


















**Ministry of Foreign Affairs – (Embassy Bamako)**

**Meeting in the Council for Development Policy 2 October 2018**

Agenda item 3

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|---|---|
| <b>1. Overall purpose</b>                       | For discussion and recommendation to the Minister |
| <b>2. Title:</b>                                | Mali: Private Sector Development Programme        |
| <b>3. Presentation for Programme Committee:</b> | 21 April 2016                                     |

## Private Sector Development - Mali

<p><b>Key results (examples):</b></p> <ul style="list-style-type: none"> <li>• 200,000 persons make use of improved access to financial services in rural areas by 2022</li> <li>• 48 business plans benefitting 40 SMEs and 108 producer organisations have been developed and financed</li> <li>• 40,800 small producers and SMEs have made green investments</li> <li>• 1,100 enterprises have been created by young entrepreneurs and 330 existing enterprises have been supported to grow</li> <li>• The business environment of SMEs has improved, private sector organisations have been capacity built and the government Investment Promotion Agency (API) has facilitated investments totalling US\$ 50 million</li> </ul> <p><b>Justification for support:</b></p> <ul style="list-style-type: none"> <li>• Access to finance of businesses (SMEs, micro-enterprises, cooperatives) remains a critical issue both at bank and micro-finance level.</li> <li>• In the absence of formal jobs many young people seek to secure their livelihood through activities in the informal sector, while others engage in illegal activities or are tempted to migrate abroad. Most initiatives focus on vocational training of youth but few on their actual integration into economic activities.</li> <li>• Improvement of framework conditions constitutes a cornerstone for boosting the establishment and expansion of micro, small and medium sized enterprises.</li> <li>• Climate change constitutes a particular challenge for economic activities Sahel Region.</li> </ul> <p><b>Major risks and challenges:</b></p> <ul style="list-style-type: none"> <li>• Fragility of the micro-finance sector. Mitigation: Strong implication of the Ministry of Finance; support to the restructuring of the sector; and preconditions for partnerships with decentralised financial institutions.</li> <li>• Difficulties in establishing structural partnerships in the agricultural value chains. Mitigation: Support to the identification of investment opportunities and development of innovative tools addressing the need for medium-term loans.</li> <li>• High mortality rate of enterprises created by youth. Mitigation: Close supervision of new enterprises. Programme design assumes that only 50% of trained youth will succeed in creating sustainable businesses.</li> <li>• Less willingness than expected of banks to embark on financing agricultural value chain activities. Mitigation: TA to assist improving relations with the banks and professionalise guarantee fund.</li> </ul>	<p><b>File No.</b></p> <p>F2: 2017-10401</p>																					
	<p><b>Country</b></p> <p>Mali</p>																					
	<p><b>Responsible Unit</b></p> <p>Danish Embassy in Bamako</p>																					
	<p><b>Sector</b></p> <p>Private Sector Development</p>																					
	<p style="text-align: center;"><i>DKK mill.</i></p> <table border="1"> <thead> <tr> <th></th> <th>2019</th> <th>2020</th> <th>2021</th> <th>2022</th> <th></th> <th>Tot.</th> </tr> </thead> <tbody> <tr> <td><b>Commitment</b></td> <td>70,4</td> <td>101,8</td> <td>59,5</td> <td>28,3</td> <td></td> <td>260</td> </tr> <tr> <td><b>Projected ann. Disb.</b></td> <td>70,4</td> <td>101,8</td> <td>59,5</td> <td>28,3</td> <td></td> <td>260</td> </tr> </tbody> </table>		2019	2020	2021	2022		Tot.	<b>Commitment</b>	70,4	101,8	59,5	28,3		260	<b>Projected ann. Disb.</b>	70,4	101,8	59,5	28,3		260
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	<p><b>Duration</b></p> <p>January 2019 - June 2022</p>																					
	<p><b>Finance Act code.</b></p>																					
	<p><b>Head of unit</b></p> <p>Marianne Kress</p>																					
	<p><b>Desk officer</b></p> <p>Niels Bossen</p>																					
	<p><b>Financial officer</b></p>																					
<p><b>Relevant SDGs</b> [<i>Maximum 5 – highlight with grey</i>]</p>																						
<p> No Poverty</p>	<p> No Hunger</p>	<p> Good Health, Wellbeing</p>	<p> Quality Education</p>	<p> Gender Equality</p>	<p> Clean Water, Sanitation</p>																	
<p> Affordable Clean Energy</p>	<p> Decent Jobs, Econ. Growth</p>	<p> Industry, Innovation, Infrastructure</p>	<p> Reduced Inequalities</p>	<p> Sustainable Cities, Communities</p>	<p> Responsible Consumption &amp; Production</p>																	
<p> Climate Action</p>	<p> Life below Water</p>	<p> Life on Land</p>	<p> Peace &amp; Justice, strong Inst.</p>	<p> Partnerships for Goals</p>																		

**Strategic objective:**

The overall objective of the thematic programme is *to strengthen inclusive economic growth stimulated by private sector to increase incomes and jobs/self-employment.*

Engagement	Partner	Total thematic budget: [mill.]
Inclusive Finance and Facilitation of Agricultural Value	IFAD	135
Promotion of Youth Entrepreneurship	Recruited partner	85
Enhancement of Framework Conditions for SMEs	World Bank	28
Guarantee Fund for Agricultural SMEs	FGSP SA	3
	<b>Programme support and unallocated</b>	9
	<b>Total</b>	260

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## ANNEXES

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2. Partner Analysis
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## Abbreviations

API	Agence de la Promotion de l'Investissement
CNPM	Conseil National du Patronat Malien
DE	Development Engagement
EPEC	Enhancement of Framework Conditions for Entrepreneurship
FACEJ	Supporting the creation of micro- and small enterprises of young men and women
IBRD	International Bank for Reconstruction and Development
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
FGSP SA	Fonds de Garantie pour le Secteur Privé
INCLUSIF	Inclusive Finance and Facilitation of Agricultural Value Chains
M&E	Monitoring and Evaluation
PACEPEP	Programme d'Appui à la Croissance Economique et Promotion de l'Emploi stimulées par le Secteur Privé
SCD	Systematic Country Diagnostic
SME	Small and Medium Size Enterprise

## 1 INTRODUCTION

In January 2016 the Denmark-Mali Country Policy Paper 2016-2021 was approved. The Paper presents a vision of a stable Mali enjoying sustainable peace and development, underpinned by an inclusive and legitimate state with respect for human rights, while recognising the inter-dependence between security and development to ensure durable resolution of the crisis. Pursuing this vision the policy identifies peaceful co-existence; strengthened democratic and inclusive governance; and inclusive and sustainable economic growth as strategic objectives to guide Denmark's broad-based and comprehensive relations with Mali over the coming years.

To operationalise the vision and strategic objectives of the Policy Paper, a Country Programme Document for Denmark's bilateral development cooperation with Mali for the period 2017-2022 was approved and launched in 2017<sup>1</sup>. The Country Programme comprises three thematic programmes including a Peaceful Coexistence programme, a Decentralisation programme and a Private Sector programme. The Country Programme preparation process encompassed the preparation of the first two thematic programmes and provided strategic orientations for the new Private Sector programme that would succeed the on-going private sector programme (PACEPEP 2014-2018).

The Country Programme Document indicates the following overall objective for the new thematic programme for private sector development: Promote an enabling environment and providing access to financial services, capacity building, skilled labour, and a facilitating infrastructure for MSMEs, producers and agribusiness actors within selected agriculture based value chains. The medium term changes are an increased production and generation of income, better investment in the target sectors and overall an inclusive development, resulting in job opportunities for youth and women.

A reorientation of the current engagements under PACEPEP is anticipated in the Country Programme Document within the following areas: Inclusion of the promotion of youth entrepreneurship and job creation for young people, strengthening of the dialogue between private sector operators and the State as an important condition for adequately improving sector framework conditions with a view to further economic growth and finally a more adequate and manageable organisational setting for the programme.

The Country Programmes indicates four strategic intervention areas that will guide the preparation of the new thematic programme: i. Support to the 'higher' end of the value chain actors (SMEs), ii. Support to the producer/smallholder level (and very small enterprises), iii. Support to young entrepreneurs, and iv. Support to strengthening an enabling environment for business.

The Private Sector development programme for the period 2019-2022 has been formulated during second half of 2017 and first half of 2018 building on the orientations given in the Country Programme Document and the experiences gained in the on-going programme that will end in 2018.

The present document presents the strategic considerations and justifications underlying the Development Engagements (DE) of the thematic programme, a summary of the planned DEs, and an overview of the management arrangements for the thematic programme and of its budget. For the main general analyses underlying the thematic programme, reference is made to the Country Programme Document and the context analysis in annex 1.

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<sup>1</sup> Country Programme Document 2017-2022. Denmark-Mali Partnership. Final version dated 6 February 2017.

## 2 THE COUNTRY PROGRAMME CONTEXT AND SUMMARY

### 2.1 Key findings and conclusions from the preparatory phase and recent developments<sup>2</sup>

The politico-military crisis that started in 2012 severely impacted on GDP growth but since 2014 Mali has experienced a satisfactory annual economic growth rate (approximately 5%). Nevertheless, the country is still confronted with an aggravation of the conflict and a proliferation of hostilities towards the southern part of the country.

Agriculture and livestock constituting the livelihood of the vast majority of the population (80%) is characterised by mainly small family businesses, however with a large potential for growth and (self)employment. The World Bank<sup>3</sup> assesses that the potential for economic transformation is limited in the short term and that opportunities for limiting rural poverty should be found in a 2030 perspective. The SCD further emphasise the demand for food products due to the rapid population growth, urbanisation and the deficit of food in some regions. Mali is currently a net importer of food products but has a vast potential in terms of uncultivated land, a substantial productivity gap and in-country processing of products. Ensuring economic growth and re-establishing social stability constitute a corner stone in present Government policy.

Private sector development is hampered by a number of structural factors including widespread corruption<sup>4</sup>, lack of skills, cumbersome regulatory and fiscal procedures, a rudimentary judiciary system and lack of access to inputs and modernisation of production/processing equipment.

Access to financing constitutes a particular challenge for SME and micro enterprises, particularly for the youth, and adversely affecting productivity and expansion of businesses. According to a study financed by the Danish Embassy<sup>5</sup>, SMEs are confronted with problems fulfilling bank conditions for loans and financial institutions are generally reluctant to provide loans to SMEs. However, there is a current tendency that banks are increasingly positioning themselves towards agricultural enterprises and SMEs.

The weak business climate remains an important constraint at all levels<sup>6</sup> for developing private sector and for boosting economic growth and employment. Mali is ranked 143 out of 190 countries in the World Bank Doing Business Index 2018.

The dialogue between private sector organisations and the State remains extremely weak due, among others, to the multiple public structures dealing with private sector issues, a certain reluctance among public institutions to engaging a dialogue with private sector institutions and a weak level of internal organisation of private sector combined with an insufficient capacity of private sector organisations in terms of analytical capacity and in contributing to a fruitful dialogue.

Youth dominates Mali's population composition – nearly 45% of the population is below 15 years old – and more than 250,000 new workers enter the labour market annually. Job opportunities in both rural and urban areas remain scarce and many young people are tempted to migrate out of the country or to engage in precarious jobs and/or illicit activities such as informal mining, criminal activities or in joining radical groups. The inclusion of

<sup>2</sup> This section summarises, details and updates the analysis presented in the Country Programme Document.

<sup>3</sup> Systematic Country Diagnostic 2015 – SCD. The World Bank

<sup>4</sup> Mali ranks 122<sup>nd</sup> out of 180 in Transparency International's Corruption Perceptions Index (2017)

<sup>5</sup> Etude de connaissance sur le système de financement des PME par les banques et les institutions de microfinance (23.10.2017)

<sup>6</sup> See e.g. *Mémoire pour la relance économique et le développement des entreprises*. CNPM 2017.

youth in the economy represents a main priority for Government both with a view to reducing poverty and to avoid further marginalisation and social destabilisation. Government policy thus coincides with Danida's *World 2030* strategy in which development of economic opportunities for youth is paramount in terms of stability and economic growth in developing countries and of combatting illegal migration.

Africa is currently experiencing a boost in the area of new information and communication technologies and this trend can also be observed to some extent in Mali through an increasing number of innovation centres, incubators and entrepreneurial networks especially in the capital area constituting an opportunity for introducing youth to the innovation potentials provided by these new technologies.

## **2.2 Lessons learned from previous support to private sector development**

The new private sector development programme (PSDP) will be the third in a row of private sector support programmes in Mali after PAPESPRIM (2008-2012) and PACEPEP (2014-18). The experiences of the two programmes, especially the most recent one, have given guidance for the design of the new programme.

PAPESPRIM focused to a high degree on capacity building of the government ministries and agencies dealing with private sector and support to private business development was channelled through the regional councils. The main lesson learned is that it proved difficult in a fragile state to channel support to private sector development through the public sector. This is why the PACEPEP took another approach building much more on private sector partners – notably the Employers Organisation CNPM.

The PACEPEP reached a range of remarkable achievements amongst others: providing technical support and access to financing to 300 agribusiness SMEs, the construction of 40 units of value chain infrastructure (rural roads, warehouses, slaughterhouses, market gardening plots, etc.), 50.000 people trained in technical or managerial capacities.

The support has helped increase turnover of the businesses, however, the effect on employment and poverty reduction is less clear. In the end, PACEPEP had little success with the implementation of a value chain approach when it comes to linking actors along the value chain. Although the initial idea was to target SMEs in the processing chain of the selected value chains, the programme initially mainly supported enterprises at production level often without any link to actors at the processing and marketing levels of the value chain, and with little effect on employment and poverty reduction. After re-focusing the programme following a mid-term review, PACEPEP has piloted around 20 integrated value chain projects, linking actors at multiple levels along the value chain. The results of this latest effort are promising, but it is still too early to draw clear conclusions and lessons learned. The new programme will continue the focus on these integrated value chain projects linking larger private sector actors in the end of the value chain to smaller producers in the beginning of the chain with larger impact on (self)employment and inclusive growth.

Furthermore, the programme has not sufficiently succeeded in ensuring better access to credit for SMEs, and the Guarantee Fund of the PACEPEP has been underutilised. Around 450 SMEs have been facilitated and selected for at matching grant from the programme (generally with 60% own contribution by SMEs). However, only around 250 have been able to mobilise their part of the co-financing and hence start their project. Only around half of the 250 have succeeded in mobilising a credit, while the other half have mobilised funding through own resources or informal networks. The guarantee fund has been mobilised for 40 SMEs (a third of the credits). Lessons learned in this respect indicate a need to address structural problems related to the access to finance on both the supply and demand side. The

future programme will strengthen the work on better linking value chain actors to financial institutions and to strengthen these institutions (capacity development, modernisation/digitalisation, refinancing mechanisms, etc.). Capacity building of the Guarantee Fund will equally be pursued.

A weakness in the design of PACEPEP was the lack of attention given to addressing the specific challenges facing young people entering the labour market or seeking to create self-employment. Training/upgrading of skills has been successfully supported by component 3 – PAFP IV but only 20% of the beneficiaries were youth and the project did not foresee any support to starting their own businesses. This area will be addressed in the coming programme through the introduction of a youth enterprise fund.

Finally, support given to enhance the enabling environment for private sector through engagement with the national business council and engagement with the private sector ministry has not had the intended effect. The lesson learned is that working with reforms of the legal and regulatory framework to create better framework conditions for private sector requires collaboration, stronger technical assistance and the possibility to work with a multitude of partners not confined two individual engagements. Hence, the new programme will seek to work in collaboration with other development partners with more expertise and weight in this area that can reach out to a larger group of actors in the field.

### 2.3 Strategic Considerations and Choices

The programme aims at contributing to the development of private sector in Mali with a view to creating **sustainable job opportunities/self-employment**. According to national policies, the development of the agricultural and agro-industrial sector is paramount to reduce poverty and to support national economic growth as such this sector will be dominant in the programme.

The support will be based on a **value-chain approach**. However, due to poor organisation of the agricultural operators, this concept should be approached in a pragmatic way. The entry point will be the private enterprise (the SME) engaged in processing or sale and that constitute a driving force in a value chain, but support to actors in other parts of a specific value chain is considered equally important, including creation of partnerships between SMEs and especially actors at the production level. Thus, the programme will not predefine specific value chains but will supports activities with a clear link to the *market* and it will provide support at several levels of the value chain to facilitate e.g. production or sales contracts between actors in the chain.

**Access to finance for businesses** (SMEs, micro-enterprises, cooperatives) remains a critical issue both at bank and micro-finance level. The programme is designed to offer a range of services to ease private businesses' access to loans, e.g. creation of links between value chain operators, management training, technical and financial diagnostic studies of businesses, preparation of business plans, access to legal, fiscal and administrative expertise, facilitating linkages to financial institutions, etc. Furthermore, development and testing of new tools (warrantage<sup>7</sup>, micro-leasing<sup>8</sup>) aiming at easing access to medium term loans will be a priority for the programme. Finally, the support provided in the PACEPEP provided to a private sector guarantee fund (FGSP) will be made durable and viable as an instrument to

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<sup>7</sup> With warrantage, a business/producer organisation accesses a credit with a bank with the security in a stock of produce

<sup>8</sup> With micro-leasing, the financial institution owns the equipment / infrastructure used by the business until the a credit / lease has fully been reimbursed



facilitate access to loans for SMEs as a part of an exit strategy of the embassy's involvement in the fund.

**Integration of young people into the labour market** remains an enormous challenge. In the absence of formal jobs many young people seek to secure their livelihood through activities in the informal sector, while others engage in illicit activities or are tempted to migrate abroad (most migrants are between 15 and 30 of age). A multitude of vocational training projects are addressing unemployment of young people but few have a focus on their actual integration into economic activities. Therefore, the programme will aim at encouraging and supporting the target group to enter into entrepreneurial activities with a focus on innovation and new technologies.

**Improvement of framework conditions** in terms of legislation, regulation and normalisation constitutes a cornerstone for private sector development and economic growth in Mali. The new programme will support the ease of creating a business, structural reforms (e.g. in fiscal and legal areas), the new actors in the entrepreneurial / innovation ecosystem, and private sector organisation and public-private policy dialogue.

Improvement of economic **infrastructure** both public and collective is paramount to enhance the performance of private sector. However, as the Decentralisation programme of the Country Programme 2017-2022 for the collaboration between Mali and Denmark comprises a substantial budget for funding public infrastructure, the private sector programme will focus on the funding of collective infrastructure that are part of concrete joint business plans of a private sector company and cooperatives / small producers – in this way we make sure that the investment create leverage for (self)employment and poverty reduction. Examples can be warehouses, feeder roads, processing centres, etc. Supported infrastructure will be managed and operated by private operators.

**Three scenarios for the development in Mali** in the short and medium term (status quo, towards stability, and increasing insecurity) were presented in the Country Policy Paper. The Country Programme Document assessed that it seems unrealistic that Mali in a short and medium term perspective will move towards a stable situation and that the status quo scenario remained valid<sup>9</sup>. Although the presidential election in August 2018 was relatively successful and calm – given re-election to the incumbent Ibrahim Boubacar Keita – the developments during the last 12 months suggest a worsening of the security situation in the country with a gradual spreading of the conflict area towards the central parts of Mali. In addition to this, political and social discontent in the population is growing as a result of slow progress in addressing the population's needs and confidence in the political system is low.

The southern regions (Koulikoro, Bamako, Kayes, Sikasso and partly Ségou) remain relatively unaffected by the conflict, however with an increasing number of incidents in Ségou and northern Sikasso bordering Burkina Faso. The northern band of Kayes and Koulikoro regions along the border with Mauritania remains a zone of high risk.

Whereas the development engagements 3 and 4 have a national focus with operations in the capital Bamako, the development engagements 1 and 2 mainly operate in the regions less affected by the crisis. INCLUSIF has a rural focus, and it is not possible to operate the project approach in rural areas in high-risk areas. Supervision of the project would also be difficult or even impossible. If the security situation in the central regions improves, INCLUSIF would extend its intervention zone to Mopti Region. For the youth entrepreneurship project (FACEJ), Bamako and five “cercles” of Sikasso Region have been

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<sup>9</sup> For more details, see the Country Programme Document 2017-2022 for the Denmark-Mali Partnership.

chosen because of the potential opportunities existing in these areas, the possibility to create synergies with past and on-going country programme activities (PACEPEP and the Decentralisation programme), the stability of these areas, and the necessity to closely monitor progress and effectiveness of the approach adopted for the support young entrepreneurship and innovation, which for the Embassy is a new intervention area. By supporting young people in areas of Mali that are currently stable, the PSDP is supporting the agenda of avoiding a further propagation of the crisis and maintaining peace and stability in the south. Options for intervening in urban areas of Ségou and possibly other regional capitals, mainly through existing incubators, will be explored and will depend on the development of the security situation. FACEJ will take a “do no harm” approach if entering into areas with potential of on-going conflict.

If a severe deterioration of the present political, security and social situation in Mali should occur, the programme would examine the need to reorient its geographical coverage towards areas in which it is possible to operate as planned and/or assess the feasibility of applying an approach of remote monitoring in the affected areas. It could also be necessary to reconsider the focus of the EPEC trust fund from supporting government reforms towards other actors.

The programme **target groups** will for the value chain investment part be SMEs operating the areas of processing, marketing and auxiliary services related to production, processing and marketing of products on one hand and production enterprises (cooperatives and individual producers) on the other. The part of the programme aiming at supporting young men and women in creating their businesses will target the 18 to 30 years old with a vocational training or a higher education diploma. A specific attention will be given to attract young women, the objective being that 40% of supported young entrepreneurs should be women. The programme activities will in principle be based on a demand driven approach. However, experiences gained in the PACEPEP suggest that a proactive approach is required to facilitate linkages between the various actors in a value chain and to identify entrepreneurs with the highest potential for success.

**Climate change** constitutes a particular challenge in Sahel adversely affecting social and economic development particularly in the rural economy. Therefore, an additional amount totalling 35 million DKK from the Climate Envelope has been added to the programme to support climate change adaptation in the rural sector.

In line with the overall strategic choices in the Danish Country Programme, a particular attention has been given to assuring the necessary **flexibility** in the programme to adapt to changes in the political/security situation and the emergent needs identified during implementation. Attention has also been given to designing a **lean** programme adapted to available resources at the Embassy in term of monitoring, evaluation and policy dialogue. Partnerships with multilateral donors with a proven track record in Mali – the World Bank and IFAD - aim at fulfilling both criteria.

## 2.4 Theory of Change and Assumptions

The thematic programme consists of four Development Engagements as follows:

1. Inclusive Finance and Facilitation of Agricultural Value Chains (INCLUSIF)
2. Supporting the creation of micro- and small enterprises of young men and women (FACEJ)
3. Enhancement of Framework Conditions for Entrepreneurship (EPEC)
4. Guarantee Fund for financing of SMEs in Agricultural Value Chains (FG PMEA)

The overall objective of the thematic programme is *to strengthen inclusive economic growth stimulated by private sector to increase incomes and create jobs/self-employment.*

The design of the programme is founded on the following theory of change<sup>10</sup>:

**If** a particular focus is given to the strengthening of private sector actors (very small enterprises, SMEs and cooperatives) in the value chains contributing to economic development and **if** the framework conditions (infrastructure, access to financing, technology, expertise and business climate) is improved, **then** production and productivity in the value chains will increase and lead not only to economic growth and the creation of employment but also to enhanced living conditions for the population and poverty reduction.

The main assumption underlying the theory of change is that there is a substantial non exploited potential in terms of production and processing of agricultural produce to meet demand at both national and regional level and a large potential for creating small enterprises in the industrial and service sectors. It is assumed that this potential can be mobilised through additional financial resources, access to innovation and new technologies, an improved business climate and the facilitation of linkages between actors at the different levels in the value chains. It is further assumed that programme support to young entrepreneurs (initial financing, access to loans, business management support, introduction to new technologies and access to expertise) is likely to lead to the establishment of small enterprises of which a major part will be profitable and sustainable. Finally it is assumed that both private operators producing, processing and marketing agricultural products and financial institutions are willing to take certain risks and to develop new tools.

The four contextual risks identified in the Country Programme Document remain valid. However, the risk related to a deterioration of the security situation in Mali is continuously increasing and extending southwards.

## 2.5 Overall Thematic Programme Budget

Development Engagements	Million of DKK
DE 1: Inclusive Finance and Facilitation of Agricultural Value Chains - INCLUSIF	135 (21 M USD) <i>of which 35 million DKK for climate change mitigation and adaptation</i>
DE 2: Supporting the creation of micro- and small enterprises of young men and women (FACEJ)	85
DE 3: Enhancement of Framework Conditions Entrepreneurship (EPEC)	28
DE 4: Guarantee Fund for financing of SMEs in Agricultural Value Chains	3
Unallocated funds	2
TA, reviews, studies, audits and training	7
<b>Total</b>	<b>260 million DKK<sup>11</sup></b>

<sup>10</sup> The theory of change at Development Engagement level is described in the Development Engagement Documents.

<sup>11</sup> The detailed budgets at Development Engagement level is included as Annex C

### 3 THE DEVELOPMENT ENGAGEMENTS

#### 3.1 Inclusive Finance and Facilitation of Agricultural Value Chains - INCLUSIF

##### *Strategic Considerations and Short Summary of the Development Engagement*

Experience gained in the on-going private sector programme, the PACEPEP, confirms the strategic relevance of targeting SMEs in the perspective of creating economic growth and employment. However, it is also clear that a strengthening of the value chain approach is required in order to maximise the impact of the programme in terms of (self)employment and poverty reduction and to make each commodity line more viable and sustainable. Thus the Country Programme Document has emphasised the need to strengthen the value chain approach by supporting not only the SME level but also the actors up- and downstream the chain: input suppliers, producers, processors, transporters etc. The new phase thus takes the SMEs as an entry point for supporting all levels of the chain with no predetermined selection of particular agricultural or agro-industrial value chains – the profitability of the market and business opportunities will be the determining factor in each choice of support to a business relationship.

The main outcomes of the DE is improved access for small producers and their organisations to adapted financial services, the development of productive, profitable and sustainable partnerships linked to the financial institutions for SMEs and producer organisations and enhanced resilience to the effects of climate change in agriculture<sup>12</sup>.

The Development Engagement will encompass the following aspects: i. Advisory services to SMEs and other actors in the chain to identify, set-up and monitor commercial partnerships in the value chain; ii. Subsidies to elaborate joint business plans for the partnerships likely to increase profitability in the chain including construction of collective infrastructure; iii. Linking of value chain actors with financial institutions and strengthening of these institutions (capacity development, modernisation/digitalisation, refinancing and/or development of a guarantee mechanism.

Three types of partnerships will be promoted in the programme: i. Contractual agriculture; ii. So-called “4P<sup>13</sup>” arrangements that formalise a more complex contractual arrangement between a SME and several cooperatives and/or small producers in a value chain<sup>14</sup>; and iii. The establishment of joint enterprises within which the SME and the cooperative/small producer shares the capital and the profit.

The target groups are small producer’s members of cooperatives and loans and saving groups, and SMEs and larger private sector. Specific approaches will be developed to reach 50% young beneficiaries (18-40 years) and 50% women.

The programme has been formulated in collaboration with IFAD. IFAD has gained extensive experience in Mali and in the sub-region in terms of support to small producers and farmer organisations and facilitation of access to finance for these groups. INCLUSIF is at one hand a follow up on the Rural Microfinance Programme (PMR) financed by IFAD and Canada in its first component and on the other hand, a development of a PPP/value chain approach to support cooperatives and SMEs in the second component. In the perspective of promoting the value chain approach, IFAD’s experiences supplement well the Danish approach

<sup>12</sup> The results framework presented in section 3.5 below presents the objectives and results for each of the Development Engagements.

<sup>13</sup> Public-Private-Producer Partnerships

<sup>14</sup> The type of arrangement corresponds to the “projets intégrateurs” tested in the PACEPEP.

emphasising SMEs as entry points, the need to strengthen the linkages between SMEs and financial institutions and address the effects of climate change.

The funding for climate change adaptation will specifically target i. Assistance to microfinance institutions to develop financial products for climate change adaptation and the sensitisation of producers with a view to identifying their climatic vulnerability and available adaptation opportunities; ii. Green funding to 30% of the enterprises supported by INCLUSIF; iii. Development of models for shared risk management by the decentralised financial institutions and producers; and iv. Capitalisation of experiences regarding the integration of the climate dimension and of mechanisms for risk management into private agriculture activities and their application in the policies and strategies for the micro-finance sector.

#### *Main Risks and Risk Responses<sup>15</sup>*

<b>Risk factor</b>	<b>Risk Response</b>
Fragility of the micro-finance sector	Strong implication of the Ministry of Finance; support to the restructuring of the sector; and preconditions for partnerships with decentralised financial institutions.
Difficulties in establishing structural partnerships in the agricultural value chains	Support to the identification of investment opportunities and of private partnerships; a pilot phase of 12 months in the Sikasso and Koulikoro regions; and the development of innovative tools addressing the need for medium-term loans.
The sustainability of the shared institutional credit fund (FCIP)	Action to sustain the fund engaged by the Rural Microfinance Programme (IFAD financed project) will be pursued
Regional Councils not able to fulfil their intended role in the project	Capacity development of regional councils and a test phase of 12 months in the Koulikoro and Sikasso regions. Furthermore, links will be made to the Decentralisation Programme that has permanent technical assistance within the regional council

#### *Management Arrangements*

IFAD will enter into a financing agreement with the Government of Mali that puts in place a steering committee and recruits a project implementation unit (with the non-objection from IFAD and the Danish Embassy). The project will be implemented by an autonomous project implementation unit under the auspices of Ministry of Agriculture with a steering committee chaired by the ministry in charge of the promotion of investments and of the private sector. Regional committees will be responsible for participative planning of programme activities.

The INCLUSIF project will be supervised jointly by IFAD and the Danish Embassy following IFAD rules and procedures and with IFAD as lead donor.

Danish funds will be transferred annually to IFAD and the INCLUSIF monitoring system constituting a result-based system will be used to assess project progress.

<sup>15</sup> Please refer to Annex D for the full risk management matrix.

### 3.2 Supporting the creation and development of micro- and small enterprises of young men and women (FACEJ)

#### *Strategic Considerations and Short Summary of the Development Engagement*

There is a multitude of vocational training projects for youth in Mali but, as evidenced by a study commissioned by the Embassy, only a few address the post-training situation. Thus trained youth is often left without the required financial means and technical support to engage in sustainable and profitable activities. This situation often leads to a marginalisation of young people with no other option than to engage in precarious jobs, illicit activities or migration.

The main outcome of the DE is that young men and women (18-30 years) have been integrated into the economy through the creation of economically sustainable businesses or the development of their existing small enterprises.

The FACEJ<sup>16</sup> will target skilled young men and women with a vocational training or higher education diploma having the ambition and potential to create a micro/small business or further develop their existing business when possible by integrating the use of innovative approaches and new technologies. Small-scale income generating activities will not be supported. The geographical focus will be the district of Bamako and in and around main urban areas of the five “Cercles” Yanfolila, Bougouni, Kolondieba, Sikasso and Kadiolo all in the current Sikasso Region<sup>17</sup>.

The following measures will be implemented to optimise the survival rate of the new enterprises: i. Working with a number of existing incubators and facilitators and building on their experience; ii. Thorough identification and selection of young people with an entrepreneurial potential; iii. Provision of seed capital according to principles favouring linkages with financial institutions; iv. A professional non-financial support and monitoring for an 18 month period; i. Stimulation of networking among entrepreneurs.

During implementation, the DE will develop approaches and tools to ensure an adequate gender balance with target of at least 40% women entrepreneurs.

#### *Main Risks and Risk Responses*

<b>Risk factor</b>	<b>Risk Response</b>
The youth entrepreneurial eco-system (Financial Institutions and business development services) is weaker than assumed	Strengthening incubators under DE 3; support to creating linkages between the actors in the ecosystem; and collaboration with professional networks
Poor management and bad utilisation of funds provided by the FACEJ to young beneficiaries	Development of adequate procedures for the use of funds and regular financial audits
High mortality rate of enterprises created by youth	Acceptance of the risk and following remedial measures: i. only the best 50% of the business plans/trained youth will receive seed financing, ii. Performance-based payment of facilitators; and iii. The created enterprises will be accompanied and monitored for at least 18 months

<sup>16</sup> Fonds d'Appui à la Création d'Entreprises par les Jeunes (FACEJ)

<sup>17</sup> A process of division of these cercles into two new regions Sikasso and Bougouni is underway

### *Management Arrangements*

A technical and financial fund manager will be recruited through an international tender. A number of facilitators (incubators, NGOs, consulting companies, etc.) with comparative advantages within a special field of work or geographical area, responsible for the identification of and support to young entrepreneurs will be recruited by the fund manager and paid on the basis of their performance (one criteria could be the success of the young person).

The Fund manager will be responsible for achieving the objectives and results of the DE and will report to the Danish Embassy at half-year meetings.

Funds will be transferred every six months to the fund manager based on his half-year progress reports.

The Fund manager will engage in / organise coordination meetings with other entrepreneurship programmes/projects in the same geographical areas.

### **3.3 Enhancement of Framework Conditions for Entrepreneurship (EPEC)**

#### *Strategic Considerations and Short Summary of the Development Engagement*

As mentioned above, the institutional framework for government support to private sector development is relatively weak and fragmented. Private sector is poorly organised and its representative organisations lacks capacity and analytical skills to embark on a constructive dialogue with the State on necessary reform to enhance the framework conditions and the business climate. Finally, there is scope for improving and formalising the framework for dialogue between the State and private sector organisations.

Few development partners are currently supporting actions aiming at addressing structural problems in relation to the private sector framework conditions. The World Bank (WB) is currently managing a similar project funded by USAID<sup>18</sup> for the period 2014-2018 that has produced satisfactory results e.g. streamlining and increased transparency of fiscal procedures for companies, support to government reform SME policy development, support to the investment agenda and the Invest in Mali Forum and first steps of reforming the framework for public-private sector dialogue. The American funding will come to an end. The Danish Embassy has decided to provide funding for a trust fund in the WB Group for the implementation of the DE for two reasons: a. The World Bank has the capacity to influence public reforms process through investment programmes and budget support; and b. working through a trust fund arrangement makes it possible to collaborate both with key public actors and key private sector actors.

The main outcomes of the DE are an enhanced environment related to the establishment and expansion of micro, small and medium size enterprises and a strengthened framework for continuous dialogue between the State and private sector representatives.

Through the trust fund, 4 strategic areas will be supported of which some represent a continuation of the support currently provided through the USAID funded project:

#### *i. Enhancement of the facilitating environment for business creation and investment.*

The *Agence de Promotion des Investissements* (API-Mali), an autonomous agency under the ministry responsible for investment and private sector, is the responsible institution for services and support to create new enterprises and the facilitation of domestic and foreign investments. The agency will be supported in its institutional restructuring and in

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<sup>18</sup> Improving Investment Climate in Mali Phase 3 2014-2018.

strengthening its capacity as provider of services especially to SMEs. Furthermore, assistance will be provided to API and the ministry in charge of investments and private sector in developing the legal framework and launching Special Economic Zones.

*ii. Improvement of the legal and institutional framework within which the enterprises operate and develop.*

Implementation of structural reforms in especially the fiscal area in close collaboration with private sector institutions, enhancement of the functionality of the Commercial Court, and the implementation of the new competition law and its translation into decrees. Other reforms are required and will be identified in a participatory process and according to needs as the project goes along.

*iii. Support to innovation networks and the creation of a digital economy.*

The project will provide support to the nascent innovative environment through enhanced access to funding innovative funding mechanisms, the professionalization of incubators/innovation lab's providing support to entrepreneurs/start-ups, and to the development of a digital economy.

*iv. Support the voice of the private sector and the framework of the public-private dialogue.*

This support will in particular target the *Conseil National du Patronat Malien* (CNPM) as the main business organisation in Mali (also one of the main partners of PACEPEP). Areas of support will include e.g. reinforcement of its analytical capacity and the establishment of a private sector statistics database. Furthermore and more broadly, the project will facilitate an enhanced institutional framework for public-private and private-private dialogue. A partnership with Dansk Industri is foreseen.

For all four dimensions, partners will be trained in gender sensitivity and supported in the development of approaches to better target women entrepreneurs.

*Main Risks and Risk Responses*

<b>Risk factor</b>	<b>Risk Response</b>
Continued frequent reshuffling of ministries adversely impact on activities	Acceptance. Quick dialogue with new responsible ministers after each reshuffle
Weaker capacity than anticipated of supported ministries to implement recommendations and action plans	Ensure adequate technical assistance to involved institutions
Lack of willingness of private sector actors to organise themselves	Technical assistance and coaching/monitoring of private sector actors

*Management Arrangements*

The World Bank will be responsible for the implementation of the trust fund according to its rules and procedures. The fund is focused on “soft” investments such as technical assistance, studies, workshops, etc., but some minor complementary equipment could also be financed (such as computers to run a database e.g.).

An agreement will be signed between the Danish Embassy and the World Bank Group (covering the IFC and the IBRD).

The trust fund is designed to include additional funding from other donors.

A steering committee comprising key project partners, the WG Group and the Danish Embassy (and other donors as relevant) will meet on a half-year basis to assess progress and



to approve or revise work plans and budgets. Progress monitoring will be based on the WB's system for monitoring and evaluation.

### 3.4 Guarantee Fund for financing SMEs in Agricultural Value Chains

#### *Strategic Considerations and Short Summary of the Development Engagement*

As mentioned above, SMEs and especially those involved in agriculture and agro-industry are confronted with substantial difficulties in obtaining bank loans. It is generally recognised that the guarantee fund mechanism is an effective tool to encourage banks to take more risks.

With this DE, the remaining amount of the special guarantee fund established by the PACEPEP will be continued and transformed into a trust fund providing guarantees for loans to SMEs in agricultural value chains. The expected outcome of the DE is eased access to finance for businesses in the agricultural value chains based on the principle of shared risk.

The strategy of the DE is to sustain the special guarantee fund established by the PACEPEP by opening it up to all actors in the agricultural value chains and through enhancing its efficacy (the fund will open to all banks collaborating with the FGSP SA) and efficiency (trust fund arrangement is already established institution and managed according to its normal rules and procedures). The trust fund will be open to provide guarantees for both capital investments and working capital.

The partnership will be implemented along two axes: i. Provision of the initial funding (the balance of the PACEPEP guarantee fund) for the trust fund managed by the FGSP SA and ii. deployment of technical assistance in the form of a Short Term Danida Advisor to support the FGSP SA in its general mission and to specifically assist in defining rules and procedures for the trust fund and to provide capacity development for managing the guarantee fund. The Danida Advisor will work on a transfer of the responsibility and ownership of the funds from the Embassy to another institution in view of sustainability.

#### *Main Risks and Risk Responses*

<b>Risk factor</b>	<b>Risk Response</b>
Less willingness than expected of banks to embark on financing rural sector activities and agricultural value chain activities	The technical assistance will assist the FGSP to improve its relations with the banks. Enhanced professionalism in the FGSP will favour the development of bank activities
(Too) large diversification of FGSP activities away from the core guarantee activities (giving direct credits)	The technical assistance will support a professionalisation of the FGSP
Political interference in the FGSP	Technical assistance and improvement of procedures for analysing and monitoring guarantee requests. Supervision by the Central Bank of West Africa

#### *Management Arrangements*

The Danish Embassy will sign a new agreement with the FGSP SA replacing the current agreement when it ends at 31<sup>st</sup> December 2018. The ownership of the fund will remain under the PACEPEP programme, i.e. the Embassy, until a suitable transfer mechanism has been defined before the end of the private sector development programme. A Danida Advisor (12 months renewable until maximum 24 months if needed) will be recruited by the Embassy in collaboration with the management of FGSP SA.

Half-year progress reports will be provided by the FGSP to the Danish Embassy and a yearly

meeting between the Danish Embassy, the Ministry of Economy and Finance and the FGSP SA will be organised. The DE will end in June 2022.

With the end of this DE, if no other suitable mechanism has been defined, the full ownership and responsibility of the remaining funds at that time will be transferred automatically to the Ministry of Finance.

### 3.5 Thematic Programme Results Framework<sup>19</sup>

<b>Programme Title</b>	<b>Private Sector Development</b>	
<b>Thematic programme objective</b>	Strengthen inclusive economic growth stimulated by private sector to increase incomes and create jobs/self-employment	
<b>Impact indicators</b>	(1) Improved trade balance for agricultural food products (2) Increased number of new registered enterprises	
<b>Baseline</b>	2018	To be determined
<b>Target</b>	2022	To be determined
<b>DE 1: Inclusive Finance and Facilitation of Agricultural Value Chains - INCLUSIF</b>		
<b>Outcome 1</b>	Access for small producers and their organisations to adapted financial services has improved	
<b>Outcome indicator</b>	a. Increase of small producers in MFI partners' portfolio (%) b. Number of partner MFI having attained operational viability (OSS ≥130%) c. Number of persons declaring using rural financial services d. Number of IGA and Rural Microenterprises accessing support and financial services	
<b>Baseline</b>	2018	a. 25%, b. 0, c. 100.000, d. 0
<b>Target</b>	2022	a. 30%, b. 2, c. 200.000, d. 2.000
	2024	a. 35%, b. 6, c. 350.000, d. 4.500
<b>Outcome 2</b>	SMEs and the producer organisations have developed productive, profitable and sustainable partnerships linked to the financial institutions	
<b>Outcome indicator</b>	a. Number of producer organisations supported and having entered into partnerships with private sector b. Number of producers declaring that their sale has increased c. Increase of the business turn over in SMEs having benefited from project support	
<b>Baseline</b>	2018	a. 0, b. 0, c. 0
<b>Target</b>	2022	a. 150, b. 7.000, c. 50%
	2024	1.1.1 a. 360, b. 22.000, c. 150%
<b>Outcome 3</b>	Small producers, the OPs and the SMEs are more resilient to the effects of climate change	
<b>Outcome indicator</b>	Number of producers having access to green funding	
<b>Baseline</b>	2018	0
<b>Target</b>	2022	40 800
<b>DE 2: Supporting the creation of micro- and small enterprises of young men and women (FACEJ)</b>		
<b>Outcome 1</b>	Entrepreneurial skilled young men and women have created their micro/small enterprises	
<b>Outcome indicator</b>	Number of 1) businesses created by young people and 2) employment in businesses (including self-employment)	
<b>Reference</b>	2018	0
<b>Target</b>	2022	1) 1100; 2) 3300 (40% women)
<b>Outcome 2</b>	Enterprises created by young entrepreneurs are economically sustainable	
<b>Outcome indicator</b>	Proportion of micro, small and medium size enterprises experiencing an increase of their turn over (CDDE definition) of more than 10% over the last	

<sup>19</sup> The results framework detailed to result level is included as Annex B.

	two years (Closely linked to the survival rate of businesses)	
Reference	2018	0
Target	2019	0
	2020	0
	2021	50%
	2022	50%
<b>DE 3: Enhancement of Framework Conditions Entrepreneurship (EPEC)</b>		
Outcome 1	Services to ease the creation of business and facilitate investments have been improved	
Outcome indicator	Number of new registered businesses	
Reference	2018	11 000
Target	2022	13 000
Outcome 2	Improved legal and institutional framework	
Outcome indicator	a) Average time of judgment of the Commercial Court reduced by 10% b) Application of the new texts of the Commercial Court	
Reference	2018	a) 255 days b) new texts have been approved
Target	2022	a) -10% (230 days) b) new texts have been applied
Outcome 3	The innovation network and the digitalisation agenda are strengthened	
Outcome indicator	The number of yearly digital start-ups achieved by the Mali'Innov network	
Reference	2018	Tbd
Target	2022	+50%
Outcome 4	Private sector representatives strengthened in their analytical capacity and ability to lobby for private sector interest in their dialogue with government through an enhanced framework for dialogue	
Outcome indicator	Number of private sector proposals aiming at enhancing framework conditions having led to government legal and regulatory action	
Reference	2018	0
Target	2022	2
<b>DE 4: Guarantee Fund for financing of SMEs in Agricultural Value Chains</b>		
Outcome 1	The access to finance has been eased for businesses in the agricultural value chains based on the principle of shared risk	
Outcome indicator	Accumulated volume of guaranteed credits	
Reference	2018	546 millions of FCFA
Target	2020	2 366 millions of FCFA
	2022	4 909 millions of FCFA

#### 4 MANAGEMENT SET-UP & MONITORING OF THE PROGRAMME

An overall steering committee for the thematic programme will not be established. However, half-year progress meetings will be held between the Danish Embassy and the implementing partners. These meetings will equally serve as coordination meetings between the four Development Engagements with a view to promoting experience sharing and creating synergies between the engagements. The thematic programme will feed into the annual reporting of the country programme and the related progress meetings with Government. On top of this, ad hoc meetings will be held with the relevant ministries for economic development and private sector.

Steering committees / sounding boards are equally foreseen at the level of each development engagement. For DE 1 (INCLUSIF), a steering comity will be established under the presidency of the Ministry of Industry and Investment with members from among others, the

ministry of agriculture, farmers organisations, financial institutions, CNPM and with the three donors (IFAD, Denmark and Canada) as observers. For DE 2 (FACEJ), half-yearly meetings between the Embassy, the fund manager, and the facilitating partners in the incubation/innovation ecosystem are foreseen. Links will equally be made to the youth sounding board established at country programme level. For DE 3 (EPEC), a sounding board is planned every six months with the main stakeholders of the project (relevant ministries / authorities, private sector representatives, innovation eco-system, etc.) are planned to feed into activity planning. For DE 4 (FG PME), a simple follow up mechanism between the Embassy, the FGSP and the Ministry of Finance will be established, the FGSP will be invited to join the other steering committees/sounding boards when relevant.

The main mechanisms for supervising the programme will be the approval of annual work plan and budgets (AWPB), progress reports, review missions with recommendations, technical support, non-objections at critical stages of each DE, etc. If needed, funds are available to recruit experts on specific topics needed for the management of the Programme.

Reporting and monitoring in the DE 1, DE 3 and DE 4 will be based on the implementing partners' own systems. The Embassy will be able to provide punctual technical assistance when needed. For DE 4 a short-term adviser will be recruited. A monitoring system will be outlined for the DE 2 before the start of the engagement. This system will be finalised with the selected fund manager in the inception phase. Furthermore, the programme partners will establish a collaboration with the M&E Technical Assistance recruited at the Country Programme level with a view to strengthening planning, monitoring and reporting capabilities.

## Annex 1: Context Analysis

### 1. Overall development challenges, opportunities and risks

**Briefly summarise the key conclusions from the analyses consulted and their implications for the programme regarding each of the following points:**

The politico-military crisis that started in 2012 severely impacted on GDP growth but since 2014 Mali has experienced a satisfactory annual economic growth rate (approximately 5%). Nevertheless, the country is still confronted with an aggravation of the conflict and a proliferation of hostilities towards the southern part of the country. Three scenarios for the development in Mali in the short and medium term (status quo, towards stability, and increasing insecurity) were presented in the Country Policy Paper. The Country Programme Document assessed that it seems unrealistic that Mali in a short and medium term perspective will move towards a stable situation and that the status quo scenario remained valid<sup>20</sup>. Although the presidential election in August 2018 was relatively successful and calm – given re-election to the incumbent Ibrahim Boubacar Keita – the developments during the last 12 months suggest a worsening of the security situation in the country with a gradual spreading of the conflict area towards the central parts of Mali. In addition to this, political and social discontent in the population is growing as a result of slow progress in addressing the population's needs and confidence in the political system is low.

The southern regions (Koulikoro, Bamako, Kayes, Sikasso and partly Ségou) remain relatively unaffected by the conflict, however with an increasing number of incidents in Ségou and northern Sikasso bordering Burkina Faso. The northern band of Kayes and Koulikoro regions along the border with Mauritania remains a zone of high risk.

Agriculture and livestock constituting the livelihood of the vast majority of the population (80%) is characterised by mainly small family businesses, however with a large potential for growth and (self)employment. The World Bank<sup>21</sup> assesses that the potential for economic transformation is limited in the short term and that opportunities for limiting rural poverty should be found in a 2030 perspective. The SCD further emphasise the demand for food products due to the rapid population growth, urbanisation and the deficit of food in some regions. Mali is currently a net importer of food products but has a vast potential in terms of uncultivated land, a substantial productivity gap and in-country processing of products. Ensuring economic growth and re-establishing social stability constitute a corner stone in present Government policy.

Private sector development is hampered by a number of structural factors including widespread corruption<sup>22</sup>, lack of skills, cumbersome regulatory and fiscal procedures, a rudimentary judiciary system and lack of access to inputs and modernisation of production/processing equipment.

Access to financing constitutes a particular challenge for SME and micro enterprises, particularly for the youth, adversely affecting productivity and expansion of businesses. According to a study financed by the Danish Embassy<sup>23</sup>, SMEs are confronted with problems fulfilling bank conditions for loans and financial institutions are generally reluctant to provide loans to SMEs. However, there is a current tendency that banks are increasingly positioning themselves towards agricultural enterprises and SMEs.

<sup>20</sup> For more details, see the Country Programme Document 2017-2022 for the Denmark-Mali Partnership.

<sup>21</sup> Systematic Country Diagnostic 2015 – SCD. The World Bank

<sup>22</sup> Mali ranks 122<sup>nd</sup> out of 180 in Transparency International's Corruption Perceptions Index (2017)

<sup>23</sup> Etude de connaissance sur le système de financement des PME par les banques et les institutions de microfinance (23.10.2017)

The weak business climate remains an important constraint at all levels<sup>24</sup> for developing private sector and for boosting economic growth and employment. Mali is ranked 143 out of 190 countries in the World Bank Doing Business Index 2018.

The dialogue between private sector organisations and the State remains extremely weak due, among other reasons, to the multiple public structures dealing with private sector issues, a certain reluctance among public institutions to engaging a dialogue with private sector institutions and a weak level of internal organisation of private sector combined with an insufficient capacity of private sector organisations in terms of analytical capacity and in contributing to a fruitful dialogue.

Youth dominates Mali's population composition – nearly 45% of the population is below 15 years old – and more than 250,000 new workers enter the labour market annually. Job opportunities in both rural and urban areas remain scarce and many young people are tempted to migrate out of the country or to engage in precarious jobs and/or illicit activities such as informal mining, criminal activities or in joining radical groups.

Economic growth is expected to stabilize around 5% in the coming years. Inflation is 1.8% and inflation is at a stable low level thanks to the monetary cooperation between the West African and the European Central Bank

Sectoral distribution in the economy: agriculture (35.5%), industry and mining (20.6%), services (43.9%). The largest export products are gold and cotton, while oil-based products, machinery and food make up most of the imports

Public consumption is 16.3% of GDP. The budget deficit is expected to increase from 3.4% in 2017 to about 4% in 2018, including due to the financing of election pledges before the presidential election 29 July 2018. Public debt has risen from 19% in 2006 to 28% by 2016, bringing Mali from countries without risk into the group of countries with moderate risk of debt crisis.

According to OECD data (payments, 2016), total assistance to Mali is USD 1,209 million (DKK 7.4 billion), corresponding to 7.4% of GDP and 38% of the state budget (only a small part goes through the state budget). By 2016, Denmark was the 8th largest donor and the 5th largest among the bilateral and accounted for 3.3% of total aid (DKK 251 million paid). The EU and the US were the two biggest donors with respectively. 245 (20.2%) and 210 (17.4%) million. USD. By 2017 Denmark has fallen back, but a final OECD statement is still awaiting.

Population growth in Mali represents a major challenge for the future. In 1950 there were 4.7 million people in Mali while the figure today is approx. 18 million, i.e. a quadrupling of 70 years. Fertility rates remain high at 5.92 children / women against the average of 2.47 in the world and 4.43 in sub-Saharan Africa. In this light, the population is expected to rise to 27 million in 2030 and 44 million by 2050. Population growth already places great pressure on natural resources and on social and economic infrastructure with a risk of conflict and increased emigration as a consequence.

Mali faces major challenges reaching its SDG targets. At the end of the second mandate of IBK, Mali will have 3.1 million additional inhabitants. The development of social infrastructures can not keep pace, they are already falling: the percentages of access to education, drinking water and health and medical care stagnate or increase very slowly; despite good harvests, some regions are regularly dependent on humanitarian aid – in 2018 at the peak, around 1.000.000 Malians were at risk of hunger. In the coming years, millions of young people will join the job market. The economy does not create enough jobs. Working conditions are often precarious in the informal sector. The state fails to ensure the safety of its citizens. There is a crisis of trust between the state and the population that is

<sup>24</sup> See e.g. *Mémorandum pour la relance économique et le développement des entreprises*. CNPM 2017.

symptomatic of flagrant corruption from the top to the bottom of society and is reflected in the size of the informal economy.

80% of the Malian population depend on agriculture or livestock for their livelihood. These primary sectors are extremely vulnerable to weather conditions and already experiencing the effects of climate change. Cotton, gold and livestock provide 90% of Mali's export revenues (2016). Before the crisis, Mali was known as one of Sub-Saharan Africa's strongest investment climate reformers<sup>25</sup>. Despite measures by the government to improve the business climate (e.g. through the introduction of a one-stop shop for new investors/enterprises, and openness to foreign investors), the World Bank Doing Business 2018 ranks Mali 143 out of 190 countries. The private sector comprises mainly small family-based enterprises with no or little potential to move beyond a subsistence economy. This is a structural bottleneck for both economic growth and job creation. Other problems hampering private sector growth include: the breadth of corruption<sup>26</sup>, lack of technical and vocational skills, lack of access to financing, cumbersome regulatory and fiscal procedures, a rudimentary judiciary system and an insufficient public infrastructure network.

**List the key documentation and sources used for the analysis:**

Country Programme Document, Country Policy Document, Economist Intelligence Unit, World Bank

**Are additional studies / analytic work needed? How and when will it be done?**

No

## 2. Fragility, conflict, migration and resilience

**Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:**

Mali ranks as the 29<sup>th</sup> most fragile country out of 178 participating nations in the Fragile States Index.<sup>27</sup> The presence of numerous active terrorist groups<sup>28</sup> is a threat to the stability of the country and the wider region with increasing spill-over to northern Burkina Faso. A Peace Agreement was signed in 2015 between the Malian government and armed groups asserting territorial claims in the northern parts of Mali, CMA (Coordination des Mouvements de l'Azawad) and the more pro-government Plateforme. Even though a cease-fire between the two groups has been upheld since July 2017, implementation of the Peace Agreement has been slow and marked by obstruction and mistrust from both the armed groups and the government, and much is still to be done. While the situation in the Northern regions to some extent has improved since the aftermath of the putsch in 2012, radicalisation and violent extremism has caught on in the much more densely populated central regions, where the absence of the State makes way for terrorist groups to introduce their alternative governance to the local populations lacking basic social services and security, which the State fails to provide. The activities of the terrorist armed groups jeopardise the protection of civilians, undermine the State, prevent the restoration of basic services, open up for trafficking of people and goods, and threaten to destabilize neighbouring countries. The growing insecurity is also fed by banditry and existing tensions, including often deadly inter- and intra-communal conflicts between pastoralists (Peuhl/Fulani) and farmers/hunters (Dogon) that have intensified in the regions of Mopti (in particular the cercles of Koro and Bandiagara) and northern Ségou, now being characterised as "inter-communal violence" by MINUSMA. The situation has compromised the ability of the population to re-engage in socio-economic activities critical to rebuild lives and to facilitate the return of people

<sup>25</sup> Mali IC Program - Phase 3, World Bank, 2015.

<sup>26</sup> Mali ranks 95<sup>th</sup> out of 168 in Transparency International's Corruption Perceptions Index (2015)

<sup>27</sup> The Fund for Peace ranks Mali in the "Alert" group, more fragile than countries like North Korea, Congo and Rwanda, but less fragile than Mauritania and Liberia.

<sup>28</sup> such as the Al Qaeda in Islamic Maghreb (AQIM) affiliated JNIM (Support of Islam and Muslims), composed of some of the principal radical Islamic groups in Mali, Ansar Dine, Al-Mourabitoun and Macina Liberation Front

displaced as a result of the conflict. Some 142,000 Malians who have fled from the conflict continue to live in exile in Burkina Faso, Mauritania and Niger (August 2017, source: UN) while more than 55.000 people are internally displaced; 3.8 million people are affected by food insecurity. The food security situation in Mali has deteriorated in 2018 and seen a doubling of the number of severely food insecure people over the last two years (+50% increase since March 2017). The level of insecurity makes delivery of humanitarian assistance very challenging.

Support to rural economic actors and youth will help increase economic opportunities and reduce the conflict level and migration pressure

With its history of working on private sector and agricultural development in Mali, Denmark is well situated to continue its work based on its experience as one of the few donors focused on private sector development in Mali.

The intervention area is mainly in the south, where the humanitarian situation is stable. Internally displaced people in the south will have access to programme activities equal to everyone else.

**List the key documentation and sources used for the analysis:**

Country programme and policy document, MINUSMA/UN

**Are additional studies / analytic work needed? How and when will it be done?**

No

### 3. Assessment of human rights situation (HRBA) and gender<sup>29</sup>

**Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:**

**Human Right Standards (international, regional and national legislation)**

According to the Mo Ibrahim Index of African Governance Mali has experienced the largest deterioration of all participating countries in the participation and human rights category that measures the extent to which individuals can participate in, and take ownership of, the political process and, on the other hand, the state's achievement in guaranteeing the political and social rights of all citizens.<sup>30</sup> Despite the fact that the Peace Accord includes human rights provisions, a recent UN assessment of the human rights situation<sup>31</sup> points to serious violations of the human rights of the civilian population by armed and extremist groups, in particular women and children. The situation is worsened by an increasing number of intercommunal and intra-communal conflicts and human rights violations rooted in escalating tensions between ethnic groups and the consequences of drug trafficking and other illegal trafficking. It should be noted that the Government has made some progress in implementing a transitional justice mechanism. On the 7<sup>th</sup> of July 7, 2016, the National Assembly passed a law that formally turned the National Human Rights Commission into an independent administrative authority with autonomous management and financing from the national budget.<sup>32</sup>

**Universal Periodic Review**

The country programme foresees an annual report that will take into account the HRBA and Gender issues. In addition half-yearly monitoring missions are foreseen for the private sector thematic programme.

Identify key **rights holders** in the programme

<sup>29</sup> The purpose of the analysis is to facilitate and strengthen the application of the Human Rights Based Approach, and integrate gender in Danish development cooperation. The analysis should identify the main human rights issues in respect of social and economic rights, cultural rights, and civil and political rights. Gender is an integral part of all three categories.

<sup>30</sup> See <http://iiag.online/>. Mali's score in the "Participation and Human Rights" category has fallen from 64.9 in 2006 to 52.5 in 2015.

<sup>31</sup> Report of the Independent Expert on the situation of human rights in Mali. UN Human Rights Council. 21 January 2016.

<sup>32</sup> Law No. 2016-036 of 7 July 2016



<p>The young entrepreneurs The agricultural cooperatives The SMEs and private sector organisations</p>
<p>Identify key <b>duty bearers</b> in the programme <b>The Agence de Promotion d'Investissement (API)</b> The responsible ministries for private sector development <b>The INCLUSIF project unit</b> <b>Fonds de Garantie pour le Secteur Privé</b></p>
<p>In terms of the Right to work and to just and favourable conditions of work, a vast majority of the potentially active population (totalling 5.3 million) is being mostly self-employed in the rural sector (4 million) whereas formal private sector accounts for less than 40,000 jobs. The rest of the active population is employed within the public sector (58,000 jobs) and in the informal sector (1.2 million). Women in Mali are under-represented in high ranking positions, 43 per cent of women's jobs are in the informal economy and this percentage is likely to further increase.</p> <p>The bulk of private sector businesses are found mainly in the agricultural sector and the urban informal sector. These are organised as small family-based enterprises with no or little potential to move beyond a subsistence economy. The number of formally registered businesses remains extremely weak.</p> <p>In April 2015, the Malian Government, after consultation with trade unions and employers organizations decided to increase the guaranteed inter-professional minimum salary (SMIG) from 28 000 to 35 000 F.CFA, applicable from January 2015 and 40,000 F.CFA applicable from January 2016. The latest increases that brought the minimum salary to 28,000 CFA francs, dated back to 2004. Regarding households, family allowance, set at 1,500 FCFA / child / month, are brought to 3,500 CFA francs as of 1th July, 2015 and to 4,000 FCFA per child with a disability.</p> <p>The damages during the events of March 2012 was in April 2013 estimated at 36.5 billion F.CFA. Companies victims of theft, are still not indemnified.</p> <p>The legal recourse for businesses tax litigation has no appropriate response. The PACEPEP program will support advocacy with the private sector to strengthen their ability to claim their rights, but also to better ensure their obligation and social responsibility, with the state, better paying taxes and with the employees by respecting the right of workers.</p> <p>Overall, from these analyses it is clear that in Mali there are serious human rights issues within civil, political, social, economic and cultural areas.</p>
<p><b>Gender</b></p> <p>In the Global Gender Gap Report 2015 Mali is ranked 137 out of the 145 participating nations. Mali falls far below parity in all categories: women's economic participation and opportunity (109), educational attainment (139), health and survival (141), and political empowerment (116). Among the participating countries in Sub-Saharan Africa only Chad (142) ranks lower. On November 12, 2015, the Malian National Assembly adopted a historic gender quota bill. The new law, which requires that at least 30% of elected or appointed officials be women, is a result of concerted actions to reverse several years of negative trends in women's representation in positions of power. The law follows on similar initiatives over recent years including most the decision that women should have access to a minimum of 30% of the state-owned land under irrigation. On a positive note, the newly appointed government lives up to the 30% quota with 11 women ministers out of 32.</p>
<p><b>Youth</b></p> <p>Mali faces several major challenges related to youth employment. These are: (i) the rapid increase in the working-age population and the difficulties of finding work for young people, (ii) the importance of informal jobs, (iii) the low proportion of formal jobs in the private and public sectors, (iv) low human capital accumulation, (v) strong gender inequalities reflecting the differences in employment access between men's and women's participation rates, to the detriment of these last, (vi) the post-conflict situation in which the country has been since the outbreak of the security crisis in 2012, and (vii) the migratory challenge in its link with the employment problem.</p> <p>Mali's population has quadrupled since independence, from 3.5 million in 1960 to 14.5</p>

million in 2009. Between the last two censuses, the average annual population growth rate is from 2.2% to 3.6%. In 2015, Mali had 18,517,176 inhabitants. According to the 2016 EMOP, the working-age population (aged 15 and over) represents 49% of the total population. The age groups between 15 and 35 years old amount to 4,941,297 people, or 27% of the country's population.

According to ILO projections, Mali's labor force growth is expected to remain at a sustained pace of 2.9% to 3% per annum in the coming years, and the gross number of entrants to the labor market estimated at 278,000 in 2010 is expected to reach 434,000 in 2031. Labor market trends indicate that the country is expected to reach 20 million inhabitants by 2024, including 10 million active people. While this massive influx of young people into the labor market is a significant potential for human capital to accelerate economic growth, the conditions for exploiting this potential are not yet present. Thus, there is a rapid growth in the number of young people looking for a first job, and high unemployment rates for those leaving the education system: in 2016 the unemployment rate was 30% for the 15-24 years and 30% of young people leaving technical and vocational education are in persistent unemployment 3 years after the end of their training. In addition, unemployment is twice as high among young women as among young men. However, among young graduates who have had a job, the training / employment match rate is 80% for agriculture, over 90% for mechanics. Underemployment and "the working poor" are serious challenges, with a vastly dominating informal sector and young people earning as little as 300 DKK / months.

**List the key documentation and sources used for the analysis:**

Country programme and policy documents, ILO

**Are additional studies / analytic work needed? How and when will it be done?**

None

#### 4. Inclusive sustainable growth, climate change and environment

**Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:**

Climate change in Mali increases the vulnerability of agricultural production systems through increased rainfall variability, accelerated land degradation, and recurring droughts and floods. This increase in vulnerability is reflected throughout the industry, affecting the private sector actors involved in the various links of the value chains.

The vision of Mali supported by the Determined National Contribution is to create a green economy and promote resilience to climate change. The Strategic Framework for Economic Recovery and Sustainable Development of Mali (CREDD 2016-2018) identifies the protection of the environment as its fifth priority area with the specific objective of: "promoting the green economy through sustainable management of natural resources and an effective fight against global warming", and aims to integrate the climate change dimension in a transversal way. It recognizes climate change as a major challenge, which threatens key sectors for the country's development (water, agriculture, livestock, fisheries, forestry and health), and identifies avenues for recommendations to better address environmental concerns, institutionalise tools for promoting the green economy in policies, plans and programs, develop and support the public-private partnership approach (PPP) in natural resource management, etc.

The greening approach of the programme is among other aspects: (i) supporting micro-finance institutions in developing green products targeted small producers and cooperatives; ii) subsidize climate adaptation in the business plans of small and medium-sized enterprises and cooperatives (climate-resistant agricultural production and processing, sustainable energy, etc.); iii) development of risk reduction and reaction mechanisms; and iv) continually capitalize on the project and support the integration of climate adaptation into national policies and strategies

No larger infrastructure development is foreseen in the private sector programme and the effects on the environment are considered marginal.
Environmental Impact Assessment will not be a part of the programme. However, the programme will integrate climate and environment friendly approaches in its activities with private companies, cooperatives and youth enterprises,.
The programme will support and inclusive approach support the youth and women in accessing the access to land and other production/processing inputs
<b>List the key documentation and sources used for the analysis:</b> INCLUSIF project climate note Nationally Determined Contributions, national climate change or disaster risk management policies or strategies
<b>If this initial assessment shows that further work will be needed during the formulation phase, please list how and when will it be done?</b>  None

## 5. Capacity of public sector, public financial management and corruption

### **Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:**

World Bank Governance Indicators indicate that Mali has experienced a significant deterioration in the quality of governance over the past decade.<sup>33</sup> A trend that is confirmed by the 2015 Mo Ibrahim Index of African Governance that states that Mali has regressed considerably since 2011. In the 2015 Open Budget Survey where Mali scores slightly higher than global average and higher than the neighbouring countries in the region, it is weaknesses in providing the public with opportunities to engage in the budget process that pulls down the score.<sup>34</sup> Despite this negative trend, democracy as a form of governance appears to have taken solid root in Mali. According to the 2013 Afro barometer survey 75% of Malians prefer democracy to other forms of governance, 92% prefer a unified country, and 87% believe that persons implicated in human rights violations should be banned from holding elected positions.<sup>35</sup>

Recognising the challenges, the Government has embarked on a significant World Bank supported recovery and governance reform process aimed at improving public sector spending and strengthening government accountability and transparency while focussing on strengthening internal and external control institutions capacity, raising the effectiveness of decentralisation, and increasing public finance performance. In the World Bank's Country Policy and Institutional Assessment (CPIA) ranking that measures the quality of budgetary and financial management, Mali scored 3.50 out of a maximum of 6.0; the same score as countries like Uganda, Tanzania, Indonesia, and Niger.<sup>36</sup>

The corruption perception index 2017 Mali ranks 122 out of 180 countries. With accelerated decentralisation reforms, it is likely that Mali will experience an increase in corruption levels as funds increasingly will be transferred to and spent at decentralised levels with weak financial management capacity and control mechanisms. If this risk occurs, it will have a significant impact on the ability to achieve the expected results. The risk is mitigated by development partners' focus on strengthening public financial management capacities at all levels.<sup>37</sup> In the programme context, Denmark will seek to mitigate this risk through an

<sup>33</sup> Systematic Country Diagnostic, World Bank, Report No, 94191-ML, page 23.

<sup>34</sup> Mali's score of 4 out of 100 is at par with Niger and Chad, but significantly below the global average of 25. ([www.openbudgetsurvey.org](http://www.openbudgetsurvey.org))

<sup>35</sup> <http://www.afrobarometer.org/countries/mali-0>

<sup>36</sup> The CPIA assess the extent to which there is a comprehensive and credible budget linked to policy priorities, effective financial management systems, and timely and accurate accounting and fiscal reporting, including timely and audited public accounts; see also <http://www.worldbank.org/ida>

<sup>37</sup> The IMF, the World Bank, the African Development Bank, and the EU

approach that places high importance on capacity development, transparency and public participation throughout decentralised processes for planning, budgeting, implementing and evaluating publicly financed activities and an extensive use of value for money studies.

**List the key documentation and sources used for the analysis:**

Country programme document, CPIA, transparency international index , World Bank

**Are additional studies / analytic work needed? How and when will it be done?**

None

**6. Matching with Danish strengths and interests, engaging Danish actors, seeking synergy**

**Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:**

The Denmark-Mali Country Policy confirms that "Inclusive and Sustainable Economic Growth" is a thematic priority for Denmark. Currently this priority is being pursued through the on-going private sector development programme, PACEPEP<sup>38</sup> that runs until end 2018 and aims to: "*Strengthen inclusive economic growth through private sector led income generation and job creation*". The new thematic programme builds on lessons learned so far and takes into consideration new directions set out in Denmark's new development policy – The World in 2030.

The relevance of and justification for continuing Denmark's engagement in this thematic area has been confirmed by the analyses carried as part of the preparation of the country programme document as well as by the completed mid-term review of the on-going thematic programme. Private sector development remains very pertinent in the current socio-economic context in Mali and is a thematic area fully aligned with one of the key strategic priorities in the Governments' national plan (CREDD 2016-2018).

Current analyses point to the importance of the rural sector as a key entry point for enhancing poverty reduction. The World Bank's SCD, 2015 stresses that "*the scope for economic transformation is limited and until 2030 opportunities for poverty reduction will need to be found in the rural sector*". Based on Mali's low ranking on the economic complexity index, opportunities for future diversification are most likely to emerge from agro-processing. A transformation away from agriculture towards manufacturing and services is unlikely to materialize in the short term. Hence, a successful poverty reduction strategy will need to start by raising incomes of those engaged in the primary sector. At the same time, the SCD points out that the demand side regarding food production is favourable due to rapid urbanization and regional structural food deficit. Mali is currently a net food importer, suggesting that there are opportunities for import substitution in the food sector.

Danish private sector investment is particularly relevant in the following sectors: (renewable) energy sector, water, transport/logistics, medico. BWSC is currently investing together with IFU in a large power plant in Kayes that will increase Mali's electricity production with 25%. New projects on solar energy are equally foreseen. Grundfos is delivering many pump systems in Mali but is represented from Ghana. The transport sector might become of increasing interest from Maersk, Norden or others. Finally, MissionPharma is one of the largest suppliers of medical drugs to Mali.

Several technical and financial partners intervene in the field of the private sector in Mali, but Denmark remain among the most engaged and with the largest investments. The World Bank will implement the Agricultural Competitiveness Support Program (PACAM), focusing on the development of mango and livestock sectors. The WB is in its third phase of Mali Investment Climate trust fund of which many elements will continue under the EPEC fund. IFAD is the lead financial partner of INCLUSIF on financial inclusion and value chain partnership development / contract farming. IFAD is also funding the FIER project on training and integration of rural youth. USAID is in the process of developing a new strategy

<sup>38</sup> Programme d'Appui à la Croissance Economique et Promotion de l'Emploi stimulées par le Secteur Privé (PACEPEP)

for supporting economic growth and the continuation of the Feed the Future program. The European Union finances a multitude of activities in the private / rural sector, among others: the development of the cashew nut sector, training and insertion of young people, irrigation, sectoral support, resilience and nutrition etc. the EU also works at sub-regional level (UEMAO) on the competitiveness of agricultural sectors. The Netherlands leads value chain projects and support activities to the private sector. AFD is funding a Private Sector Support Program and Canada is supporting, among other things, the development of the rural finance sector. Belgium is in a prospective phase for the development of support at the level of the Malian private sector.

Denmark adds value focusing on the SME level of private sector development. Other donors focuses often either on the very small (e.g. IFAD) or on the big actors (e.g. USAID).

**List the key documentation and sources used for the analysis:**

Mapping note on other donors in the sector

**Are additional studies / analytic work needed? How and when will it be done?**

None

## 7. Stakeholder analysis

**Briefly summarise the key conclusions and implications for the programme of the analysis of the below points:**

Stakeholders are:

- Private sector (from small scale producers to large companies) and its organisations (CNPM, etc.)
- Relevant government ministries and agencies, such as: the Ministry for industry and investment, the Ministry of Agriculture, the Ministry of Youth and Employment, the Ministry of Economy of Finance, the Investment promotion Agency, as well as competition, tax authorities etc.
- The multilateral and bilateral partners of the programme: Canada, IFAD, the World Bank
- The financial sector: The private sector guarantee fund (FGSP), banks and MFIs.
- The incubator/innovation actors members of the federation "Mali'Innov"

The key stakeholders are:

**Mali'innov**, a federation of 15-20 incubators/innovation centres operating in Mali, mainly in Bamako but also in some regional capitals. The federation is still rather weak in its capacities, but some of the members have quite long experience within the field. The incubators will play a key role in identifying, training and supporting young entrepreneurs of DE 2. DE 3 will support Mali'innov and its members with capacity building.

**Banks/MFIs** play a key role as they will provide financing to the activities of cooperatives and private sector partners to the programme. After a considerable crisis, the sector is now slowly being strengthened with support from technical and financial partners, the government and the central bank. Around 10 MFIs are sustainable and are increasing the level of services to the small businesses/cooperatives. The organization of MFI will be included in the steering committee of the INCLUSIF Project (DE 1).

**The Ministry of Industry and Investment** was a partner of the PAPECEP project, but few results were reached. The Ministry remains the main government stakeholder and should receive punctual support under DE 3. The embassy should maintain a closer policy dialogue with the ministry than has been the case so far, to push for results on the reform agenda. The Ministry will preside the INCLUSIF steering committee and take part in other coordination committees for the programme.

**The Investment Promotion Agency (API-Mali)** is a strategic institution in relation to private sector development and the mobilization of investment resources. It implements the national and international investment promotion strategy. The agency (i) encourages and supports the development of foreign and domestic direct investment; (ii) contributes to the

improvement of the business climate; (iii) the development and regulation of industrial zones; and (iv) offers a quality services through its One Stop Shop which is the entry point for all business creation, licensure and accreditation procedures to the Mali Investment Code.

**The National Business Council of Mali - CNPM** is an umbrella organisation with 40 member organisations and the main privat sector organisation in Mali. The organisation was a direct partner of PACEPEP and will become an indirect partner in the new programme under DE 3 with the World Bank. Dansk Industri (the Confederation of Danish Industry) recently carried out an organizational diagnosis of the CNPM, and made proposals for the strengthening of this institution in the exercise of its key functions, including improving its advocacy capacity on the basis of analyses of issues specific to the private sector. The programme will therefore support the CNPM in: i) the constitution of an institutional memory on reforms (archiving, monitoring, evaluation of reforms), ii) strengthening in the analytical capacities, iii) the establishment of sector statistics in connection with the National Institute of Statistics and iv) support for the organization of the sector through a confederation of different private sector organizations.

**Private Sector Guarantee Fund (FGSP)** is a financial institution that started operations in 2015 to provide guarantees for loans for capital investments and working capital) to SMEs in commercial banks. It is supervised by the Bank Commission and operates in conformity with the Basel 1-3 rules. Its capital (70 million DKK) is partly owned by the State. With PACEPEP, Denmark placed a guarantee fond (7.5 million DKK) to guarantee credits of SMEs linked to the programme. In the new programme more focus will be added on the capacity building of the FGSP and opening up towards guaranteeing credits on non-partner SMEs.

Coordination committees with main stakeholders are foreseen with each Development Engagement as well as on thematic programme level.

The lead stakeholder depends on the engagement:

DE 1: MFIs

DE 2: Mali'innov

DE 3: Lead stakeholder depend on the 4 intervention areas: 1) API, 2) Ministry of Industry and Investment, 3) Mali'innov, 4) CNPM

DE 4: FGSP

The development of all 4 DE has been a participatory process with stakeholders in the period from mid-2017 to mid-2018. IFAD and the World Bank drove an inclusive design process for DE 1 and DE 3 with close involvement from the Embassy. Mali'innov and its member organisations have been key partners in developing DE 2. Finally, a thorough needs assessment was carried out with FGSP for the continuation of the existing support with PACEPEP.

As the design process has been participative and since all stakeholders are involved, we can foresee positive support from everyone. CNPM would have preferred a direct engagement with them in stead of being one of the partners of the engagement with the World Bank. The Embassy should work closely with CNPM and the World Bank to make sure that the CNPM maintains its motivation as a partner.

The main strategy for engaging key stakeholders is keeping a continuous close contact and focusing on creating results together. Regular meetings will be held twice a year for each DE and yearly at programme level.

Mali'innov and its members could potentially be a very interesting partner with its key position to promote techvelopment, youth entrepreneurship and innovation. It is a rather young network still needing support.

**List the key documentation and sources used for the analysis:**

Sector studies and analyses

**Are additional studies / analytic work needed? How and when will it be done?**

None

## ANNEX 2: PARTNERS

### 1 Summary of partner analysis

For DE 1 and DE 3 the direct partners are multilateral organisations of which Denmark is a member, respectively the International Fund for Agricultural Development (IFAD) and the World Bank (WB). Both are leading organizations within their field globally and in Mali. For DE 4 the direct partner is the Private Sector Guarantee Fund (FGSP). For DE 2 – the Fund supporting the creation of enterprises by young men and women – the fund manager will be identified through an EU tender process.

### 2 Criteria for selecting programme partners

For DEs 1 and 3: Organizational experience and capacities, overlapping/complementary strategies and approaches, timing.

For DE 4: Continuation of support under PACEPEP need for guarantees to SMEs in Agricultural

For DE 2: International and sub-regional experience with management of similar funds, experience and technical capacities within business management and entrepreneurship in Francophone West Africa, experience with capacity development, experience with working with young people as target group, proven experience with monitoring and documenting results, etc.

### 3 Brief presentation of partners

**IFAD** is an international financial institution and a specialized UN agency. Denmark is board member of IFA, and has a total historic contribution of around 1 billion DKK to the organization. IFAD is one of the leading organizations in rural economic development with more than 40 years of experience worldwide and 35 years in Mali. IFAD is specialized in designing, financing (loans and grants) and supervising rural economic development projects and programmes through financial agreement with recipient governments and applies rules and procedures of international standards. IFAD has during the last decade moved from a narrower focus on smallholder agriculture towards a more integrated market / value chain / private sector approach. The relevance and opportunity of a joint venture rest in the fact that IFAD wants to link small producers to private sector for their common good and that the Danish Embassy, based on lessons learned from the PACEPEP, wishes to improve the trickle-down effect from private sector support towards small producers to have real poverty and (self)employment impact.

**The World Bank** is an international financial institution, divided in five organisations. The partners of DE 3 will be the International Bank for Reconstruction and Development (IBRD), which is lending to low- and middle-income country governments to promote development programmes and the International Finance Corporation (IFC), which is focused on private sector development. WB has a long positive track record in Mali and applies rules and procedures of international standards. The organization has the technical capacities necessary to implement a technical support project to the business climate as well as the financial and administrative capacity demanded of a partner. The WB has specific experience with three phases of implementation of a trust fund “Mali Investment Climate” and the new trust fund is based on lessons learned.

**The Ministry of Economy and Finance** is the responsible ministry for the financial sector and a board observer of the Private Sector Guarantee Fund. Positive exchanges during the development of DE 4, confirmed the capacities and willingness of the MINEFI to take the responsibility of the funds allocated to the FGSP and manage them as a trust fund.

Partner name	Core business	Importance	Influence	Contribution	Capacity	Exit strategy
International Fund for Agricultural Development (IFAD)	International financial institution designing, financing and supervising rural economic development projects	<b>Low</b> for IFAD as a whole, 1/3 of the contribution to the INCLUSIF project	<b>High</b> Through close supervision of project implementation	2/3 of funding, technical supervision, financial management	IFAD is represented in Bamako by a national officer, while the programme manager is based in Dakar but comes often to Bamako on missions	IFAD will continue funding the INCLUSIF project after the end of the Danish support
The World Bank, IBRD and IFC	International financial institution designing, financing and supervising development activities	<b>Low</b> for the WB as a whole. Medium for the WB in Mali	<b>High</b> Through technical and financial management of trust fund	Technical capacity	A technical competent team is at place in Mali. Resources will also be pulled in from regional offices and HQ when required	The inclusion of other donors in the trust fund. A possible second phase of the trust fund based on performance
Fonds de Garantie pour le Secteur Privé (FGSP)	The FGSP SA is a financial institution started operations in 2015 to provide guarantees for loans for capital investments and working capital) to SMEs in commercial banks. It is supervised by the Bank Commission and operates in conformity with the Basel 1-3 rules. Its capital (6 billion FCFA) is partly owned by the State.	<b>High.</b> The FGSP SA is the only nationally acknowledged institution in its field.	<b>High.</b> Guarantees provided by the FGSP will positively impact on possibilities for SMEs to access loans in the agricultural value chains.	Provision of guarantees for loans given by commercial banks and major decentralised credit institutions to finance agricultural value chain SMEs. Possibility to grant loans in addition to those given by the banks and the major decentralised credit institutions.	<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Acknowledged financial institution</li> <li>• Important contributions from the State</li> <li>• Well qualified staff</li> <li>• Participation of 6 banks in the share capital and 9 guarantee agreements with the banks.</li> </ul> <p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Absence of a formal policy for guarantees</li> <li>• Inadequate status of the guarantee funds</li> </ul> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Interest of commercial banks in the guarantee mechanism</li> <li>• Cooperation with programmes supporting private sector in the agricultural sector</li> </ul> <p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Political interference and inadequate handling/analysis of certain applications</li> <li>• Competition with subsidised projects.</li> </ul>	Danish funds are provided as a grant to the Ministry of Economy and Finance (MINEFI). The FGSP is responsible for managing the trust fund. The funds are not tied to a specific project and can, if needed, be reallocated for other guarantee purposes.



## ANNEX 3: RESULT FRAMEWORK

Programme Title		<b>Private Sector Development</b>	
Thematic programme objective		Strengthen inclusive economic growth stimulated by private sector to increase incomes and create jobs/self-employment	
Impact indicators		1) Improved trade balance for agricultural food products 2) Increase in number newly registered enterprises	
Baseline		2018	To be determined
Target		2022	To be determined
<b>DE 1: Inclusive Finance and Facilitation of Agricultural Value Chains - INCLUSIF</b>			
Outcome 1		Access for small producers and their organisations to adapted financial services has improved	
Outcome indicator		a. Increase of small producers in the decentralised financial system (SFD) partners' portfolio (%) b. Number of SFD rural partner shaving attained operational viability (OSS ≥130%) c. Number of persons declaring that they make use of rural financial services d. Number of AGR and MER having access to support and financial services	
Baseline		2018	a. 25%, b. 0, c. 100.000, d. 0
Cible		2022	a. 30%, b. 2, c. 200.000, d. 2.000
		2024	a. 35%, b. 6, c. 350.000, d. 4.500
Result 1		The institutional environment of operations of the decentralised financial system (SFD) has improved	
Result indicator		a. Number of SFD rural partners updated on new regulatory instructions b. Number of partner rural financial institutions (IFR) with a risk portfolio >30 days less than 5%	
Baseline	Year	2018	a. 5, b. 3
Target	Year	2022	a. 12, b. 5
	Year	2024	a. 12 ,b. 10
Result 2		Diversified, sustainable and inclusive financial services and products have been developed	
Result indicator		a. Number of financial products developed b. Proportion of users of rural partner SFD have made use of the new products c. Number of small producers resilient to climate change d. Number of users having had a financial education	
Baseline	Year	2018	a. 0, b. 0%, c. 0, d. 0
Target	Year	2022	a. 3, b. 30%, c. 25.000, d. 150.000
	Year	2024	a. 5, b. 50%, c. 40.000, d. 300.000
Outcome 2		SMEs and the producer organisations (OP) have developed productive, profitable and sustainable partnerships linked to the financial institutions	
Outcome indicator		a. Number of farmer organisations supported and having entered into partnerships with private sector b. Number of producers declaring that their sale has increased c. Increase of the business turn over in SMEs having benefited from project support	
Baseline	Year	2018	a. 0, b. 0, c. 0
Target	Year	2022	a. 150, b. 7.000 , c. 50%
	Year	2024	a. 360, b. 22.000, c. 150%
Result 1		The organisational and entrepreneurial capacities of farmer organisations and of SMEs have been strengthened	
Result indicator		a. Number of producers trained to enter partnership, b. Number of OP having an operational accounting and management system, c. Number of strengthened SMEs	
Baseline	Year	2018	a. 0, b. 0 , c. 0
	Year	2022	a. 20.000, b. 30, c. 40
	Year	2024	a. 36.000, b. 50, c. 110

Result 2		Farmer organisations and SMEs have accessed financing in the rural finance institutions	
Result indicator		a. Number of OPAs having gained access to credit based on productive partnerships b. Number of private sector business plans leading to financing	
Baseline	Year	2018	a. 0, b. 0
Target	Year	2022	a. 150, b. 30
	Year	2024	a. 310, b. 60
Outcome 3		Small producers, the OPs and the SMEs are more resilient to the effects of climate change	
Outcome indicator		Number of producers having access to green funding	
Baseline	Year	2018	0
Target	Year	2022	40 800
Result 1		The decentralised financial systems have been supported in developing financial products aiming climate change adaptation	
Result indicator		Number of producers benefitting from these solutions	
Baseline	Year	2018	0
Target	Year	2022	30 000
Result 2		Farmer organisations and small savers have been sensitised with view to identify their vulnerability and to be aware of available adaptation opportunities	
Result indicator		Number of farmer organisations having implemented adaptations measures	
Baseline	Year	2018	0
Target	Year	2022	180 OP
Result 3		Partnerships between SMEs and farmer organisations have been subsidised to develop resilient business plans	
Result indicator		Number of subsidised business plans	
Baseline	Year	2018	0
	Year	2022	48 business plans benefiting 40 SMEs and 108 farmer organisations
<b>DE 2: Supporting the creation of micro- and small enterprises of young men and women (FACEJ)</b>			
Outcome 1		Entrepreneurial skilled young men and women have created their micro/small enterprises	
Outcome indicator		Number of 1) businesses created by young people and 2) employment in businesses	
Reference	Year	2018	1) 0 ; 2) 0
Target	Year	2022	1) 1100 <sup>39</sup> ; 2) 3300
Result 1		Young people's entrepreneurial competences have been strengthened (men and women)	
Result indicator		Number of young people having undergone a vocational or professional training course selected for attending an entrepreneurial training cycle	
Reference	Year	2018	0
Target	Year	2019	2 200
	Year	2020	0
	Year	2021	0
	Year	2022	0
Result 2		Young people having successfully completed the entrepreneurial training cycle are able to implement their business plans	
Result indicator		Number of business projects promoted by young people financed by FACEJ in the start up phase	
Reference	Year	2018	0
Target	Year	2019	400
	Year	2020	700

<sup>39</sup> The gender target (40% of new enterprises crated by young women will be evaluated when the identification of young has been completed.

	Year	2021	-
	Year	2022	-
Outcome 2		Enterprises created by young entrepreneurs are economically sustainable	
Outcome indicator		Proportion of micro, small and medium size enterprises experiencing an increase of their turn over (CDDE definition) of more than 10% over the last two years	
Reference	Year	2018	0
Target	Year	2019	0
	Year	2020	0
	Year	2021	Turnover increased by more than 10% in 50% of the micro, small and medium size enterprises
	Year	2022	Turnover increased by more than 10% in 50% of the micro, small and medium size enterprises
Result 1		The micro, small and medium-size enterprises created by young people fulfil the loan conditions of the financial institutions and other institutions (Business Angel, investment funds...)	
Result indicator		Number of businesses created by young people financed in the development phase	
Reference	Year	2018	0
Target	Year	2019	0
	Year	2020	0
	Year	2021	330
	Year	2022	-
<b>DE 3: Enhancement of Framework Conditions for Entrepreneurship (EPEC)</b>			
Outcome 1		Services to ease the creation of business and facilitate investments have been improved	
Outcome indicator		Number of new registered companies	
Reference	Year	2018	11 000
Target	Year	2022	13 000
Result 1.1		API fulfil its role as service provider to enterprises and as investment facilitator	
Result indicator		a. API services to enterprises have been enhanced (establishment of 2 new one stop shops, audit of the internet site and establishment of a dynamic web site, tracking of investors, publishing of fiscal and customs incentives) b. Number of enterprises having benefitted from API services (specified by small, medium and large enterprises) c. Volume of investments facilitated by API Mali	
Reference	Year	2018	a. Establishment of a new one stop shop b. 11 100 c. \$7 million
Target	Year	2019	a. Completed audit of the internet site and a dynamic web site established b. 12 210 c. \$9 million
Target	Year	2020	a. One new one stop shop for establishment of SMEs established inside the country (outside Bamako) b. 13 431 c. \$10 millions
Target	Year	2021	a. API is fully operational b. 14 774 c. \$11 million
Target	Year	2022	a. Publication of all fiscal and customs incentives on the API web site b. 16 251 c. \$13 millions
Result 1.2		Creation of Special Economic Zones	
Result indicator		Number of operational ZES	
Reference	Year	2018	Draft legislation on ZES approved by all parties
Target	Year	2019	Legislation approved by the Cabinet and a finalised marketing strategy for 2 SEZ sites

Target	Year	2020	Decrees for operationalising ZES finalised
Target	Year	2021	Training of institutions responsible for operationalising the Zones
Target	Year	2022	At least one SEZ is fully operational
Outcome 2		Legal and institutional framework for doing business improved	
Outcome indicator		a) Average time of judgment of the Commercial Court reduced by 10% b) Application of the new texts of the Commercial Court	
Reference	Year	2018	a) 255 days b) texts have been drafted
Target	Year	2022	a) -10% (230 days) b) texts fully implemented
Result 2.1		The commercial court has been capacity built and digitalised	
Result indicator		Web portal of commercial court is functional	
Reference		2018	No
Target	Year	2022	Yes
Result 2.2		The competition authorities have been strengthened	
Result indicator		a) number of staff trained b) number of official accounting centres are functional	
Reference	Year	2018	a) 0 b) 0
Target	Year	2022	a) 40 b) 3
Outcome 3		The innovation network and the digitalisation agenda are strengthened	
Outcome indicator		The number of yearly digital start-ups achieved by the Mali'Innov network	
Reference	Year	2018	Tbd at the end of the year
Target	Year	2022	+50%
Result 3.1		New financial products available	
Result indicator		Number of financial institutions accompanied in creating alternative financial products	
Reference	Year	2018	0
Target	Year	2022	5
Result 3.2		Incubator members of Mali'innov reach international standards	
Result indicator		Qualitative level of capacities of incubators	
Reference	Year	2018	Mali'innov created and has a strategy
Target	Year	2019	Women entrepreneurship programmes developed
Target	Year	2020	The strategic plan of Mali'innov is being implemented and services delivered. Mali'innov starts to take part in policy dialogue
Target	Year	2021	The intervention models are revised and incubators trained to reach international levels
Target	Year	2022	80% of incubators members of Mali'innov are operating according to international standards
Result 3.3		The 2030 strategy of the directorate for digitalisation is adopted and implemented	
Result indicator		Level of implementation	
Reference	Year	2018	Mali digitalisation plan 2020 exists and strategy 2030 is being drafted
Target	Year	2019	Mali digitalisation plan 2020 is revised and strategy 2030 has been finalised together with private sector actors
Target	Year	2020	A steering and M&E mechanism of Strategy 2030 has been establish and is functional
Target	Year	2021	Implementation of strategy
Target	Year	2022	Implementation of strategy
Outcome 4		Private sector representatives strengthened in their analytical capacity and able to lobby for private sector interest within an enhanced framework for dialogue	
Outcome indicator		Number of private sector proposals aiming at enhancing framework conditions having led to government action at legal and regulatory levels	
Baseline	Year	2018	0
Target	Year	2022	2
Result 4.1		The CNPM has developed its analytical and archiving capacities thus enabling it to perform a thorough assessment of national policies on private sector issues	

Result indicator		The CNPM Secretariat is able to carry out its analytical work, archiving and assessment of national policies	
Reference	Year	2018	Identification of CNPM shortcomings in terms of analysis, assessment and filing of documentation
Target	Year	2019	a. Strategic partnerships established with similar institutions abroad with a view to promote technology and knowledge transfer to private sector in Mali b. A secretariat with statistical and archiving capabilities is operational
Target	Year	2020	Studies contributing to the public-private dialogue and to the public debate have been initiated by CNPM, by its member organisations or by other institutions representing private sector
Target	Year	2021	A joint road map between government and private sector has been approved
Target	Year	2022	An evaluation of the 2018 reforms has been finalised and is publicly accessible
Result 4.2		The private sector/Government dialogue framework is operational	
Result indicator		Implementation of public-private dialogue activities	
Reference	Year	2018	Studies on the public-private dialogue framework finalised
Target	Year	2019	a. Framework agreement for the public-private sector dialogue drafted and approved b. Studies prepared for the 2019-2021 economic review conferences
Target	Year	2020	Studies prepared for the 2019-2021 economic review conferences
Target	Year	2021	Recommendations given by economic review conferences are implemented
Target	Year	2022	Evaluation of the efficiency of the annual economic review
Result 4.3		The private sector is better organised in its internal dialogue	
Result indicator		Implementation of private-private dialogue activities	
Reference	Year	2018	Weak level of concertation between different private sector organisations
Target	Year	2019	Workshops on future organisation models for private sector representation
Target	Year	2020	New platform for the private-private sector dialogue is operational Active participation in economic review conferences
Target	Year	2021	Active participation in economic review conferences
Target	Year	2022	Evaluation of the efficiency of the annual economic review
<b>DE 4: Guarantee Fund for financing of SMEs in Agricultural Value Chains</b>			
Outcome		The access to finance has been eased for businesses in the agricultural value chains based on the principle of shared risk	
Outcome indicator		Accumulated volume of guaranteed credits	
Baseline	Year	2018	546 million FCFA
Target	Year	2020	2 366 million FCFA
	Year	2022	4 909 million FCFA
Result 1		Improved technical capacity of the FGSP to carry out its mandate	
Result indicator		Qualitative improvements in the management of the guarantee fund, estimated by the capacity to multiply the use of the guarantee fund	
Baseline	Year	2018	0.78
Target	Year	2019	1,00
	Year	2020	2.50
	Year	2021	2.75
	Year	2022	3.00
Result 2		Agricultural SMEs are gaining access to guaranteed credits	
Result indicator		Ongoing guarantees to Agricultural SMEs	
Baseline	Year	2018	553 millions de FCFA <sup>40</sup>
Target	Year	2019	730 millions de FCFA
	Year	2020	1 119 millions de FCFA
	Year	2021	1 331 millions de FCFA
	Year	2022	1 533 millions de FCFA

<sup>40</sup> Including on-going guarantees from PACEPEP

## ANNEX 4 : BUDGET DETAILS

### DE 1: Inclusive Finance and Facilitation of Agricultural Value Chains – INCLUSIF

#### A. Overall Budget

	Danemark (DKK)	Partenaires / PTF (USD)
Appui financier pour mise en œuvre des extrants hors budget vert	100 000 000	
Budget inclusif Vert (see below)	35 000 000	
<b>Total de l'engagement de développement / Danemark</b>	<b>135 000 000</b>	
FIDA		45 000 000
IFM		15 500 000
Partenaires Privés		5 400 000
Babyloan		400 000
GRM		4 600 000
Bénéficiaires		1 900 000
Autres (à identifier après)		11 100 000
<b>TOTAL GENERAL</b>	<b>135 000 000</b>	<b>83 900 000</b>

## B. Detailed Green Budget

Activités	Unité	2019	2020	2021	2022	Total	Coût Unitaire	2019	2020	2021	2022	Total	Imprévus physiques et financiers	Total global	
<b>A. Développement des Services Financiers Ruraux</b>															
<b>1. Appui Institutionnel à la mise en oeuvre de la PNMF</b>															
a. Appui institutionnel à la CCS-SFD		-	-	-	-	0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
b. Appui institutionnel au CPA-SFD	Appui à la prise en compte des aspects environnementaux et climatiques dans les politiques et stratégies	Atelier	-	-	1	-	1	\$ 9 000	\$ -	\$ -	\$ 9 000,00	\$ -	\$ 9 000,00	\$ 450,00	\$ 9 450,00
	Appui à la promotion des aspects environnementaux et climatiques	Ateliers	1	1	1	-	3	\$ 6 364	\$ 6 364,00	\$ 6 364,00	\$ 6 364,00	\$ -	\$ 19 092,00	\$ 954,60	\$ 20 046,60
c. Renforcement de l'AP-SFD	Elaboration d'une charte verte	Forfait	1	-	-	-	1	\$ 50 000	\$ 50 000,00	\$ -	\$ -	\$ -	\$ 50 000,00	\$ 2 500,00	\$ 52 500,00
<b>2. Renforcement de l'Inclusion Financière Rurale</b>															
a. Capacitation socioéconomique des groupes démunis et jeunes ruraux	Introduction de modules dans la méthodologie de capacitation socio/économique sur le climat et l'environnement	H/M	3	-	-	-	3	\$ 10 000	\$ 30 000,00	\$ -	\$ -	\$ -	\$ 30 000,00	\$ 1 500,00	\$ 31 500,00
	Formation des ONG sur les aspects climats/environnement	Session	1	1	1	-	3	\$ 5 500	\$ 5 500,00	\$ 5 500,00	\$ 5 500,00	\$ -	\$ 16 500,00	\$ 825,00	\$ 17 325,00
	Prise en compte des aspects ECC dans la prestation des ONG	Groupes	1 000	3 500	4 000	1 500	10 000	\$ 64	\$ 64 000,00	\$ 224 000,00	\$ 256 000,00	\$ 96 000,00	\$ 640 000,00	\$ 32 000,00	\$ 672 000,00
b. Digitalisation des services financiers	Soutien dégressif au développement de produits d'assurance agricole inclusive (assurance du portefeuille de crédit des IMF)	Forfait	-	1,00	0,50	0,25	1,75	\$ 165 000	\$ -	\$ 165 000,00	\$ 82 500,00	\$ 41 250,00	\$ 288 750,00	\$ 14 437,50	\$ 303 187,50
	Etudes pour le développement de nouveaux produits d'assurance	Etude	1	1	-	-	2	\$ 50 000	\$ 50 000,00	\$ 50 000,00	\$ -	\$ -	\$ 100 000,00	\$ 5 000,00	\$ 105 000,00
c. Renforcement des capacités des IFR pour proposer des services financiers agricoles adaptés	Etude de référence sur les produits financiers d'adaptation pertinents par zone d'intervention	Etude	1	-	-	-	1	\$ 100 000	\$ 100 000,00	\$ -	\$ -	\$ -	\$ 100 000,00	\$ 5 000,00	\$ 105 000,00
	Assistance technique pour accompagnement des 10 SFD à l'auto évaluation du profil de risque et adhésion à la charte (AT)	SFD	0,3	0,3	0,3	0,1	1	\$ 300 000	\$ 90 000,00	\$ 90 000,00	\$ 90 000,00	\$ 30 000,00	\$ 300 000,00	\$ 15 000,00	\$ 315 000,00
	Forfait communication/marketing sur l'adaptation	Forfait	1	1	1	-	3	\$ 24 000	\$ 24 000,00	\$ 24 000,00	\$ 24 000,00	\$ -	\$ 72 000,00	\$ 3 600,00	\$ 75 600,00
d. Refinancement	Enveloppe verte allouée au FCIP	Provision	1	0	0	0	1	\$ 1 500 000	\$ 1 500 000,00	\$ -	\$ -	\$ -	\$ 1 500 000,00	\$ 75 000,00	\$ 1 575 000,00
<b>B. Investissements Productifs dans les Filières Agricoles</b>															
<b>1. Appui Technique à l'Emergence et au Développement des Partenariats</b>															
	Assistance technique pour accompagnement d'auto-évaluation de vulnérabilité des entreprises et coopératives	Forfait	0,3	0,3	0,3	0,1	1	\$ 400 000	\$ 120 000,00	\$ 120 000,00	\$ 120 000,00	\$ 40 000,00	\$ 400 000,00	\$ 20 000,00	\$ 420 000,00
<b>2. Appuis Financiers à la mise en oeuvre des Partenariats</b>	Subventions vertes contractualisation simple	Subventions	-	5	15	10	30	\$ 8 100	\$ -	\$ 40 500,00	\$ 121 500,00	\$ 81 000,00	\$ 243 000,00	\$ 12 150,00	\$ 255 150,00
	Subventions vertes initiatives 4P	Subventions	-	2	6	4	12	\$ 67 500	\$ -	\$ 135 000,00	\$ 405 000,00	\$ 270 000,00	\$ 810 000,00	\$ 40 500,00	\$ 850 500,00
	Subventions vertes partage capital	Subventions	-	2	2	2	6	\$ 90 000	\$ -	\$ 180 000,00	\$ 180 000,00	\$ 180 000,00	\$ 540 000,00	\$ 27 000,00	\$ 567 000,00
<b>C. Coordination, Suivi/Evaluation et Gestion des Savoirs</b>															
<b>1. Coordination et Gestion du Projet</b>	Personnel expert en CC	Mois	12	12	12	6	42	\$ 3 627	\$ 43 524,00	\$ 43 524,00	\$ 43 524,00	\$ 21 762,00	\$ 152 334,00	\$ 7 616,70	\$ 159 950,70
	Véhicule	Nombre	1	-	-	-	1	\$ 42 364	\$ 42 364,00	\$ -	\$ -	\$ -	\$ 42 364,00	\$ 2 118,20	\$ 44 482,20
<b>2. Suivi-évaluation, Gestion des Savoirs, Communication</b>			0	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
												<b>\$ 5 313 040,00</b>	<b>\$ 265 652,00</b>	<b>\$ 5 578 692,00</b>	

## DE 2: Supporting the creation of micro- and small enterprises of young men and women (FACEJ)

### A. FACEJ FUND

Activité	Hypothèses de calcul	Unité	Prix unitaire	Quantité	Total FCFA	P. U. DKK	Total DKK
Sélection des facilitateurs	Avis de manifestation d'intérêt (5 journaux, 2 insertions par journal); sélection réalisée par équipe gestionnaire; sélection d'une vingtaine de facilitateurs	Insertion	200,000	10	2,000,000	2,260	22,600
Information sur le FACEJ et plan de communication	Communication pour les appels à projet (ORTM, Journaux, Radios de proximité, annonces publicitaires, flyers,...) Vidéo et film promotionnaire	Forfait	4,000,000	5	20,000,000	45,200	226,000
Mise en place et gestion (hébergement / sécurité) d'une plateforme de service en ligne : candidature en ligne, suivi résultat en ligne,...	Appui d'une expertise court terme et frais de site WEB, location mensuelle dans Cloud, et autres	Forfait	10,000,000	1	10,000,000	113,000	113,000
Identification des jeunes potentiellement éligible au FACEJ	Réalisé par facilitateur : <b>plan d'identification</b> des jeunes présenté par facilitateur et validé par gestionnaire : zone d'identification, nombre de jours, nombre de personne, moyens utilisés, ... ; plafonné à 3.000.000 CFA par facilitateur (base PACEPEP : coût logistique facilitateur depuis démarrage 2014 : près de 120 Millions FCFA pour 4 régions)	Facilitateur	3,000,000	20	60,000,000	33,900	678,000
Formation en entrepreneuriat des jeunes	Taux de passage à la création d'entreprise : 50% des jeunes identifiés à l'issue de cette formation Module de formation à développer par gestionnaire et mis en œuvre par les facilitateurs (gestion, comptabilité, guichet unique, fiscalité, ITS/CNSS,...)	Jeune	200,000	2,200	440,000,000	2,260	4,972,000
Identification et sélection des jeunes créateurs entreprises par facilitateur selon cibles par zones et métiers fixées par gestionnaire sur base étude PRODEFPE	<b>Critère de performance N° 1</b> : Le facilitateur identifie des jeunes éligibles au FACEJ; il est rémunéré par jeune considéré éligible par le gestionnaire Insertion d'un objectif genre : voir 40% Identification des jeunes et orientation vers deux guichets : i) Entreprises start-up et ii) Entreprise de croissance	Jeune	100,000	1,100	110,000,000	1,130	1,243,000
Appui à la préparation des plans d'affaires des jeunes retenus	<b>Critère de performance N° 2</b> : plan d'affaire réalisé et validé par gestionnaire (avec avis consultatif secteur privé REAO)	Jeune	100,000	1,100	110,000,000	1,130	1,243,000
Fonds de subvention des jeunes entrepreneurs pour phase	Somme forfaitaire par jeune : permettant de faire son 1er cycle de production	Jeune	3,000,000	1,100	3,300,000,000	33,900	37,290,000



d'amorçage : <b>Guichet : i) Entreprises start-up</b>							
Frais d'accompagnement jeunes entrepreneurs phase d'amorçage	<b>Critère de performance N° 3</b> : 1er cycle de production réalisé; appui à la mise en œuvre financière et technico-économique du projet, appui commercialisation... Suivi une fois par mois / 6 mois : Tous frais compris A mesurer selon type d'activité : environ + 6 mois après déblocage subvention	Jeune	300,000	1,100	330,000,000	3,390	3,729,000
Fonds de subvention des jeunes entrepreneurs pour phase de développement ; <b>Guichet : ii) Entreprise de croissance</b>	Somme forfaitaire par jeune : permettant de faire son 1er cycle de production Hypothèse de 30% de jeunes passant à cette phase	Jeune	4,750,000	330	1,567,500,000	53,675	17,712,750
Frais d'accompagnement jeunes entrepreneurs : phase de développement pour mobilisation d'investissement privé : banque, IMF, Business Angels,...	<b>Critère de performance N° 4</b> : requête de financement incluant un plan d'affaire actualisé, réalisé et validé Institution financière : obtention d'un crédit (Banque, IMF, Business angel; fonds d'investissement, crédit-bail, crédit fournisseur,...) % de jeunes financés par banques / IMF,... : 30% Rémunération en % du montant de crédit obtenu : commission de 10% plafonnée à 400.000 FCFA	Jeune	400,000	330	132,000,000	4,520	1,491,600
Renforcement des capacités des facilitateurs	Frais de formation, appui spécifiques à la délocalisation	Forfait	85,000,000	1	85,000,000	960,500	960,500
<b>Total</b>					<b>6,166,500,000</b>		<b>69,681,450</b>
<b>Total Arrondi</b>							<b>69,700,000</b>

## B. FUND MANAGER

Activité	Hypothèses de calcul	Unité	Prix unitaire	Quantité	Total FCFA	P U DKK	Total DKK
<b>Honoraires</b>							
Chef de mission ET, spécialiste emploi et insertion des jeunes	42 mois - 4,5 mois de non présence (non facturable)	Mois	11,000,000	37	407,000,000	124,300	4,599,100
1 spécialiste formation création d'entreprise (Germe, Créer jeune, BUZ, autre formation,...)	42 mois	Mois	3,000,000	42	126,000,000	33,900	1,423,800
1 Spécialiste suivi évaluation	42 mois	Mois	3,000,000	42	126,000,000	33,900	1,423,800
1 spécialiste IMF/banques/accès au financement	24 mois	Mois	3,000,000	24	72,000,000	33,900	813,600
1 Comptable	42 mois	Mois	3,000,000	42	126,000,000	3,390	142,380
Personnel d'appui : 2 chauffeurs + 1 assistant	42 mois	Mois	300,000	126	37,800,000	3,390	427,140

ET compétence internationale court terme:	8 mois; spécialiste analyse financière; spécialiste NTIC et plateforme WEB; spécialiste Technologue et efficacité énergétique	Mois	16,000,000	8	128,000,000	180,800	1,446,400
ET compétence nationale court terme:	12 mois ; spécialiste analyse financière; spécialiste NTIC et plateforme WEB; spécialiste Technologue et efficacité énergétique; spécialistes métier	Mois	5,500,000	12	66,000,000	62,150	745,800
<b>Total Honoraires</b>					<b>1,088,800,000</b>		<b>11,022,020</b>
<b>Frais de logistique</b>							
Bureaux Structure gestionnaire		Mois	1,000,000	42	42,000,000	11,300	474,600
Achat équipement Bureau & informatique		Unité	5,000,000	1	5,000,000	56,500	56,500
Fonctionnement Bureau		Mois	400,000	42	16,800,000	4,520	189,840
Véhicule ET TTC : 1 Fortuner TTC		Véhicule	37,000,000	1	37,000,000	418,100	418,100
Véhicule ET TTC : 1 Berline ville / RAV 4TTC		Véhicule	22,200,000	1	22,200,000	250,860	250,860
Frais de fonctionnement véhicule ET Fortuner : 3000 km/mois; 150 FCFA/km		Mois	450,000	42	18,900,000	5,085	213,570
Frais de fonctionnement véhicule ET Berline / RAV 4 : 2000 km/mois; 150 FCFA/km		Mois	300,000	42	12,600,000	3,390	142,380
<b>Total</b>					<b>154,500,000</b>		<b>1,745,850</b>
<b>Autres frais fixes dans le dossier d'appel d'offre</b>							
Activité de lancement du projet		Rencontre	1	1,500,000	1,500,000	16,950	16,950
Rencontre semestrielle acteurs DED 2 et avec DED 1 et DED 3		Rencontre	7	2,000,000	14,000,000	22,600	158,200
Frais auditeur		%	1.5%	4,867,500,000	73,013,000	825,047	825,047
Frais de caution des avances versées pour le Fonds FACEJ	Base d'un plafond d'approvisionnement du compte du gestionnaire de 1 000 000 000 FCFA à un	%	1.5%	1,000,000,000	45,000,000	508,500	508,500

	taux de 1,5% par an sur 3 ans							
<b>Total</b>						<b>133,513,000</b>	<b>1,508,697</b>	
<b>Total Frais structure gestionnaire</b>							<b>1,376,813,000</b>	<b>14,276,567</b>
								<b>14,300,000</b>
<b>Frais additionnel remboursables pour la famille du chef de mission</b>								
Billet d'avion : hypothèse : 1 épouse, 2 enfants; 1 billet par an		Billet	9	884,956	7,964,602	10,000	90,000	
Frais Scolarité ; hypothèse : 2 enfants école française		Enfant/an	6	5,274,336	31,646,018	59,600	357,600	
Hébergement additionnel Famille		Forfait/mois	42	659,292	27,690,265	7,450	312,900	
Assurance famille		An	4	5,309,735	21,238,938	60,000	240,000	
<b>Total</b>					<b>88,539,823</b>		<b>1,000,500</b>	
<b>Total Frais structure gestionnaire intégrant frais famille</b>								<b>15,300,000</b>

### DE 3: Enhancement of Framework Conditions Entrepreneurship (EPEC)

	<b>Budget en DKK million</b>
Engagement de Développement 3	
Axe 1 : Amélioration de la facilité de création d'entreprises et d'investissement au Mali	5 700 000
Axe 2 : Amélioration du cadre légal et institutionnel dans lequel les entreprises se développent	4 750 000
Axe 3 : Le milieu d'innovation et l'agenda de la numérisation sont renforcés	10 450 000
Axe 4 : Les représentants du secteur privé sont capable de jouer pleinement leur rôle dans le dialogue public-privé	5 767 000
Sous Total	26.667.000
Frais de gestion (5%)	1.333.000
<b>TOTAL GENERAL</b>	<b>28.000.000</b>

## ANNEX 5 : Risk Management Matrix

### Contextual risks

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Reference is made to approved Country Programme Document					

### Programmatic risks

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
<b>DE 1 - INCLUSIF</b>					
Fragility of the micro-finance sector	Likely	Major	Strong implication of the Ministry of Finance; support to the restructuring of the sector; and preconditions for partnerships with decentralised financial institutions.	Minor	High vulnerability of portfolios, lending to risk sectors and vulnerable clients, political risks, lack of capacity to manage portfolios
Difficulties in establishing structural partnerships in the agricultural value chains	Likely	Major	Support to identification of investment opportunities and private partnerships; pilot phase of 12 months in the Sikasso and Koulikoro regions; and the development of tools addressing the need for medium-term loans.	Major	Private sector in Mali is generally not well organised and structured and there is not a widespread tradition for formal partnerships between actors in the value chains.
The sustainability of the shared institutional credit fund (FCIP)	Likely	Major	Action to sustain the fund engaged by the Rural Microfinance Programme (IFAD financed project) will be pursued	Major	On its own the FCIP cannot satisfy all refinancing needs of the decentralised financial system and savings mobilised by the latter is only modestly transformed /40%) into productive credits.
Regional Councils not able to fulfil their intended role in the project	Likely	Major	Capacity development of regional councils and a test phase of 12 months in the Koulikoro and Sikasso regions. Linking to the Decentralisation programme that has technical assistance within the regional council	Major	Although having a clear mandate to spearhead economic and social development, the involvement of Regional Councils may lead to negative involvement/irregularities.
<b>DE 2 - FACEJ</b>					
The youth entrepreneurial ecosystem (financial institutions and business)	Likely	Important	Strengthening incubators with support from DE 3; support to creating linkages between the actors in the ecosystem; and collaboration with professional networks (REAO) on a consultative basis.	Major	The entrepreneurial ecosystem is not well adapted to the creation of enterprises by young people.

development services) is weaker than assumed					
Poor management and bad utilisation of funds provided by the FACEJ to young beneficiaries	Likely	Major	Development of adequate procedures for the use of funds and regular financial audits.	Minor	Strong social pressure on young people in their environment and the general poverty situation.
High mortality rate of enterprises created by youth	Almost certain	Important	i. Only the best 50% of the business plans/trained youth will receive seed financing, ii. Performance-based payment of facilitators; and iii. The created enterprises will be accompanied and monitored for at least 12 months.	Major	There is a high demand from young people to create businesses but lack of business management experience in the target group; heterogeneous capacity and practice among facilitators.
<b>DE 3 - EPEC</b>					
Continued frequent reshuffling of ministries adversely impact on activities	Almost certain	Major	Acceptance and sensibilisation of Government and of new responsible minister	Minor	Presidential elections in 2018 and the political instability in the country. The level of risk is dependent on the interest and priority given by each new minister to the programme activities.
Weaker capacity than anticipated of supported ministries to implement recommendations and action plans	Likely	Major	Ensure adequate technical assistance to involved institutions	Minor	The targeted institutions may lack adequate resources, staff, expertise or competences to implement study recommendations and/or action plans.
Lack of willingness of private sector actors to organise themselves	Likely	Major	Technical assistance and coaching/monitoring of private sector actors	Minor	Lack of cohesion in private sector hampers both capacities to make proposals and to implement key private sector reforms.
<b>DE 4 – FG PME A</b>					
Less willingness than expected of banks to embark on financing rural sector activities and agricultural value chain activities	Likely	Important	The technical assistance will assist the FGSP to improve its relations with the banks. Enhanced professionalism in the FGSP will favour the development of bank activities	Major	Although commercial banks are increasingly positioning themselves towards the rural sector, they are still reluctant to fund rural sector activities due to lack of e.g. adequate tools. Major microfinance institutions, like Kafo Jiginew, might boost their activities with security from a guarantee fund.

(Too) large diversification of FGSP activities away from the core guarantee activities (giving direct credits)	Likely	Minor	The professionalization of the FGSP	Minor	FGSP has recently requested and obtained the permission of the Central Bank to start lending, hence starting up banking activities and not only fulfilling its core mandate of guarantees
Political interference in the FGSP	Likely	Major	Fielding of technical assistance and improvement of procedures for analysing and monitoring guarantee requests. Central Bank supervision	Minor	As the main contributor of guarantee funds is the government, there is a risk of political pressure in the choice of which projects to guarantee.

## Annex 6 – List of supplementary materials

#	Document / Material	Source
1	Development engagement document 1: INCLUSIF	Danish Embassy Mali
2	Development engagement document 2: FACEJ	Danish Embassy Mali
3	Development engagement document 3: EPEC	Danish Embassy Mali
4	Development engagement document 4: FG PMEAA	Danish Embassy Mali
5	Country Programme Document 2017-2022	Danish Embassy Mali
6	Country Policy Paper 2016-2021	Danish Embassy Mali
7	INCLUSIF Project Design Report	IFAD
8	EPEC Project Proposal	World Bank
9	Assessment of FGSP	Alienor Consult/Danish Embassy Mali
10	Report on Danish priorities for the INCLUSIF project and possible ways to work with the business climate	Pierre Baris / Danish Embassy Mali
11	Mapping of programme and projects in private sector (April 2017)	Danish Embassy Mali

## Annex 7 – Communication Plan

The Embassy is in the process of hiring a local communication specialist to develop a communication strategy for the Embassy and the country programme. The thematic private sector programme will be included in this strategy. At this stage, the communication plan for the private sector development programme has been developed in the table below.

<b>What?</b> (the message)	<b>When?</b> (the timing)	<b>How?</b> (the mechanism)	<b>Audience(s)</b>	<b>Responsible</b>
Communicate to partners that programme has been approved. Sign individual DED with partners	October	Email/meetings	Restricted	Programme Manager
Official presentation of the PSDP to the government	Primo November	Plan an official signing / presentation event with Ministry of Cooperation. Involve communication specialists in planning	Partners Stakeholders Press	Programme Manager
Joint launch of the INCLUSIF project with IFAD and Canada	End November	IFAD will organize high-level kickoff event. Embassy should make sure to participate actively in preparation and being represented at highest level	Partners Stakeholders Press	IFAD/Programme Manager
Official launch	Primo 2019	Launch event Communication on social Media Preparation of communication material	Partners Stakeholders Press Public	Programme Manager / communications specialist
Develop and implement communication plan for implementation phase	2019-2022	Development of a brief communication plan and on-going communication material	Depending on communication	Programme Manager / communications specialist
Report results yearly in the overall country programme annual report	2020-2022	Report on main indicators and events	Partners Stakeholders Press Public	Programme manager



## Annex 8 – Process Action Plan

Action/product	Deadlines	Responsible/involved Person and unit	Comment/status
2 October 2018	Presentation at UPR	Ambassador/HoC/ Private sector counsellor	
October 2018	Danish Minister for Development Cooperation signs programme	MFA/Embassy	
October / November 2018	Signing of agreements (DED) with each of partners for DED 1, 3 and for	Embassy	
Sept. – Dec. 2018	Preparatory activities DE 1 – INCLUSIF <ul style="list-style-type: none"> <li>• Monitor/support recruitment of project staff</li> <li>• Monitor/support recruitment of technical assistance</li> <li>• Monitor/support development of project manuals</li> <li>• Participate in project launch</li> </ul>	Embassy/IFAD	
Sept. – Dec. 2018	Preparatory activities DE 2 – FACEJ <ul style="list-style-type: none"> <li>• Recruitment of Fund Manager by EOI and Tender process</li> <li>• Mapping of facilitators / incubators</li> <li>• Development of project manuels</li> </ul>	Embassy with help from Bech- Bruun and consultants	
November 2018	Launch activities on DE 3 – EPEC	Embassy/WB	
Sept. – Nov. 2018	Preparatory Activities DE 4 – FG PMEA <ul style="list-style-type: none"> <li>• Recrutement of Danida Advisor</li> <li>• Prepare and sign new agreement with FGSP</li> </ul>	Embassy/FGSP/ Mercuri Urval	
January 2019	Official launch of Programme	Embassy	

## Annex 9: Follow up on recommendations from Appraisal

<b>Title of (Country) Programme</b>	<b>Programme Développement Secteur Privé</b>
<b>File number/F2 reference</b>	2018-16268 / 2017-10401
<b>Appraisal report date</b>	3 July 2018 (draft)
<b>Council for Development Policy meeting date</b>	2 October 2018
<b>Summary of possible recommendations not followed (to be filled in by the responsible unit)</b>	
<p><b>Overall conclusion of the appraisal</b></p> <p>The overall conclusion of the appraisal is that the programme is recommended for approval with only minor adjustments. The exception is engagement 3 where a significant strengthening of the project documentation is required.</p> <p>The formulation of the Private Sector Development Programme (PSDP) is based on the analysis and strategic decisions developed and agreed in the 2017-2022 Country Programme. To align the PSDP with the implementation period of the country programme, the PSDP has been designed as a 3.5 year programme (2019-2022).</p> <p>The design is informed by lessons from the currently ongoing PACEPEP programme as well as relevant partner programmes. Overall the preparation process has been solid, and the Appraisal Team supports the reflections and strategic choices that form the basis for the design of the programme and its four engagements. However, there is still some work in finalising the Development Engagement Documents and the supporting documents.</p> <p>The thematic programme description, which will be presented to the Council for Development Policy, provides a good overall description of the four engagements envisaged. The appraisal team notes, however, that the document could be strengthened in relation to lessons learned and references to the unpredictable context of the programme in Mali, especially in relation to the security situation.</p> <p>Engagement 1 supports access to finance for agri-based small holder farmers and SMEs. The engagement is a contribution to the INCLUSIF programme implemented by IFAD (Danish contribution is 20% of total budget). Solid project documentation has been developed and the Appraisal Team is left with the impression of a constructive partnership between IFAD and the Danish Embassy. INCLUSIF is also considering Danish priorities such as issues related to climate change and the inclusion of small and medium sized enterprises (SMEs) in the programme.</p>	

<p>Engagement 2 will provide support to youth entrepreneurs to start-up and grow enterprises. The AT supports the overall focus on youth entrepreneurs. It has not been able to identify a local organisation that is capable of engage with a range of stakeholders and handle the funding level proposed. As such the AT is supportive of the proposed solution of recruiting a Fund Manager to work with a variety of facilitators, in particular from the incubator eco-system in Mali. It will be necessary to define more precisely the target group and criteria that will guide the selection the facilitators and their work.</p>	
<p>For engagement 3 the Appraisal team supports the decision to target an improved environment for doing business as well as the choice of the World Bank as implementing partner. However, the documentation presented is insufficient and a significant rewriting and strengthening of the project documentation is required.</p> <p>Engagement 4 is a proposed exit strategy for a PACEPEP engagement in the FSGP-SA (a private sector Guarantee Fund) by handling it over to the Ministry of Finance. The AT is supportive of the engagement, but assesses that due to the current problems in the fund, it will take more time to hand over the Danish engagement and a more substantial input of technical assistance will be needed compared to what is proposed.</p>	
<p><b>Recommendations by the appraisal team</b></p>	<p><b>Follow up by the responsible unit</b></p>
<p><b>Thematic Programme Level:</b></p>	
<p><b><i>Previous experience from the Danish cooperation in Mali</i></b></p>	
<p><i>When designing the PDSP, experience has to some extent been drawn from PACEPEP (2013-2018). The appraisal team is of the opinion that these reflections could be clearer presented in the documentation.</i></p> <p>1. Include in the presentation of the PDSP programme a section presenting the previous experiences from supporting private sector in the Danish-Malian cooperation.</p>	<p>Done. A chapter has been added on lessons learned from PAPERPRIM and PACEPEP (p. 3-4 of project document)</p>
<p><b><i>The thematic programme in a fragile context – a human rights-based approach</i></b></p>	
<p>2. Take more into account the fragile context in which the programme will be implemented in the presentation of the thematic programme. Reference should be made to the three scenarios outlined in the country programme and presenting the justification for the zones of intervention as well as the flexibility required in the implementation of the programme.</p>	<p>Done. An analysis of the scenarios has been made (page 6 in PD)</p>

3. Include contextual risks at the level of the thematic programme description, in particular linked to the fragile situation in Mali and the unpredictability of the security situation.	Done, page 6 in PD
4. Introduce reflections about the Human Rights Based Approach (HRBA), including gender equality, in the thematic programme description.	Done. Under the presentation of each DE, gender has been taken into account.
<b>Engagement Level</b>	
<b><i>Development Engagement 1 – Inclusive Finance and Facilitation of Agricultural Value Chains – INCLUSIF</i></b>	
<p><i>The theory of change (ToC) in the DED is different from the ToC in the IFAD programme document.</i></p> <p>5. The ToC included in the DED be aligned to the ToC from the INCLUSIF project document which is more logical and better captures the project as a whole.</p>	Done
<p><i>The indicators presented in the DED do not give a full understanding of the ambitions and expected results of the Inclusif project.</i></p> <p>6. The selection of outcome and output indicators from INCLUSIF Log Frame and included in the DEDs results framework should be reconsidered with the view to better reflect the ambitions of the joint IFAD and Danida support.</p>	Done. Indicators have been revised.
<p><i>DKK 35 million of the Danish funding comes from the climate envelope and as such climate change indicators are required in the INCLUSIF monitoring. One indicator is currently included but the Appraisal Team is of the opinion that this priority could be better reflected.</i></p> <p>7. Indicators and targets related to the Danish climate adaptation financing be developed and integrated in the overall Log Frame/results framework for INCLUSIF.</p>	Climate change indicators will be included in project M&E manual.

<p><i>The design of Inclusif includes a considerable proportion of funding that will be allocated as grants. While this may be justified considering the hesitance of the financial sector to engage in financing agriculture, the Appraisal Team is concerned about the longer term sustainability of interventions where grants play an important role.</i></p> <p>8. The use and level of subsidies be subject to continuous review during the course of implementation with the view to explore possibilities and ways of alternative financing as the use of subsidies may constitute a barrier for the banks engagement in the sector.</p>	<p>The Embassy will follow-up on this issue during project implementation</p>
<p><b><i>Development Engagement 2 : Supporting the creation of micro- and small enterprises of young men and women (FACEJ)</i></b></p>	
<p><i>The approach proposed foresees support to youth led start-ups and based on achievements, some of these would qualify to additional support focused on growing the business. Considering the duration of the programme of only 3.5 years, the approach proposed does not seem realistic.</i></p> <p>9. Establish two parallel funding windows (start-up enterprises and growth enterprises) instead of an approach that foresees an evolution of start-up enterprises into growth enterprises.</p>	<p>Done</p>
<p>10. Identify the facilitators through a call for proposals based on carefully developed criteria for the geographic zones targeted by FACEJ. The proposals of the individual facilitators should include a description of the proposed target group, approach, methodology as well as justification.</p>	<p>This process has started. A mapping exercise will take place in the beginning of September 2018. The mapping will help identify organisations to be included in the call for proposals and prepare the documentation.</p>

<p><i>The originally proposed FACEJ modality is based on a « generic model » with a considerable grant element allocated to start-ups meeting certain criteria. The AT is of the opinion that the support should consider that the needs of the individual start-ups will vary. Furthermore, there is a concern related to the grant element which should be reduced as much as possible.</i></p> <p>11. Allow flexibility in the approach so the financing model varies according to the various target groups and the proposals of the facilitators. A key principle should be that the youth are accountable and relations with financial institutions facilitated.</p>	<p>Have been taken into account in documents and will be done with the request for proposals.</p>
<p><i>In the Sikasso region an IFAD funded programme (FIER) is also supporting youth – although the FIER target groups is youth with a lower capacity than foreseen with FACEJ.</i></p> <p>12. Ensure coordination between FACEJ and FIER in terms of target groups and geography in Sikasso.</p>	<p>Included in documents and will be done under implementation.</p>
<p>13. Concerning the activities in the Sikasso region, FACEJ should engage with and inform the regional administration in the region about FACEJ activities. This could be through the existing coordination committee for professional education.</p>	<p>Included in documents and will be done under implementation.</p>
<p><i>The Embassy has embarked on working with the youth agenda which is still relatively new and there is a need for more information about what works.</i></p> <p>14. Allocate funds to enable the Embassy within the framework of the thematic programme to take initiatives to document and share lessons learned from the interventions targeting youth entrepreneurs in Mali.</p>	<p>DKK 7 million have been budgeted for TA, reviews, studies etc.</p>

<p><i>FACEJ will work and support a large number of young people through a number of different facilitators. A good HBRA practice is to ensure grievance mechanisms are in place.</i></p> <p>15. Establish a mechanism to handle complaints and grievances from FACEJ stakeholders.</p>	<p>This mechanism will be included in the implementation manual of the project. A mission to draft a first version of the manual is foreseen in September 2018</p>
<p><b><i>Development Engagement 3: Enhancement of Framework Conditions for Entrepreneurship (EPEC)</i></b></p>	
<p><i>EPEC is designed as a multi-donor fund with four strategic axes. While the document lists a number of possible interventions, the level of detail is insufficient to assess their feasibility.</i></p> <p>16. The Appraisal Team appreciates the ambition to maintain flexibility but there is a need for a better understanding of the potential interventions proposed. Furthermore, it is necessary to define more clearly the criteria and conditions that guide the prioritisation and formulation of the activities as well as their eligibility.</p>	<p>A comprehensive project proposal document has been produced by the World Bank. The document provides clearer understanding to the questions.</p>
<p><i>There is no project document developed by the implementing partner and as such the DED is the sole document based on which the engagement should be implemented. The current level of documentation is insufficient.</i></p> <p>17. Assure that a more elaborate project document for EPEC is prepared by the World Bank. The document should be based on a thorough description of the context and of earlier support, and include a better description and justification of the four strategic axes proposed focusing on results.</p>	<p>A comprehensive project proposal document has been produced by the World Bank. On this basis a short DED has been developed.</p>
<p><i>Cross cutting issues have only to a limited extent been considered in the proposed DED.</i></p> <p>18. The approach to addressing cross-cutting issues should be elaborated in the project document to ensure that these are considered during implementation.</p>	<p>Included in the World Bank proposal.</p>

<p><i>The flexibility foreseen in EPEC is relevant, but it is necessary to have a clear and transparent governance structure.</i></p> <p>19. Develop further the foreseen bi-annual meetings for it to serve as a consultation structure with a clear mandate and engaging a range of Malian partners.</p>	<p>The bi-annual meetings now include stakeholders</p>
<p><b><i>Development Engagement 4: Guarantee Fund for financing SMEs in Agricultural Value Chains</i></b></p>	
<p><i>Technical assistance will be needed to support the capacity of the FGSP-SA (Private Sector Guarantee Fund) as part of a Danish exit strategy.</i></p> <p>20. Develop terms of reference for technical assistance with the support from an external consultant. Based on this input, decisions should be made on the type and duration of the technical assistance needed.</p>	<p>TORs for a short-term Danida adviser developed and attached to DED. The post will be published in September</p>
<p><i>Currently there is no budget allocated for Engagement 4 as budget from the former private sector programme (PACEPEP) is already allocated. However, discussions suggest that some budget may need to be available under the PDSP for technical assistance.</i></p> <p>21. Allocate required budget for technical assistance for engagement 4</p>	<p>DKK 3 million has been allocated from un-allocated funds.</p>
<p><i>The funds currently foreseen for engagement 4 are on the low side if the guarantee fund should it become a success. In parallel, the budget for engagement 2 (FACEJ) is substantial for a 3.5 year intervention.</i></p> <p>22. Allocate DKK 15 million from engagement 2 (FACEJ) to un-allocated funds from where the Embassy can allocate additional funds either to the guarantee fund or alternatively other engagements subject to performance.</p>	<p>The idea is to phase out of the FGSP-SA, adding funding in the coming phase would not be conducive. Rather we provide TA to the FGSP-SA to become sustainable on its own resources and/or identify other financial partners. It is the view of the Embassy that we do not need a high amount of un-allocated funds for such a short programme. Furthermore, it is possible to reallocate among DE during programme, if it turns out to become necessary.</p>



<p><i>The current agreement with FGSP-SA comes to an end by 2018. A new agreement is needed to guide the exit phase.</i></p> <p>23. Develop a new agreement with FGSP-SA concerning the management of the guarantee fund based on the recommendations provided by the consultant. Until the PACEPEP funds are transferred through the Ministry of Finance to FGSP-SA, the funds can be used to guarantee SMEs under the INCLUSIF programme.</p>	<p>A draft agreement has been developed with FGSP-SA with the support of an expert. It is annexed to the DED.</p>
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I hereby confirm that the above-mentioned issues have been addressed properly as part of the appraisal and that the appraisal team has provided the recommendations stated above.

Signed in..... on the .....  
Appraisal Team leader/TQS representative

I hereby confirm that the responsible unit has undertaken the follow-up activities stated above. In cases where recommendations have not been accepted, reasons for this are given either in the table or in the notes enclosed.

Signed in Bamako.....on the 17/9-2018.....  
Head of Unit/Mission **MARIANNE KRESS** 