Language : English
Original : French

AFRICAN DEVELOPMENT FUND

PROGRAMME: Second Growth and Poverty Reduction Strategy Support Programme (GPRSSP II)

COUNTRY : MALI

APPRAISAL REPORT

Date: 28/ 06/ 2011

	Team Leader: Alain EKPO, Principal Macro-economist, OSGE.1 **Team Members:** - Mamadou DIAGNE, Principal Country Economist, MLFO - Hamacire DICKO, Macro-economist, MLFO - Leandre BASSOLE, Young Professional Economist, ORWB - Selpha NYAIRO, Legal Counsel, GECL - Ramata HANNE DIALLO, Procurement Officer, MLFO - Mohamed Aliou DIALLO, Financial Management Officer, MLFO **Sector Director:** Isaac LOBE NDOUMBE, OSGE **Acting Regional Director:** Nono MATONDO-FUNDANI, ORWB **Division Manager**: Serge N'GUESSAN, OSGE
Peer Review	- Richard A. DOFFONSOU, Senior Country Economist, ORWA - Ahmed Ismail MAHDI, Chief Financial Analyst, OSGE.2 - Michel MALLBERG, Principal Economist, OSGE.2 - Philippe TRAPE, Senior Country Economist, OREB

TABLE OF CONTENTS

Annexes **Number of Pages**

Boxes

Graphs

Tables

Currency Equivalents

As at 31 July 2011

Unit of Account	=	CFAF 735.538
EUR	=	CFAF 655.957
USD	=	CFAF 459.998

Fiscal Year

1 January to 31 December

Acronyms and Abbreviations

ADF	:	African Development Fund
AFRITAC	:	Africa Regional Technical Assistance Centres
ARMDS	:	Public Procurement and Public Services Delegation Regulatory Authority
BCEAO	:	Central Bank of West African States
CARFIP	:	Public Finance Reform Unit
CdC	:	Court of Auditors
CFAA	:	Country Financial Accountability Assessment
CFAF	:	Franc of the African Financial Community
CMDT	:	*Compagnie Malienne de Développement du Textile* (Malian Textile Company)
CPI		Corruption Perception Index
CSP	:	Country Strategy Paper
DCPND	:	National Decentralisation Policy Framework Paper
DGAT	:	Directorate General of Regional Administration
DGCT	:	Directorate General of Local Authorities
DGD	:	Directorate General of Customs
DGI	:	Directorate-General of Taxes
DGMP-DSP	:	Directorate-General of Procurement
DNCT	:	National Directorate of Local Authorities
DNDC	:	National Directorate of Lands and Land Registry
DNSI	:	National Directorate of Statistics and Information Technology
DNTCP	:	National Directorate of Treasury and Public Accounting
ECF	:	Extended Credit Facility
EPA	:	Economic Partnership Agreements
EPI	:	Environmental Performance Indicator
GDP	:	Gross Domestic Product
GFFT	:	Government Flow of Funds Table
GoM	:	Government of Mali
GPRSF	:	Growth and Poverty Reduction Strategy Framework
GPRSSP	:	Growth and Poverty Reduction Strategy Support Programme
HDI	:	Human Development Index
HIPC	:	Heavily Indebted Poor Countries
HIPC-I	:	Heavily Indebted Poor Countries Initiative
IMF	:	International Monetary Fund
JCAS	:	Joint Country Assistance Strategy
LAs	:	Local Authorities
MDG	:	Millennium Development Goals
MDRI	:	Multilateral Debt Relief Initiative
MLFO	:	Mali Field Office
MRSC	:	Cotton Sector Restructuring Authority
MTEF	:	Medium-Term Expenditure Framework
PADDER	:	Decentralisation and Regional Economic Development Support Project
PADEC	:	Community Development Support Project
PAGAM/GFP	:	Government Plan of Action on the Improvement/Modernisation of Public Finance Management
PEFA	:	Public Expenditure and Financial Accountability
PFM	:	Public Finance Management

PNACT	:	National local authorities Support Programme
RBCSP	:	Results-Based Country Strategy Paper
SAP	:	Structural Adjustment Programme
SCCS	:	Accounts Section of the Supreme Court
SDR	:	Special Drawing Rights
TFPs	:	Technical and Financial Partners
UA	:	Unit of Account
UNDP	:	United Nations Development Programme
VAT	:	Value Added Tax
WAEMU	:	West African Economic and Monetary Union

Loan Information

Client Information

BORROWER	**:**	Republic of Mali
EXECUTING AGENCY	**:**	Ministry of Economy and Finance

Financing Plan

Source	**Amount (UA)**	**Instrument**
ADF	33 million	General budget loan
TOTAL COST	**33 million**	

ADF Key Financing Information

Loan Currency	UA
Service Charge	0.75% yearly on amounts disbursed and not yet repaid
Commitment Fee	0.5% yearly on undisbursed loan amount, beginning to run 120 days after the signing of the loan agreement
Tenor	50 years including the 10-year grace period

Timeframe – Key Milestones (Expected)

Concept Note Approval	24 May, 2011
End of Appraisal Mission	17-June 2011
Programme Approval	(October, 2011)
Effectiveness	(November, 2011)
Completion	(December, 2013)
Deadline for last disbursement	(December, 2013)

Programme Executive Summary

Programme Overview	**Programme Name**: Second Growth and Poverty Reduction Strategy Support Programme (GPRSSP II). **Geographical Coverage**: Nationwide **Expected Outcomes**: Increased tax revenue, improved transparency in public finance management and accelerated decentralisation. **Total Duration**: 30 months **Programme Cost**: UA 33 million (ADF loan)
Programme Outcomes and Beneficiaries	The programme is intended to support the efforts of the Government of Mali (GoM) to consolidate economic growth and accelerate poverty reduction. Consistent with the first pillar of the Bank's strategy for Mali on *improving the private sector environment*, the programme will focus on strengthening economic and financial governance. However, the measures to be supported will also aim to improve the business environment, notably by fostering competition. The programme's contribution to accelerating poverty reduction will be through better distribution of national wealth among the different regions of the country. The programme has three components, namely: (i) optimum mobilisation of domestic resources; (ii) enhanced transparency in public finance management; and (iii) improving the resources and management of local authorities. The key measures supported by the programme are: (i) adopting and implementing a national fiscal transition programme, in conformity with the Directives of the West African Economic and Monetary Union (WAEMU); (ii) conducting a study on the establishment of a land register; (iii) building the operational capacity of the financial court responsible for the external control of public expenditure; (iv) conducting public procurement audits; and (iv) implementing the Instruction of the Prime Minister on the transfer of resources and skills to local authorities. The main expected outcomes are: (i) increasing tax revenue from 14.7% of GDP in 2010 to 16% in 2013; (ii) increasing the amount of public procurement by competitive bidding; (iii) speeding up judgement of State operating accounts; and (iv) improving the rate of implementation of local authorities' development plans. The GoM and local authorities are the direct beneficiaries of the programme. The private sector and the people of Mali are the final beneficiaries.
Needs Assessment	Mali has posted appreciable economic performances over the last three years that have led to a significant decline in poverty. However, to accelerate progress towards achieving the Millennium Development Goals, the country must achieve higher levels of growth. To this end, the GoM has decided to allocate more resources to productive sectors. It also intends to speed up poverty reduction, through transfers to local authorities. However, the GoM is constrained by the paucity of its own resources and its increased expenditure, stemming from rising oil prices and the political crises affecting the sub-region. The Bank's support is necessary to consolidate the macroeconomic framework, pursue key public finance management reforms and maintain an acceptable budget allocation for priority sectors.
Bank's Added Value	Though not the sole party involved in economic governance reforms, the Bank will ensure through this programme that the improvement of the State's domestic resources is accompanied by increased transfer of skills and resources to the local authorities. This approach by the Bank is consistent with the expertise it has gained in the area of decentralisation, through the design and implementation of the Decentralisation and Regional Economic Development Support Project (PADDER) in Mali.
Institutional Development and Knowledge Building	The programme was designed on the basis of the analytical work on taxation, public finance management and decentralisation. The discussions with various structures during programme preparation contributed to accumulation of knowledge for the Bank as well as the Malian side.

Table 1
Results-Based Logical Framework

	RESULTS CHAIN	PERFORMANCE INDICATORS: Indicator (including CSIs)	PERFORMANCE INDICATORS: Baseline Situation	PERFORMANCE INDICATORS: Target	MEANS OF VERIFICATION	RISKS/ MITIGATIVE MEASURES
IMPACT	**Contribute to the consolidation of economic growth and accelerated poverty reduction**	Real GDP growth rate	5.8% in 2010	Average of 6% yearly between 2011 and 2013	Sources: National Institute of Statistics/IMF	
		Incidence of monetary poverty	43.6% in 2010	40.6% in 2013	Sources: DNSI – Household surveys	
OUTCOMES	**Outcome 1** The mobilisation of domestic resources is optimised as part of fiscal transition	Tax ratio (total tax revenue as a percentage of nominal GDP)	14.7% in 2010	16% in 2013	Source: GFFT; DGI	**Risk:** The general elections are scheduled for April 2012. This could slow down implementation of reforms **Mitigative measures already implemented:** A new government was established in April 2011 to ensure continued monitoring of country priorities. This new government does not comprise people who are likely to contest the next general elections. **Risk:** Vulnerability of country to commodity price shocks. **Mitigative measures already implemented:** The GoM has already adopted measures to adjust domestic prices against international oil prices. It has also provided for subsidies to alleviate the impact of price fluctuations on the population. The continued implementation of reforms and economic measures as well as investment in productive sectors (infrastructure and agriculture) will help reduce the country's vulnerability to exogenous shocks. **Action to be taken by the Bank:** The Bank will work with other TFPs to ensure enhanced monitoring of the macroeconomic situation and propose solutions to the GoM in the event of major shocks.
		Domestic tax revenue ratio (excl. customs VAT)/GDP	8.8% in 2010	9.5% in 2013	DGI Report	
		Rate of per capita increase of self-generated resources of local authorities	5.9% in 2010	>=6% yearly from 2010 to 2013	Report of the National Directorate of local authorities(DNCT)	
	Outcome 2a Public procurement is efficient and compliant with WAEMU requirements	Percentage of procurement by competitive bidding (CSI)	77.6% in 2010	80% in 2013	DGMP-CSP Annual Report; PAGAM review	
		Lead times for public procurement from domestic funds, year n-1 overall.	127 days	90 days		
	Outcome 2b External control systems ensure reliability of public accounts	Deadlines for submission to the National Assembly of the draft laws and regulations	Average of 18 months before 2010	< = 12 months as from FY 2010	PAGAM review	
	Outcome 3 The resources and management of local authorities improve	Rate of increase in State budget transferred to local authorities	1.5% in 2010	>= 3% yearly as from 2012	Budget implementation report produced by the Directorate General of Budget (DGB)	
		Rate of decentralisation of budget appropriations (share of State budget executed by deconcentrated regional administrations)	18.6% in 2010	22% in 2013		
		Rate of approval of local authorities' budgets by their oversight bodies in a timely manner	54.2% in 2010	75% in 2013	DNCT Annual Report	
		Average rate of implementation of actions planned in the Development Plans (PDESC)	35% in 2009	60% in 2013		
OUT	***Component 1:* Optimum mobilisation of domestic resources**					

RESULTS CHAIN	PERFORMANCE INDICATORS: Indicator (including CSIs)	Baseline Situation	Target	MEANS OF VERIFICATION	RISKS/ MITIGATIVE MEASURES
Output 1.1 Finalisation of study on establishment of a land register	Availability of study	Lack of such a study	Study launched by 30 June 2012 and finalised by 30 March 2013	Copy of report	
Output 1.2 **Adoption by Government of fiscal transition programme (trigger)**	**Realisation of fiscal transition programme**	**Draft programme is not yet adopted**	**Programme is adopted no later than 30 September 2011**	**Copy of programme and Council of Ministers' communiqué**	
Output 1.3 Preparation and implementation a local taxation development strategy	Availability of local taxation development strategy	Non-availability of strategy	Draft strategy available by 30 September 2013	Copy of strategy	
Component 2: ***Enhanced transparency in public finance management***					
Output 2.1 Launch by ARMDS of audit of 2010 procurements	Conduct of audit	No audit performed as at 30 June 2011	Audit report of procurement for year n available by June of year n+2	Copy of audit reports	**Risk:** Delay in constitutional amendment on the establishment of the Court of Auditors. **Mitigative measure:** The GoM has budgeted in the 2011 supplementary fiscal resources for the organisation of a constitutional referendum. In case the referendum is not organised, a legal workaround will be adopted to allow the strengthening of the SCCS with qualified personnel for the review of accounts.
Output 2.2 **Adequately staffing the Accounts Section for speedy judgement of State operating accounts for the period 1992 to 2008; (trigger)**	**Staff at post at the Accounts Section of the Supreme Court (SCCS)**	**Twenty-five officials as of 30 May 2011**	**Number of SCCS staff higher in 2012 than staff at post as at 30 May 2011**	**SCCS Report; PAGAM Review**	
Output 2.3 Putting in place of sustainable institutional and legal instruments for the regular review of accounts as from 2009	Adoption of institutional and legal instruments	SCCS is subject to the rules governing the Supreme Court	SCCS is established as a Court of Auditors by end 2012	PAGAM Review	
Component 3: ***Improvement of local authorities' resources and management***					
Output 3.1 **Implementation of Prime Minister's Instruction N°08-0003/PM-RM on the transfer of skills and resources to local authorities (trigger)**	**Rate of implementation of Prime Minister's Instruction on the transfer of skills and resources to local authorities**	**Three (3) out of 19 Ministries have begun transfer of skills and resources**	**Rate of implementation of Instruction >= 50% in 2012 and 2013**	**Annual joint sector review of institutional development and decentralisation**	**Risks:** Delays in preparing three-year decentralisation plans **Mitigative measures**: The GoM will ensure capacity building of decentralisation and deconcentration support unit in various ministries.
Output 3.2 Local authorities' budgets are approved by the oversight structures/bodies/agencies within the time prescribed by law	Percentage of local authorities' budgets approved on time	54.2% in 2010	>=80% in 2013		
ACTIVITI See Annex I – Matrix of Operational Policies				**ADF Loan Amount**: **UA 33 million** First tranche in 2011: UA 15 million Second tranche in 2012: UA 9 million Third tranche in 2013: UA 9 million	

REPORT AND RECOMMENDATION BY MANAGEMENT TO THE BOARDS OF DIRECTORS CONCERNING A LOAN PROPOSAL IN FAVOUR OF THE REPUBLIC OF MALI TO FINANCE THE SECOND GROWTH AND POVERTY REDUCTION STRATEGY SUPPORT PROGRAMME (GPRSSP II)

I. THE PROPOSAL

1.1 Management submits this proposal for the award of a loan of UA 33 million to the Republic of Mali, to finance the Second Growth and Poverty Reduction Strategy Support Programme (GPRSSP II). This is a general budget support programme to be implemented over 30 months, from June 2011 to December 2013. It follows a request from the Government of Mali (GoM) dated 17 June 2011 and is line with Mali's second generation Growth and Poverty Reduction Strategy Framework (GPRSF) 2007-2011 and RBCSP 2005-2009 whose extension up to the end of 2011 was approved by the Boards on 11 February 2009. The GPRSF was adopted by the GoM on 20 December 2006 and endorsed by donors on 28 April 2008. The programme design was based on the Government's Letter of Development Policy (see Annex 1) and took into account the good practice principles relating to conditionalities and the provisions of Bank Group policy on the accumulation of non-concessional debt.

1.2 The programme is intended primarily to help consolidate economic growth and accelerate poverty reduction through: (i) optimum mobilisation of domestic resources; (ii) enhanced transparency in public finance management (PFM); and (iii) improving the resources and management of local authorities. The main expected outcomes are: (i) increasing tax revenue from 14.7% of GDP in 2010 to 16% in 2013; (ii) increasing the number of public contracts awarded by competitive bidding; (iii) reducing the time for the review of State operating accounts; and (iv) improving the rate of implementation of local authorities' development plans.

II. COUNTRY AND PROGRAMME CONTEXT

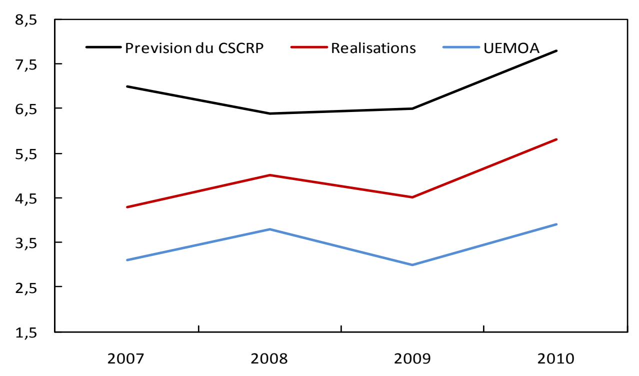
2.1 Recent Socioeconomic Developments, Prospects, Constraints and Challenges

2.1.1 **Mali has enjoyed political stability** since the August 1991 National Conference and the successful organisation of four successive presidential elections. The consensus approach that has characterised the Head of State's policy has contributed to strengthening the country's political and social stability. However, it has resulted in delays in the implementation of reforms deemed sensitive. Thus, constitutional[1] and administrative reforms announced in 2010 have not yet been implemented. Reservations have emerged on the advisability of implementing such reforms less than a year from a political changeover. Indeed, the next presidential polls are slated for April 2012 and are to be followed by the parliamentary elections. In accordance with the Constitution, the Head of State, who is serving his second term in office, cannot contest the election.

[1]The constitutional reform was to consist of the establishment of a Senate, a Court of Auditors, a single media control body, a general electoral agency as well as a new political parties Code of Conduct.

2.1.2 **Despite a difficult international context, marked by a two-fold (financial and food) crisis in 2008, Mali has achieved a remarkable economic performance over the past three years.** The GoM has since May 2008 embarked on an IMF-supported economic and financial reform programme, through the Extended Credit Facility (ECF). These reforms, which were also supported by all the TFPs, including the Bank, focused on improving public finance management, restructuring the productive sectors (cotton, mines and energy) and decentralisation. The sixth review of the programme was deemed satisfactory by the IMF in June 2011 (see Annex 3). In the last three years, Malian economic growth consistently exceeded the West African Economic and Monetary Union (WAEMU) zone average, particularly in 2010 when it reached 5.8% compared to 3.9% for WAEMU. This growth was mainly driven by the primary and tertiary sectors. Inflation was generally contained below the 3% threshold recommended by the WAEMU convergence criteria, except in 2008 when it reached 9.2%, due to higher oil and food prices. Mali complied in 2009 and 2010 with a total of five out of the eight[2] convergence criteria adopted by WAEMU. The criteria not fulfilled were those relating to the basic fiscal balance, the tax ratio and the external current account deficit.

Graph 1: Mali – GDP Growth Rate 2007-2010



Source: MEF, Revue du CSCRP 2007-2011

2.1.3 The tax ratio in Mali is constrained by too narrow a tax base and the difficult management of exemptions and value added tax (VAT). In 2010, tax revenues amounted to 14.7% of GDP, falling below the 17% recommended by the WAEMU convergence criteria. The overall budget deficit amounted to 2.6% of GDP. However, the underlying basic fiscal balance[3] was limited to 0.4% of GDP, below the ceiling of 1% of GDP agreed under the programme with IMF. For its part, the external current account deficit remained at its 2009 level, namely 7.5% of GDP. The country is dependent on foreign energy, which contributes to maintaining the external current account deficit. However, this deficit is not a major threat to the sustainability of the macroeconomic framework. Thanks to its gold and cotton exports, the country built up foreign exchange reserves estimated at six months of imports at end 2010. Furthermore, Mali benefited from debt relief under the HIPC initiative in 2000 and was only at a moderate risk of debt distress. The external public debt outstanding at end 2010 was estimated at 24.2% of GDP. The Malian economy remains undiversified and vulnerable to external shocks (vagaries of the weather, world market price fluctuations). Thus, despite government efforts, particularly increased investment in the productive sectors, the real growth rate remained below the average 7% targeted under the GPRSF.

2.1.4 **Economic and financial governance has been strengthened, although further efforts are needed in the area of external control of public expenditure and transparency in procurement management.** Indeed, an assessment of the quality of the PFM system conducted in 2010, based on the PEFA methodology, revealed significant progress compared to the baseline situation in 2006. The credibility of the budget, budget

---

[2] See convergence criteria table in Technical Annex 6.

[3] Excluding expenditure financed from the privatization of the Malian Telecommunications Company (SOTELMA). The IMF and the Malian authorities agreed to measure fiscal adjustment measures against this balance.

classification and budgeting based on national policies have improved with the deployment of the Medium-Term Expenditure Frameworks (MTEF) and the computerization of the public expenditure system. Reforms have been conducted since 2006, as part of the Government Plan of Action on the Improvement and Modernisation of Public Finance Management (PAGAM/GFP 2005-2009)[4]. Other important measures and reforms involved mainly the introduction of a land tax in 2010, the revision of the public procurement legal and institutional framework to conform to the WAEMU Directives and the revision of laws on the functioning of local authorities and the resources allocated to them. However, it is still necessary to implement certain measures, including the networking of part of the Tax Administration and strengthening the operational capacity of the Accounts Section of the Supreme Court. This partly explains the low tax revenue and delays in the judgement of State operating accounts. Furthermore, it is important to note that several reforms already undertaken by the Government must be followed by action and additional measures for the desired results. This is particularly true of the public procurement reform, where the preparation and dissemination of procedures manuals are essential to ensure greater transparency and fluidity in the public procurement process. In the area of decentralisation, although considerable progress has been made by GoM in the revision of the legal and institutional framework, the transfer of resources and skills to the local authorities remains fairly limited. PAGAM/GFP I ended on 31 December 2010. Activities not carried out and found still relevant have been included in PAGAM/GFP II covering the period 2011-2015.

2.1.5 **The business environment has improved significantly over the past three years although further efforts are needed**. The operationalisation of the Investment Promotion Agency (API-Mali) and the establishment of the one-stop shop for business start-up has helped to shorten the business start-up times (3 days and 7 procedures in 2010 against 43 days and 18 procedures in 2005), thus improving Mali's *Doing Business* ranking. Between 2008 and 2010, Mali moved up 9 places, from 162nd to 153rd. The GoM has also revised the Investment Code and the Mining Code for better clarification of investors' rights and obligations. Its priorities for the coming years include: (i) establishing a one-stop e-commerce and e-transport shop; (ii) developing two free zones (Sikasso and Mopti); (iii) streamlining the tax system; and (iv) reducing the number of customs goods control posts, in line with WAEMU regulations. Further efforts must be pursued, however, to combat corruption. Indeed, according to the Transparency International Corruption Perception Index (CPI), the situation in Mali deteriorated slightly between 2008 and 2010. Mali was ranked 116th out of 178 countries in CPI 2010 with a score of 2.7/10, against a ranking of 96th in 2008 with a score of 3.1. However, across Africa, Mali occupies a middle-ranking position, if one refers to the Mo Ibrahim index. According to the 2010 edition of the index, Mali comes 19th out of 53 countries, with a score of 52.9/100.

2.1.6 **The social situation has improved appreciably, albeit with significant challenges in the areas of nutrition, maternal health and youth employment**. Indeed, due to the sustained growth and a fiscal policy in line with the objectives of the GPRSF, the incidence of monetary poverty declined from 47.4% in 2006 to 43.6% in 2010[5]. However, progress towards achieving the *Millennium Development Goals (*MDGs) is still rather modest. According to the second 2009 report on MDGs in Mali and the interim 2010 report on the implementation of GPRSF 2007-2011, although progress has been made in education, health

[4]According to the PAGAM-PFM implementation assessment report, for 2010, 147 activities were completed or underway, for a total of 191 activities planned, or an implementation rate of 77.0%.

[5]The data is derived from the Integrated Household Survey (IHS) conducted in Mali in 2010. This is the third such survey in the country after those of 2003 and 2006.

and access to drinking water, achieving the goal of reducing poverty by half by 2015 is unlikely. About 80% of the workforce operates in the informal sector, with low incomes. Underemployment, particularly of the youth, is a major concern for the GoM. In this regard, Mali remains among the countries with low Human Development Index (HDI) globally, ranking 160th out of 183 countries 2010, with an estimated HDI of 0.309, below the HDI of sub-Saharan Africa (0.389).

2.1.7 **Medium-Term Outlook, Key Constraints and Challenges:** On account of the country's democratic tradition and security arrangements, the upcoming April 2012 elections should not affect its political stability. The GoM and IMF have already embarked on discussions for the introduction of a new programme, upon completion of the current programme at the end of 2011. The new macroeconomic and fiscal framework 2011-2014 is in line with this outlook. It anticipates a decline in economic activity to 5.3% in 2011, due in part to the post-election crisis in Cote d'Ivoire, the conflict situation in Libya and rising oil and food prices. For 2012 and 2013, growth, driven by the increased gold and agricultural production and accompanied by high levels of gold and cotton prices, is projected to average 5.5%, with inflation remaining below the 3% threshold set by WAEMU. The improved budget management should result in better revenue mobilisation and streamlined expenditure. A gradual decline in the underlying deficit is expected after the peak reached in 2011 (see Table 1). Public debt should remain viable. The external current account balance should also improve in conjunction with the increase in exports.

Table 2
Macroeconomic Outlook for 2011-2013 (% GDP)

	2008	2009	2010		2011		2012	2013
		Est.	Prog.	Est.	Prog	Rev. Prog.	Proj.	
Real GDP	5.0	4.5	5.1	5.8	6.0	5.3	5.5	5.5
Consumer Price Inflation (average)	9.1	2.2	2.1	1.4	2.0	3.5	2.2	2.3
Revenue	15.5	17.1	16.9	17.4	16.4	16.7	17.1	17.5
Grants	3.4	4.6	3.9	2.9	4.7	3.3	3.0	2.9
Total Expenditure and Net Lending	21.2	25.9	25.5	22.9	25.4	24.2	23.6	22.8
Overall Balance (payment order basis, incl. grants)	-2.2	-4.2	-4.6	-2.6	-4.3	-4.2	-3.5	-2.5
Underlying Basic Fiscal Balance (1)	-1.0	-0.8	-1.1	-0.4	-1.3	-1.4	-1.0	-1.0
Debt	21.6	24.2	26.2	27.8	29.8	27.5	28.1	28.4
Current External Balance (incl. official transfers	-12.7	-7.5	-7.9	-7.5	-8.0	-7.7	-6.8	-5.1
Overall Balance of Payments	-0.1	5.0	-0.5	-1.9	0.4	-1.0	-0.2	1.2

Source: IMF Country Report No. 11/141 – June 2011 1/ Excluding spending financed by the revenue from the privatisation of the SOTELMA telecommunications company

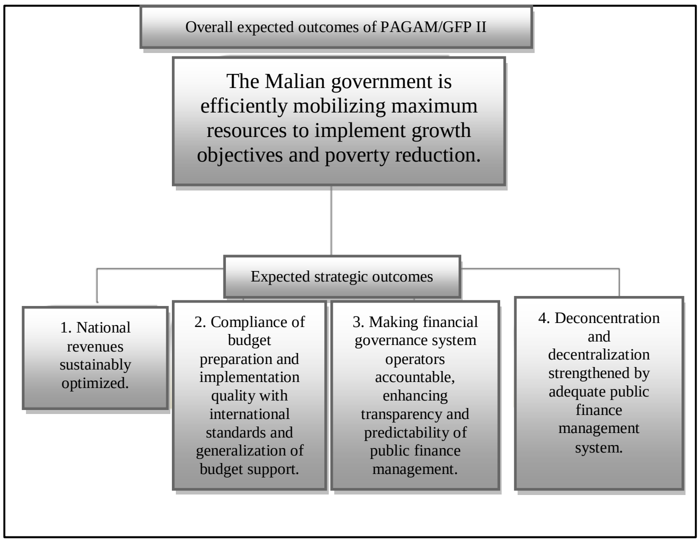
2.1.8 **Key Medium-Term Constraints and Challenges:** As reflected in the analysis of the economic and financial situation made above, achievement of these medium-term macroeconomic and social objectives is still linked to, among other aspects, improving the business environment in which good governance in public finance management plays a major role. Indeed, strengthening fiscal revenue mobilisation at the central and decentralised levels, improving management of procurement (competition in public procurement, reducing procurement delays) and strengthening financial decentralisation in favour of local communities contribute to private sector development through better delivery of public services and creating business opportunities for private companies. Mitigating PFM constraints is therefore a major challenge.

2.2 Government Overall Development Strategy and Medium-Term Reform Priorities

2.2.1 **Government Medium-Term Development Strategy:** As GPRSF 2007-2011 draws to an end on 31 December 2011, the GoM has begun preparing a new GPRSF for the period 2012–2017, which focuses on seeking strong and redistributive growth. The main thrusts of this new strategy as presented at a technical workshop in July 2011 hinge on the following three areas: (i) promoting strong and redistributive growth; (ii) promoting human development and reducing inequalities; and (iii) improving institutional governance. According to the timetable drawn up, a provisional version will be available in September 2011 and the final report adopted by the GoM in December 2011.

2.2.2 **Medium-Term Reform Priorities:** The implementation of this strategy is based on the medium-term macroeconomic and structural reforms as well as a major public investment programme. With regard to the macroeconomic and structural reforms, the new 2011-2014 macroeconomic and fiscal framework discussed with the IMF was prepared concurrently with the new GPRSF 2012-2017 and took into account the priorities that were outlined. For the period 2011-2014, the GoM has set itself the goal of pursuing a sustainable fiscal policy to achieve basic fiscal balance by 2014. To this end, it provides for an increase in domestic fiscal resources and better control of government operating expenses. In addition, priority will be given to the development of infrastructure and productive sectors in order to consolidate growth. An effort will also be made to significantly increase budgetary allocations to the social sectors. The consolidated share of the productive and social sectors in the budget is expected to increase from 63.7% in 2009 to 70.7% in 2013[6]. For the priority PFM and decentralisation reforms, the new PAGAM/GFP 2011-2015 and the National Local Authorities Support Programme III (2010-2014) are the reference frameworks. Graph 1 gives an overview of the thrusts and expected outcomes of PAGAM/GFP II.

Graph 2: Overview of the Thrusts and Expected Outcomes of PAGAM/GFP II



Source: Public Finance Reforms Support Unit (CARFIP) – PAGAM/GFP 2011-2015

2.3 Status of Bank Group Portfolio

2.3.1 The Bank's active portfolio in Mali as at 30 June 2011 comprises 19 operations, amounting to UA 310.8 million. It is dominated by the rural development sector with 11 projects (46.93%), followed by the transport sector (23.5%). The multi-sector accounts for only 3.2% of the portfolio, after the closing of PASCRP-I in December 2010. The active portfolio nationwide consists of two potentially problematic projects in the rural development

[6] See table on sectoral composition of expenditure in Technical Annex 5.

sector. The key issues affecting the quality of the portfolio are: (i) on the Malian side, the weak monitoring-evaluation mechanism and dysfunctions in the steering committees; and (ii) for the Bank, the quality-at-entry of projects. Some projects with too many conditionalities have delayed at start-up.

2.3.2 **The portfolio has improved significantly since the last review in 2009**. Between 2008 and June 2011, the overall rating rose from 2.2 to 2.35 on a scale of 3; the average effectiveness duration dropped from 18 to 9 months; and the potentially problematic projects, from 3 to 2. This improvement is underpinned by the actions of the Bank, particularly the Mali Field Office (MLFO), for close monitoring of project implementation. Indeed, MLFO regularly conducts biannual reviews of the portfolio. It also maintains constant dialogue with the project implementation units and provides assistance in the event of difficulties in project implementation. It should be stressed that the measures supported by PASRP II to enhance transparency and speed in procurement will also have a positive impact on the Bank's portfolio.

III. RATIONALE, KEY PROGRAMME DESIGN ELEMENTS AND SUSTAINABILITY

3.1 Linkages with CSP, Underlying Analytical Factors and Country Readiness Assessment

3.1.1 For Mali, the Bank approved in November 2005 a Results-Based Country Strategy Paper (RBCSP 2005-2009). In order to align its duration with that of GPRSF 2007-2011, the Boards approved (in February 2009) the extension of this strategy until December 2011, while maintaining its pillars as follows: ***"Improving the private sector environment"*** *and* ***"Promoting rural development"***. The objectives of the RBCSP, for improvement of the private sector environment are grouped into two areas of focus, namely economic governance and private sector competitiveness. PASCRP-II, which is a continuation of PASCRP-I[7], is aligned with Pillar I. In supporting the implementation of PAGAM II, PASCRP-II will focus mainly on improving economic and financial governance. The measures to be supported will also have a positive effect on the business climate.

1.1.2 The prerequisites for budget support are fulfilled, according to Bank policy.

Table 3
Prerequisites for General Budget Support

Conditions Precedent	Target	Observations
General Conditions	Political stability	In terms of political stability, Mali has become a reference in Africa, thanks mainly to the success it has had over two decades in organising elections that have led to peaceful political changeover. The next presidential and legislative elections are scheduled for 2012 and are also expected to take place smoothly.
	Economic stability and GoM commitment	Economic growth has been sustained over the past four years, despite the external shocks on oil and food prices. Inflation is generally under control. The GoM has in recent years embarked on important reforms in key sectors of the economy, especially agriculture and energy.

[7] See Technical Annex 7 on main outcomes of PASCRP-I

Technical Conditions	Existence of a PRSP and its implementation mechanisms	The country has a GPRSF for the period 2007-2011 with clearly defined mechanisms for monitoring and evaluation. The assessment of the GPRSF implementation at the end of 2010 was deemed generally satisfactory by all stakeholders. The GoM has begun preparing the new GPRSF for the period 2012-2017.
	Viable medium-term macroeconomic and financial framework	The viability of the macroeconomic framework was maintained through the successful implementation since May 2008, of an three-year programme supported by IMF through the ECF. In June 2011, IMF deemed implementation of the programme satisfactory. A new arrangement between Mali and the IMF is expected by the end of 2011.
	Effective partnership between Mali and donors	To support the country, the TFPs of the budget support group signed a budget support framework arrangement with the GoM in July 2010. The TFPs aim to adopt a common matrix of triggers.
	Satisfactory fiduciary review of the PFM system	The fiduciary framework in Mali has improved significantly since 2006, as a result of the implementation of the recommendations from the financial accountability reviews (CFAA and PEFA). The PEFA[8] assessment, conducted in 2010, revealed that 18 of the 28 indicators recorded considerable progress. However, there are still problems in the internal control system. PASCRP II contains measures whose implementation will help mitigate the fiduciary risks.

1.1.3 **Analytical Work underpinning the Programme** - The programme draws on several analytical works by the GoM and TFPs. These include: (i) the 2010 PEFA assessment; (ii) the study entitled *"Mali: Simplifying and Improving the Efficiency of the Tax System"* conducted by the IMF in 2010; (iii) the operational study on the modalities for the certification of public accounts; and (iv) the assessment of budget support operations in Mali from 2003 to 2009 (being finalised). The programme also draws on: (i) PAGAM/GFP II; (ii) the AFRITAC report on the administration of lands and the Lands Registry; and (iii) the National Local Authorities Support Programme III (2010-2014). Other studies are in progress at the Bank particularly involving diagnosis of the main constraints to growth in Mali and the profile of the private sector. These studies will help prepare future operations.

3.2 Collaboration and Coordination with Other Donors

3.2.1 Mali's TFPs have set up a mechanism to coordinate their efforts in terms of policy dialogue and the alignment and harmonisation of their interventions which works relatively well[9]. The Bank, as TFP lead agency in 2011, coordinates dialogue between the TFPs and the GoM, through the Mali Field Office (MLFO). Several thematic groups have been created for monitoring and coordinating activities in the sectors falling within the each TFP's sphere of activity. The Bank participates in the "Macroeconomics" Thematic Group in which it is the focal point for budget execution and preparation of the next Joint Country Assistance Strategy (JCAS II). The "Macroeconomics" Thematic Group is responsible for the joint coordination and monitoring of economic and financial reform-related activities. As part of the general budget support, it contributes to the preparation of the common matrix of triggers and attends meetings of the PAGAM/GFP Technical Committee as well as the GPRSF annual reviews.

[8] See Technical Annex 8, Comparative Table of PEFA Ratings from 2006 to 2010
[9] See Technical Annex 9, Table of TFP Concentrations by Sector

3.2.2 To further strengthen the synergy of their operations, the TFPs have included enhanced division of labour as a priority in the preparation of JCAS II. Efforts will thus be made to achieve better complementarity between TFPs, through better allocation of official development assistance.

3.3 Results and Lessons from Similar Past and Ongoing Operations

3.3.1 The Bank obtained overall satisfactory results from the implementation of PASCRP I. This programme has allowed significant improvement in public finance management and better definition of the legal and institutional framework of local authorities. In terms of PFM, this is reflected in more effective budget implementation through the networking of the expenditure chain and public procurement reform. With regard to the situation of local authorities, the PASCRP allowed the revision of several legal instruments that were impeding progress[10].

3.3.2 Implementation of the programme also helped identify the need for the Bank to strengthen the alignment of its budget support mechanisms with those of the other TFPs, particularly through the adoption of greater flexibility in disbursement conditions (triggers). The Bank's approach of setting all the triggers in advance over several years sometimes makes it difficult to adapt them to changes in the country. The harmonisation of triggers has become crucial in Mali, given the ever increasing number of TFPs providing budget support. In 2010, the TFPs and the GoM recommended the establishment of a budget support mobilisation committee, which will be tasked with strengthening the harmonisation of triggers. The goal is to achieve a real common matrix of indicators and triggers in place of the existing compilation of different TFP triggers. Pending the adoption of this matrix, PASCRP II has drawn heavily on the measures contained in the current matrix to define its triggers. Thus, the programme is aligned with a trigger common to all the TFPs, namely, satisfactory review by the TFPs and the GoM of the implementation of the priority reforms contained in the PAGAM.

3.4 Linkages with Other Bank Operations

PASCRP II, a component of which is intended to support the decentralisation/deconcentration process in Mali, is in line with the objectives of the Decentralisation and Regional Economic Support Project (PADDER). This is an institutional support project financed by the Bank to build the capacity of local authorities of six regions of the country, in the area of economic development management. PADDER aims to: (i) strengthen regional governance, public-private partnership and regional civil society; and (ii) also strengthen basic socioeconomic infrastructure and the expansion of financial services in rural areas. In terms of outputs, this project has already contributed to the revision of several legal instruments that have helped to better define the resources and skills to transfer to the local authorities. It has also financed the training of several regional actors in the preparation of development plans. However, the implementation of these plans is hampered by delays in the decentralisation/deconcentration process. By supporting acceleration of the transfer of resources to local authorities, PASCRP II complements the actions of PADDER, to allow the local authorities to implement their own development plans.

---

[10] Law on the free administration of local authorities and law on allocation of resources and responsibilities among communes, districts and regions.

3.5 Bank's Comparative Advantages

Operations in the form of budget support or institutional support financed by the Bank in Mali over the past three years helped to improve overall production quality and presentation of budget documents, obtain in real time the overall execution of the State budget and foster dynamic development at the level of the local authorities. Although it did not have an exclusive area of intervention for economic and financial reforms, the Bank has comparative advantages in the economic approach to decentralisation. As a result of the actions undertaken under PADDER and the reforms supported by PASCRP I, the Bank remains a preferred partner of the Government in the design and implementation of programmes for economic and social development in local authorities. PASCRP II will build on these gains and continue to support decentralisation.

3.6 Good Practice Principles relating to Conditionalities

In the area of budget support, seven development partners, including the Bank, signed with the GoM, in September 2007, a Framework Arrangement for greater harmonisation of their interventions, in accordance with the principles of the Paris Declaration on Aid Effectiveness. This Arrangement was renewed in July 2010 with the participation of a dozen TFPs[11]. As outlined in §3.3, TFPs are taking steps to further harmonise their areas of intervention and triggers. Under PASCRP II, the Bank has strengthened its alignment with other partners, particularly with regard to disbursement. The programme has opted for disbursement tranches and periods consistent with the Framework Arrangement and the country's budget cycle.

3.7 Application of Bank Group Policy on Non-Concessional Borrowing

Mali complies with the Bank Group's policy on non-concessional borrowing contracted by beneficiaries of ADF grants and debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI). The country has benefitted from the enhanced HIPC and MDRI, and the GoM is fulfilling its commitment, made under its programme supported by the IMF's ECF, not to contract or guarantee any external loan considered non-concessional.

IV. THE PROPOSED PROGRAMME AND EXPECTED RESULTS

4.1 Goal and Objectives

4.1.1 The ultimate goal of the programme is to contribute to consolidating growth and accelerating poverty reduction. The programme's resources will help the GoM to maintain the viability of the macroeconomic framework and execute the annual budget in line with the priorities set. The programme's operational objectives are: (i) improving recovery of tax revenue (c.f. impact 1 of the logical framework); (ii) enhancing transparency in public procurement (c.f. impact 2a of logical framework); (iii) ensuring reliability of public accounts presented (c.f. impact 2b of logical framework); and (iv) accelerating the decentralisation process (c.f. impact 3 of logical framework).

4.1.2 Optimised mobilisation of domestic resources is in line with Government's commitment to gradually move toward improved mechanisms for financing development and

---

[11] Germany (KfW), African Development Bank, World Bank, Belgium, Canada, Denmark, Spain, France (AFD), Netherlands, Sweden, Switzerland and European Union

poverty reduction programmes at the national level. Mali is replete with untapped fiscal potential in areas such as land and the informal sector. Transparency in public finance management is key if taxpayer trust is to be earned and greater efficiency of public expenditure achieved. Apart from improving the State's own resources and transparency in public expenditure management, the GPRSSP II measures will also have a positive impact on the private sector environment. These measures include reducing the distortions plaguing Mali's fiscal system and enhancing competition in procurement.

4.1.3 The programme's third component has to do with greater accountability on the part of local authorities in development management. The programme reforms are designed to ensure that the people actually benefit from the improvement in government resources, by means of the accelerated transfer of skills and resources to local elected officials e. These transfers should be buttressed by enhanced State support through the deconcentrated services.

4.2 Pillars, Operational Objectives and Expected Outcomes

4.2.1 GPRSSP has three components: (i) optimum mobilisation of domestic resources as part of fiscal transition; (ii) improved transparency in public finance management and (iii) improved resources and management of local authorities (see Annex 2 – Matrix of Operational Policies).

Component I – Optimum Mobilisation of Domestic Resources

4.2.2 **Initial context and rationale:** Under the WAEMU convergence programme, Member States must achieve a level of fiscal revenue representing at least 17% of GDP by 2013. In 2006, WAEMU adopted a transitional fiscal programme designed to gradually shift the tax burden from customs duties to domestic taxes. This decision was taken in an effort to consolidate the WAEMU common market and prepare the countries of the Union to implement the new Economic Partnership Agreements[12] (EPAs). While Mali's tax burden has improved over the past three years, it averages 14.7%. According to an IMF study conducted in September 2010, flaws in the country's tax system are hampering tax returns and affecting the business climate. These flaws include the narrow tax base and diverse tax incentives contained in an array of instruments[13], several deductions from source and excessive accrual of VAT credits. Moreover, there are several assigned revenues that are not accounted for in the budget revenue.

[12]The partnership agreements with the European Union provide for further phased cuts in the WAEMU common external tariff (CET) and its eventual elimination, for imports from Europe.

[13] General tax code, investment code, mining code, financing conventions and agreements

Box 1: Mali's Fiscal Transition Programme
Pursuant to Decision No. 34/2009/CM/UEMOA adapting criteria and indicators of fiscal transition within WAEMU, t The programme must highlight all the actions and measures that each State plans to implement to achieve a 17% tax burden rate by 2013, with 10% for domestic taxes and 7% for customs duties. The Government of Mali has fully integrated fiscal transition into the PAGAM/GFP II as one of its priority components. The programme monitoring committee has been established per Ministry of Economy and Finance Decision No. 10-0109/MEF-SG of 12 July 2010 and its members appointed. This committee supervised the preparation of the National Fiscal Transition Programme. The fiscal transition programme covers the following four areas of intervention: ▪ **Consolidation of the common market:** Strengthen intra-community trade liberalization instruments and remove all remaining impediments to the free circulation of goods ▪ **Support to growth and development finance:** Promote the formation of domestic savings to finance investments while protecting some sensitive agricultural and industrial sectors; ▪ **Optimum mobilisation of fiscal and customs resources:** In the scope of application of the tax, include a wide range of activities, especially those with rapid growth, while minimising economic distortions;; ▪ **Building capacity and synergy between the tax and customs administrations:** Build the capacity of tax and customs administrations.

Source: Fiscal transition programme, Mali/DGI

4.2.3 **Recent activities carried out by Government:** In December 2010, in an effort to mobilise more revenue while streamlining and modernising tax legislation, the Directorate General of Taxes (DGI) prepared a tax system reform strategy paper, based on the diagnosis and recommendations of the September 2010 IMF study. The GoM accorded priority to measures and reforms aimed at sustained improvement of the functioning of the VAT, on which about 40% of fiscal earnings are based. It also addressed the issue of broadening the tax base. To this end, the following key measures were taken: (i) GoM adoption in December 2010 of a bill instituting the land tax in Mali; (ii) opening of a special Treasury account at the Central Bank of West African States (BCEAO), in January 2011, to be replenished by VAT revenue as a measure to reimburse VAT credits by the prescribed deadline; and (iii) including an amount of CFAF 33 billion (UA 44.8 million) in the budget amendments , to be reimbursed in 2011.

4.2.4 **Further challenges:** As part of its reform programme with the IMF, the GoM committed to implement other measures such as abolishing the system of VAT deduction from source; raising the VAT liability threshold from CFAF 30 million to CFAF 50 million to simplify collection; improving the capacity of the tax and customs administration and broadening the tax base by further streamlining the exemptions policy. Implementing these measures is key if the 17% tax burden rate recommended by WAEMU is to be achieved. In addition to these measures, Government must adopt a National Fiscal Transition Programme and operationalise the institutional framework for its implementation. All provisions pertaining to taxes, particularly the tax incentives mentioned in several tax regulations should be streamlined and collated in the General Tax Code. Moreover, to make the property tax operational and improve property income, Government should revise legislation on recovery of property income and quickly move to institute a functional land register. Continuing the networking of the fiscal administrations (DGI, DGD, DNDC and DNTCP[14]) will be a good way of creating economies of scale. Local taxation should also be enhanced with the adoption of a local fiscal policy that is consistent with the State tax system and local actors involved in the taxation chain should also undergo training.

[14]DGI: Directorate General of Taxes; DGD: Directorate General of Customs; DNDC: National Directorate of Lands and Lands Registry; DNTCP: National Directorate of Treasury and Public Accounting.

4.2.5 **Programme measures (see Technical Annex Annex):** The programme is in line with the overall reform of the tax system and comprises both general and specific measures. As far as the general measures are concerned, GPRSSP II supports Government's adoption of a National Fiscal Transition Programme and its implementation. The specific measures are: (i) conducting a study for the establishment of a land registry; (ii) reviewing the legal and institutional framework, with a view to improving recovery of dividends and other revenue from public lands; (iii) reviewing legislation on the capital gain from property transfer, with a view to facilitating its application; and (iv) finalising the networking of the administrations. GPRSSP II also supports the adoption of a policy and strategy on local taxation to improve the recovery of local authority taxes.

4.2.6 **Expected outcomes: Increase** in tax earnings from of 14.7% of GDP in 2010 to 16% of GDP in 2013; domestic taxes from 8.8% of GDP in 2010 to 9.5% of GDP in 2013 and at least 6% yearly rise in receipts of local authorities from 2012.

Component II – Enhancing Transparency in Public Finance Management

4.2.7 The focus will be on improving transparency of the public procurement system and the public expenditure external audit system.

Sub-component 1.a Improving transparency in the public procurement system

4.2.8 **Context and rationale:** In 2004, the GoM embarked on deep reforms of the national public procurement system to correct flaws in the 1995 Code and harmonise national provisions with WAEMU directives such as Directives 004 and 005/2008. The reform dealt with both the institutional and regulatory components. At the institutional level, in 2008, the Directorate General of Public Procurement (DGMP-DSP) and the Public Procurement and Public Services Delegation Regulatory Authority (ARMDS) were both established. At the regulatory level, a new public procurement code and its implementing provisions were adopted in 2009. An inter-ministerial decree (No. 10-0203/MEF/MATCL-SG), signed on 28 January 2010 set forth the special provisions on public procurement for the local authorities. The GoM must now ensure the implementation of all these new provisions adopted over the past two years.

4.2.9 **Recent actions carried out by the GoM:** The implementation of the new public procurement system revealed that some of the provisions of the law on the establishment of the DGMP-DSP and ARMDS did not comply with WAEMU directives 005/2005/CM-UEMOA on the control and regulation of public procurement and delegation of public services. The GoM conducted a fresh review of legislation to correct these provisions, which were adopted by Parliament on 2 June 2011. To ensure efficiency and transparency, the proposed amendments will separate the functions of control, entrusted to DGMP-DSP, from those of regulation, preparation and formulation of public procurement policy, entrusted to ARMDS. For greater competition in procurement, the GoM reinforced the conditions for the use of procurement procedures involving short-listing or direct contracting. It has begun disseminating new legislation and setting up regional public procurement directorates.

4.2.10 **Challenges:** The GoM committed to raise the proportion of open competitive bidding contracts from 77.2% in 2010 to 80% in 2013 and cut down the procurement lead time from 127 days to 90 days on average. To this end, it must continue to operationalise the public procurement regional directorates by providing them with materials such as procedure manuals; computerizing the entire procurement system; ensuring that all ministries and public institutions as well as the local authorities are adequately trained to be able to draw up and submit their procurement plans on time. The procurement regulatory authority must also carry out all its responsibilities, including public procurement audits.

4.2.11 **Programme measures:** The programme will support the implementation of public procurement reform through (i) training for all actors involved in public procurement, especially, in the regional directorates; (ii) preparation and distribution of training materials; (iii) 2010 public procurement audits by ARMDS; and (iv) the computerization of the public procurement chain.

4.2.12 **Expected outcomes:** Increase in number of competition-based contracts involving competitive bidding from 77.62% in 2010 to 80% in 2013 and a drop in the procurement lead time from 127 days in 2010 to 90 days in 2013.

Sub-component 2.b – Improving external control systems

4.2.13 **Context and rationale**: Per article 75 of WAEMU guideline No. 06/2009/CM/UEMOA, the Court of Auditors shall be responsible for reviewing the accounts of public accounting officers in WAEMU States. The management accounts under review at the Court of Auditors must be reviewed within a period of five years. Should the Court of Auditors fail to conclude the review within the stipulated time, the public accounting officer shall be automatically relieved of management responsibility. The external audit of budget management in Mali is carried out by two separate institutions: (i) the Accounts Section of the Supreme Court (SCCS), pending its transformation into a Court of Auditors[15]; and (ii) the Auditor General's Office[16]. However, per the provisions of article 82 of Act 96-071 of 16 December 1996 on the framework law on the organisation, the operating rules of the Supreme Court and its procedures, it is the SCCS that is responsible for reviewing the accounts of public accounting officers and examining the financial and accounting management of institutions that receive financial assistance from the State. The Auditor General's Office is responsible for assessing public policies and conducting administrative external audits. The annual reports from the Office are submitted to the President of the Republic, the Prime Minister and the National Assembly. The Auditor General's Office is relatively well-resourced in terms of financial and human resources[17] and has conducted over a hundred audits from 2004 to 2010, for a total amount of CFAF 383.2 billion. The Accounts Section of the Supreme Court is severely under-resourced in terms of human, material and financial resources; and this has affected its work. Since its establishment, the Accounts Section has made no final ruling on the accounts of public accounting officers. The Section has nine account judges called councillors, instead of the 15 (including the President) stipulated by Act 90-113[18] of 16 December 1966. Compounding all these problems is the lack of a policy of capacity building for the finance judges of the SCCS. Indeed, unlike WAEMU, the SCCS has no manual of procedures, nor control method guide or thematic guides for local authorities and public institutions.

[15]Initial time set by WAEMU for the establishment of the Audit Bench (31 December 2002), was postponed to 1 January 2012 by 01/2009/CM/UEMOA of 27 March 2007.
[16] Auditor General's Office (BVG) was established per Act 03-030 of 25 August 2003.
[17] The BVG has a staff strength of about one hundred, 56% of whom are audit staff
[18] A proper Court of Auditors must have some 56 financial magistrates at least, excluding the support staff

4.2.14 **Recent actions carried out by Government:** As part of the revision of the legal texts of the Accounts Section, the GoM received parliamentary approval for the adoption of Act 10-023 of 17 June 2010 on the amendment to Act 96-071 of 16 December 1996 on the organisation of the Supreme Court, its operating rules and court procedures. This revision led to the removal of the ceiling for the number of staff members for the Accounts Section. Based on the conclusions of an operational study on the certification modalities of Mali's public accounts carried out in June 2010, with European Union financing, the GoM adopted a quantified operational and multi-year action plan (2010-2012) to clear the backlog of accounting judgments. The first phase of this plan started in 2010 with the preparation of a bill on the validation of accounts that were hardly existent from 1960 to 1991. Moreover, the report on the execution of the finance law for the 2007 and 2008 financial years and relevant general conformance statements were prepared and submitted to the National Assembly in 2010. The second phase of the action plan will entail speeding up the reviews of 1992-2008 accounts. To support the SCCS in implementing this plan, the GoM has provided it with a temporary staff of 25 officers, whose contracts should however be ending by 31 December 2011.

4.2.15 **Remaining Challenges:** The SCCS must finalise the accelerated judgments of the 1992-2008 accounts and set up an institutional and legal mechanism to sustain the institution's capacity to regularly review public accounts. In this regard, despite the removal of the ceiling for the number of staff, the modalities for appointing SCCS councillors have remained unchanged. It is thus necessary to conduct a constitutional review leading to the establishment of an independent Court of Auditors. Pending such constitutional review, it is important to maintain alternate staff to finalise the accelerated judgments of the 1998-2008 accounts, and the routine judgment of the 2009 accounts. Other important measures should be taken to improve the external audit of budget management. These include: (i) providing the financial court with adequate well-trained magistrates and administrative staff; (ii) building the professional capacity of the financial magistrates and other audit staff by preparing a manual of procedures similar to that of WAEMU, an audit methods guide and thematic guides on the local authorities and public institutions; (iii) building the capacity of public accounting offices to ensure proper bookkeeping and regular audits; and (iv) supporting the decentralised authorities and public institutions in their finance and accounts management to facilitate the production of their accounts.

4.2.16 **Programme measures:** The programme will support: (i) Government's submission to the National Assembly of draft budget acts within the time prescribed by law, especially the budget act for FY 2009 (prerequisite[19]) (ii) staffing the financial court (SCCS) with qualified personnel including at least 25 senior officers (trigger); (iii) judgment of the management accounts for the period 1992-2008); (iv) introducing sustainable institutional and legal mechanisms for routine judgment of accounts as from FY 2009; and (v) adopting the bill validating the 1960 to 1991 accounts.

[19] Prerequisite for presenting the programme to the Board.

4.2.17 **Expected outcomes:** Reducing to 12 months the time for submitting the budget review act to the National Assembly.

COMPONENT III – Improving resources and management of local administrations

4.2.18 **Context and rationale:** Mali's GPRSSP considers decentralisation as one of the essential pillars for achieving poverty reduction, along with developing the productive sectors and strengthening the social sector. The GoM decentralisation policy stems from the National Decentralisation Policy Framework Paper (DCPND 2005-2014), which is divided into four strategic areas: (i) developing the capacity of local authorities; (ii) improving the decentralisation of State services; (iii) developing local citizenship; and (iv) developing private local service providers. To ensure implementation of DCPND, the GoM adopted a National Local Authorities Support Programme (PNACT) Phase III covering the period 2010-2014. The local administrations in Mali comprise 703 communes, 42 district councils and eight regional assemblies. The transfer of skills and State resources to these local authorities is crucial to the success of the decentralisation process. In 2008, an instruction from the Prime Minister (Instruction No. 08-0003/PM-RM of 21 November 2008) set forth the actions and measures to be implemented for a phased and joint approach to ensuring more efficient transfer of skills and State resources to the local authorities (See Technical Annex 4 for more details. To date, only three (Education, Health and Water) of the 19 ministries involved in the decentralisation have actually been able to transfer skills to the local authorities. Moreover, deconcentration has been very limited and has not kept pace with the decentralisation.

4.2.19 **Recent actions undertaken by Government:** Revision of the institutional and legal framework was a priority for the GoM in 2010. With regard to the legal framework, the Government revised several laws to correct flaws noted in their implementation. These are the 2010 amended Act 93-008, determining the conditions for the free administration of the local territories; the 2010 amended Act 95-034 on the Local Administrations Code; and Act 00-044 of 7 July 2000 determining the fiscal resources of the communes, districts and regions in Mali. Major innovations stemming from these revisions include the introduction of a land tax for the local authorities, clarifying the roles of various stakeholders in tax recovery, the modalities of cooperation between the local authorities and the conditions for exercising oversight. These legal instruments provided for the transfer of taxes such as the trade tax and licenses, the regional and local development tax and the livestock tax to the local authorities. GPRSSP I supported the revision of these laws. With regard to the institutional framework, on 15 December 2010, the GoM adopted bills on the establishment of the Directorate General for Regional Administration (DGAT). These two directorates supersede the National Interior Directorate and the National Directorate of Local Authorities, which could not keep pace with the administrative and political developments in the country. DGAT is responsible for developing components for national policy on regional administration and participating in its implementation. DGCT is responsible for defining, controlling and applying regulations concerning the local authorities, participating in the implementation and monitoring of skills transfer to the local authorities and preparing and applying regulations on the public service of the local authorities.

4.2.20 **Challenges:** The revision of the legal and institutional framework is a major step toward speedy decentralisation. Decentralisation is however fraught with daunting challenges that must be addressed if the livelihoods of the people are to improve, including: (i) lack of financial and human resources in the local administrations, as the transfer of resources to them is not commensurate with the transfer of skills; (ii) the low level of fund mobilisation by the local authorities due to capacity issues; (iii) the unpredictable nature of resources from the local authorities national support fund; and (iv) collaboration issues between the State technical services and regional administration services.

4.2.21 **Programme measures**: To speed up the transfer of skills and resources to the local authorities, the programme will support: (i) the revision of the Prime Minister's Instruction No. 08-0003/PM-RM of 21 November 2008, with monitoring indicators and targets (trigger); (ii) the satisfactory 2012 joint annual review of the institutional development programme (IDP) and PNACT III (trigger). During this exercise, the Bank will ensure that at least 50% of the targets have been met. For 2011, the GoM has prepared budget amendments, taking the additional costs into account. In an effort to mobilise more resources for the local authorities, the programme will support the design of a development strategy for the local tax system, whereby the local finance commissions would be made operational and local actors trained in fund recovery. The oversight body will support approval of the local authorities' budgets to help improve their management.

4.2.22 **Expected outcomes:** Increase from 1.5% in 2010 to over 3% in 2013, in budget transferred to the local authorities, as well as in rate of deconcentration of budget credits (share of State budget executed by the regional deconcentrated administrations) from 18.6% in 2010 to 22% in 2013; rate of development plan implementation by the local authorities averaging 60% in 2013, compared to 35% in 2009 and rate of budget approval by their oversight body increasing from 54.2% in 2010 to 75% in 2013.

4.3 Financing requirements and arrangements

4.3.1 **The cumulative financing need for the period 2011-2013 amounts to CFAF 594.5 billion (UA 808.2 million).** This need stems from the new macroeconomic context of the country, as described in section 2.1. For 2011, the GoM submitted budget amendments for consideration by Parliament, factoring in additional costs created by the rise in global oil prices and the political crises in Cote d'Ivoire and Libya.

4.3.2 The crises led to an unexpected drop in foreign direct investments (FDIs) and transfers from these two countries. According to IMF estimates, the drop in Libyan FDIs in the hotel industry and agriculture may be to the tune of CFAF 16 billion. The Ivorian crisis, for its part, led to a decline of CFAF 10 million in remittances by Malian migrants and an increase in transport costs (due to diversion of the traffic to other ports). The GoM was thus compelled to increase subsidies in the agricultural and oil sectors by CFAF 30 billion to cushion the people from these external shocks. Furthermore, in order to improve the private sector environment and ensure greater neutrality of the VAT, the GoM budgeted an amount of CFAF 33 billion to reimburse VAT credit arrears.

4.3.3 In addition to dealing with these additional costs, the GoM has committed to containing the underlying budget deficit at 1.4% of GDP in 2011, practically at the same level as that of the initial budget (1.3%). The Government plans to do this by improving recovery of taxes such as the land tax and further streamlining expenditure. The budget amendments provide for CFAF 36.4 billion in additional revenue for 2011, CFAF 26.4 billion of which will come from the National Directorate of Lands and Land Registry (DNDC). In terms of expenditure, priority will always be given to investments in the production sectors (infrastructure and agriculture) and social sector. The consolidated share of these sectors should increase from 63.4% in 2009 to 70.7% in 2013. In all, the financing requirements for 2014 stand at CFAF 224.1 billion (UA 305 million) and are only covered partially by the expected budget support (excluding Bank support) which amounts to CFAF 113.2 billion (UA153.9 million).

Table 4
Financing Requirements (2011-2013)
(in CFAF billion)

	2010	2011		2012	2013
		Initial Budget	Revised Budget		
Total income and grants	**940**	**1062.6**	**1019.3**	**1097.0**	**1199.5**
Grants	181.8	250.5	166.9	166.4	168.1
Budgetary grants	*76.5*	*83.2*	*83.2*	*85.3*	*88.6*
Total expenditure and net lending	**1143.6**	**1289.7**	**1243.4**	**1324.1**	**1342.8**
Current expenditure	601.2	673.2	703.0	742.4	789.5
Investment spending	366.7	526.7	451.9	466.8	470.6
including domestic resources	179.1	186.6	212.4	222.9	218.7
Other spending including arrears variations	175.7	89.8	88.5	114.6	85.5
Overall fiscal balance (payment order basis incl. grants)	-203.6	-227.1	-224.1	-227.1	-143.3
Underlying basic fiscal balance (*)	**-16.5**	**-64.4**	**-73.5**	**-52.1**	**-60.9**
In % GDP	*-0.4*	*-1.3*	*-1.4*	*-1.0*	*-1.0*
Financing	**199.2**	**216.0**	**213.1**	**220.4**	**136.7**
Net external (excluding ADF)	126.8	166.9	126.6	145.0	153.4
Budget lending (excluding ADF)	*39.4*	*26.9*	*33.7*	*41.2*	*45.0*
Domestic (net)	72.4	49.1	86.5	75.4	-16.7
Financing gap	**-4.4**	**-11.1**	**-11.0**	**-6.7**	**-6.6**
ADF Loan	**4.4**	**11.0**	**11.0**	**6.6**	**6.6**
Residual financing gap	**0.0**	**-0.1**	**0.0**	**-0.1**	**0.0**
Memorandum items:					
Nominal GDP	4642	5032	5104	5455	5892

IMF Country Report No.11/141, 2011, Table 3

4.3.4 To cover the residual gap for 2011, the GoM plans to draw from its reserves generated during the SOTELMA privatisation[20] in 2008. These resources will be supplemented by borrowing from the domestic financial market. Indeed, the practice of borrowing from the domestic financial market could have a crowding out effect on the private sector. Besides, such borrowings tend to be costly for the State, given the relatively high interest rates and low maturity. Against this backdrop, the first tranche of the Bank's budget support will amount to CFAF 11 billion. Such resource input for 2011 will enable the GoM to secure resources earmarked for spending in priority sectors as well as limit the costly borrowing from the domestic and sub-regional markets.

4.3.5 It is worth noting that some TFPs have also increased their financing packages for 2011. In June 2011, the IMF for instance, approved an increase in the amount of Mali's access ECF resources by an amount equivalent to 25 million special drawing rights (SDR) (about USD 40 million) to mitigate the impact of the crises in Cote d'Ivoire and Libya. An amount of US4 33.7 was disbursed immediately thereafter. The World Bank also increased its budget assistance by USD15 million for a total amount of USD70 million. For 2012 and 2013, the GoM is committed to limiting the basic budget deficit (underlying) to 1% of GDP, thereby reducing the financing requirements.

[20] Sale in 2008 of 51% of State's shares in SOTELMA yielded FCFA 180 billion. The Government committed to using these funds solely for investment purposes for the period 2009-2012.

4.4 Beneficiaries

The programme directly benefits the GoM as it contributes to covering the financing requirements of the general budget. It is also of benefit to the local authorities as it supports the decentralisation and deconcentration process. In the medium term, it will have a positive impact on the private sector environment and the living conditions of the Malian people, through growth and redistribution of the nation's wealth.

4.5 Impact on gender

The major gender-related challenges in Mali have to do with socio-cultural factors that infringe on the status of women and restrict their ability to participate fully in the socioeconomic life of the community. Gender disparities in education are a major cause of the high fertility rate in the country, with a total fertility index of 6.8. Under the PADDER project, the Bank is engaged in building the capacity of the local authorities to take the gender dimension into account in budget preparation. Operationalising decentralisation through the transfer of resources to the local elected administrations creates opportunity for enhancing the democratic process and taking the specific problems of women into account. By supporting the strengthening of the decentralisation process, GPRSSP II contributes indirectly to achieving the objectives of the GoM, as 30% of party-based seats are expected to be occupied by women by 2015 and 30% of women engaged in agriculture. As at end 2010, these rates were 8% and 20% respectively.

4.6 Impact on the Environment

The programme has been classified under Category 3. It will thus have no direct impact on the environment. However, by supporting the decentralisation process, it will complement the PADDER environmental protection activities. PADDER supports integration of environmental considerations and the rational use of natural resources in the decision-making instruments at the level of the local authorities. These considerations are analysed in the preparation of regional diagnosis and physical planning schemes, using the participatory process.

V. IMPLEMENTATION, MONITORING AND EVALUATION

5.1 Implementation Arrangements

5.1.1 ***Institution responsible:*** The Directorate General for Public Debt (DGDP), under the Ministry of Economy and Finance (MEF), will be responsible for monitoring the programme's implementation. It will further centralise the production of documents and report on the progress of the programme. DGPD was selected because of its experience in implementing GPRSSP-I. Indeed, GPRSSP-I had selected the Directorate General for Budget to monitor the implementation of the programme, because of its involvement in public finance reforms together with the Public Finance Reform Unit (CARFIP),. In practice, however, monitoring of GPRSSP-I was undertaken by DGDP, as it had the operational capacity to monitor such reforms and submit the relevant documents to the Bank. GPRSSP-II will thus continue the work of the previous programme and will be monitored by DGDP.

5.1.2 ***Disbursements:*** The UA 33 million loan will be disbursed in three tranches, subject to the Borrower meeting the general and specific loan conditions, as stated in paragraph 6.2 below. At the request of the Borrower, the Bank will disburse the funds into a Treasury account to be opened at the main BCEAO branch in Bamako. Taking into account the estimated financing requirements of the medium-term budget framework, which is pointing to a larger deficit in 2011 (see paragraph 4.3), the respective tranche amounts will be as follows: UA 15 million for the first tranche in 2011; UA 9 million for the second tranche in 2012; and UA 9 million for the third tranche in 2013.

5.1.3 ***Procurement of goods and services:*** Since the programme entails budget support, its implementation does not raise direct issues of procurement of goods and services.

5.1.4 ***Financial management and audit:*** The MEF will be responsible for the administrative, financial and accounting management of resources. The entire public expenditure chain will be used. GPRSSP-II will be audited in accordance with the specific general budget support arrangements, which entail the use of national institutions such as the Accounts Section of the Supreme Court, which controls budget execution. The GoM will regularly transmit the Account Section's annual activity reports and budget review act to the Bank. Government will further produce a specific report on the implementation of the recommendations and conclusions of the previous audit and submit it to the Bank no later than 31 August. Should the need arise, the Bank may commission an independent audit of the financial flows, per the terms of the arrangement.

5.2 Monitoring and evaluation arrangements

5.2.1. The programme's monitoring-evaluation mechanism will be aligned with the prevailing mechanism for monitoring PAGAM/GFP II. At the heart of the institutional mechanism is the Technical Committee, chaired by the General Secretariat and comprising technical officers and other stakeholders (civil society representatives and TFPs). The Technical Committee is supported by the Technical Secretariat, which is run by CARFIP. Through MLFO, the Bank participates in Technical Committee meetings, to monitor all the reforms, especially those that have to do with GPRSSP-II. GPRSSP II will be implemented in close collaboration with the other TFPs belonging to the "Macroeconomic and Public Finance" group.

5.2.2. GPRSSP-II review and evaluation missions will be carried out following the harmonised timetable shown in the specific arrangement. According to the timetable, in September of every year, a joint evaluation mission by TFPs will be organised to review the measures of the joint matrix for year n-1, for September-November disbursements of the current year (year n) and/or the first quarter of the following year (n+1). The matrix will also be updated, based on the review findings, to determine the new triggers. The Framework Arrangement outlines the main documents to be provided by the GoM for monitoring the macroeconomic and budgetary framework, as well as the reforms. These are annual reports on the implementation of the CSCRP and the PAGAM, the GFFT and the budget execution statement, broken down into sectors (on quarterly basis)**,** and the annual reports of internal and external audit institutions.

VI. LEGAL INSTRUMENTS AND LEGAL AUTHORITY

6.1 Legal instruments

The legal instrument to be used for the programme is the Loan Agreement between the Republic of Mali (Borrower) and the African Development Fund (Fund).

6.2 Conditions pertaining to Bank intervention

A. Conditions precedent to submission of the report to the Board

a) Adoption of the 2011 budget amendment package by the Borrower [*Proof required: a copy of these documents and a copy of the Council of Ministers communiqué indicating their approval*]

b) Submission of the budget review bill for FY 2009 to the National Assembly (paragraph 4.2.16). [*Proof required: Ministry of Economy and Finance transmission of copies of the bill and General Secretariat of Government's letter of transmittal of the Budget review bill to the National Assembly]*

B. Conditions precedent to entry into force of the loan

The entry into force of the loan agreement is subject to the Borrower fulfilling the conditions stipulated in Section 12.01 of the African Development Fund General Conditions Applicable to Loan Agreements and Guarantee Agreements (Sovereign Entities).

C. Conditions precedent to disbursement of the various loan tranches

Table 5
Conditions precedent to disbursement of the ADF loan

Disbursement of the first tranche of UA 15 million
(a) Opening of a special account at the main branch of BCEAO, to receive the loan resources for the programme [*Proof required: an original copy of a letter certifying the opening of the account at BCEAO];*
(b) Adoption by the government of a National Fiscal Transition Programme comprising the measures and reforms to be implemented and performance monitoring indicators for the period 2011-2013, pursuant to Decision No. 34/2009/CM/UEMOA on the adoption of criteria and indicators of fiscal transition within WAEMU (paragraph 4.2.5). *[Proof required: copy of the fiscal transition programme and copy of the communiqué of the Council of Ministers showing approval of the programme];*
(c) Launch of the study on the establishment of a land register by the National Directorate of Land Registry (paragraph 4.2.5). *[Proof: Transmission of study terms of reference by Minister of Economy and Finance];*
Disbursement of the second tranche of UA 9 million in June 2012
(a) Satisfactory review of the programme supported by the IMF's Extended Credit Facility, based on the output criteria, by end 2011 *[Proof required: IMF Press Release]*;
(b) Satisfactory review of implementation of PFM reforms as stated in the 2010 Operational Plan for first half of 2011 of PAGAM-GFP II (paragraph 3.3.2). *[Proof required: letter of transmittal of the PAGAM-GFP Technical Committee, accompanied by the report, jointly adopted by the Government and TFPs of the PAGAM-GFP Technical Committee];*
(c) Providing the financial court (Accounts Section of the Supreme Court) with at least 25 qualified professionals to ensure speedy judgment of the 1992-2007 accounts and routine judgment of the 2009-2010 accounts (paragraph 4.2.16). *[Proof required: Transmission by Ministry of Economy and Finance of a letter from the Chairman of SCCS certifying the number of professional staff assigned to the Accounts Section as at March 2012]*;
Disbursement of the third tranche of UA 9 million in June 2013
(a) Satisfactory review of the programme supported by the IMF's ECF, based on the output criteria, by end 2012. [*Proof required: IMF Press Release];*
(b) Satisfactory review of implementation of PFM reforms as stated in the 2011 Operational Plan of the first half of 2012 of PAGAM-GFP II (paragraph 3.3.2). *[Proof required: letter of transmittal of the PAGAM-GFP Technical Committee, accompanied by the report, jointly adopted by the Government and TFPs of the PAGAM-GFP*;
(c) Satisfactory joint 2012 annual review of the Institutional Development Programme and the National Local Authorities Support Programme (PNACT III). *[Proof required: a letter from the Minister of Economy and Finance submitting the conclusions of the review to the Fund]*.

6.3 Compliance with Bank policies

The objectives of GPRSSP II are in line with the guidelines of the Bank's Medium-term Strategy (2008-2012), particularly the Bank Group's new approach to governance, which focuses more on transparency and accountability in the management of public resources. GPRSSP II is also consistent with the guidelines on development budget support loans. (ADB/BD/WP/2003/145/Rev.2; ADF/BD/WP/2003/182/Rev.2). No exception with respect to the guidelines is sought in this proposal.

VII. RISK MANAGEMENT

7.1 The following table provides an overview of the risks affecting the implementation of the programme or achievement of outcomes.

Table 6
Risks and Mitigative Measures

Risks	Mitigative Measures Undertaken	Actions to be Undertaken
Elections and delays in implementing reforms: The country's general elections are slated for 2012. While Mali has consolidated the democratic process over the past few years, the country runs the risk of letting up in the implementation or monitoring of the reforms under the programme.	The new government formed by the Head of State in April 2011 no longer comprises people who are likely to contest the next general elections. Moreover, GPRSSP II has taken the electoral context into account in the choice of reforms and measures, and has only adopted the key reforms.	Through MLFO, the Bank will maintain ongoing dialogue with the Malian side and other TFPs engaged in similar reforms, to ensure regular implementation of the reforms.
Exogenous shocks: Rise in global oil prices is a major financial risk for the country.	The GoM has adopted a mechanism for adjusting the prices of the country's petroleum products to world oil prices. It has also increased subsidies for the energy sector in order to contain domestic prices at acceptable levels in the event of major shocks from world oil prices.	The Bank will regularly examine the financial situation of the State (on a quarterly basis) to ensure viability of the budget framework. It will further examine the conclusions of IMF missions on the implementation of reforms designed to ensure macroeconomic stability.
Absorptive and ownership capacity: The scope of the reforms carried out by the country during the past few years stretched the capacity of national planning, execution and control institutions. The decentralisation/deconcentration process embarked on by the country further increases the pressure. This situation may cause limitations in the capacity to absorb and own these reforms.	Government has strengthened sound planning of reforms and streamlined the use of State staff. Recruitment and staff training plans were thus adopted and personnel assigned to departments where the needs are most acute.	The TFPs should pursue harmonisation of their procedures to ease the cost of transactions related to programme implementation. In this respect, the Bank will be increasingly using national procedures to implement the projects it is financing.

VIII. RECOMMENDATION

It is recommended that the Board of Directors approve, from ADF-XII resources, a loan amounting to UA 33 million, in the form of general budget support to the Republic of Mali, for the financing of the Second Growth and Poverty Reduction Strategy Support Programme (GPRSSP II).

Letter of Development Policy

MINISTRY OF FINANCE

REPUBLIC OF MALI
One People –One Goal –One Faith

GENERAL SECRETARIAT

Bamako 8 AUGUST 2011
Minister of Finance

Mr. Donald Kaberuka
President of the Bank Group
African Development Bank (ADB)
PO Box 323-1002 Tunis Belvedere
(Tunisia)

Subject: Letter of Development Policy
Of the Second Poverty Reduction Strategy Support Programme

Mr. President,

I have the honour to submit to you the present Letter of Development Policy in support of the request from the Government of the Republic of Mali for assistance from your Institution for a Second Growth and Poverty Reduction Strategy Support Programme amounting to UA 33 million.

This assistance will allow the Government to pursue its economic, financial and social reform programme, particularly in the following focus areas: optimum mobilisation of domestic resources as part of fiscal transition; improving the public procurement system and external control over financial reporting; improving the resources and management of local authorities through decentralisation; and increasing access to basic social services such as health, education and social development.

This loan, despite the negative impact on Mali of the increase in food and oil prices, will help to safeguard Government budget allocation efforts to the poorest sections of the population.

Please accept, Mr. President, the assurances of my highest consideration.

Attach: Letter of Development Policy

Copies:
- Mamadou Abdoulaye Sow, Executive Director for Mali
- Amadou Thierno Diallo, ADB Resident Representative in Mali

REPUBLIC OF MALI

One People-One Goal-One Faith

REFORM PROGRAMME SUPPORTED BY THE SECOND GROWTH AND POVERTY REDUCTION STRATEGY SUPPORT PROGRAMME

1. The year 2010 saw the sustained implementation of the President's Economic and Social Development Project (PDES), Growth and Poverty Reduction Strategy Framework (GPRSF) 2007-2011 and the consolidation of public finance reforms. The year also marked the 50^{th} anniversary of Mali's independence, and was thus a year for economic, social and cultural stock-taking.

2. As part of its implementation of the reform programme supported by Mali's Second Growth and Poverty Reduction support programme in 2010, the Government kept up its efforts to safeguard macroeconomic stability and continued to implement considerable structural reforms. This Letter of Development Policy presents the current socioeconomic situation in Mali as well as prospects for the coming years. It highlights the strategic objectives and the policies formulated by the authorities in the context of the implementation of the 2007-2011 Growth and Poverty Reduction Strategy Framework (GPRSF). To facilitate funding and ensure the implementation of this strategy, the Government of Mali requests the support of development partners, including the African Development Bank Group, through the Second Strategy Support Programme.

A. Political, social and economic context

3. Since the advent of multi-party democracy in the early 1990's, Mali has had a relatively stable socio-political life. Efforts to promote this stability and lay a sound economic foundation led to a political transition in 1992. Since then, two successive Presidents have been democratically elected into power. There have been four presidential elections, the last of which was in April 2007 and resulted in the re-election of Mr. Amadou Toumani Toure in the first round of voting with 72.2% of votes cast.

4. The ongoing review of the Constitution which has been in effect since 1992, will take into account Mali's international commitments, notably with regard to the supreme audit body. A national commission has already produced a draft bill of the Constitution which has been submitted to the various socio-political actors for their study. The draft constitution proposes, among other reforms, the creation of a Senate to replace the *Haut Conseil des collectivités* (High Council of Local Authorities), the creation of an autonomous Court of Auditors independent of the Supreme Court, the establishment of the Agency in charge of managing elections to replace the Independent National Electoral Commission (CENI) and the General Delegation on Elections (DGE).

5. To promote socio-political and economic stability and given the authorities' commitment to establish social dialogue as a means of resolving differences, the Government has, in recent times, taken measures to boost the confidence of friendly countries and its bilateral and multilateral partners. Thus, the biggest problem, the security situation in the North of the country, has greatly improved with the laying down of arms by the rebels and the implementation of major development programmes in the North, such as the 10-year Northern Region Development Programme, the Integrated Programme for the Development of Mali's Northern Region, the programme for the Socioeconomic Re-integration of Ex-combatants, and the Integrated Programme for the Rural Development of the Kidal Region (PIDRK). Cognisant of the international impact of the security issues in the North of the

country, the Malian Government has joined hands with countries in the sub-region to counter the activities of armed traffickers and terrorists plaguing the Sahara.

6. The third review of the Growth and Poverty Reduction Strategy Framework (GPRSF) took place on 7 June 2010. This review was particularly significant in that it was conducted mid-term of the five-year programme. The review also paved the way for preparatory work to begin on *SPFR 2012-2016*. Deliberations were on three major themes: i) accelerated growth and the issue of population growth; ii) the development of poverty and evaluation of the achievement of the MDGs; iii) funding and aid effectiveness.

7. The Accelerated Growth Strategy (AGS) prepared and adopted in 2008 by the Government was largely shared by Technical and Financial Partners (TFPs) at the Donors' Round Table held on 12 and 13 June 2008. The TFPs expressed their interest in and readiness to support the Government in the implementation of this strategy through the actions set forth in the Plan of Action for the Accelerated Growth Strategy (PASCA).

8. The Plan of Action for the Accelerated Growth Strategy is divided into five main areas : i) Macroeconomic framework and budget policy; ii) Governance and the fight against corruption; iii) Structural reform; iv) Development of productive sectors; v) Private sector development. Almost half of the 93 actions of the Accelerated Growth Strategy (AGS) are aimed at developing infrastructure and the productive sectors. Fourteen of these 93 actions were fully implemented and 71 were ongoing by June 2010.

9. The 2010 Joint Budget Review (JBR) of the General Budget Support (GBS) was organised on 18 and 19 October 2010. The review jointly assessed the performance of budgetary support to the implementation of the Growth and Poverty Reduction Strategy Framework (GPRSF). It must be noted that a significant portion of the deliberations was dedicated to the modalities for public finance management control, the plan of action for the fight against corruption and the problem of capacity building for the Accounts Section of the Supreme Court and its transformation into a Court of Auditors.

10. The provisional results of the 2009 General Population and Housing Census put the annual population growth rate at 3.6%. Mali's resident population increased from 3.5 million in 1960 to 14.5 million in 2009. This figure could triple or quadruple to between 40 and 60 million inhabitants by 2050. This marked population growth could be explained by a decrease in emigration and an increase in immigration in recent years. Measures aimed at slowing down population growth, such as girl-child education, community-based distribution of contraceptives and creating awareness of health care have been taken into account in Mali's National Population Policy and its third implementation programme for the period 2010-2014.

11. Results achieved by the Government in the social sectors, particularly in maternal and child health, remain modest, giving rise to concerns about the attainment of the MDGs in these areas. On the other hand, results in respect of education, access to potable water and HIV/AIDS have been very encouraging. Indeed, the gross enrolment rate rose from 75% in 2006 to 82% in 2009. Also, the proportion of the population with access to potable water reached 73.1% in 2009, compared to 70.1% in 2007 and to the MDG of 80.4% by 2015. Concerning this last indicator, there has not only been an increase at the national level, but also a decrease by half in the gap between the rural and urban areas. The HIV/AIDS prevalence rate among pregnant women was around 1.8% in 2008, down from 3.5% in 2006.

Figures for the population as a whole seem to indicate a general decrease in the prevalence rate.

12. The Malian Government embarked on a major programme of public finance reforms in collaboration with all its technical and financial partners, resulting in the adoption in April 2005 of the first Government Plan of action on the Improvement and Modernisation of Public Finance Management (PAGAM/GFP). At the end of the independent external evaluation during the first quarter of 2009, its implementation was deemed satisfactory. In order to consolidate the gains of this first plan and intensify the process of public finance reform, Government decided on a second plan (2011-2013). Thus the second phase of PAGAM/GFP, based on the participatory approach and incorporating results-based management principles, was aimed at i) increased mobilisation of public resources; ii) improving the budget preparation and execution process; iii) strengthening Mali's public finance management system; and iv) accelerating the ongoing decentralisation and deconcentration process.

13. As far back as 2005, participants at the Round Table on the first PAGAM/GFP held on 25 May 2005 stressed the need to establish a public finance management baseline to assess the impact of this plan on the performance of the public finance management system. Mali underwent its first PEFA (Public Expenditure & Financial Accountability) assessment in 2006. The 2010 PEFA assessment was aimed principally at measuring the progress made in improving public finance management in relation to the baseline established in 2006. Generally, the provisional assessment report submitted to the Government in September 2010 reveals that significant progress has been recorded in several areas of public finance management.

B. Recent macroeconomic developments

14. The Government's reform programme includes actions to improve the contribution of the agricultural sector to pro-poor growth. Efforts will thus be geared towards greater productivity and diversification. The Government plans to consolidate the substantial results obtained for cereal crops, particularly rice. Cotton production began to recover as from the 2008/09 crop year. Government's objective is to accelerate this growth during the 2009/2010 season. It launched an invitation for bids on 22 February 2010 for the privatisation of CMDT and is determined to restore the viability of the cotton sub-sector by improving its overall competitiveness.

15. Government knows that the country will be able to increase its agricultural productivity by exploiting its irrigation potential. Institutional reforms and investments in irrigation have yielded significant results, particularly in rice production. Considering the interest showed by private investors in the Office du Niger (ON) area in recent times, the Government will continue to attract private investors, particularly foreign direct investments, while protecting small producers including the poor and other vulnerable groups, and paying special attention to the environment.

16. A CFAF 72 billion project to promote agricultural productivity, the Agricultural Productivity Support Programme in Mali (PAPAM), has just been launched with World Bank support. PAPAM aims to contribute to the achievement of the objectives of the GPRSF, notably those guaranteeing food security and increased production leading to increased incomes for rural producers.

17. The expected fall in gold production in 2010 was not limited by the operation of a new mine (delayed start). This drop in production should be offset by the considerable growth of the agricultural sector which enjoyed favourable rainfall and the sound measures

implemented for the crop year, such as government financial support to farmers in the form of input subsidies. The good crop year should keep inflation at 1.2%. Real GDP growth for 2010 is estimated at 4.5%.

18. Provisional figures indicate that the current account deficit, including grants, is expected to widen to 8.5% of GDP. This deficit will, essentially, be financed by net inflows of capital, mainly in the form of external aid and direct foreign investments. Consequently, the overall balance of payments will record a deficit of CFAF 35.4 billion (USD 71.7 million) to be financed with the foreign exchange reserves of the Central Bank of West African States (BCEAO).

19. Money supply is estimated to have risen by about 13.4% in 2010, spurred on by State credit. Credit to the private sector increased by a mere 1.5% during the same period. The latest figures available for financial sector stability (end December 2009) indicate a banking sector funding ratio of over 8%. However, there are two banks whose equity capital is still not up to the required minimum of CFAF 5 billion (USD10 million).

20. Provisional figures indicate that the basic fiscal balance recorded a deficit of CFAF 92.8 billion (2% of GDP), as against the estimated CFAF 111.6% billion (2.4%). The underlying basic fiscal balance (excluding expenses financed by revenue from the SOTELMA privatisation) also recorded a deficit of CFAF 38 billion or 1% of GDP. All pending payments in 2009, totalling CFAF 129 billion, were settled during the first eight months of 2010. Provisional indicators reveal that the implementation criteria and quantitative indicators determined with the IMF have been largely complied with.

21. Compared to 2009, the 2010 finance act shows an increase of 10.8% for education and 12.9% for health, reflecting the Government's efforts to achieve the Millennium Development Goals. Investment spending is expected to increase during the same period, through the creation of a national investment fund from the proceeds of privatisation and through the expansion of road and bridge construction, among others. The 2010 budget also makes provision for a loan to CMDT for inputs, as well as to BHM as part of the implementation of the restructuring plan adopted on 30 December 2009 to withdraw State funding from the bank's capital in 2012.

22. A 6% growth rate is projected for 2011. This is based on the increase in gold and agricultural production coupled with high gold and cotton prices. Provisional forecasts indicate that inflation should remain below the community convergence target of 3%, although this forecast will be revised depending on trends in oil and food prices. The finance act adopted by the National Assembly in December 2010 allows an underlying fiscal balance deficit of CFAF 64 billion, representing 1.3% of GDP. The 2011 budget policy will thus be prudent, but special measures will be considered if oil and food prices continue to climb, in order to minimise their impact on vulnerable Malians. Budget and financial aggregates will be reviewed to better reflect the potential effects of food and oil prices on tax accounts. ADB resources will help to bridge the gap between income and expenditure and create flexibility to mitigate the effects of price increases on the population, while maintaining investments in areas such as infrastructure, education or health. This is crucial for attaining a higher economic growth rate for continued poverty reduction and for sustained achievement of the MDGs.

C. 2011-2012 Reform Programmes

Improve the policy environment for private infrastructure and investment.

23. There is little chance of reducing poverty in Mali without promoting sustained agricultural productivity and diversification. Production and inflation trends are determined by agricultural performance, since agriculture constitutes the principal economic activity of the majority of Malians. However, productivity in the sector is still low and, with the exception of rice and some horticultural crops, any increase in production is due basically to the extension of areas under crop. In addition, agriculture is very vulnerable to rainfall, locust invasions, diseases and volatile world market prices, which affect cotton in particular.

24. The Government is in the process of implementing the transition plan and other measures aimed at stabilising cotton production, estimated at 260,000 tonnes in 2010-2011 following a downward review of earlier forecasts to account for the impact of heavy rains in some areas.

25. The Government is determined to privatise CMDT. An invitation for bids was launched in February 2010 and the privatisation process should be completed by the end of 2011. A cotton policy was adopted in 2009 and the draft bill on the establishment of a regulatory body for the cotton sector has been submitted to the National Assembly.

26. Mali could increase its agricultural productivity and reduce its vulnerability to weather changes by exploiting its irrigation potential. Some successes have been chalked following institutional reforms and investment in irrigable land, particularly to increase rice production. Despite a long delay, a programme contract was signed at the beginning of 2009 with the ON. Efforts are ongoing to strengthen governance in this critical sector. The objectives include creation of a framework for the development of a common vision for irrigation development in Mali and a mechanism for the constructive participation of stakeholders in the planning and monitoring of irrigation activities in the ON.

27. Some of the Government's priorities are strengthening infrastructure and improving the business climate. The substantial outcomes obtained in road construction and maintenance will be pursued and consolidated. Government is continuing its efforts to enhance the business climate. Following a consultative process, a new Investment Code was adopted by Cabinet and submitted to the National Assembly. Based on the preliminary results of a study on institutional restructuring, the Government decided, in September 2009, to formally separate water and electricity operations. Government has just adopted bills creating an assets company and a water treatment company. Plans are underway to establish similar assets and operating companies for electricity.

28. The objective of the pricing and subsidy mechanism reform is to align prices with production costs, particularly the costs of importing crude oil, while protecting low-income consumers.

29. Government intends to boost its efforts to improve governance in the mining sector. Mali applied to join the Extractive Industries Transparency Initiative (EITI) in 2008 and was given two years to implement the activities set out in its Work Plan. Mali's accession to EITI standards should bring it to the validation point by 2010. It has implemented several measures to date, namely: 1) completion of the first EITI report on revenue generated from gold production activities in 2006; and 2) organisation of seminars, and participation in international training programmes also attended by civil society representatives. According to

the EITI Council, Mali has done very well, but needs to do more if it is to be declared a compliant country. Specifically, it must produce a second EITI report for 2007-2008. In the medium term, the Government intends to continue publishing annual verified reports on taxation in the mining sector and improve the institutional framework for recording gold tax revenues.

Strengthening public finance management

30. The public finance management reform has achieved some results, as indicated by the independent assessment report of the first Government Plan of Action for Improvement and Modernisation of Public Finance Management (PAGAM-GFP I) and by the 2010 preliminary PEFA results. There are still some challenges, however, especially with regard to optimizing procurement and putting in controls, the quality and timeliness of annual financial statements, as well as external control and audit.

31. PAGAM-GFP II is a follow up to and consolidates the GFP reform programme introduced by PAGAM-GFP I. Priorities include: 1) finalising the networking of the public expenditure chain and introducing new expenditure management software, PRED5; 2) preparing and disseminating directives concerning the public procurement agent; 3) submitting to the National Assembly bills on public procurement for PPP, in line with WAEMU directives; 4) submitting to the National Assembly bills to review laws establishing the DGMP-DSP and the ARMDS, to bring them in line with Directive No. 005/2005/CM/UEMOA; 5) building capacity for implementation of the new institutional framework by training staff of DGMP, the ministries and the private sector to use the new public procurement code and setting up a database equipped with an integrated procurement management system at DGMP and in the ministries; 6) presenting 2008 budget review bills to the National Assembly, especially the opinion issued by the Accounts Section of the Supreme Court; 7) drawing up a plan of action concerning public accountants' audit backlogs. The principal activities of PAGAM-GFP II are in line with the Government's reforms as stated in the Economic and Social Development Programme and in the Institutional Development Programme.

Improving basic social services

32. In the context of Mali's decentralised system, the implementation of educational and health programmes is the duty of sub-national authorities. Although the responsibilities are clearly spelt out, the transfer of resources may be deemed slow, partly because of capacity constraints. A recent instruction from the Office of the Prime Minister states that from 2010, the education and health budget lines should be allocated in instalments to the decentralised entities for their current and investment expenditure. To improve coordination between national and sub-national administrations, a contractual framework has been adopted and is being tested on a pilot basis in the education sector. Capacity building efforts are also being intensified. One of such measures in the health sector is the training of selected personnel to properly implement the operational directives of Decree No. 02-314 on the transfer of financial resources to local authorities and the regional monitoring and supervision mechanism.

33. The Government is determined to provide access to quality social services through the active participation of the local authorities. Measures put in place by the Government include: 1) encouraging the signing of contracts between Government and local authorities, State and NGOs/associations, and State and the private sector for the implementation of health sector policies, programmes and strategies; 2) operationalising consultation organs, in accordance with Decree No. 08-095/PRM of 21 February 2008 on education; 3) adopting a

framework for the implementation of regional and local education programmes as well as the preparation and implementation of State-local authority contracts in at least 230 district schools, including the management of teachers; 4) building the institutional capacity of the Ministry of Health and all health facilities; 5) extending social security cover and improving access to basic social services and micro-finance for the poor, and 6) adopting and implementing a health sector training programme on the implementation of Decree No. 02-314 in at least four health districts for selected personnel at the local level and the technical staff.

34. To improve upon service delivery specifically, some of these measures are given special attention and concern: 1) the signing of at least 230 State-local authority contracts for regional and local education programmes, particularly on the management of teachers; 2) adoption and implementation by the Ministry of Health of a training programme for selected personnel at the local level and of technical staff for the implementation of Decree No. 02-314 in at least three health districts; and 3) the adoption by the Government of a national strategy and programme for the extension of mutual health insurance schemes. These educational and health/social development sector measures are in line with the technical and financial support programmes of these sectors, namely the Educational Sector Investment Programme (PISE) III signed in December 2010 and the Social Development Programme (PRODESS).

35. Contracts for the management of educational programmes help to better define responsibilities and improve coordination. Contracts spell out the duties of the various actors and administrative positions concerned, and give details of the functions and responsibilities of the decentralised departments. Contracts also encourage practical decisions during the preparation of local budgets as they include the financial commitments made against overall budget allocations and expected results. The development outcomes will be measured by the average teacher-student ratio.

36. The training of selected personnel and technical staff in the implementation of Decree No. 02-314 and its directives will help improve management at the local level and enhance accountability. Beneficiaries of training programmes will receive the tools needed to manage public funds at the local level. Capacity building is expected to reduce the fiduciary risks associated with the transfer of resources to local authorities. The development outcomes will be measured by the portion of the current expenditure budget allocated to health which is actually transferred to the decentralised entities.

37. The extension of mutual health insurance schemes is essential for the rapid increase in the use of health services. Studies have shown that access to mutual health insurance enhances the use of available health services, since the households that belong to such schemes do not have to pay for health services out of their own pockets. This measure consolidates a reform supported by CARP-4, which introduced joint financing of contributions by the State for the poor members of mutual health schemes. The development outcomes will be measured by the number of beneficiaries of the mutual health insurance schemes.

D. Monitoring and evaluation

38. The Ministry of Finance and the Economy (MEF) will be responsible for the supervision and monitoring of the GPRSF reform programme, and will thus liaise with the focal points at the Ministries, Departments and Agencies (MDAs) involved in the programme. These MDAs will provide relevant information and documentation on the

implementation and monitoring of their respective programmes to the MEF, which will supervise the progress of the achievement of the programme objectives. The principal sources of data will be the household surveys (ELIM – mixed survey), the General Population and Housing Census, statistics collected yearly by the Planning and Statistics Units of the sector ministries, the economic statistics produced by the National Statistics Institute and budget data from the MEF.

Matrix of Operational Policies

Medium-Term Strategic Objectives	Strategic Measures (*)			Outputs	Outcomes	Source of Data
	2011	2012	2013	Target Indicators References – Timeframes	Target Indicators References – Timeframes	
A. Mobilisation of domestic resources optimised as part of the fiscal transition						
1.1 Tax base is broadened and streamlined		1.1.1 Launch study on establishment of a Land Registry (DGI) 1.1.2 Define coherent and effective framework for recovery of dividends and other revenue from public lands (DNDC) 1.1.3 Review legislation on recovery of property income for streamlining purposes (DNDC) 1.1.4 Review legislation on capital gain from property transfer with a view to facilitating their enforcement (DNDC)	**1.1.5 Finalise study on the creation of a land registry** 1.1.6 Finalise networking of tax administrations (DGI, DGD, DNDC and DNTCP).	**Study is finalised by 30 March 2013** Framework is prepared by DNDC no later by 31 December 2012 and becomes effective by 30 June 2013 Draft legislation is prepared by DNDC by 31 December 2012 and enters into force by 30 June 2013 Draft legislation on capital gain is prepared by DNDC by 31 December 2012 and enters into force by 30 June 2013 Networking of tax administrations no later than 30 September 2013	Tax ratio (total tax revenue as a percentage of nominal GDP) >= 16% in 2013 against 14.7% in 2010 Domestic tax revenue ratio to GDP in year n (excl. customs VAT**) >=** 9.5% in 2013 against 8.8% in 2010 Rate of increase of per capita earnings by local authorities >=5% yearly between 2012 and 2013	GFFT DGI Report DNCT Report
1.2 Fiscal transition programme is implemented	**1.2.1 Government adopts fiscal transition programme**	**1.2.2 Incorporate National Fiscal Transition Programme criteria into Budget Act (DGB)**		**National Fiscal Transition Programme is adopted no later than 30 September 2011** **Budget Act 2012 contains first measures of National Fiscal Transition Programme** Local taxation policy is prepared by 30 September 2012 and adopted by 30 March 2013 The draft strategy is available by 30 September 2013		

Medium-Term Strategic Objectives	Strategic Measures (*)			Outputs	Outcomes	Source of Data
	2011	2012	2013	Target Indicators References – Timeframes	Target Indicators References – Timeframes	
1.3 Local taxation and State taxation are harmonised		1.3.1 Prepare a local taxation policy defining clearly the roles and responsibilities of actors (DGI)	1.3.2 Prepare and implement a local taxation development strategy			
B. Public Finance Management more transparent						
Sub-Component1 2.1Enhanced transparency in public procurement system	2.1.1 Training of all actors involved in public procurement;	2.1.1.1 Continued training of all actors involved in public procurement;	2.1.1.2 Continued training of all actors involved in public procurement;	Number of persons trained yearly	Percentage of contracts awarded by open competitive bidding >=80% in 2013 against 70.7% in 2009.	
	2.1.2 Training materials are prepared by DGMP-DSP;	2.1.2.1 Distribute training materials to DRMPs		Training materials are prepared by DGMP-DSP by 30 September 2012; all DRMPs have training materials by 30 June 2013	Reduce procurement lead time from 90 in 2013 against 127 days in 2010	
	2.1.3 ARMDS launches 2010 public procurement audit	2.1.3.1 Finalise audit on 2010 public procurement and launch audit on 2011 procurement t	2.1.3.2 Finalise 2011 public procurement audit and launch 2012 procurement audit	Audit report for year n procurement is available by June year n+2		
		2.1.4 Computerize public procurement chain.		Computerization starts by 30 September 2012 and is operational by 30 September 2013		
Sub-Component2 2.2 Improving external control systems	**2.2.1 Government adopts 2009 Budget Review Act**			The budget review act is adopted by 30 September 2011		
	2.2.2 Government submits budget review acts to Accounts Section of Supreme Court (SCCS) within time prescribed by law (2010 public accounts should be submitted no later than 31	2.2.2.1 Government submits budget review acts to SCCS within time prescribed by law (2011 accounts should be submitted no later than 31 December 2012)	2.2.2.2 Government submits budget review acts to SCCS within time prescribed by law (2012 accounts should be submitted no later than 31 December 2013)	The operating accounts for year n are submitted to SCCS 7 months after end of year		

Medium-Term Strategic Objectives	Strategic Measures (*)			Outputs	Outcomes	Source of Data
	2011	2012	2013	Target Indicators References – Timeframes	Target Indicators References – Timeframes	
	July 2011) **2.2.3 Government adopts bill on validation of 1960-1991 accounts;**	**2.2.4 Strengthen staffing of SCCS with at least 25 senior staff to finalise accelerated judgment of operating accounts for 1992 to 2008 period;**	2.2.5 Put in place sustainable institutional and legal mechanisms for regular review of accounts as from 2009	Bill is approved by 30 March 2012 SCCS maintains at least the same number of qualified personnel as those at post on 30 May 2011 The SCCS is established as a Court of Auditors by end 2013.		
C. Resources and management of local authorities improved						
3.1 The transfer of resources to local authorities is pegged to powers conferred		**3.1.1 Define monitoring-evaluation indicators for transfer of skills and resources to local authorities as part of review of Prime Minister's Instruction No. 08-0003/PM-RM of 21 November 2008.** 3.1.3 Match professional expertise of staff of deconcentrated services with their duties in the local authorities	**3.1.2 Implement Prime Minister's Instruction No. 08-0003/PM-RM on the transfer of skills and resources to local authorities** 3.1.4 Revision of staff regulations for local authority officials	Indicators are outlined by DNCT by 30 March 2012 Prime Minister's instruction on transfer is 80% implemented by 2012 based on indicators for transfer of resources and skills to local authorities Professional staff regulations are adopted by government by 30 December 2012 The text revising the staff regulations for local authority officials is adopted by government by 30 September 2013	Percentage of State budget transferred to local authorities >=22% in 2013 against 18.6% in 2010 Average rate of implementation of actions planned in Development Plans (PDESC) >=60% in 2013 against 35% in 2009	
3.2 The resources of local authorities are predictable and managed more effectively	3.2.1 Notify the local authorities of the National Support Funds (FNACT) allocated prior to adoption of their budget	3.2.2 Operationalise the local finance committees and train local actors in fund recovery		The FNACT resources allocated are notified to local authorities before their budget is adopted	Proportion of operating accounts of local authorities transferred on time to Treasury	

Medium-Term Strategic Objectives	Strategic Measures (*)			Outputs	Outcomes	Source of Data
	2011	2012	2013	Target Indicators References – Timeframes	Target Indicators References – Timeframes	
3.3 Fiduciary risks from budget deconcentration and decentralisation are reduced	3.3.1 The budgets of local authorities are approved by the oversight body within the time prescribed by law	3.3.1.1 The budgets of local authorities are approved by the oversight body within the time prescribed by law 3.3.2 Extend the management system of local authorities (COLLOC) to the budget and accounting operations of the authorising officers of regional authorities.	3.3.1.2 The budgets of local authorities are actually approved by the oversight body within the time prescribed by law	Local committee members are appointed and trained Rate of approval of local authority budgets by oversight body within the time prescribed by law >=80% against 54% in 2010 COLLOC application is extended to the operations of authorising officers of regional authorities no later than 30 September 2012		

(*) The strategic measures for conditionalities are in bold; measures under the common matrix of triggers for 2011 are in italics

<u>Annex 1</u>

Note on Relations between IMF and Mali

Press Release N° 11/231 International Monetary Fund
Washington, D.C. 20431 USA (13 June 2011)

IMF Executive Board Completes Sixth Review under Extended Credit Facility for Mali, Approves a US$40 Million Augmentation and US$33.7 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the sixth review of Mali's performance under the economic program supported by the Extended Credit Facility, approved an augmentation of access in an amount equivalent to SDR 25 million (about US$40 million; or 27 percent of quota) to cushion the impact of the crises in Côte d'Ivoire and Libya, and approved the modification of performance criteria. The completion of the review enables the immediate disbursement of an amount equivalent to SDR 21 million (US$**33.7** million), bringing total disbursements under the program to an amount equivalent to SDR 46.99 million (US$75.3 million).

Mali's arrangement under the ECF was approved by the Executive Board on May 28, 2008, in the amount equivalent to SDR 27.99 million (about US$45.7 million; see Press Release No. 08/126). On January 26, 2011 Executive Board approved an extension of the arrangement until end-December 2011 (see Press Release No.11/20).

Following the Executive Board's discussion on Mali, Ms.Nemat Shafik, Deputy Managing Director and Acting Chair, stated:

"Macroeconomic developments in Mali have been favourable. Performance under the ECF supported program continues to be strong, reflecting the authorities' commitment to the program objectives. The 2011 economic outlook is positive, with a projected strengthening of economic activity. Continued prudent macroeconomic policies and decisive implementation of structural reforms will be necessary to reduce vulnerabilities, diversify the economy, further raise economic growth, and reduce poverty.

Fiscal policy continues to be cautious. The 2011 supplementary budget is well aligned with the program's macroeconomic objectives. Domestic energy prices need to be adjusted to changes in international oil prices in order to safeguard resources for making further progress towards the Millennium Development Goals.

"While public finance management has been strengthened, further progress is needed. The authorities have committed to simplifying the tax code and modernizing tax and customs administration to increase domestic revenue mobilisation and improve the business environment. The authorities also plan to reduce the excessive number of accounts held by the government entities in commercial banks, implement the directives of the West African Economic and Monetary Union to increase fiscal transparency, and strengthen oversight in order to improve revenue collection and budget execution.

"To reduce external vulnerabilities stemming from the exports' concentration on gold, the authorities need to continue to pursue prudent debt management and step up efforts to diversify the economy. Timely privatisation of the cotton ginning company, reform of the electricity sector, and financial sector development will be critical steps going forward," she noted.

REPUBLIC OF MALI:
PROPOSAL FOR AN ADF LOAN OF UA 33 MILLION TO FINANCE THE SECOND GROWTH AND POVERTY REDUCTION STRATEGY SUPPORT PROGRAMME

(GPRSSP II)

CORRIGENDUM

Page v : Table 1 – "Results-Based Logical Framework"

- Output 1.1 : "**Study launched by 30 June 2012** " is replaced by "**Study launched by 31 December 2011**"
- Output 2.2 "**Adequately staffing the Accounts Section for speedy judgment of State operating accounts for the period 1992 to 2008**" is replaced by "**Providing the financial court (Accounts Section of the Supreme Court) with at least 25 qualified professionals**"
- Output 3.1 : "**Implementation of Prime Minister's Instruction N°08-0003/PM-RM on the transfer of skills and resources to local authorities (trigger)**". Delete the word "**trigger"**

Annex 2 Page 1/4 : Matrix of Operational Policies

- Measure 1.1.1 : "**Launch study on establishment of a Land Registry (DGI)**" should be in the column 2011 instead of the column 2012.
- Measure 1.2.1: "**Government adopts fiscal transition Programme**" is replaced by "**Adoption by the government of a National Fiscal Transition Programme comprising the measures and reforms to be implemented and performance monitoring indicators for the period 2011-2013**";
- Measure 1.2.2: "**Incorporate National Fiscal Transition Programme criteria into Budget Act (DGB)**". The measure is deleted.
- Measure 2.2.3 : "**Government adopts bill on validation of 1960-1991 accounts**" should be in the column 2012 instead of the column 2011.
- 3.1.2 "**Implement Prime Minister's Instruction No. 08-0003/PM-RM on the transfer of skills and resources to local authorities**". The measure should not be in bold since it is not a trigger for disbursement.