



MALI

TECHNICAL ASSISTANCE REPORT—IMPLEMENTING FISCAL DECENTRALIZATION

October 2015

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Implementing Fiscal Decentralization

February 2015

Benoit Taiclet, Marie Laure Berbach, Moussé Sow

INTERNATIONAL MONETARY FUND

Fiscal Affairs Department



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ACRONYMS

ANICT	National Local Government Investment Agency
CCAD	Decentralization Coordination and Support Unit
CCO[C]SAD	Communal Development Action Steering, Coordination [and Monitoring] Committee
CDI	Institutional Development Commission
XOF	CFA franc
CLOCSAD	Local Development Action Steering, Coordination and Monitoring Committee
CNO	National Local Government Technical Support Steering Committee
CROCSAD	Regional Development Action Steering, Coordination and Monitoring Committee
DCPND	National Decentralization Policy Paper
DGB	General Directorate of the Budget
DGCT	General Directorate of Local Governments
DNCF	National Financial Control Directorate
DNTCP	National Treasury and Public Accounting Directorate
FNACT	National Local Government Support Fund
GDP	Gross Domestic Product
MTEF	Medium-Term Expenditure Framework
PDI	Institutional Development Program
PDSEC	Economic, Social and Cultural Development Program
PNACT	National Local Government Support Program
TFP	Technical and Financial Partners
TOFE	Government Fiscal Reporting Table
UF	"Functional Units" (units receiving budget appropriations)
VAT	Value-Added Tax
WAEMU	West African Economic and Monetary Union

PREFACE

At the request of the Minister of Finance and Budget of Mali, an IMF Fiscal Affairs Department mission visited Bamako from January 14 to 28, 2015 to assist with the revision of the macro fiscal, legal and financial framework to accompany decentralization. The mission focused on:

(i) updating the assumptions and macro fiscal framework defined by the authorities during a government workshop on March 11, 2014; (ii) defining rules and a financial framework for the gradual transfer of responsibilities and resources to the regions; and (iii) developing proposals to ensure financial good governance at the local level.

The mission comprised Mr. Benoit Taiclet, mission chief; Mr. Moussé Sow, Fiscal Affairs Department economist; and Ms. Marie-Laure Berbach, IMF Fiscal Affairs Department panel expert.

The mission met with His Excellency Mr. Mamadou Igor Diarra, Minister of Economy and Finance and his top aides; Mr. Sidiki Traoré, Advisor to the Minister of Finance; and Ms. Zamilatou Cissé, Secretary General in the Ministry of Economy and Finance, and Mr. Ibrahima Hama, Secretary General in the Ministry of Territorial Administration and Decentralization.

The members of the mission would like to express their sincere gratitude to the office of the Minister for the organization of the work, the accessibility of the staff, and the quality and openness of the discussions held with the various senior officials and their colleagues:

Mr. Mamadou Diakité, First Vice President, Mr. Mamadou Traoré, First Quaestor for the elected members of the Local Government High Council of Mali, Mr. Ousmane Sy, former Minister of Decentralization, Mr. Malick Alhousseini, former minister, expert to the senior representative of the President of the Republic for the Inter-Malian Inclusive Dialogue, Mr. Kloussama Goita, President of the Accounts Section; Mr. Amadou Ousmane Touré, Auditor General; Mr. Sambou Wagué, former minister, Coordinator of Reforms under the Three-Year Action Plan, Mr. Alhassane Ag Hamed Moussa, former minister, National Director of Financial Control, Mr. Boubacar Ben Bouillé, National Director of the Treasury and Public Accounting, Mr. Robert Diarra, Director General of the Budget; Mr. Adama Sissouma, Director General of Local Governments; Mr. Ahmadou T. Haidara, Head of the Central Payroll Office; Mr. Alassane Maiga, Deputy National Director of Development Planning; Mr. Amara Traoré, Acting General Director of the National Local Government Investment Agency; Mr. Souleymane Traoré, Director General of Finance and Equipment (Ministry of Health); Mr. Chaka Bagayoko, Director General of Finance and Equipment (Ministry of National Education); Mr. Seydou Moussa Traore, Director General of the National Statistics Institute.

The mission had the opportunity to discuss its conclusions and recommendations with representatives of the various development partners, including Mr. Gilles Huberson, Ambassador of France to Mali, Mr. Paul Numa, Resident Representative of the World Bank, Mr. Giovanni Squadrito and his colleagues at the European Union office, and Mr. Peter d'Huys of the Belgian Embassy.

Finally, the mission would like to thank Mr. Anton Op de Beke, IMF Resident Representative and Mr. Bakary Traore, resident economist, for their generosity with their time and assistance in the organization of the mission.

SUMMARY OF RECOMMENDATIONS

Update

The long-established process for decentralization, as anchored in Mali is institutional framework, has delivered results over the years. In particular, the communes¹ have become pillars of the local sociocultural framework. For more than three decades, they have provided basic services, particularly in the education and health sectors, and somewhat initiated local development. Nevertheless, the lack of sufficient financial and human resources for local governments to handle their responsibilities has been a major impediment to local development and poverty reduction. Central government agencies deployed in the Malian hinterland, with little guidance and financing, was insufficient to boost local development. The question of decentralization has thus re-heated debates in the context of the Northern Mali crisis and its subsequent political and military instability.

Regionalization ambitions and risks

Since 2013, a new ambitious model is emerging. It is particularly ambitious although not fully defined. According to most recent known assumptions, it involves redrawing the map of the counties and regions and scaling up fiscal transfers to local governments to the tune of one third of the country's budgetary revenue. In this context the plan is to (i) double or triple local budgets (depending on the option chosen) within three or four years, (ii) increase the number of regions from 8 to 20 (two of which are desert lands), and (iii) consolidate at the communal level. If not properly implemented, this "regionalization" phase entails risks:

- **If the new regions² are poorly defined or inconsistent**, local management may result in a very unsuitable and inefficient use of resources.
- **If transfers to local governments are inadequately estimated**, insufficient and unpredictable revenue to local budgets will lead to ineffective local policies with little economic and social impact, and potentially a loss of control on local debts.
- **If central government transfers are unsuited to local governments' specific needs**, it could increase local inequities, deplete the central government budget and yet not foster growth and development.

¹ In Mali, the "communes" are the lowest level for Sub National Governments (e.g. municipalities, town ships and villages) governed by a mayor and steered by a municipal assembly (the "conseil municipal").

² In Mali the "regions" are the highest level for Sub National Governments. A central government official (the governor) governs the region with the region steering assembly (the "conseil de region")