

THE WORLD BANK GROUP ARCHIVES

PUBLIC DISCLOSURE AUTHORIZED

Folder Title: Country Files: Mali - Correspondence 01

Folder ID: 1775024

Series: Country Files

Dates: 08/01/1985 - 03/31/1986

Subfonds: Records of President A. W. Clausen

Fonds: Records of the Office of the President

ISAD Reference Code: WB IBRD/IDA EXC-09-3965S

Digitized: 03/22/2023

To cite materials from this archival folder, please follow the following format:
[Descriptive name of item], [Folder Title], Folder ID [Folder ID], ISAD(G) Reference Code [Reference Code], [Each Level Label as applicable], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.



THE WORLD BANK

Washington, D.C.

© International Bank for Reconstruction and Development / International Development Association or

The World Bank

1818 H Street NW

Washington DC 20433

Telephone: 202-473-1000


Internet: www.worldbank.org

PUBLIC DISCLOSURE AUTHORIZED

Clausen's: Mali



**DECLASSIFIED
WITH RESTRICTIONS**
WBG Archives

 **Archives**
A1990-013 Other #: 13 **1775024** **209496B**
Country Files: Mali - Correspondence 01



RESTRICTION NOTICE

Print Form

The World Bank Group
Archives
& Records Management

File Title Country Files: Mali - Correspondence 01	Barcode Number 1775024
--	--------------------------------------

Document Date April 20, 1993	Document Type Letter
--	--------------------------------

Correspondents / Participants To: Lewis Preston
From: Linda S. McGinnis, Resident Representative, Bamako, Mali

Subject / Title Ordre National du Mali for Alden W. Clausen

Exception Number <input type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/> 5 <input type="checkbox"/> 6 <input type="checkbox"/> 7 <input type="checkbox"/> 8 <input checked="" type="checkbox"/> 9 <input type="checkbox"/> 10 A-C <input type="checkbox"/> 10 D
--

Reason for Restriction Deliberative information

The items identified above have been restricted in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

Withdrawn By Vlada Alekankina	Date July 20, 2012
---	------------------------------

OFFICE MEMORANDUM

DATE March 14, 1986

TO Mr. A. W. Clausen

FROM Bilisel Alisbah, WA1DR *BA*

EXTENSION 78051

SUBJECT Brief Courtesy Call by General Amadou Baba Diarra, Minister of Plan

1. I apologize for having imposed this meeting on you first thing Monday morning (9 a.m.).
2. The Minister of Plan, General Amadou Baba Diarra, is also deputy head of the political party and therefore second only to President Traore in importance. You have met him in Seoul as well as while you were in Mali last June. *Ann. Malinjo briefing attached*
3. He has come here to discuss outstanding issues in two forthcoming operations: the Public Enterprises Project and the Office du Niger Project. Both are very important operations which we view as the two key building blocks of the structural adjustment process in Mali.
4. We tried to spare you this meeting on Monday, but as the Malians view it, General Diarra has been sent by their President to our President. Therefore, it is symbolically very important for the General to start the process of discussions with us, by meeting you.
5. We have warned him that there is even a possibility that the meeting may not take place as scheduled since you are just getting back from a trip and you have a full day. He is also aware that this is going to be just a brief courtesy call. To keep the encounter brief only Ambassador Keita and I will accompany the Minister. We have also not arranged for any official translator -- again to keep it brief.
6. The only points you need to make are:
 - (i) To express your pleasure of seeing the Minister again.
 - (ii) To underline the importance that we attach to the two operations in question.
 - (iii) To express your confidence that as a result of this visit outstanding issues will be resolved without slowing down the momentum of Mali's reform effort.
 - (iv) To wish the Minister good luck in his discussions and to indicate that he will be in good hands for his substantive discussions.
7. You might also wish to add that you are sending me to Mali in April to insure that we can proceed with these two operations as expeditiously as possible.

cc: Mr. Stern, SVPOP
Mr. Thalwitz, WANVP
Mr. Bouhaouala, WAPDR
Mr. Hinkle, WAIDA
Mr. Chaparro, WAPPS
Mr. Blanchi, WAPAC

BAlisbah:ebc

OFFICE MEMORANDUM

*Paul
file*

DATE October 16, 1985

TO Files

FROM Paul Isenman

EXTENSION 78601

SUBJECT Meeting of Mali Delegation with Mr. Clausen (October 5)

Participants: Mali Delegation -- Minister Baba Diarra (Planning),
 Mr. Ibrahima Bocar Ba (Director
 General, BDM), Mr. Lassana
 Traore (Planning)
 Bank -- Messrs. Clausen, Thalwitz, Alisbah,
 Isenman, and Beguery

1. Minister Baba Diarra presented Mr. Clausen with a letter from the Head of State. There was discussion by the Minister and Mr. Clausen of Mr. Clausen's visit to Mali during the drought. Mr. Clausen noted that \$55 million has been allocated to Mali under the African Facility, an indication that the program was going quite well. He asked the Minister what progress had been made since his visit. The Minister spoke of progress on liberalization of prices (including of rice) cereal marketing, and on public enterprises. In response to a question on population, the Minister talked of Government concerns and information and other efforts, noting though that there was a limit to what was feasible, since Mr. Clausen's visit had come only about four months ago.

2. Minister Baba Diarra asked for a memorandum of understanding under which the Bank would undertake to finance and find financing for Mali's CFA 35 billion annual debt service.

3. The Minister spoke of missions sent by the Government to prepare for the donor conferences in November and December. Mr. Clausen indicated the Bank would help as much as we can, both with funding and policy advice. He indicated we recognize the seriousness of the debt problem and would participate in the donor meetings. He pointed out that the Mali program is already quite large compared to other countries of equivalent population, income, and performance.

cc: Messrs. Thalwitz, Fuchs, Alisbah o/r, Southworth, O'Brien,
 Bouhaouala, Hinkle, Furst, WALDA Mali team

PIsenman/im:nl

11-12-85
 Council table
 12-2-85
 2nd meeting
 35 billion CFA francs

10/05
 3:30
 (Red star and circle)
 Civil marketing
 Paris 7 Paddy
 civil services

ANNUAL MEETING BRIEF

Name of Country: MALI

Date: August 27, 1985

Meeting with: General Amadou Baba Diarra,
 State Minister of Plan and
 Governor of Bank/IDA

Ibrahim Bocar Ba, Managing Director,
 Banque de Développement du Mali

Population: 7.2M (1983); estimated growth rate 2.8% (1983)

GNP per capita: \$160 (1983)

	(million)			(million)
Total Commitments:	\$388.2	! FY85:	Commitments	\$19.5
		!	Disbursements	\$26.5
of which: <u> </u> Bank	\$ -	!	Amortization	\$ 0.7
<u> </u> IDA	\$388.2	! Total	Undisbursed	\$97.6

Lending Program: FY86-87 \$125.5 million IDA
 \$ 55.0 million SAF

Summary Data

Avg 82-84 85 (est)

GDP growth (constant)	0.7	1.7	! Aid Group Meeting: UNDP Roundtable
Export growth	11.1	-6.5	! Last meeting: December 1982
Import growth	2.9	-5.0	! IMF status as of: August 1985
Current Account Deficit % GDP	8.8	6.5	! (completed second Standby May 1985;
Gross Debt Service Ratio <u>1/</u>			negotiations for third completed
with IMF repurchases	9.3	20.2	August 1985)
without IMF repurchases	7.1	14.5	
Annual Inflation Rate <u>2/</u>	11.2	5.6	

Issues likely to be raised by delegation:

- Economic policy reforms in context of
- 1) IDA's judgement of Mali's readiness for SAC
 - 2) level of IDA and SFF funding

Issues to be raised by Bank management:

- Economic policy reforms in context of
- Public Enterprise and Office du Niger projects
 - Population

Attachments:

- FIVE-YEAR LENDING PROGRAM FY85-89 (85 actual)
- Biographical Information

1/ After debt relief
2/ GDP Deflator

MALI

1985 ANNUAL MEETING BRIEF

Background

1. In the intervening months since your June visit to Mali, several developments which bear significantly on the Bank's policy dialogue with Mali have taken place. The Fifth Highways Project, containing a number of important sectoral policy reforms and representing the largest single IDA credit to Mali thus far, is scheduled for Board presentation in mid-September. In addition, negotiations were completed in August with the IMF for a third Standby Program. In the meanwhile, some \$55 million was allocated from the Special African Facility to Mali for two forthcoming sectoral adjustment operations. Finally, the severe drought conditions which have plagued Mali for the past few years appear to be subsiding. With better prospects for agricultural production and incomes, the Government might be encouraged to adopt necessary agricultural and other price reforms.

2. We suggest that the Annual Meeting discussions focus on the urgent need for the Government to persevere with necessary structural reforms, especially in the context of implementing the third IMF Standby and the two forthcoming IDA sector operations (the Office du Niger and the Public Enterprise projects). The issues likely to be raised by the Malian delegation also relate to macroeconomic policy reform, particularly i) IDA's judgement of Mali's readiness for a SAC operation and ii) the proposed level of IDA and SFF funding. In addition, the Annual Meetings also present a timely opportunity to continue the dialogue on population initiated during your June visit.

Issues Likely to be Raised by the Government Delegation

3. Macroeconomic Policy Reform. Since the early 1980's, both the Bank's and the Fund's policy dialogues with Mali have focused on the need to reduce financial imbalance, restructure the economy and limit Government intervention. Two IMF programs have been successfully completed and negotiations for a third were completed in August, albeit with some difficulty. On IDA's side, the dialogue has been linked directly to lending operations, through the inclusion of policy reform components in the latter. The FY86 and FY87 lending programs include two major sector restructuring operations--the Office du Niger Rehabilitation and the Public Enterprise Rehabilitation projects--both of which are proposed for SFF financing.

4. The IMF has been closely associated with Mali's recently improved economic and financial management. As mentioned above, the second Standby Program was completed in May 1985. An IMF mission visited Mali in July to begin negotiations for a third. This mission reported a serious deterioration in Mali's public finances, and recommended a comprehensive program focusing on liberalizing price controls, reforming the public

enterprise sector, and reducing the share of personnel costs in public expenditures. The Government, being more sensitized to the political costs of adjustment than to the long-term benefits of the reforms, received the IMF proposals with much initial skepticism. Although vaguely recognizing the need for restructuring, they were reluctant to implement the reform package immediately, as required by the IMF. Eventually however, following a visit to Washington by the Minister of Finance in August, Mali and the IMF finally reached agreement on terms for a third Standby Program, substantially in line with the IMF's original agenda. The problems encountered in concluding these negotiations mirror some of our own recent experiences in processing the two major sector operations mentioned above, i.e., the Office du Niger Rehabilitation and the Public Enterprise Rehabilitation projects and confirms our impression that the present Malian Government seems to lack a sense of direction and initiative to take decisions and implement change.

5. You should congratulate the minister on Mali's new agreement with the IMF, and stress the importance of its full implementation, pointing out that this will almost certainly be viewed by other donors--including IDA--as a measure of Mali's commitment to structural reform, and thus as a factor in determining their own levels of assistance.

6. In view of the recent agreement with the Fund, the Government is likely to request that the preparation of a SAC, now tentatively scheduled for FY88, be accelerated. If this question arises, you should convey IDA's view that while Mali has taken a step in the right direction in concluding its negotiations with the IMF, its readiness for a full fledged SAC operation will depend on completing the sectoral reforms being implemented under our lending operations, especially in the agriculture and public enterprise sectors, and on the macro reforms which will be addressed under the third Standby Program. Thus, we intend to closely monitor progress under the FY86 and FY87 sectoral operations, as well as the Government's advancement on key macroeconomic issues, i.e., investment planning, efficient use of public resources, resource mobilization, and external debt management. When these reforms are well underway, preparation could begin for a SAC operation, which by then would probably be complementary to a fourth IMF Standby.

7. In addition the Government is likely to request information on the level of future IDA funding and its eligibility for SFF funds. Mali's IDA VII allocation is \$145 million, which is relatively high when compared with that of other countries in the region. In addition, \$55 million in SFF funds have been proposed for Mali under the two upcoming sector operations: \$35 million for Public Enterprise Rehabilitation; \$20 million for Office du Niger Rehabilitation. As noted earlier, the Government is committed to introducing significant policy reforms under both projects. However, its progress to date in formulating concrete plans for instituting and implementing such reforms has been slow, and we expect that considerable encouragement/exhortation may be required to prevent slippage in present processing schedules.

Issues to be Raised by the Bank

8. The two major sector operations in FY86 and 87 programs were discussed at length during your visit to Mali. The Public Enterprise project focuses on policy and institutional reform, physical rehabilitation of viable enterprises, and technical support for liquidating nonviable ones. This operation is being closely coordinated with the terms the IMF's third Standby Program, especially with respect to the liquidation of Air Mali, the continued reduction in the size and scope of SOMIEX (the state trading corporation) and the financial restructuring of the presently illiquid Postal Checking System. You should emphasize the need i) to finalize plans for privatization/liquidation (including specific identification of the affected PE's) and ii) to ensure that much more rigorous standards of project appraisal and selection will be applied to future PE investments in order to ensure the most efficient use of public resources. Only recently proposals for uneconomic PE's (e.g. CITRANS) were apparently still being discussed. You should convey the Bank's concern that such ventures be rejected at an early stage.

9. The Office du Niger project, a major agricultural sector operation and the principal vehicle for supporting full liberalization of paddy marketing nationwide, would strengthen ON's staffing and management, implement a number of improved production incentives including full paddy market liberalization, and finance critical irrigation maintenance and working capital. It would be part of a long-term multi-donor rehabilitation plan whose successful implementation will require the Government to define precisely an investment strategy which can be discussed and coordinated with participating donors to ensure the most efficient implementation. In your discussions, you should emphasize the need for the Government to formulate such a plan (perhaps with technical assistance), along with the urgency of ensuring full paddy market liberalization by the 1986/87 planting season and of addressing ON's operational (poor water management, deteriorating infrastructure, and inadequate production incentives) and financial management problems.

10. Population. You may recall that during your June visit you raised the population issue with the Government, but that it is not as yet very receptive to taking action on this issue. Nevertheless, we feel strongly that, as a fundamental long-term constraint to Mali's economic development, it should continue to be raised. Despite the Government's stated objective of food self-sufficiency, Mali presently produces only 80 percent of its grain requirements, and per capita cereal production has been falling for more than a decade, particularly during recent severe drought conditions. Demographic pressures are increasingly evident in the depletion of soil fertility and deforestation, and Mali has reached its maximum use of land resources. On the consumption side, Mali is already chronically dependent on food imports, and malnutrition is common. Food production would have to increase by more than 70 percent during the next 15 years, on essentially fixed land resources, just to maintain present inadequate levels of food intake, and would have to grow even faster to improve nutritional standards. In addition, prospects for improving the

present rate of adult literacy (about 10 percent) and primary school enrollment (about 23 percent and falling) and for expanding access to basic health services, especially maternal and child health care (presently serving about 15-20 percent of the population), will depend heavily on the population growth rate, since budgetary constraints preclude any increase in the share of total public expenditures allocated to these sectors. Moreover, there is a demonstrable correlation between the growth of education and health facilities, and the demand for population/family planning services. Hence Government efforts to expand the provision of social services should be strongly encouraged with a view toward reinforcing a general awareness of the population issue.

11. While there is no official population policy in Mali, the spacing of births is advocated for health rather than demographic reasons, which might constitute a basis for expanding family planning efforts. However, since health services are now largely confined to urban areas, expanding these services to rural areas would require particular efforts.

12. You may wish to emphasize again the importance the Bank attaches to the population issue, perhaps pointing out that the difference between a 3.0 percent p.a. and a 1.0 percent p.a. population growth rate, over a century, is the difference between a twenty-fold increase in the population versus a three-fold increase. You might reiterate our offer to assist Mali in formulating a comprehensive population strategy, which we could accommodate in the framework of our forthcoming economic/sector work with a view toward eventually preparing a population/health project which we are tentatively scheduling for FY89.

MALI

Lending Program FY85-89
(US\$ million)

	<u>FY85</u>	<u>FY86</u>		<u>FY87</u>		<u>FY88</u>	<u>FY89</u>	<u>TOTAL</u>	
	<u>IDA</u>	<u>IDA</u>	<u>SAF</u>	<u>IDA</u>	<u>SAF</u>	<u>IDA</u>	<u>IDA</u>	<u>IDA</u>	<u>SAF</u>
<u>Agriculture</u>									
Mopti Area Development	19.5							19.5	
Office du Niger				10.0	20.0			10.0	20.0
Forestry II		5.2						5.2	
First Region Rural Dev.						15.0		15.0	
Livestock Services						5.0		5.0	
Agricultural Services							15.0	15.0	
Sub-Total								69.7	20.0
<u>Social Sectors</u>									
Urban II (S)				21.6				21.6	
Education IV (S)							15.0	15.0	
Rural Water (S)							15.0	15.0	
Population/Health (S)							15.0	15.0	
Sub-Total								66.6	
<u>Energy</u>									
Power II (S)				30.1				30.1	
Sub-Total								30.1	
<u>Transportation</u>									
Highways V		48.6						48.6	
Sub-Total								48.6	
<u>Public Enterprises</u>									
Public Enterprises		10.0	35.0					10.0	35.0
Sub-Total								10.0	35.0
<u>Macro</u>									
SAC						30.0		30.0	
Sub-Total								30.0	
<u>Grand Total</u>	<u>19.5</u>	<u>63.8</u>	<u>35.0</u>	<u>61.7</u>	<u>20.0</u>	<u>50.0</u>	<u>60.0</u>	<u>255.0</u>	<u>55.0</u>

Lending Program as of 8/31/85.

BIOGRAPHICAL SKETCH

Brigadier General Amadou Baba Diarra
State Minister of Plan
Governor of Bank/IDA

General Diarra is extremely powerful, ranking second in the army, the Party, and the Government. He has lately conducted all bilateral negotiations with Arab countries. He hosted Mr. Clausen's June visit.

Career

Since January 1985	- Present position
1982 - 1984	- State Minister for Equipment
1978 - 1982	- Minister of Finance and Commerce
1975 - 1978	- Minister of Plan

BIOGRAPHICAL SKETCH

Ibrahim Bocar Ba
Managing Director
Banque de Développement du Mali

Mr. Ibrahim Bocar Ba will be accompanying the Minister of Plan. He is currently the Managing Director of the Banque de Développement du Mali and is also a member of the Board of Directors of the Central Bank, Banque Nationale de Développement Agricole and SOMIEX. He is Alternate Governor of the Bank. Mr. Ba has no clear political affiliations.

Career

- | | |
|--------------|---|
| 14Since 1978 | - Managing Director of Banque de Développement du Mali |
| 1977 - 1978 | - President of the Board of Directors of the Central Bank of Mali |
| 1973 - 1977 | - Cabinet Director, Ministry of Finances and Commerce

- Technical Adviser to the Minister of Finances and Commerce |
| 1968 - 1972 | - Director of Studies, Banque de Développement du Mali |

Personal

Born in 1942

53. Oct. 5
3:30

MALI

Mali belongs to Mr. Soglo's constituency who has supported the approval of the Convention in the Board meeting on September 12.

You might wish to express your satisfaction about the agreement reached by the Executive Directors on the draft Convention establishing MIGA and your appreciation for the active and constructive role which Mr. Soglo played in the negotiations. You might note that the Convention represents a balanced package serving well the interests of developing countries and emphasize that MIGA is now placed under a duty to screen investments and cover only sound investments which contribute to host countries' development, meet their developmental objectives and are consistent with their laws and regulations. You might suggest that MIGA ties in with other efforts of the Bank and IFC to stimulate investment to developing countries and, in particular, to increase the regrettably low share of Africa in worldwide investment flows.

You might request General Diarra's support for the approval of the proposed resolution on MIGA and express your hope that Mali will sign the Convention soon.

Traore

what is
name of
the Pres.
of Mali?

Oct. 5
3:30

MALI

IFC'S ACTIVITIES

BRIEF FOR MR. CLAUSEN

It is difficult to find private sector projects in Mali because of market size, lack of equity resources, and dearth of local sponsors with any industrial experience of interest in spite of a very active class of Malian traders.

The Government has talked to IFC about a potential role in the privatisation of several state enterprises, but no precise proposal has been made so far. No project is at this time under advanced consideration.

IFC has two investments in Mali; SOMACI, a vinegar and bleach plant with plastic bottle/container and PVC pipe manufacturing facilities and SIKA, a sheanut churning plant. Both are experiencing difficulties.

SOMACI. The Company performed poorly in 1983, but made a modest profit (about 3% of sales) in 1984. The cash position of the Company remains difficult. IFC's outstanding exposure in the Company is \$471,000 in loan principal. Arrears to IFC currently amount to \$403,800 (\$301,000 in principal and US\$102,800 in interest and penalties). IFC is currently considering a rescheduling of its loan as part of an overall SOMACI financial restructuring package that would involve all other lenders.

SIKA. The Project, located in Bamako, Mali, is to transform sheanuts into butter. The Company is technically bankrupt and it was transferred to IFC's Special Operations Unit in February 1985. We have DM4.6 million in loan principal (about US\$1.5 million) secured by a first ranking mortgage which is not shared with anyone as all other lenders benefit from a guarantee of FOSIDEC, the financial guarantee arm of the West African Economic Community. FOSIDEC, in turn, is counter-guaranteed by the Malian State. At the present time, the Government is opposing IFC's proposed course of action (to foreclose, bring in a new technical partner and reopen the plant) as it would trigger the counter guarantee.

7268F
9/18/85