AFRICAN DEVELOPMENT BANK GROUP

MALI

SECOND LINE OF CREDIT GRANTED TO THE BANQUE DE DEVELOPPEMENT DU MALI

Project Performance Evaluation Report (PPER)

OPERATIONS EVALUATION DEPARTMENT
(OPEV)

30 June 1998

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CURRENCY, ACRONYMS AND ABBREVIATIONS

Currency Equivalents

Currency Unit : CFA Franc (CFAF)

At Appraisal	Upon Completion	During Post-Evaluation
UA 1 = CFAF 467.238 (January-1985)	UA 1 = 370.61 CFAF (March 1990)	UA 1 = 780.436 CFAF (November 1994)

Weights and Measures

Metric System

Acronyms and Abbreviations

ADB	:	African Development Bank
BCEAO	:	Banque centrale des Etats de l'Afrique de l'Ouest
BDM	:	Banque de développement du Mali
BMCD	:	Banque malienne de crédit et de dépôts
BNDA	:	Banque nationale de développement agricole
BNDE	:	Banque nationale pour le développement économique
BOAD	:	Banque ouest-africaine de développement
CFD	:	Caisse française de développement
FCFA	:	Franc des colonies françaises d'Afrique
GDP	:	Gross domestic Product
IDB	:	Islamic Development Bank
ILO	:	International Labour Office
IMF	:	International Monetary Fund
LOC	:	Line of Credit
NTF	:	Nigeria Trust Fund
PCR	:	Project Completion Report
PPAR	:	Project Performance Audit Report
SME	:	Small and Medium-Scale Enterprise
SMI	:	Small and Medium-Scale Industry
UA	:	Unit of Account
UEMOA	:	Union économique et monétaire des Etats de l'Afrique de l'Ouest
UMOA	:	Union monétaire des Etats de l'Afrique de l'Ouest

Accounting Year

1 October - 30 September

PREFACE

1. This project performance audit report (PPAR) concerns the second line of credit granted by the African Development Bank Group through its Nigeria Trust Fund (NTF) window to the Banque de developpement du Mali (BDM) in December 1985.

2. The line of credit amounting to UA 5 million, was to expand the country's productive base by supporting the SME's creation and development effort. It is used to finance, by way of a long and medium-term loan, the direct and indirect foreign exchange costs of the investment programmes of SMEs seeking BDM assistance.

3. The project completion report (PCR) was prepared by the Bank in April 1990.

4. This memorandum was prepared following the launch of a survey by questionnaire in the BDM in October 1994 and an audit mission from the Bank which went to Mali from 9 to 23 December 1994. It refers to the appraisal and completion mission reports and is based on (i) information available in the project documents at the Bank; (ii) the results of the survey by questionnaire sent to the Banque de developpement; (iii) statistical economic and financial data collected during the mission and (iv) the discussions that the audit mission had with the authorities of the country, the principal officials of the BDM and representatives of the principal donors (CFD, UNDP, the World Bank) and with officials of the Bank.

5. The PPAR is made up of the Performance Audit Memorandum and the Completion Report. The memorandum completes the observations of the completion report and comprises an assessment of the results, the performance and impact of the line of credit on the sector. It draws conclusions and lessons therefrom and formulates recommendations to the Borrower and the Bank for the consolidation and development of the benefits gained from this line of credit.

6. Copies of the PPAR were sent for comments to the Banque de developpement du Mali and the operational departments of the Bank. These comments were taken into account in this report.

BASIC PROJECT DATA

Preliminary Data

Country	:	Republic of Mali
Project	:	NTF Line of Credit
Loan	:	BDM/CS/MAL/85/003
Guarantor	:	Government of Mali
Borrower and Executing Agency	:	Banque de développement du Mali (BDM)

A - Basic Data

a - Essential Data

	ESTIMATED	ACTUAL
Official Request	N/A	December 1983
Amount	UA 5.0 millions	UA 4.512 million
Interest	4%	4%
Commitment Charge	0.75% per year on the undisbursed portion of the loan	
Repayment Period	20 years	20 years
Grace Period	5 years	N/A
Appraisal Date	N/A	June 1985
Loan Negotiation in Abidjan	N/A	9 Dec. 1985
Board Appraisal	N/A	15/01/1986
Loan Signature	N/A	30/04/1986
Effectiveness	N/A	22/04/1987
Deadline for First Disbursement	31/12/1986	31/12/1987
Deadline for Last Disbursement	31/12/1988	31/12/1990

b - Disbursement

Amount Disbursed	UA 4.512 million
Undisbursed Amount	UA 0.488 million
Amount Cancelled	- (*)
Amount Repaid (as at 30/09/94)	UA 0.748 million

* The loan balance is being cancelled under the portfolio restructuring.

Annual Disbursement (UA million)

	Estimated	Actual
1986	1.250	-
1987	1.250	1.931
1988	1.250	1.369
1989	1.250	1.212
	5.0	4.512

c - Commitment Total

B - Performance Indicators

1. Number of extensions of the date of last disbursement	2 (two)
2. Status of implementation of the LOC	Completed
3. Operational performance	Satisfactory
4. Sub-projects' performance	Unsatisfactory
5. The Borrower's performance	Partly satisfactory
6. The Bank's performance	Partly satisfactory
7. Overall performance	Unsatisfactory

C - Missions

N°	Types of mission	No. of persons	Date	No. of Days	Man/days
1	Preparation	2	January 1985	7	14
2	Appraisal	2	June 1985	7	14
3	Supervision	2	Oct-1989	7	14
4	Completion	1	March 1990	10	10
5	Post-Evaluation	1	14-23/12/1994	9	9

D - Other lines of credit financed by the Bank Group in Mali

Lines of Credit	Year of Approval	Loan (million UA)	Status of Implementation	Scheduled Completion date/Reviewed	Performance Audit
lst Line of Credit BDM	1970	0.633	completed	-	-
lst Line of Credit BNDA	1986	5.0	completed	1995	1996
Grant for the financing of technical assistance requirements	1992	1.047 (Grant)	completed	1992	
lst Line of Credit BMCD	1992	12.0	cancelled	-	-
Total		18.680			

SUMMARY OF THE AUDIT MEMORANDUM, CONCLUSIONS, LESSONS AND RECOMMENDATIONS

1. SUMMARY AND CONCLUSIONS OF THE MEMORANDUM

1.1 The African Development Bank Group granted, in December 1985, a line of credit totalling UA 5 million to the Banque de developpement du Mali (BDM) through its Nigeria Trust Fund (NTF) window. This line of credit was intended to expand the country's productive base by sustaining the SMEs creation and development effort. It was to be used to finance, in a form of long- and medium-term loan, the direct and indirect foreign exchange costs of the SME programmes requiring BDM assistance.

1.2 Appraised in June 1985 and approved by the Board of the Bank Group in December 1985, it was signed in April 1986 and became effective on 22/04/1987, that is a period of one year. The time lag between the approval date and that of loan effectiveness (16 months) is obviously excessive due to the difficulties that emerged in the management of the BDM.

1.3 The LOG, which was implemented in less than three years, evolved under difficult conditions due to the BDM's poor performance during the years following the loan effectiveness. Indeed, although this LOC is fully committed, the BDM has stopped disbursements.

1.4 The conditions precedent to the first disbursement, stipulated by the undertakings of the BDM as well as the submission of a general policy declaration and the revised organization chart, did not present any special problems. The conditions revealed some shortcomings since an adjustment and restructuring plan was drawn up in 1987 under the public enterprise restructuring programme (PERP) which the Bank supported in 1988.

1.5 The Line of Credit was implemented over three (3) years, from 1987 to 1989, instead of the four years scheduled at the time of appraisal and the disbursements were made from 1987 to 1989 (40% of the total amount of the loan was disbursed in 1987, the first year of implementation of the Line of Credit).

1.6 Nearly 80% of the line of credit was granted to the services sector (17 sub-projects), particularly to the transport sector which received 38% of the amount of disbursements and this was due to the geographical situation of Mali (landlocked country). Among these sub-projects, only ten (10) were implemented. Cost overruns, inadequate self-financing and working capital were the major causes of the difficulties during the start-up of the 10 non-operational sub-projects.

1.7 Despite concrete improvement in its operational and financial performance as a result of the implementation of its rehabilitation plan, the BDM-SA, a new institution established following the liquidation of the ex-BDM, endeavoured to return to its mission as a development finance institution. It has external lines of credit (BOAD, IDB and CFD) amounting to about CFAF 3 billion. However, it did not find it easy to mobilize them due, first of all, to the conditionalities relating to their use, then to the conservative and cautious attitude adopted by the BDM during this phase.

1.8 The advent of private management of the bank's resources was useful for the rapid adjustment of the accounts but the latter was too restrictive due to immoderate conservatism and caution manifested by the bank's management.

1.9 This line of credit recorded a considerable rate of failure due firstly to the internal conditions of the BDM when this line of credit was granted, to the weakness of the capacity of analysis, evaluation and monitoring of sub-projects and lastly to the macroeconomic context. These components were not given special attention during the appraisal of this line of credit.

1.10 The preparation of a new organization chart in May 1989 and the staff reduction measures have certainly helped to improve efficiency in the bank's human resources and institutional capacity. This was also done at the expense of its capacity of management of external lines of credit obtained through its relations with multinational and bilateral development institutions.

1.11 The factors of sustainability of the impact of the lines of credit and the adjustment programme seem in the meantime, to be inadequate in spite of the smooth take-over of the management of the BDM-SA by Malian managerial staff.

1.12 ADB performance is considered not wholly satisfactory because the Bank's services appraised the BDM's economic and financial situation in a very optimistic manner and as soon as the line of credit was implemented the BDM applied the adjustment and restructuring plan. The Bank's services carried out only one supervision mission as regards the line of credit side by side with the preparation of the public enterprises restructuring plan which also concerned the BDM.

II. LESSONS

a) Banque de developpement du Mali

2.1 A good knowledge of the economic situation of the operational sectors and professional and management quality of the promoters, are prerequisites for the approval of sub-projects and allocation on the line of credit earmarked for SMEs development.

2.2 The analysis, evaluation and monitoring capacity of the BDM is a factor of success in the implementation of the line of credit which should constantly be fostered, developed and placed at the service of the Malian economy.

2.3 The monitoring of the sub-projects during the implementation and repayment period gives cause for the expectation of possible incidents and for ironing out difficulties at the start-up.

b) ADB

2.4 The analysis of the economic situation of the Banque de developpement de Mali prior to the implementation of the line of credit is essential for ensuring the achievement of the expected development objectives.

2.5 Assistance and support of the Bank to the BDM throughout the period of implementation of the line of credit, even beyond, help to redress the situation and to avoid the total decline of the institution.

III. RECOMMENDATIONS

To the Banque de developpement de Mali**

3.1 It is principally recommended:

i) to create a final structure for the bank and fill as early as possible the vacant managerial posts;

ii) to draw up a general policy and strategy of revitalization of investment finance activities while participating in the support reflexion effort and assistance to the private sector and by following up closely the privatization documents;

iii) to give impetus to and develop the internal capacity of analysis, evaluation and mounting of investment documents by launching of partnership projects particularly with some of its shareholders (BNDE of Morocco and BOAD for instance);

iv) to prepare the structures needed for the mobilization of external lines of credit already available (particularly BOAD);

v) to study the possibilities of diversifying and launching new financial products adapted to the bank's target-customers (finance leasing) for building and transport companies, project-saving for the establishment of micro-companies, porterage and the search for partners or rescuers for privatizable companies, etc.) while reviewing its short, medium and long-term credit policy;

vi) to acquire the human, material and organizational resources needed to boost its activities and make the post-restructuring phase fully successful.

b) To the ADB

3.2 ADB should continue to give its support to the BDM-SA which should resume its productive investment finance activities. Consequently, it is recommended that:

i) BDM-SA be assisted in the development of its analysis and evaluation capacity and in the revitalization of its investment finance activities by taking up possible project financing in partnership with its shareholders or others;

** "Some of the recommendations have been implemented by the General Management of the BDM-SA (see Annex 9).

ii) to assist the BDM-SA in its participation in the privatization of public companies within the framework of its "private sector development" window;

iii) to get involved in the reflection efforts embarked upon at the governmental and donor level for the revitalization of the banking sector, the development and promotion of the private sector and especially the financing of small and medium-sized enterprises.

PERFORMANCE AUDIT MEMORANDUM ON THE SECOND LINE OF CREDIT GRANTED TO THE BANQUE DE DEVELOPPEMENT DU MALI

1. GENESIS AND BACKGROUND

1.1 The Genesis of the Line of Credit

1.1.1 The BDM, which received an ADB loan of UA 0.633 million in 1970, was established in 1968 in order to assist in the country's economic development. However, its deep involvement in the financing of State companies, which experienced serious difficulties, had lessened the effectiveness of its assistance to the economy and led to the worsening of its financial equilibrium. When Mali was admitted into the West African Monetary Union in July 1984, the Malian Government made a great financial effort to adjust the financial situation of the State companies including the BDM which embarked on actions to balance its portfolio by the cancellation of the frozen credits of the State companies. This balancing had resulted in the reduction in customers' medium and long-term outstanding debt and the BDM's debt owed to the Central Bank, which helped to improve the quality of its portfolio and its financial situation.

1.1.2 Furthermore, the BDM had benefitted from a World Bank technical assistance for its restructuring and improvement in its working methods, as part of the preparation of its work programme slated for 1985-1989, whose implementation required the mobilization of external financial resources. The line of credit, the subject of this report, fell within this context and would cover 17.3% of the medium and long-term commitments. The aim was to strengthen BDM operational capacity in order to promote investments in Mali and back the economic recovery measures embarked upon by the authorities. The expected impacts were the improvement in the profit margin of the BDM through the increase in its stable resources and the reduction in the excessive recourse to rediscount.

1.2 General Overview on the Malian Economy

1.2.1 In the early 1980s, the Republic of Mali was faced with serious economic and financial difficulties which stemmed from a combination of unfavourable exogenous factors and the collapse of the strong interventionist, economic and financial policies. The economy suffered harshly from continuous drought, the worsening of the terms of trade and the low competitiveness of manufactured products due to the landlocked situation of the territory and its impact on production costs. The impact of the interventionist policy led to substantial financial losses for the public companies and an employment policy which did not match the country's financial capacity. That resulted in a huge public external debt and an accumulated arrears on payment.

1.2.2 In order to restore the major external and internal balances and put the economy back on track for sustainable growth compatible with a viable balance of payments position, the government, with the support of external assistance, embarked on a major economic and financial recovery programme in 1982. Between 1982 and 1986, Mali signed three stand-by agreements with the IMF amounting to SDR 93.76 million, that is about CFAF 37.504 billion at the time. The results of these programmes were moderate and the difficulties

encountered in the implementation of the third programme were supposed to have led to a break between the IMF and Mali.

1.2.3 Three structural and sectoral adjustment programmes drawn up in 1988 with the major donors included a stand-by and structural adjustment facility arrangement in August 1988, and the public enterprises sector adjustment programme in September 1988, which concerned particularly the financial, restructuring and rehabilitation programmes of the BDM. Other structural and sectoral adjustment programmes were introduced, the last of which dates back to 1991 and was financed by the Bank Group.

1.2.4 With the intensification of the economic and financial reforms and the setting up of the bases of a market economy (price liberalization, public expenditure control and the creation of an enabling environment for private investment), it was noted that the economy was picking up significantly (real GDP growth rate between 1989 and 1993 was 3.4% a year on average). However, the latter was compromised in 1992, owing to drought and havoc caused to the country's economic and industrial fabric during the incidents of March 1991, the sharp fall in the world price of cotton, the major export products and the need to take account of the social demands. In 1993, the gross domestic product declined by 0.8% (Annex 1). This result stemmed from the unsatisfactory agricultural season following the poor distribution of rainfall and the slippages noted in the implementation of the economic reforms scheduled between 1992 and 1993.

1.2.5 The effect of the recent devaluation of the CFA franc in January 1994, was a general increase in prices and a rise in imports resulting in the deterioration of the liquidity situation of import-led industrial companies. The tax and budgetary measures applied by the government to cushion the impacts of this devaluation, which were mainly aimed at controlling the inflation and price increases agreed upon, particularly for the benefit of local farmers, led to improvement in the profitability of the export branches such as cotton, diary products, fruits and vegetables and mining products and hence, an import-export earning coverage rate which increased from 52.6% in the first half of 1993 to 62.3% in the first quarter of 1994.

1.3 Industrial Sector

1.3.1 Mali is faced with a number of constraints which hinder its industrialization effort. The fact of being a landlocked and vast country with inadequate communication facilities worsens supply problems. Its market is scattered and the purchasing power of its population is low. It has few resources and, for two decades, persistent drought has been destroying its agricultural base.

1.3.2 The industrial sector, covering building and public works activities, which in 1980-1982 represented only 8% to 10% of the economic activity, progressed between 1988 and 1993 since it accounted on average for 12% of GDP. Although its value added increased on average from 7.3% between 1982 and 1988, the latter became burdened with debt due to the high rate of inflation (12% a year since 1980).

1.3.3 The principal manufacturing companies are agro-industries. They undertake the processing of local raw materials. Their growth depends on climatic conditions and their impact on agricultural production. In 1981, the sector consisted of 116 functioning companies including 35 State companies, 13 parastatals and 68 private companies. In 1988[3] there were 153 companies of which 38% were public or parastatal and 62% belonged to private entrepreneurs. Most of these companies that produce consumer goods for the local market are located in Bamako (55%) and employ 12536 persons (11491 in 1982) including 6145 in the public sector (Annex 2).

1.3.4 Companies employing staff fewer than or equal to 100 persons form the majority (71.3% of the total in 1982 and 85.6% in 1988) and only 10% of companies employ over 200 persons. The average size is within the under 20 employees bracket.

1.3.5 The public sector restructuring and privatization programme embarked upon as part of the structural adjustment concerned, up to the end of 1991, 36 companies of which 19 were liquidated, 12 privatized, 2 merged and 3 transformed into administrative organizations.

1.3.6 Malian industry suffered particularly from the destruction and looting during the riots of March 1991. The deterioration of the economic and industrial fabric exacerbated the economic revival constraints. In fact, about 65 private industrial and commercial companies were hit and the amount of damage was considerable (CFAF 11.8 billion according to SGS). Moreover, given the trade liberalization measures and the openness of the frontiers, new threats are looming over the sector. This concerns unfair competition due to illicit trading in fraudulently imported commodities and counterfeiting which covers major consumer goods such as pharmaceutical products, textile materials, batteries and vehicle spare parts.

1.4 Banking and Financial System

1.4.1 In July 1984, Mali became a member of the West African Monetary Union, whose banking system is controlled by the Banque Centrale des Etats de l'Afrique de l'Ouest. In addition to the BDM, there are at present five other primary banks (the Banque Internationale pour l'Afrique Occidentale - BIAO, a subsidiary of the Meridien group, the Banque Malienne de Credit et de Depots - BMCD whose capital is held by the Mali Government and the Credit Lyonnais de France, the Banque Nationale de Developpement Agricole - BNDA, the Bank of Africa - BOA, controlled by private Malians, the Banque Commerciale du Sahel - BCS) and the Société des Cheques Postaux at de la Caisse d'Epargne which was authorized as a bank in 1991.

1.4.2 As regards monetary and credit distribution policy, the BCEAO determines annually the overall assistance needed for financing the economy of each State while taking into account the GDP and the external holdings of the country concerned. Besides, it exercises qualitative and quantitative control over the distribution of credit and management of the banks of the Union. The principal controlling mechanisms were reviewed or completed in 1989 to enhance further liberalization of the banking profession and the adoption of more rigorous measures (prudential ratios in 1991).

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[3] Industrial survey of 1989-1990. Ministry of Economy and Finance.

1.4.3 Starting from 1 October 1993, a new monetary and credit management system was introduced involving the removal of a number of minimum lending rates, the lifting of the ceiling on debt rates applicable to operations with customers, and the introduction of a system of maintaining compulsory reserves at the BCEAO by the banks and credit institutions.

1.4.4 Following the excess bank liquidity noted in 1993 which stemmed from the reluctance of local banks to grant medium and long-term credits to companies, the BCEAO took measures aimed at limiting operations in the money market by the introduction of a auction system in September 1993. The establishment also of a regional financial market decided within the framework of the UEMAO in August 1994, and the responsibility for whose implementation was assigned to the BCEAO, made up for the lack of an instrument for the financing of economies and the mobilization of domestic savings. Among the steps to be taken in this respect, the establishment of a stock exchange at the regional level seems to be one of the pillars for the emergence of the regional financial market.

1.5 Goals and Objectives of the Line of Credit

The line of credit granted by the Bank Group on the Nigeria Trust Fund(NTF) to the Banque de developpement du Mali (BDM) is intended to expand the country's productive base by sustaining the effort of SME creation and development. The facility, amounting to UA 5 million was meant to finance, in the form of a long and medium-term loan, the direct and indirect foreign exchange costs of the investment programmes of SMEs seeking the BDM's assistance.

1.6 Preparation and Finalization

A Bank preparation mission visited Mali in January 1985 and deemed it expedient to grant a line of credit to the BDM as part of the economic recovery and the private sector support actions embarked upon by the Government.

1.7 Executing Agency

The Executing Agency of this line of credit is the Banque de developpement du Mali which was established in 1968. By its status as a State bank, the BDM had the monopoly of collecting resources from the public sector. On 30 June 1989, owing to management difficulties, the BDM became a limited company (BDM-SA) with CFAF 3 billion registered capital divided as follows: the Government of Mali (20%), BCEAO (20%), BOAD (20%), BMCE (16.7%) and individual Malians (23.3%); it has also received a technical assistance amounting to UA 0.964 million in 1989 as a result of the public companies restructuring programme (1988), which also affected the BDM.

II. EFFICIENCY OF THE IMPLEMENTATION

2.1 Approval, Signature and Implementation

This line of credit was appraised in June 1985 and approved by the Board of the Bank Group in December 1985. It was signed in April 1986 and became effective on 22/04/1987, that is a period of one year. The time lag between the approval date and that of loan effectiveness (16 months) seems excessive due to difficulties that emerged in the management of the BDM.

2.2 Implementation

2.2.1 The line of credit was implemented in less than three years (from 1987 to 1989) and it was used only to finance the foreign exchange costs of the sub-projects, while observing the procedures and eligibility conditions. However, it evolved under difficult conditions because of poor performance recorded by the BDM during the years following loan effectiveness. Although the line of credit was fully committed, the BDM stopped disbursements.

2.2.2 The conditions precedent to first disbursement, stipulated by the undertakings as well as the submission of a general policy statement and a revised organization chart, did not present any special problems. However, among other conditions was the provision of modified statutes redefining the frequency the Board of Directors' meetings, the role of the Managing Director and the attachment of external audit services from 1986. Disbursement beyond 30% of the amount of the line of credit was suspended for the fulfilment of these conditions for which the BDM encountered difficulties.

2.2.3 In retrospect, these conditions proved to be inadequate since a rehabilitation and restructuring plan was drawn up and implemented from 1987 under the public companies restructuring programme. This programme included recapitalization of the BDM, writing off bad debts, reorganization and modification of the statutes, in order to become a corporate bank with a registered capital of CFAF 3 billion. Against this background, approval was given in May 1989 by the donors and new shareholders for the BDM to be managed by the "Banque marocaine de commerce exterieur" (BMCE), which started in July 1989. A technical assistance loan of UA 0.964 million was secured to strengthen the programme.

2.3 Implementation and Disbursement Schedule

The implementation schedule of the line of credit was three years instead of four years estimated at appraisal and the disbursements were made from 1987 to 1989 (including 40% of the total loan in 1987, the first year of the implementation of the line of credit).

2.4 Supervision and Monitoring

2.4.1 Under the preparation of the public sector restructuring programme which also concerned the BDM, ADB services carried out technical and financial supervision of the line of credit.

2.4.2 The monitoring reports on the implementation status of the line of credit were regularly prepared by the BDM and transmitted to the services of the ADB. These reports stated the major difficulties encountered by the promoters in the fulfilment of the procedures and conditions relating to the disbursement of the line of credit.

2.5 Accounting and Auditing

The accounts of the BDM are computerized and the accounts department is organized in such a way as to give the periodic financial situations to the General Management, the Board of Directors and the Central Banque. The accounts are audited by an auditor and, since 1989 by independent auditors (a firm of international repute).

III. PERFORMANCE EVALUATION

3.1 Results of the Line of Credit

3.1.1 90.26% of the line of credit was disbursed and used to finance 27 sub-projects of which 17 are operational. The sectoral breakdown of these projects is as follows:

Sector	No. of Sub-projects	Amount (in millions of CFAF)	% LOC	Operational sub-projects
Agriculture	1	53	2.7%	1
Agro-industry	2	92.5	4.7%	1
Manufacturing Industry	7	286.5	14.7%	5
Services	17	1514	77.9%	10
including:				
(Transport)	(6)	(740)	(38%)	(1)
(Tourism)	(3)	(125)	(6.4%)	(2)
(Packaging)	(1)	(140.7)	(7,2%)	(1)
(Others)	(7)	(508.3)	(26%)	(6)
Total	27	1946	100%	17

3.1.2 Nearly 80% of the line of credit was granted to the services sector (17 sub-projects), particularly the transport sector which received 38% of the amount of disbursements and this was due to the geographical situation of Mali (landlocked country). Among these sub-projects, only ten (10) are operational. The manufacturing industries sector received 14.7% of the amount of the line of credit and five (5) sub-projects (out of seven (7) approved) are operational.

3.1.3 Cost overruns, inadequate self-financing and working capital were the major causes of difficulties during the start-up of the 10 non-operational sub-projects. Among these projects, two were not implemented because the investors gave up the idea of taking the loan, credit, four recorded cost overruns and four are awaiting disbursement of their credits withheld by the BDM-SA.

3.2 BDM Operational Performance

3.2.1 From 1985 to 1989, the BDM witnessed a sharp deterioration in its operational and financial performance, due to the fall in its approvals, commitments and disbursements, from 60% to 80% of their 1985 level. This stemmed from the difficulties in the management of the BDM which was compelled to suspend the granting of credits with the exception of those financed on external lines of credit or resources coming from frozen credits. With regard to the portfolio position, it witnessed its long and medium-term bills outstanding decrease in favour of the short-term ones. the debts outstanding reached their peak in 1988 (128%) and fell to 61% in 1989.

3.2.2 At the start-up of the adjustment and restructuring plan, conservatory measures (with the assistance of the national branch of the BCEAO) were taken to replenish the treasury of the BDM. This enabled the BDM to keep going until the implementation of the BDM's restructuring and recapitalization plan.

3.2.3 In both approvals and outstandings, short-term and signature loans represent 96.5% of operational activities (of which overdrafts account for 36%), whereas medium-term credits represent only 3.5%. Depending on the type of customer, these utilizations are mainly intended for the State (30%), public or parastatal companies (40%), with the remainder going to private companies and individuals. Regarding the economic sectors, general trade, transport, the State and miscellaneous services consume 50% to 60% of these utilizations, while the productive sectors (agriculture, agro-industry and industrial activities) represent only 40% to 50%.

3.2.4 Despite concrete improvement in its results, the BDM-SA endeavours to rediscover its mission as a development finance institution. As a matter of fact, on examining its deposits and their increase up to 30/9/94, it can be seem that the latter were made up to 86% of sight deposits (CFAF 47.3 billion) and only 10% of term deposits (CFAF 5.4 billion stagnating for two years), the rest are made up of savings deposits (CFAF 2.5 billion which apparently justifies the cost of its lowly remunerated resources.

3.2.5 Moreover, the BDM-SA has external lines of credit (BOAD, IDB and CFD) totalling about CFAF 3 billion, which was difficult for it to mobilize due, first to all, to the conditionalities relating to their use[4], and the conservative and cautious attitude adopted by the BDM during its restructuring phase.

3.2.6 Lastly, in spite of the establishment of confidence in the BDM, and the restoration of its credibility, its position on the market after all remains static and represents only 30%[5] of the savings collected on the market, which emanate mainly from State companies, public or para-statal enterprises.

3.2.7 With regard to the collection of debts (on-lent to the State under the restructuring exercise), the BDM-SA was authorized by the latter to pursue their collection by according them privileges (law of 12/2/1990). The level of collection has been hovering around 1.5 billion since 1992, because of the difficulties relating to procedures and the legal context, the collaboration with the representatives of the law as well as the state of documents (insufficient, even the lack of elements of evidence serving as a legal basis for the materialization of guarantees in favour of the BDM).

3.2.8 The drawing up of a new organization chart in May 1989 and the retrenchment exercise which brought the staff strength down from 600 to 300 did help to control the overheads and enhanced efficiency in the management of human resources within the bank. The computerization of bank operations, running of training seminars for the operational staff and the provision of manuals on the bank's principal fields of activity helped to improve its institutional capacity.

3.3 Financial Performance of the BDM

3.3.1 The implementation of the BDM-SA rehabilitation plan brought about an improvement in its financial situation and an end to its financial imbalances as a result of the consolidation of debts owed to BCEAO, the reclassification and crossed settlement of some debts and the recapitalization of the bank. The latter began to make profit from the 1989/90 financial year and enhanced its position in the market. Over the years, the BDM-SA was able to improve in a sustainable manner its financial situation particularly, as a result of the investment actions in the money market and the financing of the commercial activities of enterprises (short-term credits and signature loans) while diversifying the source of its deposits between the public and private sectors (60% and 40% respectively as at 30/9/94 and their utilization by the major economic sectors).

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4 The General Management of BDM-SA affirms in its response that the CFD line of credit is now being used through the financing of two sub-projects, and two other sub-projects are being studied for possible financing by IDB.

5 This rate rose to 35% as at 30/9/1995 (see annex 9).

3.3.2 On examining the prudential ratios imposed by the BCEAO and the management indicators (Annex 4) over the last four years, it is evident that the BDM-SA easily meets its ratios (particularly risks and liquidity coverage) and presents a satisfactory management structure characterized by an average yield rate of its total outstanding bills higher than the average cost of its resources with a marginal rate above 9% as at 30/9/94. Furthermore, the BDM-SA has controlled its overhead expenses which have settled at 60% of the bank's net product and is increasingly obtainable on customers operations at the expense of treasury operations (investment in the money market).

3.3.3 The operating costs have been contained since 1990 within the limits of 75% of net bank yield (Annexes 5 and 6) enhancing the achievement of substantial net positive operating results except during the 1993 financial year when an increase in costs, especially personnel expenses, was noted. This is due mainly to the fall in investment returns from the monetary market as a result of restrictions imposed by the Central Bank (introduction of auction sessions). In 1994, the results were improved considerably, thanks to yields on inter-banks investments and especially on customer operations (short-term credits).

3.3.4 The bank's net proceeds hovered around CFAF 2.1 billion during 1990-1993 but increased by CFAF 1 billion as at 30/9/94 due to the sharp fall in the cost of resources, particularly the remuneration of the sight deposit accounts and savings accounts (Annex 4) which represent only 1.14% (3.02% as at 30/09/92). The devaluation of the CFA franc and the excess liquidity in the banks led to the fall in the costs of resources without making it possible for such resources to be used on medium or long-term applications.

4.3.5 The financial performance of the BDM-SA is the logical result of the adjustment and restructuring plan embarked upon by the monetary and public authorities. The advent of private management of the bank's resources has enhanced a rapid improvement in the BDM's account but the bank has proved to be too restrictive due to excessive conservatism and caution.

3.4 Performance of Sub-projects

3.4.1 As at 1st March 1990 (date of the preparation of the completion report), the rate of unpaid debts was 57.7% of the total amount due and about 10% of the amount disbursed. This has revealed the inadequacy of supervision on the part of the BDM, which did not take the necessary steps to improve the management conditions of these sub-projects.

3.4.2 At the time of post-evaluation, only three (3) sub-projects were up to the mark and were paying their credits regularly; four (4) benefited from the loan rescheduling measures but were experiencing repayment problems; thirteen (13) were under liquidation and in receivership through legal action; two (2) sub-projects were being rehabilitated and needed probably supplementary loans for their implementations. Lastly, loans intended for five (5) sub-projects had not been released (abandonment or cancellation of loans) - (Annex 3).

3.4.3 Thus, this line of credit recorded quite a considerable rate of failure due firstly to the internal conditions of the BDM when this line of credit was implemented (financial and management difficulties), the weak capacity of sub-project analysis, appraisal and monitoring and the macroeconomic context (reduction in purchasing power, shrinking of the domestic

market and increased factor costs); coupled with exogenous factors (incidents of March 1991, death of the investor...). Looking back, it is evident that no special attention was given to some of these factors during the evaluation of this line of credit.

3.5 ADB's Performance

3.5.1 The Bank services appraised in a very optimistic manner, the economic and financial situation of the BDM which was subjected to the adjustment and restructuring plan as soon as the line of credit was implemented.

3.5.2 The Bank services undertook only one supervision mission in respect of the line of credit under the public enterprises restructuring plan which also covered the BDM. ADB performance was considered not wholly satisfactory.

IV. IMPACTS OF THE LINE OF CREDIT

4.1 Concerning "Banque de développement du Mali"

Given the results obtained from the implementation of the line of credit (17 sub-projects are operational but only three (3) are operating normally), the latter did not have concrete impacts on the operational or financial situation of the BDM. The services of BDM benefited much more from the actions embarked upon under the recovery and technical assistance programme. The BDM officials' knowledge of the rules and procedures of the Bank in the area of lines of credit is probably the only concrete impact of this line of credit.

4.2 From the Sectoral Viewpoint

The line of credit did not have any impact at the sectoral level either, as the rate of failure was substantial (82%).

V. SUSTAINABILITY OF THE IMPACTS AND DEVELOPMENT OF THE LINE OF CREDIT

5.1 Sustainability of the Results and the Impacts

5.1.1 As the line of credit did not produce the impacts expected (from the creation of viable SMEs/SMIs) and coincided with the conditions for implementation of the restructuring plan, it is completely justified to wonder what sort of sustainability this plan could have in the absence of revitalized investment financing activities and the mobilization of savings or drawing on external lines of credit for the development of its activities.

5.1.2 In fact, if the structural and indicator ratio of the BDM show an improvement in the financial situation of the bank the latter will, nevertheless, encounter more and more difficulties in investing its liquid assets. Moreover, the measures taken by the BCEAO in October 1993, in view of the excess liquidity in local banks led to limiting investments in the money market which is the most liquid of the sub-region, were it not for the inter-bank

investments which made it possible to maintain yields at their level. This also led to a fall in the rates of placements in this market as well in the level of inter-bank placements whose average rate stood at 5.7% during the fourth quarter 1994.

5.1.3 Furthermore, from the analysis of the institutional factors of sustainability, it was noted that the BDM had a flexible and light structure (the number of departments and divisions was reduced accordingly) which enabled it to face every increase in the volume of activities through the computerization of its main chains of operations as well as the internal and external training given to its staff by its partners and technical assistants. However, the investment finance activity which has been used to mobilize external lines of credit (ADB and KFW) no longer figures on the organization chart and the staff transferred to the department in charge of relations with international financial institutions (SRIFI) is distributed among the other departments of the bank.

5.1.4 Lastly, at the end of the management and technical assistance contract in November 1994, it seems that the take-over was properly done although some of the managerial posts would be filled immediately. In fact, the Malian managerial staff participated fully in the recovery actions embarked upon by the technical partner and appreciated the spin-off effects of these actions, notably from the viewpoints of the organization of structures, revision and simplification of procedures and the introduction of strict management.

5.2 Development of the Line of Credit

5.2.1 The development of future actions through the utilization of lines of credit for financing SMFs/SMIs in Mali remains dependent upon several accompanying actions in respect of the global, institutional, legal and statutory macroeconomic framework in favour of the private sector. As a matter of fact, in spite of the positively assessed spin-offs from the devaluation of the CFA franc which are having an impact especially on the rural areas, these effects have yielded moderate results in the present industrial fabric and in the urban areas.

5.2.2 Furthermore, since 1990, we have noted some increase in the actions initiated by various multinational and bilateral donors in favour of the private sector, but whose results did not have their impacts or are even contrasted. This vast number of initiatives (support projects for the establishment of SMEs/SMIs whose targets are the young graduates, the voluntarily retired, support projects for SME "PAPME", private sector assistance projects, aid programme for basic private productive initiatives, UNDP/ILO assistance project for which various executing agencies exist, does not make it possible to have a clear idea as regards the strategy to be adopted by the BDM-SA in order to revitalize the investment financing activities, particularly the SMEs/SMIs.

5.2.3 On the other hand, the public enterprises privatization programme experiences some slowness due to the procedures for preparing documents prior to the transfer of state assets and the contrasted results of the first privatizations which were apparently not carried out cautiously and rigorously.

5.2.4 In the light of that, the BDM-SA should get down to a thorough reflection on the improvement of development financing activities through support for the creation of SMEs/SMIs or the rehabilitation of existing enterprises, notably the "privatisables" (search for partners or buyers). An important action has been taken in this regard within the framework of the establishment of the Private Enterprises Promotion Agency in which the BDM-SA is a shareholder.

5.2.5 This reflection will result in the definition of an operational investment financing policy and strategy enabling the BDM-SA to set forth these conditions and the means of operation (sectors, financial instruments, rates of financing and refinancing, guarantees, organisational schemes and administrative procedures, notably the packaging and submission of project documents, monitoring-evaluation, target-consumers, etc).

5.2.6 The BDM should also participate in the various reflection efforts on the issue currently going on at the governmental (State divestiture), sectoral (inter-bank guarantee fund) and donors levels, knowing that the banking sector would be subjected in future to a diagnostic study and financial audits within the framework of the World Bank private sector assistance project with a view to drawing up a plan of action to reactivate the contribution of this sector to the financing of the Malian economy.

VI. CONCLUSIONS, LESSONS AND RECOMMENDATIONS

6.1 Conclusions

6.1.1 The line of credit recorded quite a considerable rate of failure due, first of all, to internal conditions of the BDM when this line of credit was implemented, the weak internal capacity of sub-project analysis, evaluation and monitoring and, lastly, to the macroeconomic context. No special attention was given to these factors during the appraisal of this line of credit.

6.1.2 The adjustment and recovery programme, centred on keeping up the activities of the bank, was successful in the light of the financial results obtained. Nevertheless, this somewhat diverted it from its original mission which is development financing.

6.1.3 The drawing up of a new organization chart in May 1989 and the retrenchment exercise have, indeed, helped to improve efficiency in the human resources management and the institutional capacity of the bank. This would strengthen its ability to manage external lines of credit procured through its relations with multilateral and bilateral development institutions.

6.1.4 The sustainability of the impacts of the lines of credit and the adjustment programme seem to be currently inadequate despite the take-over which was properly done by the Malian managerial staff for the management of the BDM-SA.

6.2 Lessons

a) Banque de developpement du Mali

6.2.1 A good knowledge of the economic situation of the operational sectors and professional and management skills of the investors, are prerequisites for the approval of sub-projects and allocation on the line of credit earmarked for SMEs development.

6.2.2 The analysis, evaluation and monitoring capacity of the BDM is a factor of success in the implementation of the line of credit which should constantly be fostered, developed and placed at the service of the Malian economy.

6.2.3 The monitoring of the sub-projects during the implementation and repayment period gives cause for the expectation of possible incidents and for ironing out difficulties at the start-up.

b) ADB

6.2.4 The analysis of the economic situation of the Banque de developpement de Mali prior to the implementation of the line of credit is essential for ensuring the achievement of the expected development objectives.

6.2.5 Assistance and support of the Bank to the BDM throughout the period of implementation of the line of credit, even beyond, help to redress the situation and to avoid the total decline of the institution.

6.3 Recommendations

a) To the Banque de développement du Mali

6.3.1 It is principally recommended:

i) to create a final structure for the bank and fill as early as possible the vacant managerial posts;

ii) to draw up a general policy and strategy of revitalization of investment finance activities while participating in the support reflexion effort and assistance to the private sector and by following up closely the privatization documents;

iii) to give impetus to and develop the internal capacity of analysis, evaluation and packaging of investment documents by launching joint-venture projects particularly with some of its shareholders (BNDE of Morocco and BOAD for instance);

iv) to prepare the structures needed for the mobilization of external lines of credit already available (particularly BOAD);

v) to study the possibilities of diversifying and launching new financial products adapted to the bank's target-customers (finance leasing for building and transport companies, project-savings for the establishment of micro-companies, porterage and the search for partners or rescuers for privatisable companies, etc.) while reviewing its short, medium and long-term credit policy;

vi) to acquire the human, material and organizational resources needed to boost its activities and make the post-restructuring phase fully successful.

b) To the ADB

6.3.2 ADB should continue to give its support to the BDM-SA which should resume its productive investment financing activities. Consequently, it is recommended that:

i) BDM-SA be assisted in the development of its analysis and evaluation capacity and in the revitalization of its investment finance activities by taking up possible partnership projects financing in partnership with its shareholders or others;

ii) BDM-SA be assisted in its participation in the privatization of public companies within the framework of its "private sector development" window;

iii) involvement in the reflection efforts be initiated at the governmental and donor level for the revitalization of the banking sector, the development and promotion of the private sector and especially the financing of small and medium-sized enterprises.

PERFORMANCE AUDIT OF THE SECOND LINE OF CREDIT TO BDM – GROSS DOMESTIC PRODUCT (At Constant Prices 1987, 1988–1994)

(Amounts in CFAF billion)

Sector	1988	1989	1990	1991	1992	1993a	1994b
Rural Sector	**256.7**	**309.9**	**306.0**	**286.9**	**322.4**	**306.5**	**311.7**
Food Crops	106.0	142.7	139.6	113.9	148.1	128.8	135.2
Industrial Crops	34.3	45.3	41.9	49.4	49.1	48.6	39.8
Livestock	76.6	78.8	83.3	80.3	80.9	83.6	90.3
Fisheries	8.8	11.2	8.4	9.5	9.5	9.5	9.7
Tree Farming	31.0	31.9	32.8	33.8	34.8	36.0	36.7
Secondary Sector	**89.5**	**86.4**	**92.3**	**95.8**	**100.4**	**104.3**	**107.6**
Industry	34.7	36.8	38.0	40.0	41.5	43.9	45.0
Mines	14.3	7.3	11.1	14.2	15.7	15.7	17.0
Cottage Industry	15.8	16.2	16.7	15.9	16.2	16.9	17.2
B.T.P	24.7	26.1	26.5	25.7	27.0	27.8	28.4
Tertiary Sector	**213.1**	**229.0**	**227.7**	**224.4**	**236.1**	**243.5**	**252.7**
Transport	27.9	29.8	30.2	32.4	33.3	34.4	35.4
Commerce	92.5	104.8	106.3	105.5	113.9	118.5	126.8
Services	38.4	41.8	43.3	42.3	43.6	45.3	46.2
Administration	58.4	57.2	52.5	48.8	49.9	49.9	48.9
Other Tertiary	−4.1	−4.6	−4.6	−4.6	−4.6	−4.6	−4.6
GDP at Factor Cost	**559.3**	**625.3**	**626.0**	**607.1**	**658.9**	**654.3**	**672.0**
Import Duties and Taxes	29.8	33.1	35.3	37.8	36.2	35.7	34.7
GDP at Market Price	**589.1**	**658.4**	**661.3**	**644.9**	**695.1**	**690.0**	**706.7**
GDP Growth Rate	−0.2%	11.8%	0.4%	−2.5%	7.8%	−0.8%	−2.4%

a: Estimate b: Projection

Source: International Monetary Fund (IMF)

PERFORMANCE AUDIT OF THE SECOND LINE OF CREDIT TO BDM
TREND IN THE NUMBER OF ESTABLISHMENTS, JOBS AND ADDED VALUE BY BRANCH

(Amounts in CFAF million)

	1982			1985			1988		
Branch	No. of Est.	Jobs	Value Added	No. of Est.	Jobs	Value Added	No. of Est.	Jobs	Value Added
Metalliferious Ore				1	473	448.4	1	686	930.0
Extraction of other Minerals	1	34	794.4	1	36	−310.7	1	40	−333.7
Food, Drinks and Tobacco	41	2807	12457.6	56	2943	9627.2	75	3566	18624.9
Textiles, Clothing and Leather	16	4062	14207.0	16	3378	24668.1	18	3269	16740.6
Timber and Woodworks	2	172	86.6	2	165	48.0	2	156	366.7
Paper, Printing and Editing	9	307	625.1	11	316	863.3	21	346	631.9
Chemistry and Parachemistry	10	928	1044.2	16	1131	2547.9	20	1194	4041.0
Non Metallic Minerals	4	518	88.9	5	589	275.5	6	208	127.3
Machinery, Material and Equipment	14	1450	1789.0	15	1421	1647.6	17	1341	2225.5
Other Manufacturing Industries	1	97	176.4	1	114	163.7	3	164	353.6
Electricity, Gaz and Water	16	980	2209.5	16	1146	4072.4	16	1387	7380.1
Industrial Services	5	136	91.1	6	174	115.6	6	179	204.9
Total	119	11491	33569.8	146	11886	44167.0	186	12536	51292.8

Source: Industrial Census 1989−1990
(Ministry of Economy and Finance−1991)

PERFORMANCE AUDIT OF THE SECOND LINE OF CREDIT TO BDM
LIST OF APPROVED SUB-PROJECTS

N°	TITLE OF SUB-PROJECT	Amount (UA)	Amount mCFAF	COMMENTS
1	Boulangerie Djikoroni Foulah	150900	59427	At a standstill – into receivership – no potential rescuer
2	Ferme d'élevage du Senou	135307	53286	At a standstill – into receivership – no potential rescuer
3	Fabrique de Mousse à Segou	128232	50500	At a standstill – Rehabilitation Request submitted to CAPES
4	Transport Hydrocarbure Moussa Sy	482459	190000	Loan rescheduled and readjusted – regular payment
5	Chambre froide et bascule électronique	357403	140751	Loan rescheduled – regular payment
6	Société commerciale africaine (SCOAF)	304710	120000	Management problems – into receivership
7	Transport hydrocarbure Gassimi Gundo	304710	120000	Into liquidation – into receivership
8	Clinique d'accouchement	45706	18000	Regular and Satisfactory Position
9	Fabrique de glace alimentaire Nioro	91413	36000	Loan Cancelled – taken over by the State under liquidation of former BDM
10	Laboratoire photos en couleur	131792	51116	Oversize project – payment suspended
11	Fabrique de glace de Segou	102325	39687	Loan cancelled – taken over by the State as part of liquidation of ex-BDM
12	Unité de production de capitaine fumé	86760	33650	Problem of quality – into liquidation – into receivership
13	Hotel de Kita	137831	53458	Loan repayment by compensation (1991 event)
14	SOTRAG (Transport d'agrégats)	116806	46000	At a standstill – into receivership – No potential rescuer
15	Exploitation de matériaux de construction	291721	113145	Management problems – partial sale – into receivership
16	Complexe commercial de Sogoniko	162175	62900	Oversize – management problems – payment suspended
17	Fabrique de parfums et produists cosmétiques – SICOPAR	88289	34243	Problems of contract – Loan rescheduled – payments outstanding
18	Assainissement de Bamako	180481	70000	Management problems – project at a standstill – into receivership
19	Transformation Gomme arabique	158402	60000	Investment modified – at a standstill – into receivership
20	Cabinet dentaire Niambélé	111996	42422	Regular and satisfactory situation
21	Trabsport Amary Daou	396000	150000	Loan repayment by compensation (1991 event)
22	Production Pâte d'Arachide	85540	32400	At a standstill – into receivership – no potential rescuer
23	Cabinet médical Diallo	75600	28636	Loan undisbursed – Cancelled
24	Campement Hôtel Sangha	116611	44170	The promoter gave up the loan
25	Cabinet médical "Ticoule Coulibaly"	52800	20000	Loan undisbursed – Cancelled
26	Unité de production de produits vétérinaires SAPROVET	639311	249444	Loan repayment by compensation (1991 event)
27	Hôtel de Kayes	64720	26705	Loan undisbursed – cancelled
Total		5000000	1945940	

Source: Operations Department BDM-SA

PERFORMANCE AUDIT OF THE SECOND LINE OF CREDIT TO BDM
PRUDENTIAL RATIOS AND MANAGEMENT INDICATORS

Prudential Ratios	Norm	As at 30/9/90	As at 30/9/91	As at 30/9/92	As at 30/9/93	As at 30/9/94
Risk Coverage (Equity Capital/Total Risks)	4%	23.2%	20.8%	20.8%	20.4%	23.04%
MLT Application coverage by Steady Sources	75%	72.3%	73.8%	88%	93.7%	84.7%
Risk Division						
Commitment on 1 Single Signature <100% Effective Equity Capital (EEC)		N/A	Only 1 case	–	–	–
Volume of Individual Risks <25% EEC = Max. 10 times EEC		N/A	Satisfactory	3 cases	3 cases	3 cases
Liquidity Ratios						
Liquid + Quick Assets/Short–term Commitments	60%	89.5%	93.5%	87%	92%	94.2%
Management Indicators						
Average Resource Costs	–	2.8%	2.76%	3.02%	2.96%	1.14%
Sight Deposits		1.4%	1.67%	2.02%	1.4%	0.29%
Savings Accounts		6.6%	6.78%	6.86%	7.76%	3.91%
Time Deposits		8.7%	8.16%	8.62%	8.83%	6.14%
Average application rate (Average Return/Gross Liabilities)	–	2.12%	2.7%	3.23%	4.35%	3.86%
Marginal Rate (Net bank proceeds/Gross liabilities)	–	5.58%	5.8%	5.67%	6.33%	9.02%
Overheads Ratios (Overheads/Gross liabilities)	–	3.88%	4.4%	4.48%	4%	4%
Financial charges and interests coverage rate/Customer operations		71%	95%	106%	131%	255%
Personnel expenses/Net bank proceeds		30%	39%	42.4%	46%	40%
Overheads/Net bank proceeds		29%	29%	30%	29%	21%
Total costs/Net bank proceeds		59%	68%	72%	75%	61%
Gross operating income/Net bank proceeds		41%	32%	28%	25%	39%

Source: Annual Reports – BDM–SA (1990–1994)

PERFORMANCE AUDIT OF THE SECOND LINE OF CREDIT TO BDM –
OPERATING ACCOUNTS AND COMPARATIVE BALANCE SHEETS 1987–1994

1 – OPERATING ACCOUNTS 1987–1994

Income	As at 30/9/87	As at 30/9/88	As at 30/9/89	As at 30/9/90	As at 30/9/91	As at 30/9/92	As at 30/9/93	As at 30/9/94
Interests	2967.9	663.0	598.5	2781.9	2716.2	2697.8	2816.9	2272.0
Commissions	717.7	381.1	46.2	325.4	370.8	417.7	380.2	634.3
Other Income	242.8	174.8	26.0	117.8	112.2	132.6	203.7	850.0
Bank Charges Reserved Recovered				16.9	43.2	64.1	35.3	79.1
Total Income	3928.4	1218.9	670.7	3242.0	3242.3	3312.2	3436.1	3835.4
Expenditure								
Personnel Expenses	1267.2	1056.5	131.8	617.9	838.5	895.2	1062.5	1235.4
Taxes and Charges	136.2	120.4	13.6	77.7	100.9	102.7	114.2	124.7
Works, Supplies and External Services	446.2	410.0	40.5	230.4	249.9	219.7	222.9	187.1
Transport and Travel	84.5	63.1	10.8	42.3	39.9	52.5	46.9	52.4
Sundry Running Costs	333.8	326.1	57.5	251.7	240.5	261.1	275.2	310.8
Financial Charges	4395.7	3637.3	426.7	1155.4	1087.5	1204.1	1158.4	723.8
Depreciation Allowance	387.2	313.3	56.1	178.5	151.8	171.9	190.9	213.4
Appropriation to the Reserve	47024.8	9789.4				34.9	223.3	215.2
Provision for Expenses				18.7	6.4	11.2	15.1	
Total Expenditure	54075.6	15716.1	737.0	2572.6	2715.3	2953.3	3309.4	3062.8
Operating Income	−50147.2	−14497.2	−66.3	669.4	527.0	358.9	126.6	772.6
Profits and Losses	−3211.6	22502.2	−11.3	−91.8	−90.4	−2.7	−44.7	90.0
Taxes on Profits	−69.1	−9.1		−247.9	−199.2	−162.9	−36.8	−273.9
Net Income	−53427.9	7995.9	−77.6	329.7	237.4	193.3	45.1	588.6

PERFORMANCE AUDIT OF THE SECOND LINE OF CREDIT TO BDM –
OPERATING ACCOUNTS AND COMPARATIVE BALANCE SHEETS 1987–1994

2 – BALANCE SHEETS 1987–1994

Assets	As at 30/9/87	As at 30/9/88	As at 30/9/89	As at 30/9/90	As at 30/9/91	As at 30/9/92	As at 30/9/93	As at 30/9/94
Net Fixed Assets	2549.0	2639.0	2388.0	2093.2	2028.9	2003.2	1965.7	2029.4
Loans and Advances to the State	1180.0	802.0	802.0	339.1	211.2	2546.2	476.6	518.6
MLT Loans Outstanding	5132.0	6920.0	11542.0	3340.8	3502.4	3250.1	2891.3	2085.1
Unpaid or Outstanding Loans	6537.0	8868.0	7073.0	16761.5	16292.9	16380.6	15392.7	14851.2
Consolidated Loans				23900.0	23900.0	23900.0	23900.0	
Short–term Loans Outstanding	21445.0	8749.0	6680.0	1618.0	2983.6	3401.4	2291.6	133.7
Banks and Correspondents	726.0	1820.0	2463.0	2255.1	1969.3	949.7	720.7	8365.5
Liquid Assets	2452.0	920.0	12410.0	21056.3	18050.7	16728.6	23618.5	34099.9
Suspense and Sundries Accounts	10383.0	12127.0	11042.0	10250.9	10958.6	11086.4	11810.3	13520.5
Net Income 1988–1989				39.1				
Total Assets	50404.0	42845.0	54400.0	81654.0	79897.5	80246.2	83067.4	75604.0
Liabilities								
Capital	2500.0	2500.0	3000.0	3000.0	3000.0	3000.0	3000.0	3000.0
Reserves	3690.0	3690.0		43.6	79.2	347.9	541.3	586.4
Provisions	1688.0	1626.0	418.0	242.7	213.4	114.8	147.5	145.6
Allocations	4501.0	4501.0						
Cancellation of Debts	531.0	531.0						
MLT Borrowings	4494.0	5209.0	1588.0					
MLT Rediscounting								
BCEAO Refinancing	37277.0	14086.0	4610.0	23900.0	23900.0	23900.0	23900.0	
Time Deposits	4558.0	6198.0	1291.0	5477.3	2567.1	3251.5	5386.3	5400.9
Banks and Correspondents	1090.0	589.0	33759.0	332.2	96.5	122.6	415.9	623.5
Bills Payable at Sight	33918.0	36072.0	9820.0	37048.7	38379.9	37911.6	38558.8	52543.6
Investment Subsidy						9.8	6.3	3.5
Suspense and Sundries Accounts	9487.0	13177.0		11322.9	11212.6	11394.6	11066.1	12703.7
Income of the Financial Year	–53428.0	–45432.0	–8.0	286.6	201.8	193.4	45.2	588.6
Previous Income	98.0		–78.0		247.0			8.2
Total Liabilities	50404.0	42747.0	54400.0	81654.0	79897.5	80246.2	83067.4	75604.0

Source: Completion Report and Annual Reports of BDM–SA (1990–1994)

PERFORMANCE AUDIT REPORT OF THE SECOND LINE OF CREDIT TO BDM
COMPARATIVE INCOMES OF BDM–SA 1990–1994

Amounts in CFAF million

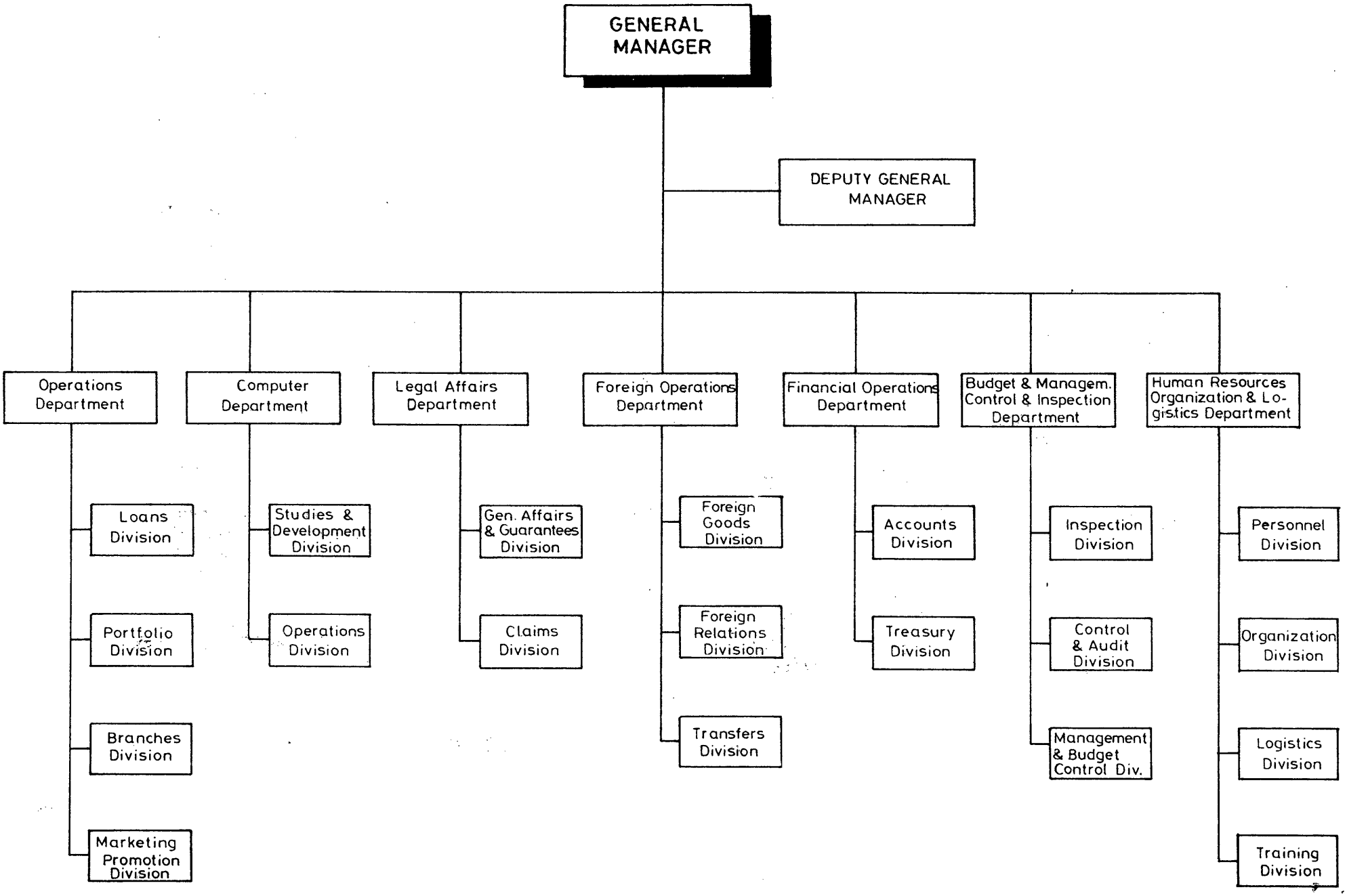
Headings	As at 30/9/90	As at 30/9/91	At as 30/9/92	At as 30/9/93	As at 30/9/94
Cash Transactions	1984.4	1705.5	1464.2	1299.8	1018.5
Interest earned	1987.6	1707.6	1467.0	1300.3	1020.2
Money market	1848.4	1602.0	1288.7	1182.5	538.1
Banks	139.2	105.6	178.3	117.8	181.8
Income from inter–bank investments					300.3
Financial expenses (Debt interest)	–3.2	–2.1	–2.8	–0.5	–1.7
Customers transactions	–299.9	–10.6	133.8	393.9	808.2
Interest earned	794.3	1008.5	1230.9	1516.6	1251.7
Financial expenses (Debt Interest)	–1111.1	–1062.2	–1161.2	–1158.0	–522.6
Bank commissions reserved and recovered	16.9	43.1	64.1	35.3	79.1
NET INTERESTS	**1684.5**	**1694.9**	**1598.0**	**1693.7**	**1826.7**
Financial Charges	–41.0	–23.1	–40.1	–23.4	–199.4
Commissions	325.4	370.8	417.7	380.2	634.4
Other income	117.7	112.2	132.5	203.7	850.0
NET BANK PROCEEDS	**2086.6**	**2154.8**	**2108.1**	**2254.2**	**3111.7**
Overheads	1220.0	1469.7	1531.2	1698.3	1910.5
Personnel expenses	617.9	838.5	895.2	1039.0	1235.4
Other expenses	602.1	631.2	636.0	659.3	675.1
GROSS OPERATING INCOME	**866.6**	**685.1**	**576.9**	**555.9**	**1201.2**
Depreciation allowance/Appropriation to Reserve	–197.2	–236.0	–217.9	–429.3	–428.6
NET OPERATING INCOME	**669.4**	**449.1**	**359.0**	**126.6**	**772.6**
Other Charges	–124.7	–80.5	–100.5	–140.7	–135.8
Other income	32.9	67.9	97.8	96.0	225.7
PRE–TAX INCOME	**577.6**	**436.5**	**356.3**	**81.9**	**862.5**
B.I.C. Taxes	–247.9	–199.2	–162.9	–36.8	–273.9
NET INCOME	**329.7**	**237.3**	**193.4**	**45.1**	**588.6**

Source: BDM's Annual Reports (1990–1994)

BANQUE DE DEVELOPPEMENT DU MALI-SA

ORGANIZATION CHART

ANNEX 7



BANQUE DE DEVELOPPEMENT DU MALI - SA

The General Manager

Bamako, 14 February, 1995

African Development Bank (ADB)
Operations Evaluation Office (OPEV)

Comments on Recommendations to BDM-SA

Aide-Memoire of the NTF Line of Credit:
Audit Mission

Attn: Mr. H. MANAI, Senior Post-Evaluation Officer (OPEV)

Following the examination of the above-mentioned Aide-Memoire, we are pleased to provide you with the following additional information:

I. Putting in place of the final structure of the Bank

. Of the 7 (seven) executive positions, 4 (four) have been filled by incumbents (Foreign Department, Finance and Legal Departments) since 1993.

. Regarding the three (3) remaining positions (Inspection, Human Resources and Operations), to date, all the interim directors have been confirmed.

II. Investment Financing Operations

. The general policy as well as its strategy for investment financing falls within the global framework defined by the Government authorities.

III. Capacity for internal analysis, evaluation and preparing investment packages

. The existing internal resources will be mobilized.

. Very soon, projects in partnership will be subject of a "model" implementation: our participation in the seminar slated for 8 and 9 February 1995 and organized by BOAD in Bamako on the theme of "Investment".

. Other partners will be made to take part in order to strengthen our capacity to analyze investment documents.

IV. Structures required for the mobilization of external lines of credit

. It is true that there is no structure which is solely responsible for the management of lines of credit contrary to the practice in the former BDM (Department charged with Relations with Financial Institutions).

. Nevertheless, these lines of credit can be managed within our existing services by the Operations department (manpower available); however, further training is envisaged at the BOAD.

V. Diversification and Launching of New Products

Reflection in progress to improve certain existing products (equipment saving etc...).

VI. Creating Conditions for the Success of the Post-restructuring Phase

. Efficient use of human resources giving priority to training subject to support from partners (BOAD, Citibank, BMCE etc...).

. Ensuring the success of change to computerization which is in progress.

. Improve our organizational structures.

We look forward to the success of our partnership.

Yours faithfully,

Abdoulaye Daffe
General Manager

ANNEX 9

BDM's Comments on the Performance Audit Report

BANQUE DE DEVELOPPEMENT DU MALI-SA

Bamako, 4 March 1996

N/Ref: 00073

The Chief Executive Officer
The National Debt
(Ex-CAA) - B.P. 1617
BAMAKO

Subject: Performance Audit Report on the 2nd ADB Line of Credit to the Former BDM

Dear Sir,

With reference to your correspondence of 12 February 1996 concerning the above-mentioned audit report, we would like to make the following remarks.

First of all, it is necessary to point out that the BDM-SA is a new entity that was created after the liquidation of the former BDM (State-owned company) and that it has no legal connection with the latter. Nevertheless, in accordance with an agreement signed with the Government of Mali, it is charged with the collection of former BDM's debts, on behalf of the State.

The report states that BDM-SA has deviated from its original mission of development financing.

In this connection it should be noted that our Bank has never ceased to play its role as a development finance institution. It has fully committed to financing medium and long-term borrowings. It is for this reason that we have negotiated and obtained lines of credit from BOAD, IDB and CFD in order to finance investment projects.

As indicated in the report, we have actually encountered some difficulties in the use of these lines of credit for the reasons evoked in our previous correspondence.

To resolve these difficulties, at its meeting on 23 November 1995, our Board of Directors approved our proposal to take shares in the authorized capital of CARIS and CAURIS funds in order to assist promoters in the realization of their investment projects characterized by:

- lack of or insufficient self-financing;
- absence of or inadequate guarantees proposed to cover credit solicited;
- inadequate market studies etc...

Naturally, certain projects which fulfilled the above-mentioned conditions have been financed with our assistance since 1995, either from our own resources or with allocated funds (lines of credit).

These are:

- FOFY INDUSTRIE (manufacture of foam mattresses) for CFAF 176 million with a CFD line of credit;

- ENERGIE DU MALI (Rehabilitation of the Darsalam power plant) for CFAF 500 million with a line of credit from CFD;

- SMPH (GRAND HOTEL) for CFAF 300 million from BDM's own resources;

- CMDT for CFAF 1.5 billion (BOUGOUNI and KIGNA GINNING FACTORY) from our own resources;

- HUICOMA for CFAF 500 million (Repurchase of SEPMA) from our own resources.

Other proposals are being transmitted to the IDB and ADB for financing out of their line of credit.

These are:

- "La Fabrique de chambre à Air Pneus" of Mr. Oumar TRAORE for CFAF 224,400,000.

- "La Fabrique d'Aliment de Bétail" of Mr. Salim MAGUIRAGUA for CFAF 79,000,000.

Besides, our Bank's prudent attitude in investment financing seems to us very justified in order to avoid past errors.

Hence, the overliquidity mentioned in the report belongs to the past given that we are currently making optimum use of our resources for interbank loans within UEMOA.

We have also noted that the auditor recommended that BDM-SA should put in place its final structure and fill the vacant managerial positions as soon as possible.

The Bank has already regularized the situation and all Directors of departments are at post.

Our Bank is also aware of the need to reactivate and develop its internal analysis capacity for evaluation and preparation of investment proposals (see item iii) of Recommendations). To that end, negotiations are underway with BOAD and ABEDA with a view to establishing partnership links within the scope of technical assistance and of the training of the staff responsible for development project financing.

Item 4.2.6 on page 7 of the report also stressed the fact that our Bank's market position has levelled off and only represents 30% of savings collected which it draws mainly from Government services, public enterprises and parastatals. In this connection, it should be noted that BDM's share as of 30 September 1995 accounts for 35% of the market, of which 60% represents the Government, Public enterprises and Parastatals' deposits. This public sector share is due to, on the one hand, the significant loans that BDM-SA has had to grant to the State and its services and on the other hand, to the fact that we are the only Bank which has branches in all the regional districts of Mali in which we cover almost the total salaries of government employees.

With regard to the letter of general policy, we have already prepared a Medium-Term Plan (MTP), which will be submitted to the next meeting of our Board of Directors, to be implemented with effect from January 1997.

The other issues raised in the report do not require any special comments on our part. Nevertheless, we should like to point out that the remarks on the former BDM will be examined at other appropriate levels for the reasons stated earlier.

Yours faithfully,

Operations Director

Mamadou D. SENE

General Manager

Abdoulaye DAFFE