VcCLIR: MALI

Commercial Legal and Institutional Reform for Agricultural Value Chains in Mali

RECOMMENDATIONS: FEASIBILITY AND ACTION PLAN

FEBRUARY 2012

This report was produced by the USAID/Enabling Agricultural Trade (EAT) Program, implemented by Fintrac Inc., with funding from USAID/Mali and MCC/Mali.

VcCLIR: MALI

Commercial Legal and Institutional Reform for Agricultural Value Chains in Mali

RECOMMENDATIONS: FEASIBILITY AND ACTION PLAN

This report is based on findings from the VcCLIR Mali diagnostic published in March 2012, funded by USAID/Mali, and was produced by USAID's Enabling Agricultural Trade (EAT) Project, and implemented by Fintrac Inc., a worldwide leader in generating rural income and food security.

Photos by Fintrac Inc.

EXECUTIVE SUMMARY

This Value Chain Commercial Legal and Institutional Reform (VcCLIR) diagnostic report addresses the conditions and opportunities for Doing Business in Mali's agricultural sector. Based on the well-known Commercial Legal and Institutional Reform (CLIR) methodology, VcCLIR examines the relevant laws, institutions, and social dynamics across four aspects of the sector. However, this tool adds a special focus on critical value chains. In the case of this Mali report, these subsectors are livestock, rice, shallots, and millet/sorghum. This report aims to inform the assistance decisions of the United States Agency for International Development (USAID), the Millennium Challenge Corporation (MCC), and other donors in the area of agricultural development, economic growth, and food security. This report also provides insights and recommendations for government officials, private-sector representatives, and other stakeholders directly involved with the sector.

The Mali VcCLIR team identified countless constraints to business growth and expansion in the rice, millet/sorghum, shallot, and livestock value chains, and a large number of possible legal or institutional reforms were considered. However, after assessing the feasibility and potential impact of these reforms, a select number were included in this report.

One of the most important reform agendas advocated is a **reduction in "food security" interventions in the markets for staples, particularly meat and rice, to a predictable, minimum level, based on objectives criteria and thresholds.** Currently, the government "negotiates" (and then establishes) prices at multiple stages along select value chains, such as meat and bread, a system that protects consumers in the short run but puts enormous constraints on these industries. In the case of rice, meat, and dairy, market opportunities are not being seized, since profit incentives to invest along the chain in higher value processing, modernization, or proper storage are limited. This report recommends a number of possible steps toward tackling this critical issue, including targeted advocacy and bureaucratic reform.

Two related themes woven throughout these recommended actions are the need for the Government of Mali (GoM) to directly and aggressively **facilitate private investment in agribusiness**, both domestic and international, as well as the critical need for **enhanced intra-industry linkages** along each of the four value chains studied. The relationship between government and Malian agribusinesses is broken; roles are poorly defined. For the commercialization and scale-up of production and processing that agro-industry desperately needs, this study found that public-private partnerships (PPPs), such as those envisioned for phase 2 of the Alatona Irrigation Project (PIA), that are market-driven and present robust operationalization plans have the potential to be transformative. However, the government must dedicate energy and resources to developing these arrangements, which take years to push through the bureaucratic and financing channels.

At the smaller scale, the government must restrict itself to setting guidelines and parameters for the market, while moving away from direct intervention and controls. Industry associations should be **private sector-led**, and **vertical associations** must be supported to take a sectorwide perspective of market opportunities and potential business-to-business linkages, including financing and contract mediation. Horizontal industry associations share common goals of policing and self-regulation, and have an incentive to collaborate and stimulate compliance where government enforcement capacity is weak. While there are clear limits to self-policing, it is advisable in instances where the government currently lacks the capacity, resources, or outreach to provide effective oversight.

Our review revealed a number of opportunities to **exploit competitive advantages and expand agricultural exports**. The private sector is not seizing market opportunities for live animals and grains because of government action (such as the implementation of *de facto* export bans on all cereals) and inaction (inability or unwillingness to dispute violations of regional trade agreements by neighboring countries). At the same time, additional costs, procedures, and inefficiencies make Malian exports less competitive. This report offers a number of specific actions that could facilitate trade at this nuts-and-bolts level.

This diagnostic also identified several concrete ways **to improve access to better quality seeds**. Current seed legislation recognizes only seed produced through a lengthy, certified, and expensive multiplication process. Good quality varieties and indigenous varieties exist within the country that are well suited to producers' needs and, if multiplied up in a less costly manner, could be sold at a lower price to a wider market. In addition, the law does not allow for the certification of seed by any agency other than the Direction National pour l'Industrie (the National Directorate of Industry, or DNI), which is a lengthy and expensive process. Supporting the private sector with legal reform and technical assistance would enable it to undertake its own certification. Increased availability of royalty-free seed would also allow the private sector to play a greater role in seed multiplication.

Another major constraint is the need to **improve access to credit for agribusinesses**, which is generally only available to preferred clients. The West African Monetary Union (WAEMU) interest rate ceilings, as well as the lack of reliable information on credit status and history of potential borrowers, were found to restrict agribusinesses' access to finance or new markets. In addition, despite a new secured transaction law, widespread skepticism about the practicality of using animals as collateral in the Malian context results in many livestock agribusinesses and rural livestock breeders relying on costly and insufficient informal sources of credit.

A final issue highlighted is the need to **encourage the enactment and enforcement of formal contracts**. The vast majority of transactions between cereal traders take place without any written contracts, which makes proving breach of contract difficult, and further constraining the expansion of business to partners without personal guarantees or relationships. The development of standardized, easily used written contracts based on commonly used informal contract terms could mitigate some of the reluctance actors along the value chain have to extend credit to their trading partners. Fostering a more transparent judicial system, publishing commercial court decisions, and training journalists on how to report on the judiciary could all help increase the use of formal contracts.

MALI VcCLIR RECOMMENDATIONS SORTED BY THEME

Theme	Tier	Recommendation
Agribusiness investment facilitation	1	Establish a unit within API-Mali that, in close collaboration with the Patronat, will be dedicated to identifying, promoting, and coordinating viable PPPs, with a focus on agro-processing.
	3	Increase efficiencies in the meat sector through greater synergies, by allowing larger profit margins within each step, and stimulating/justifying new investments at each stage.
Encourage the enactment and enforcement of formal contracts	1	Develop easily understandable standardized contracts for cereal traders.
	3	Improve trust in the judicial system by making decisions from the commercial courts more transparent and accountable.
Exploit competitive advantages and expand agricultural exports	1	Build GoM and private sector understanding of regional trade agreements, available recourses in case of dispute, and overall trade negotiation capacity.
	1	Support efforts to move toward free movement of agricultural goods across borders year-round.
	2	Support the implementation of strategies to expand agricultural export–led economic growth.
Improve access and availability to better quality seeds	1	Develop the production of "second tier" seed (Quality Declared Seed, or QDS) by rural associations.
	2	Develop and strengthen the capacity of private and SSN certification agencies to certify seeds for quality, purity, and variety in a transparent manner.
	3	Encourage the dissemination of royalty-free basic seeds to private sector seed companies.
Improve access to credit for agribusinesses	2	Analyze whether and how WAEMU interest rate ceilings restrict agribusinesses' access to finance, with a focus on commercialization of smallholders.
	2	Review the primary factors and/or perceptions contributing to the pervasive non-repayment of loans in order to inform future activities to address those issues.
	2	Improve agribusinesses' access to credit by promoting the use of moveable assets as collateral.
	2	Lead efforts to integrate multiple credit-related registries, with a focus on facilitating financing and contracting for agribusinesses.
Intra-industry synergies	1	Develop a forum with the Conseil National du Patronat du Mali (CNPM) to stimulate private sector-led vertical intra-industry connections.
	1	Assist grassroots associations to adopt mandatory professional self-licensing and self-regulation.
	3	Support the creation of information linkages among livestock value chain actors and lenders.
Reduce 'food security' interventions to a predictable, minimum level, based on objectives criteria and thresholds	1	Reform the bureaucratic process of government intervention in the market for staple food crops and products, with a goal of transparency and predictability.
	2	Advocate for reduced GoM intervention in the meat market in order to facilitate investment in the industry, such as high quality meat processing.
	2	Advocate for the discontinuation of market regulation of cereal prices and export volumes (*de jure* and *de facto*).
	3	Advocate for a restructuring of GoM intervention in input supplies through *Initiative Riz*.

Timeline	Feasibility Rating	Resources	Priority Rating	Rice	Millet/ Sorghum	Livestock	Dealing with Licenses	Getting Credit	Enforcing Contracts	Trading Across Borders	Competing Fairly
2–3 years	Medium	High	HIgh	✓	✓	✓				✓	✓
3–5 years	Low	Medium	Medium			✓					
1 year	High	Low	Medium	✓	✓	✓			✓		
1–2 years	Medium	Medium	Medium	✓	✓	✓			✓		
2 years	High	Medium	High			✓				✓	
3–5 years	High	Medium	Critical	✓	✓					✓	
3–5 years	Medium	High	High	✓	✓	✓				✓	
2 years	High	Medium	High	✓	✓		✓				
4–5 years	Medium	High	High	✓	✓		✓				
1 year	Medium	Low	Medium	✓	✓		✓				
6 months	High	Low	Medium	✓	✓	✓		✓			
6 months	High	Low	Medium	✓	✓	✓		✓			
5 years	Low	Medium	Medium			✓		✓			
3–5 years	Medium	Low	Medium	✓	✓	✓		✓			
5 years	Medium	High	Critical	✓	✓	✓			✓		
2–5 years	Medium	Medium	High	✓	✓	✓	✓		✓		
1–2 years	Low	Low	Medium			✓			✓		
2–3 years	Medium	Medium	High	✓	✓	✓					
5 years	Medium	Low	High			✓				✓	✓
2–3 years	Medium	Low	High	✓	✓					✓	✓
5 years	Low	Low	High	✓							✓

COSTS, BENEFITS, AND FEASIBILITY OF MALI VcCLIR RECOMMENDATIONS SORTED BY PRIORITY

TIER I: These recommendations are most critical and need immediate attention

RECOMMENDATION: Develop the production of "second tier" seed (Quality Declared Seed, or QDS) by rural associations.	
VC(s) affected	Rice, millet, and sorghum
Region(s) affected	All cereal-growing regions
Theme	Access and availability to better quality seeds
Fit with FTF strategy	Increases yields, household incomes, and government's capacity to manage agricultural programs
Why is reform needed?	Current seed legislation recognizes only seed produced through a lengthy, certified, and expensive multiplication process. As such, the commercially available seed produced is too expensive for the vast majority of subsistence and even some commercial producers. Nevertheless, there are good quality and indigenous varieties that are well suited to producers' needs and, if multiplied up in a less-costly manner, could be sold at a lower price to a wider market, thereby increasing production overall.
Cost of constraint	The main cost involved is the opportunity cost of production foregone, because farmers are unable to access improved seeds. This costs the sector at least CFA 20 billion per year (based on current rice, millet, and sorghum production and assuming an overall five percent increase in yield).
Benefit of reform	The reform should result in a small but significant benefit to many households. The main benefits being increased yields of rice, millet, and sorghum through increased availability of and access to improved seeds, resulting in increased household food security.
Obstacles to reform	There are at least three constraints to this reform. First, existing seed legislation does not recognize any seed other than that produced through a predefined process to which the multiplication of QDS cannot conform. Second, the limited institutional capacity of the DNI to certify QDS does not stimulate private sector participation in seed production. Third, many supporting institutions align with the government in favoring the dissemination of higher yielding commercial hybrid seed to subsistence producers and small commercial producers.
Fit with other donors	The FAO is generally supportive of this approach, but other donors are supporting the dissemination of commercial hybrid seed.
Resources required for reform	**Medium**
Action steps	a. Amend the laws relating to seed production (Loi No. 10-032du 12 July 2010: Relative Au Semences D'origine Vegetale and Decret No. 10-428 10 August 2010 Fixant L'Application Des Modalites De La Loi Relative Au Semences D'origine Vegetale) to allow for the production and sale of QDS and introduce new legislation to establish the DNI as the competent authority for the accreditation of certification agencies. b. Provide technical assistance to producer associations to help them produce QDS. c. Provide technical assistance to the Service Semencier Nationale and subsequently the private sector to develop their capacity to certify QDS. d. Provide technical assistance to the DNI to help it develop the technical capacity to accredit other certification agencies.
Best practices	The use of QDS has significantly improved rice production in Tanzania, wheat in Afghanistan, and peppers in the Bahamas.
Time frame for reform	This reform could be implemented and show positive results on a small scale within a two-year time frame. Its extension across the country might take up to 10 years.
Overall feasibility	**High** – The commercial companies are unlikely to object. In fact if they can become the agents that oversee and certify the QDS production, they will immediately benefit through increased sales. Farmers like the QDS system; it uses the varieties they know best and generally want most. The FAO has been promoting this in other countries, and the GoM can go to Tanzania for a quick study tour and see how the system actually works.
Overall priority	**High**

RECOMMENDATION: Build GoM and private sector understanding of regional trade agreements, available recourses in case of dispute, and overall trade negotiation capacity.	
VC(s) affected	All
Region(s) affected	Primarily livestock, but applicable to other value chains
Theme	Exploit competitive advantages and expand agricultural exports
Fit with FTF strategy	Improve the government's capacity to manage agricultural programs
Why is reform needed?	Malian traders experience illegal TNTB when exporting to profitable markets in coastal countries. These TNTB impose unreasonable costs on the traders, reducing the income earned by Malian producers, reducing competitiveness of Malian goods vis-à-vis other competing countries' goods, and raising the overall cost to trade. The GoM lacks understanding of the content of regional trade agreements, as well as the negotiation capacity to have these barriers removed, and this limits their ability to be an effective partner in representing the traders at the REC level or lobbying to have these TNTBs removed.
Cost of constraint	Low trade negotiation capacity presents real costs to Malian agribusinesses. In part because the GoM cannot effectively advocate or negotiate for more advantageous trade agreements, profit margins for Malian agricultural goods are captured illegally by actors in coastal countries, when they could instead be distributed throughout the production and processing chain, making industrial investment more attractive.
Benefit of reform	The primary benefit would be to capture more of the price premium earned by Malian goods in export markets and to distribute it to the many actors throughout the value chain. Longer-term indirect benefits would be that additional trade negotiation capacity in the government could allow them to negotiate for more advantageous terms with global agricultural investors, especially those investors with significant land and/or water requirements.
Obstacles to reform	The institutional constraints to the capacity-building portion of this reform are moderate, but not unsolvable – trade negotiation technical assistance has been implemented by USAID programs in other West African countries (Senegal and Ghana, most recently). The primary constraint in implementing this reform is maintaining a long-term impact. In other countries, USAID experienced challenges in maintaining a cadre of trained professionals within the ministries of commerce and trade due to turnover of staff political appointments and other disincentives for a long-term impact. USAID also experienced challenges from U.S. foreign assistance policy makers on providing trade negotiation technical assistance for foreign goods that compete with U.S.-produced goods in the same market.
Fit with other donors	SNV (Netherlands Development Organization) program on livestock and pastoralism has provided training and support to FEBEVIM to monitor illegal taxes and conduct an advocacy campaign. The reform program below should be implemented in coordination with SNV's ongoing work, key success factors, and lessons learned in this area.
Resources required for reform	**Medium**
Action steps	a. Monitor TNTB that are in contravention to regional trade agreements. b. Conduct campaign to sensitize traders, donors, and government officials to the contents of regional trade agreements. c. Make known the regional dispute resolution mechanisms and alternatives in the absence of these mechanisms. d. Propose advocacy teams composed of industry associations and government ministries, and provide targeted training in trade negotiation. e. Long term: extend Malian trade negotiation technical assistance at the global level.
Best practices	As previously described, USAID performed trade negotiation capacity building in Senegal (2004) and in Ghana (2007).
Time frame for reform	The most ideal time frame to begin implementation of the reform program would be before the next UEMOA/ECOWAS Ministers of Trade meeting, and extended over a period of two years.
Overall feasibility	**High** – Information gaps currently constrain feasibility. In order to target impacts of programs in this area and improve feasibility of this recommendation, it would be useful to perform an estimate of the volume of trade that is being lost.
Overall priority	**High**

RECOMMENDATION: Support efforts to move toward free movement of agricultural goods across borders year-round.	
VC(s) affected	Primarily cereals, but applicable to other value chains
Region(s) affected	All
Theme	Exploit competitive advantages and expand agricultural exports
Fit with FTF strategy	Increases yields, improves post-harvest practices, and increases household income
Why is reform needed?	Malian cereal producers and traders are periodically prohibited from leveraging the true earning power of their commodities. Seasonal *de jure* and year-round *de facto* export bans limit firms' access to regional export markets.
Cost of constraint	Inhibiting free trade has restricted income earning potential by forcing producers to rely on less-profitable domestic markets, and has lowered production due to the smaller size of the market. It has also increased risk due to the fact that the export ban criteria and process is not transparent, and has increased tracasserie by control officials enthusiastically looking for export smugglers.
Benefit of reform	If the GoM adopts a position to move toward free trade of agricultural commodities, there would be several benefits. The primary benefit would be the injection of additional revenue from export market price differentials into the selected value chains and producers. The growing export market would also increase incentives to invest in productivity, storage, and infrastructure. The reform program would also have several indirect benefits: Cereal producers, transformers, and traders would gain more political leverage and be a stronger group to advocate their positions to the government. If rice were able to be exported, the GoM could claim its intervention under *Initiative Riz* as a success at the regional export level.
Obstacles to reform	While the benefits of reform are significant, the constraints to reform may also be equally significant. In order to move towards free movement of agricultural goods to support food security, the government will need to publicly move away from the position of food sovereignty, and this may have a political impact on those who may not see the long-term benefit of free trade. For example, the export cereal value chain is so multilayered that other actors may initially capture the entire export price premium differential before it reaches the primary producers. A robust market information system would help mitigate this effect.
Fit with other donors	The issue of freeing up export restrictions in Mali has a high profile, and while almost every donor in Mali and the region agrees it is a constraint to agricultural expansion, no one donor has taken a lead role. Instead, donors appear to be programming activities that contribute to it (or mitigate against it) in smaller ways. Uniquely, UNECA has broken new ground on the issue of quantifying informal trade and the impact on African economies, and this may serve as an analytical base to demonstrate how unenforceable the ban is. This information may be found in UNECA's Assessing Regional Integration in Africa (ARIA) IV.
Resources required for reform	**Medium**
Action steps	a. Determine what prohibited goods are still being exported (using whatever modes) b. Conduct a cost-benefit analysis to determine if abolishing *de facto* export bans would increase cereal producers' and traders' earning power and competitiveness. c. Develop, codify, and publish criteria and stock levels determining when export bans could be lifted d. Maintain support to programs that increase the production of commodities currently under export ban.
Best practices	USAID is supporting regional agricultural trade integration primarily through the West Africa ATP and e-ATP programs and the East Africa COMPETE program, both of which could be a source of programmatic best practices and key success factors. In addition, USAID's support to Ethiopia's cereal sector resulted in a lifting of the export bans due to good harvests and stock surplus, and may serve as a model for dialogue in Mali.

Time frame for reform	3–5 years – The most ideal time frame to begin implementation of the reform program would be before the next dry season and/or commodity price index increase.
Overall feasibility	**High** – The first three actions listed above are primarily analytical in nature and would not be difficult to implement, given the required resources and cooperation from the government. Feasibility for the final action listed above is directly correlated to the feasibility of USAID's ongoing agricultural productivity activities, which observers remark to be successful, yet challenging.
Overall priority	**Critical**

RECOMMENDATION: Reform the bureaucratic process of government intervention in the market for staple food crops and products, with a goal of transparency and predictability.	
VC(s) affected	All
Region(s) affected	All
Theme	Reduce "food security" interventions in staple commodity markets to a predictable minimum level, based on objective criteria and thresholds.
Why is reform needed?	Prices for staple foods are set through a price-negotiation process, whereby stakeholders from across the value chain (including government, industry, and consumer representatives) convene biannually to determine set prices for products at several points along the marketing chain. The mechanism itself was the result of an internal GoM reform effort to steer away from arbitrary price-fixing. In that sense, it is an improvement from the way things were handled. However, the multi-stakeholder process is unwieldy and has become deeply politicized and vulnerable to unfair influence. The end result is usually downward pressure on retail prices, with additional established prices along the value chain protecting the profit margins of select players with the most lobbying power. This distorts staple food markets, severely limiting growth in these industries and incomes along the value chain, and creates a disincentive for investment in more intensive production or value addition.
Fit with FTF strategy	Increases yields, improves post-harvest practices, increases household incomes, increases access to and the consumption of nutritious foods, and improves government's capacity to manage agricultural programs.
Cost of constraint	Combined with other distortionary government policies and interventions, the influence on price has a devastatingly constraining effect on the meat and cereals value chains. These very same industries are the focus of government and donor support to stimulate production, increase value-adding processing, and expand to new markets. Such strategies will never succeed when reduced profit incentives squeeze out any interest on the part of investors or producers.
Benefit of reform	In the short term, if prices are allowed to float within a set range, they will rise toward the natural level of the market. However, increased investment by producers and local businesses, as well as larger commercial investment, is expected. This will iron out inefficiencies in the value chain, reducing costs. It will also result in improvements in quality and higher-value products.
Obstacles to reform	There is tremendous social and political pressure to keep consumer prices down. The price negotiation mechanism is rather new, and seen as an improvement from the previous (non)system of totally arbitrary price setting, so there is reluctance to accept immediate follow on reform. With very few social safety nets in place, there could be a noticeable impact on food access for Mali's poorest households.
Fit with other donors	Unknown
Resources required for reform	**Medium**

Action steps	a. Convene a working group with representation from the DNCC, the Conseil National de Prix, the local government charged with market management, APCAM, and several commodity-specific groups (e.g., FEBEVIM). b. Achieve consensus on the objectives of market interventions. c. Assist in the establishment of objective criteria and thresholds for all proposed price interventions. d. Publicize proposed interventions in advance. e. Phase out the multi-stakeholder price negotiation as a tool. Instead, this working group should seek stakeholder influence into the governing framework (the criteria and thresholds), not the precise price levels.
Best practices	Most complex, liberal, developed economies
Time frame for reform	2–3 years
Overall feasibility	**Medium** – There are significant constraints to reform (as discussed above). At the same time, if this is deftly and diplomatically approached as an effort to promote the use of objective criteria and thresholds, not an effort to reduce intervention full stop, it is feasible.
Overall priority	**High**

RECOMMENDATION: Develop a forum with the Conseil National du Patronat du Mali (CNPM) to stimulate private sector-led vertical intra-industry connections.	
VC(s) affected	All
Region(s) affected	All (the CNPM is headquartered in Bamako and has branches in Mopti and Sikasso, and a new branch in Timbuktu was recently inaugurated)
Theme	Intra-industry synergies
Fit with FTF strategy	Increases yields, improves post-harvest practices, expands access to short and medium-term credit, and increases household incomes.
Why is reform needed?	Because existing associations are rarely established by private sector stakeholders, they do not adequately represent the interests of the private sector. As a result, actors along the three value chains in Mali do not have a forum in which to identify business partners and gain an industry-wide perspective on market opportunities. This forum would help develop small and large-scale business connections, resolve business disputes, and increase intra-industry financing opportunities.
Cost of constraint	Producers, processors, and traders do not exploit market opportunities because of weak industry relationships. Weak private sector advocacy results in inappropriate government policies regarding agribusiness combined, reduces incomes and opportunities for income, and can create significant impediment to economic growth. The team was able to identify several market opportunities that had not been explored because the right actors had not come together to discuss possible ventures.
Benefit of reform	The initiative will be of a small benefit to many: New small-scale business connections might be formed; business disputes resolved and financing opportunities may be increased. In addition, for a few businesses this forum could lead to larger joint business ventures for bigger agribusinesses.
Obstacles to reform	Many of the supporting actors along the value chains are not well organized, and it will be crucial to identify the relevant actors.
Fit with other donors	No
Resources required for reform	**High**

Action steps	a. Invite businesses along the value chains to an initial workshop for participants to discuss how their firms currently perceive known market opportunities, and the likelihood/constraints of joint ventures. Meetings should be held in the regions as well as in Bamako. b. Invite and integrate fledgling grassroots industry associations, offering support for financial independence, good governance, and the expansion of their networks. c. Facilitate linkages between individual producers and investors who would guarantee to purchase and/or process production. For instance, the production of high-quality meat for both domestic and export markets could be facilitated if producers were connected with buyers who guaranteed to purchase the meat. d. Assess how the agribusiness located in different regions of the country could best connect with each other (regional chapters, national meetings, etc.) and launch a forum in each region. e. Ensure that requests from companies that are buying, selling, or looking for a partner are documented, and ideally searchable, so that new business dealings and partnerships can be formed on an ongoing basis. f. Consider how appropriate funding mechanisms can be established to ensure that the business sector maintains ownership of the initiative. If businesses can demonstrate an ability to collaborate and achieve profits, it will be much easier to attract the interest and participation of financial institutions at a later stage. g. Develop supporting services that the forum could provide, including mediation of business disputes and linkage to potential investors.
Best practices	The Chamber of Commerce in Stockholm hosts an online database for buyers, sellers, and joint ventures (http://www.chamber.se/about-us.aspx).
Time frame for reform	Benefits would start immediately, but expect greater outcomes over a five-year time frame.
Overall feasibility	**Medium** – The CNPM HQ is likely to be on board. However, the strength and responsiveness of regional officers is unknown, and the regional presence is currently limited, which may reduce the geographic reach of this recommendation.
Overall priority	**Critical**

RECOMMENDATION: Assist grassroots associations to adopt mandatory professional self-licensing and self-regulation.	
VC(s) affected	All
Region(s) affected	All
Theme:	Intra-industry synergies
Fit with FTF strategy	Increases yields and improves post-harvest practices.
Why is reform needed?	Few grassroots associations exist in Mali and those that do lack the enough capacity to implement professional self-licensing and self-regulation for the government to make it mandatory for a profession.
Cost of constraint	The flouting of business and operating license requirements results in a large number of unlicensed goods and services, which are of questionable quality and reduce the competitiveness of compliant businesses. For example, yields are reduced through the use of unregistered agro-inputs of indeterminate quality, and cattle theft is enabled by the illegal slaughter and sale of unlicensed meat.
Benefit of reform	Improved enforcement of goods and services will result in more open competition, improved inputs to farmers, less illegal profiteering, and better-quality products for consumers.
Obstacles to reform	There are three possible constraints to reform. The legislative environment does not support mandatory professional self-regulated associations and would have to be reformed for this change to become possible. Existing government-led institutions are crowding out true private sector associations and would need to be reformed or dismantled to allow new associations to grow. Few associations have the vision to adopt such a high level of self-determination and will need to be supported to develop this.

Fit with other donors	There is no other donor program in this area.
Resources required for reform	**Medium**
Action steps	**Phase I: Reform the legislative environment to empower the self-licensing and self-licensing and self-regulation in line with 2010 OHADA laws.** a. Review the provisions of the OHADA law regarding professional self-regulating associations. b. Canvass private sector stakeholders as to their motivation and capacity to work within the proposed framework of self-determination. c. Work with the private sector to lobby for the necessary legislative change. d. Assist GoM to understand and accept the benefits of self-regulation. e. Work with GoM to determine appropriate criteria for associations to be granted the right to self–regulation. f. Work with GoM to identify the appropriate agency to oversee the operations of self–regulated associations. g. Assist GoM to draft a law that is appropriate to Mali's circumstances and compliant with OHADA. **Phase II: Provide technical support and assistance to the private sector to build capacity.** a. Identify suitable associations for assistance, avoiding associations that are agencies of government. b. Explain the concept of self-regulation and its benefits to suitable associations and determine whether or not they consider it to be appropriate to their circumstances. c. Provide associations, on demand, with assistance in applying to GoM for the right to professional self-regulation. d. Provide technical assistance in quality control to determine industry-preferred standards for products and procedures; business management to determine industry-preferred codes of conduct; and institutional development to assist in the development of association governance, appropriate disciplinary procedures, and the mechanisms through which they might be invoked. e. Provide ongoing technical assistance in institutional development to assist associations in the implementation of self-regulatory procedures for at least 12 months of operation in each association.
Best practices	Canada, the United Kingdom, and India all contain professional self-regulating associations that ensure that their members adhere to agreed standards or risk losing their license to operate in a professional capacity.
Time frame for reform	The necessary changes could be effected over two to five years.
Overall feasibility	**Medium** – This is a feasible concept in that it is common practice in other parts of the world. It requires relatively simple legislative change and does not require much institutional development. It is also a more feasible method of enforcing standards of product and behavior than relying solely on government authorities. However, feasibility is reduced by the difficulty of finding suitable associations.
Overall priority	**High**

RECOMMENDATION: Establish a unit within API-Mali that, in close collaboration with the Patronat, will be dedicated to identifying, promoting, and coordinating viable PPPs, with a focus on agro-processing.	
VC(s) affected	All
Region(s) affected	All, but in particular the Alatona Irrigation Project zone
Theme	Agribusiness investment facilitation
Why is reform needed?	While recent industrial PPPs in Mali have demonstrated the power of economies of scale in agro-industry, and piqued the interest of the GoM, there is no one unit dedicated to driving new deals.
Fit with FTF strategy	Increases yields, improves post-harvest practices, expands access to short- and medium-term credit, increases household incomes, and increases access to and the consumption of nutritious foods.
Cost of constraint	Since there is no clear driving force or responsible party in the GoM to identify and lead these deals, many viable and visionary PPP opportunities fall through the cracks of bureaucracy. In some cases, the private sector loses interest in navigating the system and pulls away, bringing their innovation and capital to other countries for investment.
Benefit of reform	A clear strategy and responsible unit for PPPs within the government will result in more successful joint investments to bring production and processing to scale. This will ultimately lead to less-expensive locally produced foods, stimulate domestic consumption and growth, begin to industrialize agro-pastoral countries, create jobs, and create large foreign exchange savings and fiscal benefits to government.
Obstacles to reform	The biggest obstacle is a combination of political will, lack of government capacity, and the dearth of entrepreneurial spirit in the traditional (commerce/trade focused) Malian society.
Fit with other donors	Unknown
Resources required for reform	**High**
Action steps	a. Engage GoM (the Prime Minister, Minister of Industry, and Minister of Agriculture) to generate excitement about the power of PPPs and their essential role in stimulating and incentivizing large-scale PPP agro-industrial projects. b. Establish a small unit within API-Mali dedicated to identifying, promoting, and coordinating viable PPPs, with a focus on agro-processing. The unit should liaise with international and domestic investors in agro-industries where government institutions are critical to the successes of the investments (land rights, water rights, concessional financing). c. Collaborate to identify specific investments, such as seeking to replicate the PPP structure in the rice sector that is being utilized in the sugar sector to expand, modernize, and make more efficient the production and processing of rice. Closely study the experience from the PPP in the sugar sector to identify hurdles and learn from the process. d. Harness the knowledge developed within MCC and MCA in developing the plans for phase two of the Alatona Irrigation Project. e. Enroll the support of the Patronat and APCAM, through workshops, capacity building, institutional support, and technical support, to share that vision and lobby GoM to join them. f. Provide strictly cost-share resources for technical assistance, environmental and social studies, and feasibility studies for new projects to be administered by API in conjunction with the Patronat.
Best practices	Rwanda, China, various Asian and Latin countries
Time frame for reform	2–3 years
Overall feasibility	**Medium** – The greatest obstacle is convincing the GoM, perhaps the new administration, that this is the way of the future, so they will adopt this vision and set the tone for delivery.
Overall priority	**High**

RECOMMENDATION: Develop easily understandable standardized contracts for cereal traders.	
VC(s) affected	Rice, millet, and sorghum
Region(s) affected	It is suggested that the contracts be piloted in Mopti since grain traders are closely located to each other; there is a commercial court in Mopti; and the CCIM in Mopti has organized a dispute mediation and reconciliation commission. Alternatively, the contract could be piloted in Niono since there is a significant amount of trade happening and the court is active and responsive to the needs of agri-businesses. If there is a positive uptake in the pilot area, the initiative could be expanded to the other regions.
Theme	Encourage the enactment and enforcement of formal contracts
Fit with FTF strategy	Expands access to short and medium-term credit
Why is reform needed?	The vast majority of transactions between cereal traders take place without any written contracts, which makes proving breach of contract difficult. In addition, other systemic issues also make it hard to enforce contracts, including an out-of-date commercial registry and overall mistrust in the judicial system.
Cost of constraint	Wholesalers are reluctant to extend trade credit or terms to trading partners, which in part is due to the fact that it is hard to enforce verbal contracts. There is an increased cost for the wholesaler when he or she is not able to recover a debt, and there is a reduced opportunity for income for the suppliers who have a hard time getting trade credit.
Benefit of reform	A standardized contract that allows the specific terms to be filled out by the parties would encourage and facilitate the use of written contracts. If one of the parties is not living up to his or her contractual obligations, the other party can refer to the written contract as a reminder. Most important, a written contract is easier to enforce than a verbal contract by a mediation committee, bailiff, or court. The development of standardized, easily used written contracts could mitigate some of the reluctance actors along the value chain have to extend trade credit to their trading partners.
Obstacles to reform	Oral contracts are part of the business culture. In part this is due to the high illiteracy rate, but in part it is also a reflection of the sense that if a trader trusts his or her business partner, he or she does not need to put it in writing. If standardized business contracts were widely accepted in the grain sector, the use thereof would become a routine procedure without calling a business partner's reliability into question. For the standardized contracts to gain acceptance, it is important to recognize the strong focus on amicable settlements in the grain sector. Furthermore, it is important to view this as a targeted intervention to an important segment of the sector that is literate, rather than a program that will be applicable to all actors in the sector.
Fit with other donors	No
Resources required for reform	**Low**
Action steps	a. Facilitate focus group discussion with wholesalers and suppliers in Mopti or Niono to determine the strength and weaknesses of current contractual practices. b. Interview lawyers, judges, and bailiffs to determine what should be included in a standardized contract to ensure effective enforcement. c. Discuss what content of a contract is feasible and culturally appropriate in the cereal sector with representatives of APCAM. d. Develop a standardized contract and pilot test the contract among cereal traders in Mopti or Niono. Translate the contract into relevant local languages. e. Make adjustments to the contract based on feedback from the pilot phase. f. Investigate how the contracts are best distributed (multiple institutions such as APCAM, CCIM, and CNPM). g. Consider whether a small fee covering the cost of printing the contracts is appropriate. h. Develop an information pamphlet on how to use the contracts, as well as a radio information campaign. i. Consider holding training meetings at the main marketplace for cereal traders in Mopti or Niono. j. Expand the distribution (including training) of contracts to other towns.

Best practices	N/A
Time frame for reform	One year
Overall feasibility	**High** – Larger grain buyers and seed companies have developed their own contracts with their suppliers and there were no complaints about this practice. All contracts had a clause stating that disputes should first be settled in an amicable manner, which should be incorporated in a standardized contract since that is culturally appropriate.
Overall priority	**Medium**

TIER II: These recommendations are very important and need action

RECOMMENDATION: Develop and strengthen the capacity of private and SSN certification agencies to certify seeds for quality, purity, and variety in a transparent manner.	
VC(s) affected	Rice, millet, and sorghum
Region(s) affected	All cereal-growing regions
Theme	Access and availability to better-quality seeds
Fit with FTF strategy	Increases yields, increases household incomes, and increases access to and the consumption of nutritious foods.
Why is reform needed?	Seed certification is carried out by the GoM through DNI, which suffers from insufficient resources. As a result, the amount of improved seed available on the market is limited and there is little incentive for private sector companies to become involved in domestic seed production (since seed certification is a major component of the value added to improved seed).
Cost of constraint	The certification bottleneck creates significant impediments to agricultural growth, since it restricts the availability of improved seed that would improve yields and quality.
Benefit of reform	Increased availability of improved seed could benefit many producers, and the yield increase is estimated to exceed the investment at the producer and national level.
Obstacles to reform	There are both legal and institutional constraints to this reform. The law does not allow for the certification of seed by any agency other than the DNI. The DNI does not have sufficient staff and knowledge/experience to perform the required accreditation, and the private sector would require technical assistance to undertake certification
Fit with other donors	There are no known donor initiatives in this area.
Resources required for reform	**High**
Action steps	a. Draft legislation allowing the development and accreditation of seed certification agencies outside of the DNI. b. Draft legislation empowering the DNI to act as the agency accrediting certification capacity. c. Provide technical support to DNI to develop the required accreditation capacity, possibly through an exchange program with benchmarked countries. d. Provide technical support to private and public seed certification agencies to meet the required standards for accreditation, possibly through an exchange program with benchmarked countries. e. Provide ongoing mentoring of seed certification process until no longer necessary.
Best practices	Accredited private sector seed certification agencies operate in North America, Europe, and South Africa.
Time frame for reform	The initial legal reform can be undertaken within a six-month period. Transferring technical skills will require an additional two years before certification can be undertaken and another two years of mentoring once companies are engaged in certification and the DNI is engaged in accreditation.
Overall feasibility	**Medium** – The DNI has already highlighted this as an issue (and it was mentioned by the standards authorities in an interview) as a capacity limitation. It can be seen as a positive development towards increased private sector participation and towards the system operated in most other developed countries. However, this is a long-term project.
Overall priority	**High**

RECOMMENDATION: Analyze whether and how WAEMU interest rate ceilings restrict agribusinesses' access to finance, with a focus on commercialization of smallholders.	
VC(s) affected	All
Region(s) affected	All
Theme	Improve access to credit for agribusinesses
Why is reform needed?	Interest rate caps, while intended to protect consumers, can have the adverse effect of limiting the availability of credit by increasing lender preference for safer clients and thus driving riskier borrowers towards informal finance.
Fit with FTF strategy	Expands access to short- and medium-term credit and improves government's capacity to manage agricultural programs.
Cost of constraint	In Mali and other WAEMU countries, lending rates (inclusive of certain fees) are capped at 18 percent for banks and 27 percent for MFIs. While intended to protect consumers, this has the adverse effect of limiting the availability of credit by increasing lender preference for safer clients and thus driving riskier borrowers towards more expensive sources of credit (e.g., informal finance).
Benefit of reform	By freeing interest rates (or at least bringing related limits in line with actual lending costs), there would be a greater amount of capital available for agribusiness lending. This would help potential borrowers who are shut out of the formal lending market to access funds at a lower rate than what they likely pay through informal finance.
Obstacles to reform	WAEMU is an obstacle. It has set interest rate restrictions (usury law), and the WAEMU Council of Ministers decides on the amount of rate cap. There are other distortions to the credit market by associations and stakeholder groups that provide strong advocacy for otherwise un-creditworthy borrowers, and some donors/NGOs who advocate for subsidized loans.
Fit with other donors	Other donors are involved in supporting access to finance, such as the World Bank Group, the African Development Bank, Canada, Denmark, Luxembourg, other countries, and NGOs. However, they may not all adopt the same view or actions related to interest rate caps. An inventory of attitudes and philosophies would be enlightening and help USAID identify long-term partners.
Resources required for reform	**Low**
Action steps	a. Hire consultant/team to conduct the analysis. b. Desk research on interest rate policy and effect on agribusiness in other countries, and credit in Mali and WAEMU region. c. Interview relevant stakeholders (official GoM agencies, Central Bank, banks, MFIs, current borrowers, potential borrowers, donor agencies, NGOs, etc.). d. Analyze finding and synthesize in report/presentation. e. Hold dialogues with key stakeholders and recommend next steps. f. If action is needed, hold public workshops and develop a media campaign. This is a controversial topic in any country and messaging will need to be developed carefully.
Best practices	Bolivia is regarded as a successful country in this respect; it has gone through the cycles of development. India is a negative example of interest rate ceilings limiting the availability of rural credit.
Time frame for reform	6 months
Overall feasibility	**High**
Overall priority	**Medium**

RECOMMENDATION: Review the primary factors and/or perceptions contributing to the pervasive non-repayment of loans in order to inform future activities to address those issues.	
VC(s) affected	All
Region(s) affected	All
Theme	Improve access to credit for agribusiness
Why is reform needed?	Nonpayment of loans is a pervasive problem that results in highly conservative practices among lenders, which restrict the pool of capital available to agribusinesses and raise the cost of borrowing. This problem is exacerbated by the fact that the problem is perceived to be even worse than it may actually be.
Fit with FTF strategy	Expands access to short- and medium-term credit and improves the government's capacity to manage agricultural programs.
Cost of constraint	The issue of nonrepayment of loans (whether actual or perceived) pervades the agricultural sector, increases risk aversion on the part of lenders, and ultimately restricts the pool of capital available to agribusinesses. The fact that many borrowers default on their loans is a problem in itself, but the more severe issue is the perception by lenders that such behavior is universal among small, rural businesses. Even BNDA, the national development bank tasked with lending to agribusinesses, does not finance smaller businesses directly but rather lends to MFIs that on-lend.
Benefit of reform	Once lenders understand the factors behind nonrepayment of loans (e.g., poor group self-selection, competition between lenders, lack of borrower information to make accurate risk assessments, poor product/service design, distortionary interventions by stakeholders), they will be able to accommodate these issues when structuring loans and repayment schedules.
Obstacles to reform	Laws related to contracts are generally sound but contract enforcement, which applies to financial contracts such as loans, is poor. Institutions are either limited in terms of capacity (e.g., supervisory bodies, lenders' risk management methods, and personnel) or will (lenders are extremely risk averse). Agricultural associations suffer from bad debt, as well as limited capacity for business projections and risk assessment is low. Politics and social pressures also cloud the loan allocation process.
Fit with other donors	There are several donor efforts related to agribusiness lending, but they may not all be complementary. Examples include IFAD – Rural Microfinance Programme; WB – Agricultural Competitiveness and Diversification Project; Aga Khan Foundation – PAMF – Mali; and Microfinance Sector Support Project (PASMIF). Different donors (as well as GoM bodies) have conflicting views on agricultural lenders, and there is often a tension between issues such as poverty alleviation and food security, on the one hand, and commercialization and financial access, on the other hand.
Action steps	a. Identify the primary factors related to nonrepayment of agribusiness loans (and the perception thereof) by organizing a team of consultants, agreeing on appropriate stakeholders for interviews/information provision, and conducting research and analysis. b. Explore issues relating to insufficient cooperative/group capacity to manage the credit self-selection process; lenders' inability to assess borrower risk; poor product and service design and delivery; and well-intentioned but counterproductive and/or contradictory involvement of stakeholders. c. Focus on successful cases when loans were repaid in both formal and informal finance to determine whether key success factors can be replicated. d. After identifying the top factors (or perceptions) contributing to widespread nonrepayment, the team should produce an actionable strategy to address these factors and solicit stakeholder buy-in and commitments before promoting the plan's implementation.
Resources required for reform	**Low**
Best practices	Bolivia and Peru are regarded as having good BEEs for microcredit. IFC has done considerable work with credit bureaus to resolve information asymmetries and influence behavior change. In Africa, IFC worked with Ghana to pass a specific law on credit reporting.
Time frame for reform	6 months
Overall feasibility	**High**
Overall priority	**Medium**

RECOMMENDATION: Support the implementation of strategies to expand agricultural export–led economic growth.	
VC(s) affected	All
Region(s) affected	All
Theme	Exploit competitive advantages and expand agricultural exports.
Fit with FTF strategy	Increases yields, improves post-harvest practices, and increases household incomes.
Why is reform needed?	Malian agricultural producers and traders feel that they are prohibited from leveraging the true earning power of their commodities by accessing regional markets due to a lack of government support for export-oriented agribusinesses. In addition, Malian traders must submit to burdensome export procedures and controls that add no value to the process, increase the time and cost to export, and perpetuate arbitrary government interventions in market dynamics.
Cost of constraint	Government disincentives to export depress producers' earning potential and household income, and increase the overall time, cost, and burden to trade. This lowers the competitiveness of Malian goods, and discourages investment in the sector to improve productivity.
Benefit of reform	If the GoM reforms export procedures, traders would be able to export quicker and cheaper and, as a result, Malian agricultural goods would become more competitive. In addition, when needless export paperwork is abolished, other more appropriate export checks (SPS, animal health) would be maintained and would take greater prevalence in the process, increasing the legitimacy and professionalism of the export control process.
Obstacles to reform	The constraints to reorienting the government's attitude towards facilitating agricultural exports cannot be overstated; this is a long-term process, but one that will eventually provide food security in the form of increased productivity and higher incomes. Abolishing unneeded paperwork might meet resistance from officials who may see the effort as removing power from their office. It may be difficult to identify reform-minded champions in the government as they may not exist, or may not be in a position to push polices through the legislative process. Ongoing debate on the institutionalization of the function of promoting Mali's exports may not come to fruition. Reducing road checkpoints will require a significant and sustained undertaking comprising multiple ministries and governorates, tangible leadership, incentives, training, organizational change, etc.
Fit with other donors	The World Bank is leading efforts to reduce unneeded paperwork in the import/export process. The West Africa Trade Hub (through the Borderless program) performs ongoing assessments of the West African road transport governance, but is limited in terms of effectiveness in implementing a reduction of checkpoints in Mali. Many other donors are working in the area of export promotion of Malian agricultural goods – although mostly with horticulture.
Resources required for reform	**High**
Action steps	a. Support the World Bank's efforts to abolish unneeded paperwork in the export process, either through co-financing or jointly programming technical assistance. b. Assemble exporters' associations to advocate for change, identify a reform-minded champion in government, and demonstrate the business case for a shift towards an agricultural export–led economy. c. Create incentives for export, and work with DNCC to promote exports. Support capacity building of the Malian Export Promotion Unit. d. Implement the reduction of checkpoints along trade corridors using best practices and key success factors from other USAID programs.
Best practices	USAID is supporting regional agricultural trade integration and export promotion primarily through the West Africa ATP and e-ATP programs and the East Africa COMPETE program, both of which could be a source of programmatic best practices and key success factors.
Time frame for reform	3–5 years
Overall feasibility	**Medium** – Supporting the World Bank's efforts is highly feasible as it is already happening; however, this is tempered by the fact that Action Steps b., c., and d. are much more challenging as they are highly political in nature and require considerable cross-ministry buy-in and coordination.
Overall priority	**High**

RECOMMENDATION: Advocate for reduced GoM intervention in the meat market in order to facilitate investment in the industry, such as high-quality meat processing.	
VC(s) affected	Livestock
Region(s) affected	All
Theme	Reduce "food security" intervention in staple commodity markets to a predictable minimum level, based on objective criteria and thresholds
Why is reform needed?	More than any other GoM policies, the combination of price negotiation (i.e., price setting) and occasional export restriction distorts the market for meat, severely limits growth in the industry and incomes along the value chain, and creates a disincentive for investment in more intensive livestock production. The primary reason for reform is to improve the health and sanitary standards of the slaughterhouses and to slowly nudge the Malian meat industry towards becoming modern and efficient, and able to keep more of the added value of their product through meat cutting and processing rather than the export of live animals. The GoM sets ceiling prices on a per-head basis for the slaughter of animals to protect the consumer, which creates a very strong disincentive for the abattoir owners to invest in improving the quality and health standards of the slaughtering facilities. The argument that increasing prices would incentivize "unofficial side slaughtering," deemed to be even more unsanitary, needs to be countered with better enforcement of food and sanitary standards by the GoM and self-policing by the industry.
Fit with FTF strategy	Increases yields, improves post-harvest practices, increases household incomes, increases access to and the consumption of nutritious foods, and improves government's capacity to manage agricultural programs.
Cost of constraint	A ceiling on the per-head slaughter rate makes the abattoirs unprofitable and, therefore, unable to get financing to modernize and improve standards. Without a modern abattoir meeting international standards, the regional cut-meat export market is forsaken in favor of live animal exports, resulting in a loss of export value and an impediment to economic growth of the whole sector.
Benefit of reform	The whole value chain is very traditional from herder to consumer and exporter with minimal value added (due to very slim margins). Improving the middle of the value chain, the abattoir, will allow for greater value addition in front of the abattoir (herder and feedlot) and after the abattoir (butcher, consumer, and exporter), and bring the whole value chain into the modern-day competitive world (over time). Health and sanitary standards will also be improved for the domestic consumer, while improving the opportunities for exports of cut meats to the subregion.
Obstacles to reform	An increase in the cost of meat in the domestic market will be felt, but at some point that adjustment will have to be made in order to stimulate growth in the whole value chain. During a limited transitional period, traditional lower-standard slaughtering should be allowed alongside the modern line to slow price escalation. The potential to export will dictate a requirement for higher-quality meat, resulting in the ability to pay more for the livestock (herder gains) and stimulate the feed production business.
Fit with other donors	Not available
Resources required for reform	**Low**
Action steps	a. Engage high-level government representatives in discussions as to the value of modernizing the meat sector, for health/sanitary reasons and for improving chances for export growth. b. Set up a visit to a properly structured meat sector country like Namibia for GoM authorities and meat value chain players. c. Organize seminars in Mali for value chain participants and consumers to show how other more successful countries like Namibia organize this sector. d. Advocate for specific policy shifts required, including a reduction in the use of price ceiling on cattle in the name of consumer protection and a crackdown on unofficial, unlicensed slaughtering.
Best practices	Namibia, South Africa
Time frame for reform	5 years

Overall feasibility	**Medium** – Easily actionable recommendations, but overall ambitious targets. GoM would have to swallow social pressure to keep consumer prices down, particularly in this election year.
Overall priority	**High**

RECOMMENDATION: Improve agribusinesses' access to credit by promoting the use of moveable assets as collateral.	
VC(s) affected	Livestock
Region(s) affected	All
Theme	Improve access to credit for agribusinesses
Why is reform needed?	Lenders are risk averse and are extremely conservative in their approach to evaluating and accepting collateral as a basis for loans. This limits the ability of potential borrowers to access credit.
Fit with FTF strategy:	Expands access to short- and medium-term credit and increases household incomes.
Cost of constraint	Although the law permits secured transactions for moveable property, the infrastructure to support such lending does not function well. Skepticism about using animals as collateral often means that livestock agribusinesses are unable to access formal credit unless they can offer evidence of land tenure as security. Rural livestock breeders are shut out of formal borrowing channels and must rely on informal credit, which is more costly and may not be available in sufficient amounts.
Benefit of reform	By enabling livestock agribusinesses to use their main asset, moveable property, as collateral for loans, the formerly asset-poor will be able to unlock the value of their existing resources, invest in the operations and growth of their businesses, and increase their incomes. As the project would initially involve a pilot transaction, only a small number of beneficiaries would result at first, but with time and success, a lending innovation based on livestock as moveable property could transform the sector.
Obstacles to reform	a. Risk aversion and the resulting lender preference for immovable property as collateral will hinder the progress of innovative secured transactions. Smart use of donor guarantees or other tools may be needed to persuade such actors to participate; it will also help if the underlying purpose of the secured loans is a commercial one. b. Supporting institutions such as cooperatives, associations, and livestock brokers may need significant training on the lending process, financial management, due diligence, etc. c. Information asymmetries will also pose logistical problems unless it is possible to incorporate existing market information systems (i.e., livestock brokers) into a formal due diligence process.
Fit with other donors	Not known; World Bank/IFC are helping to implement the RCCM.
Resources required for reform	**Medium**
Action steps	a. Understand the timeline and details concerning implementation of RCCM. b. Seek out partners (lenders, borrowers, etc.) who can pioneer a new product and/or help other participants mitigate risk. c. Research existing products and systems (including informal finance) and interview stakeholders to determine potential products with traction. d. Tap into existing mechanisms for gathering and compiling borrower information (transaction history, assets such as herd size, character) and develop relevant processes. e. Understand key risks to participants (e.g., for lenders – verification and identification of borrower assets, potential for repossession). f. Gather a team of financial experts to design the product. g. Get participating parties to sign an agreement. h. Monitor and assist with product as it launches and continues; gather lessons learned and adjust accordingly. i. Showcase viability of new product. j. Facilitate the development of related products, (e.g., insurance).

Best practices	The Kenya Livestock Finance Trust (K-LIFT) provides three-year loans to various types of livestock-related businesses (including farmers, vets, inseminators, processors, cooperatives, and traders) and will accept different types of collateral including land and livestock.
Time frame for reform	5 years
Overall feasibility	**Low** – This is new and risky, and may not does not have a lot of local buy-in. Also, it depends on better implementation of the new law and its acceptance by financial institutions, which even in the best scenario will be challenging.
Overall priority	**Medium**

RECOMMENDATION: Lead efforts to integrate multiple credit-related registries, with a focus on facilitating financing and contracting for agribusinesses.	
VC(s) affected	All
Region(s) affected	All
Theme	Improve access to credit for agribusiness
Why is reform needed?	The ability to access information on potential borrowers' assets, credit status, and credit history will improve lenders' risk assessment of potential agribusiness investments, allow for improved pricing of loans, and create strong incentives on the part of borrowers to repay their loans, ultimately increasing confidence in agricultural lending and unleashing a flood of capital into the sector. Furthermore, increased access to reliable information on businesses' past performance will make entrepreneurs more willing to take risks and extend trade credit to business partners. While multiple registries to collect and share credit-related information with potential lenders and business partners are already under development, there is a need for coordination and integration of data gathering, management, maintenance, and use.
Fit with FTF strategy	Expands access to short- and medium-term credit and improves government's capacity to manage agricultural programs.
Cost of constraint	Access to finance in the agribusiness sector is generally available only to preferred clients and less-risky industries. Lenders ask for excessive amounts of collateral (usually in the form of land), which is often hard for borrowers (especially producers and smaller processors) to access. Also, as lenders compete for preferred borrowers, there is potential for multiple loans beyond borrower capacity (i.e., overindebtedness), which poses not only a risk to the borrower but also to the lenders and the overall system. Borrowers may not face adverse consequences in case of nonrepayment.
Benefit of reform	The central bank (BCEAO), GoM, and other key stakeholders, including the World Bank/IFC and Luxembourg, are developing a number of registries to collect and disseminate credit-related information among lenders (mostly banks but also eventually MFIs), including BCEAO's Risk Central (tracks current outstanding debt), BCEAO's Payment Incidents database (tracks borrowers' negative history), and RCCM (business registry managed by the commercial courts). In addition, other information, such as data on land titles and administration, will also be available in a computerized database. These initiatives would operate in parallel, with minimal coordination, and without fully accounting for the needs of rural agribusiness. One lead donor could play an important role in coordinating and integrating information from the various databases.

Obstacles to reform	a. While most relevant laws are updated, inconsistencies between laws and their implementation persist. The RCCM, for example, has been in existence for years, but because the information it contains is neither centralized nor kept up to date, it has not been effective in serving its purpose. b. Different institutions (BCEAO, commercial courts, etc.) will be managing the different registries, so it will be imperative to find a way to coordinate and keep the information up to date and accurate. c. Registry development also involves various donors (World Bank/IFC, Luxembourg) so coordination with them will be vital. d. There is strong support for these registries among key stakeholders, but it will take time and much effort; in the meantime, there is always the possibility that institutions such as lenders may regard the effort too costly and time-consuming. Borrowers will also need to be educated about the systems and how to maintain accurate records.
Fit with other donors	Other donors are involved in supporting access to finance, such as the World Bank Group, the African Development Bank, Canada, Denmark, Luxembourg, and other countries and NGOs. The World Bank has conducted comprehensive feasibility studies on the RCCM. This effort is likely to tie in with each of the donors' efforts, as it encourages a healthier financial sector.
Resources required for reform	**Low**
Action steps	a. Coordinate with other actors and get their buy-in, determine what data is being gathered for which registry, understand who the implementing institutions are, and determine areas for coordination and leadership. b. Initially focus on data gathering and design; see what areas of synergy exist; avoid duplication. c. Work with other partners to develop plans to streamline implementation and reporting of data. d. Work with other partners to develop systems to maintain accurate data e. Continue to play coordination and leadership role as registries launch; work in conjunction with relevant BCEAO and/or GoM bodies and provide technical assistance to develop a long-term, sustainable mechanism.
Best practices	World Bank/IFC has implemented credit bureaus in other countries; also keep abreast of developments in other WAMU countries, especially regarding RCCM, which is housed in national institutions. The World Bank has conducted a study on the RCCM in Benin, Congo, and France.
Time frame for reform	3–5 years
Overall feasibility	**Medium**
Overall priority	**Medium**

RECOMMENDATION: Advocate for the discontinuation of market regulation of cereal prices and export volumes (*de jure* and *de facto*).	
VC(s) affected	Sorghum, millet, and rice
Region(s) affected	All
Theme	Reduce "food security" intervention in staple commodity markets to a predictable minimum level, based on objective criteria and thresholds
Why is reform needed?	Uncertainty of markets, and particularly closing off potentially lucrative export markets in time of shortage of supply creates very large disincentives to the growers of the cereal, the aggregators of the cereal into storage facilities, and the traders to produce larger quantities or in any way to incentivize that larger production.
Fit with FTF strategy	Increases yields, improves post-harvest practices, increases household incomes, increases access to and the consumption of nutritious foods, and improves government's capacity to manage agricultural programs.

Cost of constraint	Restricted production (a direct result of administratively restricted export markets) causes cereal to cost more and reduces income to the producer as well as increasing cost to the consumer in times of shortage on the market. Mutual restriction of regional export markets will naturally lead to impediments on growth for all concerned in the region.
Benefit of reform	This is a classic win-win situation, particularly in markets that are historically in deficit production while the demand is in fact growing. The whole subregion should be incentivized to grow as much as it can, provide for sufficient storage facility so as not to be dumping product on the market at the wrong time, and consequently substituting all the imports they are presently making.
Obstacles to reform	Institutional and political constraints are such that proper regional markets (ECOWAS or UMOA) cannot function efficiently or correctly (national protection). Producers are not incentivized to produce efficiently because they are not competing in an open competitive regional market, and prefer to hide behind national protective barriers rather than scale up and be more competitive. Producers and consumers have become complacent, accepting their inability to compete and either national protection or cheap imports, rather than insisting on world competitively priced, scaled-up efficient production for the regional market.
Fit with other donors	Not available
Resources required for reform	**Low**
Action steps	a. Enter into a serious policy dialogue with the GoM and regional partners toward a truly regional food security approach. b. Production should be encouraged by GoM to produce overabundance so that excess can be exported rather than restricting exports to ensure domestic supply. c. Encourage the GoM to invest in storage facilities, to assure producers will produce extra without dumping it all into the market at the same time. d. Take Malian (and other) decision makers to see and experience truly free-flowing national/regional markets. e. Tie development assistance funds to incremental reforms in this area. f. If necessary, support a regional external protective tariff at the ECOWAS level (temporary and phased out or matching other international standards for protection) in order to give birth to scaled-up internationally competitive cereal production, storage as necessary, and milling/processing.
Best practices	Nigeria, given the size of its internal market equating rest of ECOWAS; Brazil; India; and China
Time frame for reform	2–3 years
Overall feasibility	**Medium** – Easily actionable recommendations. Showcasing success will help, but GoM will be difficult to convince.
Overall priority	**High**

TIER III: These recommendations should be integrated into mission strategy

RECOMMENDATION: Encourage the dissemination of royalty-free basic seeds to private sector seed companies.	
VC(s) affected	Rice, millet, and sorghum
Region(s) affected	All cereal-growing regions
Theme	Access and availability to better-quality seeds
Fit with FTF strategy	Increases yields, increases household incomes, and increases access to and the consumption of nutritious foods.
Why is reform needed?	Although new seed varieties bred by the public sector are considered within the public domain, the private sector claims to be unable to access such varieties, as a result of the GoM utilizing all the capacity.

Cost of constraint	This restricts the private sector development to the multiplication and sale of imported seed, which may not always be appropriate to conditions in Mali.
Benefit of reform	Increased availability of royalty-free seed would allow the private sector to play a greater role in seed multiplication. If combined with the development of private sector capacity for seed certification, this reform would significantly enhance the role of the private sector in the seed industry over the long-term and would reduce the burden on GoM seed multiplication facilities.
Obstacles to reform	There are at least three constraints to this reform. First, existing seed legislation does not recognize any seed other than that produced through a predefined process to which the multiplication of QDS cannot conform. Second, the limited institutional capacity of the DNI to certify QDS does stimulate private sector participation in seed production. Third, many supporting institutions align with the government in favoring the dissemination of higher-yielding commercial hybrid seed to subsistence producers and small commercial producers as opposed to QDS of proven, but lower-yielding indigenous varieties and cannot be expected to be supportive of this reform.
Fit with other donors	There are no known donor initiatives in this area.
Resources required for reform	**Low**
Action steps	Lobby the government to allow the private sector to access basic seeds bred by the SSN. This should be accompanied with an information campaign to convince bureaucrats and technicians of its importance to the market.
Best practices	N/A
Time frame for reform	The lobbying process may be undertaken over a period of one year, after which procedural reform can be undertaken immediately.
Overall feasibility	**Medium** – This can be easily achieved, but there may be pushback from government agencies. The law has been around for a few years and nothing has moved yet.
Overall priority	**Medium**

RECOMMENDATION: Advocate for a restructuring of GoM intervention in input supplies through *Initiative Riz*.	
VC(s) affected	Rice
Region(s) affected	All
Theme	Reduce "food security" interventions in staple commodity markets to a predictable minimum level, based on objective criteria and thresholds.
Why is reform needed?	It is not only inefficient (much of the subsidized fertilizer is not used by rice producers at all), but it also restricts producer choice, crowds out competition in the agro-input sector, reduces incentives for performance on the part of the sole supplier, and restricts trader cash flow. While the intent of *Initiative Riz* has been laudable, the execution of it has several drawbacks on the agri-dealers. The selection of agri-dealers entitled to have access to this program is not transparent, creating a counterproductive barrier to entry into the market. A simple voucher system administered in a timely fashion, whereby every agri-dealer would have access to offering subsidy to his or her customer/farmer would open up the game. Moreover, by administratively selecting the crops to support, the GoM is not maximizing the value of that subsidy by allowing the market to determine where best to apply it.
Fit with FTF strategy	Increases yields, improves post-harvest practices, increases household incomes, increases access to and the consumption of nutritious foods, and improves government's capacity to manage agricultural programs.
Cost of constraint	Restricting subsidy vouchers to a few dealers reduces entry opportunities for new agri-dealers. It also creates impediments to growth by restricting competition and passing through costs of inefficiencies (both allocation and transaction costs) to the final cost of the crop. This reduces investments in certain crops.

Benefit of reform	Farmers would benefit from more efficient distribution of fertilizer, would not be limited as to what they can grow, and would operate under a certainty of knowing how long the subsidy period would last so they can calculate weaning off it. Agri-dealers would benefit from greater opportunity to enter the market, plus strengthen their roles through self-policing and more efficient reimbursements of subsidy vouchers.
Obstacles to reform	The close relationship between insider agri-dealers and outsiders needs to be broken to encourage open competition. Farmers need to realize benefit of fertilizer through yields even when paying full price. The relationship between farmers and agri-dealers needs to be strengthened.
Fit with other donors	Unknown
Resources required for reform	**Low**
Action steps	The issues raised above are all policy related; hence, the USAID Mission needs to enter into a discussion with the Ministry of Agriculture, with the goal of encouraging them to do the following: a. Clearly communicate through farmers associations the scale of the subsidy and timing of phase down, in essence priming the pump until the farmers realize the value of fertilizer and accommodate the market price of fertilizer into the market price of the product through higher yields. b. Make fertilizer vouchers available to all registered agri-dealers, make all crops eligible, and streamline voucher system and reimbursement c. In conjunction with APCAM and the Patronat, lobby for and strengthen the ability for agri-dealers to self-police the abuse of subsidized fertilizer being resold rather than applied.
Best practices	N/A
Time frame for reform	Open up subsidy system to transparency and all crops in the next campaign and phase out the subsidy program over 5 years
Overall feasibility	**Low** – There is a moderate chance of the GoM seeing the value of opening up fertilizer support on a phase-out basis to all crops, although evidence of a successful subsidy phase-out is rare.
Overall priority	**High**

RECOMMENDATION: Increase efficiencies in the meat sector through greater synergies, by allowing larger profit margins within each step, and stimulating/justifying new investments at each stage.	
VC(s) affected	Livestock
Region(s) affected	All
Theme	Investment facilitation
Why is reform needed?	The whole meat value chain, from the herder to the butcher and consumer, is locked into a series of sequential relationships, each one operating on very slim margins and in essence passing through the inefficiencies of each step onto the next one. As long as herding remains traditional and the raising of animals does not become a commercial venture, the quality of cattle will not be optimized. Fattening lots and the quality and availability of cattle feed could both stand to gain from substantial private investments if in fact they could be justified with a higher price for meat, which at present is capped by the GoM. As discussed elsewhere in the report, liberalization of meat prices, as well as lifting the administered controls on the tolling price of slaughtering cattle, would both increase the incentives for greater investments in more intensive livestock production, as well as investments in improving the health and quality standards of the abattoirs. With better margins, financing for cattle purchase by the abattoirs would more likely be available, squarely putting the abattoirs in the middle of the value chain rather than having the butchers going around the abattoir directly to the herders and purchasing the cattle at distressed cash on the barrel prices. Finally, modern abattoirs and properly cut meats are more likely to be able to compete in the regional export markets and capture more of the value added in Mali rather than exporting the cattle "on-the-hoof."
Fit with FTF strategy	Increases yields, improves post-harvest practices, and expands access to short- and medium-term credit.

Cost of constraint	By not promoting a modern cattle industry, Mali is forsaking the opportunity of increasing exports of its meat products in the higher value processed form rather than as live animals. Moreover the potential of a leather industry is also lost by the export of live animals.
Benefit of reform	Large benefits would accrue to all the actors in the value chain. While this and related reforms may drive up prices for consumers in the beginning, this impact will decline over time and prices should stabilize in the long run, particularly if there is a focus on efficiency.
Obstacles to reform	Primary constraints are institutional in that the policy makers are not willing to increase prices for consumers. This is compounded by the very traditional nature of cattle raising.
Fit with other donors	Unknown
Resources required for reform	**Medium**
Action steps	a. Advocate for a fundamental change and realignment of the whole value chain by allowing proper margins so that the actors in the chain would each be incentivized accordingly. b. Develop a private sector–focused forum to promote interaction along the value chain for more efficient production all along the chain. c. Organize visits to countries where the sector is functioning more efficiently. d. Link the output of commercially minded producers with individual investors who would guarantee to purchase and process all production.
Best practices	Namibia
Time frame for reform	3–5 years
Overall feasibility	**Low** – There are several major obstacles to achieving a more efficient value chain: changing the traditional nature of cattle rearing and herding, getting the disparate actors in the value chain to collaborate better in their own interests, and having the political/social elite accept consequential price rises.
Overall priority	**Medium**

RECOMMENDATION: Support the creation of information linkages among livestock value chain actors and lenders.	
VC(s) affected	Livestock
Region(s) affected	All
Theme	Improve vertical coordination and intra-industry synergies
Fit with FTF strategy	Expands access to short- and medium-term credit/Increases household incomes
Why is reform needed?	Investors and lenders are reluctant to accept cattle as underlying security for credit transactions, in part because property rights to livestock are not systematically registered or recognized. While the new secured transactions law provides an opportunity to pilot lending innovations for the livestock sector, it is unlikely that participants in the informal market will be able to benefit unless there is a way to link traditional information flows to formal due diligence processes. Traditional livestock transactions take place informally at the livestock markets through brokers. The lack of trust between trading partners who do not know each other, and the potential uncertainties of ownership, constrain livestock producers to sell through recognized brokers with whom they have a personal business history. Brokers are traditionally well respected and are accepted as trustworthy by the traders who visit the market. In this way the brokers play an essential role in an otherwise suspicious environment. They make money on each trade, but to do so they must safeguard their reputation and they will guarantee each trade that they make, replacing animals later found to be stolen or diseased. Brokers have the information required by banks to assess the creditworthiness of livestock producers. They could be used by banks to determine which producers within a producer clan have sufficient assets to be able to borrow money and could form the focal point, if required, of a clan-based guarantee system in the event of default by one clan member.

Cost of constraint	Opportunities are foregone both for livestock producers who want to expand production and for lenders who see profitable opportunities for investment. In practice, lenders rely mostly on fixed property (i.e., land), to which most livestock producers do not have access. As a result, producers are unable to borrow against their main assets (their herds), which prevents them from expanding their operations and income and also limits overall economic growth in the livestock sector.
Benefit of reform	The development of a system that captures the producers' capacity through the livestock brokers' assessment of individual producers and their herd sizes would allow lenders to verify cattle producers' reliability and assets. This would lower the barriers to entry for finance. Brokers would be paid for this service by banks, but would lose their credibility with banks (and hence a source of income) if borrowers defaulted. In that event, not only would the broker lose out, but all livestock producers selling through that broker would also lose the capacity to borrow money since the bank would no longer trust their broker's assessment of their creditworthiness. This would be a strong incentive for the members of all clans or cooperatives selling through the broker to effectively underwrite the original transaction.
Obstacles to reform	Lenders are initially likely to be extremely skeptical about the potential for using moveable property for collateral and on relying on informal informational systems as part of their due diligence process. Brokers may not be willing to participate. However, they already effectively guarantee transactions, and the opportunity to assess and guarantee creditworthiness should be a potentially profitable opportunity. It would be important to design the assessment system in a way that is compatible with the existing marketing system.
Fit with other donors	No other donor programs involved.
Resources required for reform	**Low**
Action steps	a. Work with financial institutions to float the concept of broker-based assessment/lending and to determine what type of information potential lenders will need (e.g., herd ownership and size) to enable new transactions. b. Study how brokers operate and how the clans and livestock trader cooperatives work to assess whether a broker-based clan or cooperative underwriting system is feasible. c. Assess the level of fee payable to the broker for the assessment of credit worthiness, by the lending agency. d. Pilot the system in one location – Fatouma might be feasible since it is a large, important national market. e. If successful, facilitate the expansion of the assessment system into other markets (eventually all major cattle markets in the country). f. Facilitate the development within the formal lending agencies of a broker-based credit rating system.
Best practices	The livestock market structure in Niger and Ivory Coast is similar to the current structure in Mali.
Time frame for reform	1–2 years for initial stage
Overall feasibility	**Low** – Brokers and lenders will both be reluctant and skeptical. Although greater information exchange is ultimately clearly in their interest, this will take some convincing.
Overall priority	**Medium**

RECOMMENDATION: Improve trust in the judicial system by making decisions from the commercial courts more transparent and accountable.	
VC(s) affected	All
Region(s) affected	All
Theme	Encourage the enactment and enforcement of formal contracts
Fit with FTF strategy	Improves post-harvest practices, and improves household income.
Why is reform needed?	Agribusinesses mistrust the judicial system because they are not confident that it will enforce their contracts in a fair manner. This makes them less willing to take risks by extending trade credit or deal with business partners with whom they are not already familiar. By publishing commercial court decisions, and training journalists on how to report on the judiciary, there will be a greater scrutiny of the judiciary, leading to long-term reform and increased trust in the system by traders.
Cost of constraint	There is a widespread perception that the judicial system is corrupt. As a result, some agribusinesses do not bring debt recovery claims to court but internalize the loss. This practice increases the cost of doing business. Moreover, the perception that the judiciary is corrupt reduces agribusinesses willingness to expand their business dealings beyond their existing long-term relations out of concern that contracts, in particular credit arrangements, cannot be enforced. This practice reduces the opportunities to move into new markets. This is particularly constraining to grain traders, though examples are plentiful across the whole agricultural sector of Mali.
Benefit of reform	Published court decisions bring about more transparency and public scrutiny of the judicial system, which would create a more predictable legal environment for agribusinesses. Hence, publication of the full decisions, including the reasoning, would be an important step towards addressing corruption practices within the judiciary in Mali. By training journalists on the use of commercial court decisions, the press will play an important role in improving public understanding of contract enforcement.
Obstacles to reform	There might be some resistance from the court magistrates as publishing the court cases would expose them to greater public scrutiny. However, the interviews conducted during this assessment did not indicate that this would be a big problem.
Fit with other donors	The World Bank is finalizing an assessment of the commercial court procedures in Mali. The report will include recommendations on specific actions to be undertaken to improve the commercial court. Although the report is not yet made public, the World Bank has expressed interest in publishing commercial court decisions.
Resources required for reform	**Medium**
	a. Coordinate with the World Bank (WB) to see what specific actions steps the WB is already proposing. b. If needed, supplement the WB's plan with a technical report on computerizing court cases. c. Train the commercial court magistrates on how to write court decisions, with a focus on the reasoning. d. Train journalists on the use of commercial court decisions to report on the judiciary. Considering the low literacy rate and the popularity of radio, radio journalists should be the focus. e. Organize a workshop that facilitates a dialogue between magistrates and journalists. A similar project in Bosnia found this approach very useful as both professions harbored preconceived notions about the other group, which to some extent were misguided. f. Publicize through radio announcements that the court reform has taken place and what effect it will have on the judiciary.
Best practices	Albania, Croatia, Serbia, Kosovo, and Vietnam.
Time frame for reform	1–2 years – Some phases are short term but the goal is generational (one to two years).
Overall feasibility	**Medium** – USAID has in-house expertise on these types of reforms, which have been done quite successfully in the past in the countries referenced above.
Overall priority	**Medium**

Nate Kline, Chief of Party
EAT/Fintrac
202.621.7349
nkline@fintrac.com

Deanna Gordon, COTR
USAID/BFS
202.712.0623
degordon@usaid.gov

www.eatproject.org