming years. The progress report should also clarify the private financing levels required to meet the objectives of the PRSP.

33. Mali's development partners consider the PRSP as the overarching framework within which to target assistance to the country. However, they have not yet indicated their future financial commitment to support the strategy. Hence, the strategy is currently not fully financed, and there is a risk that the external financing requirement may not be met, since the strategy calls for external support to remain at 10½ percent of GDP during the period 2003-06, or about the level achieved over 1998-2002. It would be useful for the Government to review its various poverty reduction programs and indicators, and set priorities among them. It would then be clear to identify, in the case of a shortfall in resources, what programs would be implemented and what would be the expected outcome in terms of poverty reduction.

IV. RISKS TO THE STRATEGY

34. **The staffs consider that the successful implementation of the PRSP is subject to substantial risks and agree with the risk factors identified in the document.** These factors include the following: (i) natural risks (such as drought and pest infestation), which influence agricultural output; (ii) the volatility of commodity prices (mainly cotton and gold); (iii) uncertain external assistance, which is especially important for the strategy's success, given the projections for government revenue and growth; and (iv) social and political tensions, both internal and in the region.

35. **The staffs believe that the achievement of poverty reduction objectives could be hampered by additional risks.** Among these, the most important are the following: (i) slower-than-anticipated development of the private sector into a dynamic engine of growth; (ii) slow mobilization of private sector saving; (iii) an insufficient improvement in governance; (iv) an insufficient diversification of exports; and (v) the inability to institutionalize participatory mechanisms that involve stakeholders in the implementation, monitoring, and evaluation of poverty-oriented programs.

V. CONCLUSIONS

36. **The PRSP represents a credible policy framework to reduce poverty, integrating for the first time the country's various poverty-focused programs within the context of a sound macroeconomic framework.** The PRSP is a truly country-owned document, prepared in a participatory process involving civil society, NGOs, elected officials, and donors. The donors acknowledge the PRSP as the sole reference framework for Mali's development and poverty reduction, and will now need to align their assistance further in support of the strategy.

37. **The annual PRSP implementation progress reports** should provide a means to monitor the various PRSP policies and actions. The staffs believe that some key issues, whose further development is critical to the overall poverty strategy, should be highlighted in the progress report, notably the following: (i) the deepening of the poverty analysis, using the expenditure data from the 2001 household survey, and incorporating findings of the

forthcoming policy and social impact analysis of the cotton sector reforms; (ii) a further prioritization of policies and programs, an articulation of the criteria for allocating public expenditures, and the elaboration of budget allocation scenarios corresponding to the alternative growth scenarios; (iii) the provision of further details regarding financing of the PRSP, including program costing, the tax reform program, and the role of the private sector; (iv) a further articulation of the governance and anticorruption action plans; (v) an elaboration of the monitoring and evaluation mechanisms, including a refined list of indicators, an expanded list of annually-monitored indicators, and more information on participation of the poor; (vi) clear articulation in the case of a shortfall in resources, of what programs would be implemented and what would be the expected poverty reduction outcomes; and (vii) the pursuit, with assistance of IDA and IMF staffs, of full financial backing for the PRSP from the donors.

38. The staffs of IDA and the IMF consider that the PRSP presents a credible poverty reduction strategy, and provides a sound basis for reaching the completion point under the enhanced HIPC Initiative and for IDA and IMF concessional assistance. The staffs recommend that the Executive Directors of the IMF and of the IDA reach the same conclusions.