



Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 03-Apr-2018 | Report No: PIDISDSC24611



BASIC INFORMATION

A. Basic Project Data

Country Mali	Project ID P164561	Parent Project ID (if any)	Project Name Mali Fiscal Decentralization for Better Service Delivery (P164561)
Region AFRICA	Estimated Appraisal Date Sep 17, 2018	Estimated Board Date Dec 11, 2018	Practice Area (Lead) Governance
Financing Instrument Investment Project Financing	Borrower(s) Mintury of Finance	Implementing Agency Ministry of Finance	

Proposed Development Objective(s)

The project will contribute to strengthening fiscal management in local governments for better service delivery.

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	65.00
Total Financing	65.00
of which IBRD/IDA	65.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	65.00
IDA Grant	65.00

Environmental Assessment Category
C-Not Required

Concept Review Decision
Track II-The review did authorize the preparation to continue



Other Decision (as needed)

B. Introduction and Context

Country Context

A. Country Context

1. **Mali is a landlocked country with an approximate population of 18 million (2016) and still stands as one of the poorest countries ranking 179 out of 187 countries in 2017 (UNDP).** Its GDP growth which increased by 5.8 percent in 2016 decelerated to 5.3 percent in 2017. Over 40 percent of the total population lives in poverty and 90 percent of them live in rural areas, and mostly in the south of the country. It is estimated that 100,000 persons are internally displaced facing food insecurity. The country can be divided along a north-south axis that are quite distinct from each other, where major economic activity take part in the south part. Political tension and insecurity have increased in Mali caused by the tension posed by the rebellions and terrorists in the North and the military coup that occurred in 2012. The Jihadist insurgency has been ongoing and expanded to the central region. Land rights conflicts have long been important drivers of conflict and violence although the government in Bamako has confronted crises induced by terrorist insurgencies.

2. **Poverty incidence is high and most of the poor live in rural areas.** In 2010 more than half the population (51 percent) lived below the dollar-a-day poverty line. Since that time, drought (2012) and conflict (2012-present) have taken their toll and poverty incidence is likely to have risen. Reliable estimates do not exist, however, and there is a dire need to improve welfare measurement and to collect data that permits a better understanding of the livelihoods of poor households. Poverty incidence is much lower in urban areas (14 percent) and 90 percent of all poor live in rural areas. Poverty is concentrated in the south where population density is highest. Once the conflict erupted 36 percent of the total population of the north fled to the south of Mali and to neighboring countries. The crisis had dramatic effects on public infrastructure and services.

3. **The decentralization framework has been revamped in light of the political and security crisis and puts the region at the center of institutional and local development.** Mali is composed of four levels of government: the national administration, regions, districts (cercles) and communes. The latter three are local government authorities. There are 8 regions¹, the district of Bamako, 49 cercles and 703 communes. Sharing roles and responsibilities between the State and local authorities and finding the balance between central supervision and local self-governance are essential for successful management and implementation of decentralization. The subnational governments have financial autonomy and legal personality. Although each local authority has autonomy over its management, de facto power is exercised under the control of the State and under the legal conditions.

4. **The Agreement of Peace and Reconciliation signed in 2015 and relevant law stipulated that any transfer of competences to a collectivity has to be accompanied by the transfer of**

¹ A new law was presented in the Minister Council on Feb 28, 2018 to add 2 new regions to the existing regions.



corresponding resources and linked budget for the skills to be transferred and exercised. The lack of fiscal resources of communes creates fundamental challenges in Mali, which led to a strong reliance on external actors for financing. The level of overall resources of Malian Communes (CTs) is lower than other WAEMU countries. The aforementioned Agreement specified a goal of overall transfer of funding to the subnational governments of 30% of budget revenues from 2018. The State has undertaken measures to transfer 40% more than the amount transferred in the 2015 Finance Act for the 2017 fiscal year. The government has set out specific objectives to achieve that goal: (i) improve the management of financial, human and material resources in education and health sectors (pilot sectors); (ii) implement transfers of financial, human and material resources at the level of departments with decrees (in 9 sectors in which the transferred competences were fixed by decree but the associated financial resources have not been transferred.); (iii) finalize the details of the skills to be transferred for sectors that do not have decrees and implement the transfer of financial, human and material resources; and (iv) to put different structures involved in skills transfer in capacities to play their roles.

5. Since 2014 Mali has been able to maintain a steady growth rate of more than 5 percent on grounds of increased labor supply, urbanization, comprehensive agriculture and public investment. Nevertheless, the economic growth is still susceptible to external factors including climatic, political and price shocks. As its economy has limited capacity confined to producing basic products, Mali will have to explore opportunities for growth within existing sectors while looking into prospects for expansion of complexity of products with the highest potential and creating efficient enabling services environment including electricity supply. A recent Peace Agreement in June 2015 provided a channel and framework to address drivers of conflict in Mali as the government has committed to reform initiatives including its efforts to reinforce local governance and autonomy in the north part of the country. The government aims to invigorate the investment and delivery of basic services while developing the human capital.

Sectoral and Institutional Context

Public Financial Management Reform

6. In the area of planning and budgeting, Mali had made real progress, particularly at the central level. As shown in Figure 1 in Annex 1, starting with the adoption of the 6 WAEMU directives in 2009, Mali has been experimenting with a performance-based management approach for public resources, culminating in the full adoption of program budgeting in January 2018. The 2018 budget presents 146 programs on budget at the national level, subdivided into 339 actions with specific indicators, as well as a projection over three years for each program. Program-based budgeting is a performance-oriented approach in budget management that aims to (i) increase the accountability of managers; (ii) link measurable expected results to public policy objectives; and (iii) ensure optimum management of financial and human resources. In one of its program review papers², the IMF evaluated

² Mali: Third Review Under the Extended Credit Facility Arrangement, Request for Waiver of Performance Criteria, and Request for Modification of Performance Criteria – Press Release; and Staff Report. IMF Country Reports 15/151. International Monetary Fund, 2015.



that the implementation of results-based management in tax and customs administration contributed to the increase of tax revenues in 2015.

7. **Meanwhile, program execution and service delivery at local level are affected by the highly centralized planning process and the lack of capacity of local governments to manage the resources they do receive efficiently.** As shown in Figure 2 in Annex 1, there are many actors in the planning and execution of programs included in the national budget. Currently Program Managers (RPROG), mostly directors in the head office of a Ministry, do not fully participate in program-based budgeting, as such role is still led by respective Ministry's Administrative and Financial Director (DAF) and Statistics and Planning Unit (CP). Other key participants, such as Program Operational Budget Managers (RBOP) and Operational Unit Managers (RUO), often located in subnational governments, do not participate in the dialog either. Thus, deconcentrated and decentralized authorities have little influence on the outcome of program planning, and conditional transfers (transfers tied to sectoral programs), and thus weak buy-in to enable effective implementation and delivery of services at the local level. This can be particularly felt in the sectors where devolution of competencies has become effective, such as health and education. In addition, local governments lack capacity to efficiently manage their own resources as well as unconditional transfers received (resources not tied to sectoral allocations). The impact of existing weaknesses on service provision at the local level has been negative. While some progress has been made in the provision of basic social services, only 21% of the communes have electricity network, 54% have primary schools, 60.3% of urban and rural communes are below the norm of 1 primary hospital per 10,000 inhabitants and 59.2% do not have a doctor.

Decentralization

8. **Decentralization has had mixed results.** Decentralization and local government reforms, a priority for the government since the start of the third republic in 1991, have progressed very slowly. Some formal authority was decentralized in a relatively bottom-up process in the 1990s, but consolidation of decentralized governance has lagged, especially in the areas of local autonomy, responsibilities, fiscal transfers and downward accountability. The structures involved are still weak. For example, local authorities are still unaware of the details of the responsibilities transferred by law. Subnational governments perform their duties with great difficulties, and little assistance. Despite legislation, there are many overlaps between local authorities and deconcentrated technical units, regarding the functions and activities legally transferred. In addition, resources allocated to local authorities are very weak to cover expenditures related to the provision of decentralized technical services. Despite some progress in the administrative and financial empowerment of local authorities, they are still to a large extent under the authority of the central government with regard to resources, and even acts and decisions related to their respective territories.

9. **Since 2005, the Government has developed two national decentralization policy frameworks.** The 2005-2014 National Decentralization Policy Framework has been built around four strategic axes: (i) building the political and administrative capacities of subnational governments; (ii) strengthening the decentralization of administrative and technical services of the State; (iii) developing local citizenship and; (iv) building capacity of private service providers at a local level. The National Conference on Decentralization was organized by the Government of Mali in October 2013. Following



the recommendations stemming from this event and the peace agreement signed in 2015, a new vision was formulated. This new National Decentralization Policy Framework Document (DCPND), covering the period 2016-2024, is based on the lessons learned from the previous policy framework. It focuses on strengthening peace, security, democratic governance and sustainable development. The National Decentralization Policy is structured around the following five general objectives: (i) to promote balanced local development of regions and urban areas; (ii) to improve the quality of services provided by local and regional authorities; (iii) to strengthen the technical support from the Central Government to local authorities (iv) to enhance inclusive governance of local authorities and; (v) to increase decentralization financing.

10. Following the new vision originating from the peace agreement signed in 2015, the devolution of expenditure responsibilities has been updated in 2017³ increasing the needs of subnational governments. Based on the new policy framework, the Government has updated in 2017, the Code of Subnational Governments determining the conditions for the Autonomous administration of local and regional authorities. The code states that the mission of the local authorities shall be the design, planning and implementation of economic, social and cultural development activities of regional or local interest. Furthermore, any transfer of competences to a subnational Government must be accompanied by the concomitant transfer of the resources and means necessary for the normal exercise of these duties (Table 1). Currently, only the education, health, livestock and fisheries departments transfer financial resources to cover subnational' s spending related to wages, maintenance, construction, etc.

11. The transfer of resources to local governments is at the heart of the decentralization process in Mali, and is still insufficient. The government committed to transfer 30% of fiscal revenues to local and regional authorities by the end of 2018, but is still far from this target, as shown in the table below. This transfer of resources is expected to be fully operationalized through the intergovernmental fiscal transfers and the performance contracts which should be signed by the Central Government and Subnational authorities (although only 4 regions have been signed so far). Subnational Government expenditures are financed by their own revenue, unconditional transfers and transfers related either to investment purposes through the National Investment Agency of the Territorial Collectivities (ANICT) or for specific sectors (health, education, water, etc.). The latter, also called deconcentrated expenditures instead of decentralized ones, represent unfortunately the bulk of the expenditures of subnational governments.

Table 1: Transfer of budgetary resources to local authorities

Year	2011	2012	2013	2014	2015	2016	2017	2018
Total amount of resources transferred (in million CFAF)	64,900	126,500	126,900	147,900	170,900	213,300	261,822	326,238
Total budgetary revenues transferred	775,1	813,3	842,7	935,3	1.120,1	1.277,80	1.429,60	1.650,05

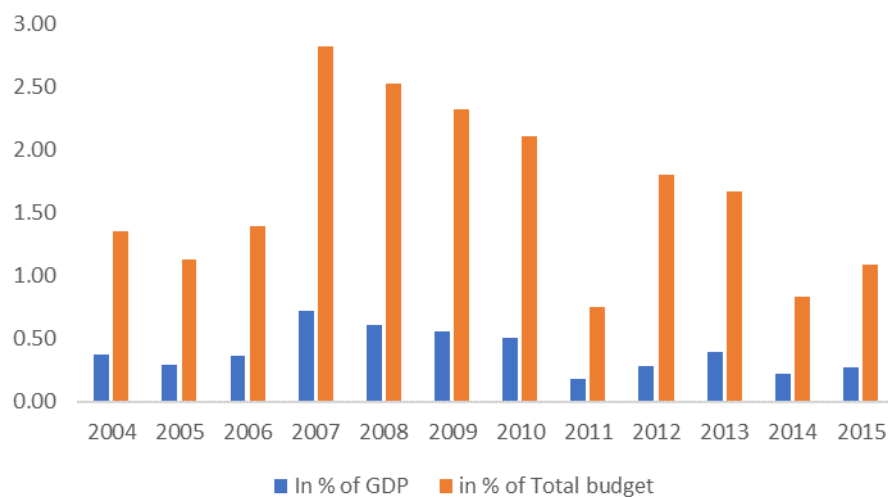
³ The first code has been enacted in 2012.



(in million CFAF)								
Transferred resources/ budgetary revenues	8.40%	15.60%	15.10%	15.80%	15.30%	16.70%	18.30%	19.77%

Source: Technical Note

Figure 1: Intergovernmental transfers performed through the ANICT percent of GDP and percent of total



Source: ANICT and Bank Team Calculations

12. **The National Local Government Support Fund (FNAT in French), managed by the National Local Government Investment Agency (ANICT in French), was created in 2007 to contribute to a more equitable allocation of resources among subnational government, has not delivered on investments as expected.** ANICT is primarily responsible for receiving and allocating to local and regional authorities subsidies for the realization of their investments under their project management. The Agency ensures equity by taking into account the degree of development of local and regional authorities according to the criteria defined by the Government. ANICT is also expected to help local and regional authorities to deliver local services to their citizens and encourage the local and regional authorities to develop the mobilization of their own financial resources. The criteria for allocation and equity are transparent, but disadvantage communities with low population density. Transfers have fluctuated a lot since the beginning of this initiative and therefore they are difficult to predict. In addition, allocations are announced late to local authorities (6 to 9 months after the beginning of the fiscal year), which reduces their ability to forecast budgets, schedule investment and, their credibility vis-à-vis local populations.

13. **In conclusion, the decentralization agenda in Mali, which started in 1991 and accelerated in 2005 with the first National Decentralization Policy Framework, operates in the context of public finance reforms which have not yet extended to subnational governments.** In 1994, Mali adopted a performance-based approach to management of public resources, which resulted in the gradual adoption of a program budgeting approach starting in 1998. Even if progress has been made on program budgeting with the adoption of a program budget for the fiscal year 2018, progress in



decentralization has been mixed. There has been some progress, for example in the devolution of responsibilities in certain sectors, such as health and education, but the transfer of resources, which should be concomitant with the transfer of responsibilities, has been slow, impeding the ability of the local governments to meet their increasing expenditure responsibilities. In addition, subnational governments (SNGs) are not participating sufficiently in the program budgeting process, thus affecting the ability to effectively achieve sustainable results at the local level.

Relationship to CPF

14. **The Country Partnership Framework (CPF) for the period of FY16-19 (2015-2020) presents three focus areas: (i) improving governance; (ii) creating economic opportunities; and (iii) building resilience.** The CPF indicates that although the existing operations are aligned with Mali's post-crisis priorities, there are gaps for which the Bank's support will be helpful to achieve results identified in the CPF. The proposed project is consistent with the first focus area of CPF, improving governance by providing support to improve public financial management. The project will also contribute to the Bank's engagement in Mali to improve efficiency and pro-poor public expenditures and to build the capacity of the citizens to strengthen accountability to improve service delivery. Specific areas of this support will include enhancing public financial management and decentralization to promote quality service delivery.

15. **The proposed project will complement other Bank initiatives in Mali, thus enhancing its impact.** The proposed IPF project will build up the WB Urban Local Government Support Project in Mali⁴ which had contributed to developing Malian local government's capacity. The proposed IPF will continue to address the strengthened roles and capacity of ANICT to solidify and diversify financing resources of the CTs at local level. This project will also be aligned with the Bank's ASA "Building a more efficient fiscal decentralization system in Mali"⁵. As the ASA will help Malian government identify and address the constraints that the government faces for effective fiscal decentralization process in order to enhance service delivery efficiency, the task team could collaborate with the team conducting the ASA in sharing the identified challenges and bottlenecks to be reflected into the provision of operational support to the government. There is also a DPO that is currently under preparation and the team believes that the IPF project will be able to share the findings and progress of project implementation to feed into the DPO.

16. **The project will also contribute to the Bank's Twin Goals of ending extreme poverty and boosting shared prosperity and to the IDA 18 goals, which have a special focus on governance and institution building.** The project's focus on increasing capacity at the local level, from individuals to public sector institutions for service delivery and resource management, will contribute to strengthen the government's development capability and governance.

In addition, this project is consistent with other international and regional strategies and agendas, such as the sustainable development goal (SDG) 16. This calls for "the building of effective, accountable and inclusive institutions at all levels," and the AU Vision 2063 which states in

⁴ Mali Urban Local Government Support Project

⁵⁵ P164707 Building a more efficient fiscal decentralized system in Mali.



its third aspiration of an “Africa of good governance, democracy, respect for human rights, justice and the rule of law”; as well as the work being undertaken by other development partners such as the European Union and the other bilateral agencies such as the Swiss Development Cooperation, the *Agence Francaise de Développement* and GIZ.

C. Proposed Development Objective(s)

The project will contribute to strengthening fiscal management in local governments for better service delivery.

Key Results (From PCN)

17. Results indicators will be fully defined through project preparation consultations. At this concept note stage, it is proposed that progress towards PDO achievement be measured by the following PDO-level results indicators:

- Percentage of central government budget transferred to local governments (CTs)
- Percentage of budget execution by local governments (CTs)
- Percentage of resources transferred to CTs in the Education sector
- Percentage of resources transferred to CTs in the Health sector
- Percentage access to basic utilities (water, toilets and electricity) and books in schools in selected CTs
- Percentage of health infrastructure (CSRef and CSCom) per inhabitant in selected CTs

18. Following the project theory of change, intermediate level indicators will be developed during project preparation.

D. Concept Description

19. **The proposed project builds on lessons learned from previous Bank operations in Mali and will be designed to seek synergies with and support of other Bank- and donor-funded programs, where appropriate.** The proposed project will adopt a problem-driven approach to address the binding constraints that affect the government’s capacity to effectively implement its decentralization policy, while fully extend the benefits of program budgeting to SNGs, enabling them to more efficiently manage their resources and ultimately provide better services to their population. The project will be designed around three main components. Several lessons have been incorporated into the project preparation and design, including (a) the importance of setting up a dedicated PIU to implement projects in Mali, (b) the importance of including citizens participation tools in the project, (c) the importance of supporting policy dialog through a DPO and maintaining communication with the DPO Task Team, and (d) the importance of adopting a problem-driven approach. The project will capitalize on the achievement of the Urban Local Government Support project (PACUM) by piloting certain activities in the 14 urban SNGs already supported by PACUM and seeking to streamline some of the lessons learned from the project. The proposed operation will also ensure coordination with the DPO under preparation, and coordinate with other donors present in the sectors such as the EU and GIZ.



20. **The project intends to adopt a scalable approach and have a transformational effect on resource management at the subnational level and delivery of services. The Project consists of three complementary components for a total of US\$ 65 million:** (i) Component 1. Results-based Financing (tentatively US\$ 50 million) to provide incentives for achieving results along government's decentralization strategy, budget decentralization process, performance-based budgeting, and service delivery. Disbursements will be made to the Finance Ministry, conditional on pre-specified results, as measured by disbursement linked Indicators (DLIs). (ii) Component 2. Technical Assistance (tentatively US\$ 12 million) would finance key essential advisory, technical, and capacity-building support for the decentralization strategy and performance-based budgeting. Component 3. Project Management (tentatively US\$ 3 million). Components 2 and 3 will follow a traditional reimbursement mode based on statements of expenditures after the completion of activities. Given the amount of resources, the project will cover approximately 70 subnational governments. The selection of participating subnational governments will be based on criteria, including poverty level, access to basic services and population and will be further defined during preparation.

23. **Component 1. Strengthening Local Government's Availability and Management of Resources (\$50 million).** This component aims to improve the availability and management of resources at the local level of government by supporting reforms to strengthen three main elements: (i) the availability of resources going through the FNAT and ANICT for local governments, (ii) the capacity of CTs to plan and manage their resources more efficiently and (iii) the oversight mechanism for local governments. Eligible expenditures will include salaries at the subnational level, as well as salaries and operating expenses of ANICT. Estimated eligible expenditures for 70 subnational governments would be approximately \$120 million for the five years of the project.

- Sub-component 1.1. More Effective Allocation of Resources to Local Governments. The project would support reforms to increase availability and equity in transfer allocation to CTs, more timely allocation information to CTs and strengthening the role of ANICT (DLI: (1) % budget execution of CTs or % transfer to CTs).
- Sub-component 1.2. Strengthening Local Governments Resource Planning and Management Capacity. The project would support reforms to improve local governments' capacity to plan and manage public resources (DLI: (2) Reduced percentage of delays in procurement processes at the decentralized levels).
- Sub-component 1.3. Strengthening Oversight and Monitoring Mechanisms. The project would support reforms to improve accountability through the improvement of oversight and monitoring mechanisms (DLI: (3) reduction of delays in the judgment of accounts of Receveurs/Percepteurs from the SAI and/or # of CT audit realized in BVG's annual plan and (4) Number of successfully implemented planning agreements (Contrat Plan Etat-Région) between the national government and regions).

24. **Component 2 (\$12 million). Technical Assistance to support the strengthening of Local Government's availability and management of resources.** This component will finance key essential advisory, technical, and capacity-building activities for the improvement of availability, allocation and management of Resources to Local Governments, thus supporting the implementation of the government's decentralization strategy and performance-based budgeting. Activities financed under this component will include:



- Sub-component 2.1. More Effective Allocation of Resources to Local Governments. The project would finance the following technical assistance activities:
 - Implement recommendations from the Fiscal Decentralization ASA financed by the Bank including the improvement of the intergovernmental transfer formula utilized, as well as the institutional set-up for the determination of intergovernmental transfers.
 - Improve the previsibility of funding for CTs. As currently CTs receive allocation information from ANICT 6 to 9 months after the beginning of the fiscal year, which impedes their ability to execute and the experience of the PACUM highlights the opportunity to directly transfer funds to local governments from Treasury, the project would pilot, in the beginning, the use of budget lines in the national budget for CTs.
 - Strengthen the role of ANICT. A recent audit of ANICT financed by the European Union (EU) includes recommendations on the missions of ANICT, particularly a refocus toward ensuring the mobilization of resources by CTs, including innovative financing options. Note that the proposed project would support this move.
 - Consolidate progress made at the central level with program budgeting, including technical assistance to strengthen the definition of programs, the implementation of a program management organizational chart to identify all actors in the execution of a program and the implementation of tools to enable the deconcentration of financial decision making.
 - Implement various mechanism tools, including dialogs to ensure participation of local governments in the planning process and preparation of program budgets.

- Sub-component 2.2. Strengthening Local Governments Resource Planning and Management Capacity. The project would finance the following technical assistance activities:
 - Strengthen procurement capacity in CTs to reduce procurement delays at the local level. One of the main impediment to execution being the lengthy procurement processes at the local level, thus, the project will seek to address this issue.
 - Strengthen treasury and reporting mechanisms. The project will seek to strengthen treasury and reporting mechanism at the central and local level to ensure availability of funds and information in a timely manner, including through the implementation of new tools and the provision of training and necessary equipment.
 - Strengthen the capacity of Agence de Developpement Regional (ADRs), which were created in 2015 to support regional and local development, in particular to provide technical assistance to CTs for the planning, programming and execution of local development activities within the responsibilities of CTs.
 - Strengthen the capacity of local governments for planning and budgeting.
 - Harmonize planning and budgeting calendars in order to make more efficient and effective the planning process.

- Sub-component 2.3. Strengthening Oversight and Monitoring Mechanisms. The project would finance the following technical assistance activities:



- Extend performance contracts to all regions and the District of Bamako, managed by DGCT. Currently only 4 regions are under performance contracts. The project will seek to extend this mechanism which was successful in creating a results-oriented management of resources at the local level.
- Strengthen the capacity of the Ministry of Local Government to support and monitor performance of local governments. The project will build-on the activities and lessons learned from PACUM in the implementation of a performance management system at DGCT to enable them to effectively and timely monitor the performance of local governments and the move away from prior controls of local governments to support service delivery autonomy.
- Strengthen the capacity at the central level to monitor performance of programs. The project will seek to address the weakness identified during the implementation of program budgeting at the central level by strengthening the capacity and system to monitor the performance of programs.
- Strengthen oversight mechanisms related to procurement, internal control, and external control, include the Bureau du Verificateur (BVG), the SAI (SC-CS). and Control General des Services Publics (CGSP). The project will seek to strengthen the weaknesses identified in the oversight system and capacity of local governments by reducing delays in the review of CTs' accounts by the SAI, utilizing the BVG to supplement the work of the SAI and strengthen the internal control system of local governments.
- Strengthen participation of civil society (working particularly with women's participation in monitoring activities) in monitoring performance of CTs, based on the recommendations of the Energy sector ASA.

21. **Component 3 (\$3 million). Project Management.** The objective of this component is to support the government's efforts, in part through a PIU, to implement the project. Accordingly, the project will support the following activities:

- Enhancing the government's implementation capacity, including through the establishment of a PIU and the provision of technical assistance
- Developing a change management strategy, communication strategy and project operational manuals for the implementation of the project
- Provide contingency funding for unanticipated costs and project activities
- Support the implementation, and in some cases verification of, DLIs under the proposed Project

Overall Risk and Explanation

22. **The overall risk rating for the proposed operation is Substantial given the risks below that could impact the achievement of the PDO.** All High and Substantial are discussed in the following paragraphs and describes in the Systematic Operations Risk-rating Tool (SORT) framework.

23. **Political and Governance Risk is High.** Lack of progress in the security situation in the North and recent recurrence of violence in the Center could distract the government's attention and divert resources from its recovery and development agenda. The government's security apparatus has so far been unable to counter the situation and there is a risk of a growing divide within Mali's population



(recurring protests in Bamako, increasing levels of crime in general), exacerbated by the upcoming presidential elections. The proposed project does not include any direct measures to mitigate such risks, but as it intends to increase the availability and management of resources in CTs, it may help to generate goodwill for the government in local communities.

24. Macroeconomic Risk is Substantial. Despite the fact that Mali's fiscal situation and management have remained sound over the past few years, given the stabilizing effect of WAEMU membership and recent public financial management reforms, increasing oil prices and a further drop in gold prices both have the potential to affect fiscal accounts negatively. Climate shocks could also aggravate this situation. Given Mali's limited fiscal buffers, such risks have the potential to affect negatively the availability of financing for the central and local governments. The proposed project does not specifically address those risks, but improvements in the use of resources at the local level expected to be generated by the project could help in mitigating the risk of decreased availability of financing.

25. Sector Strategy and Policy Risk is High. Decentralization has been high on the government's agenda since 2005 but progress has been mixed, given the limited capacity at the local level and poor coordination between national and local governments. To mitigate these risks, the proposed project has included in its design activities to increase the capacity of local governments (in planning and budgeting, procurement, and budget execution). ANICT plays an important role in the government's decentralization agenda, but despite identified weaknesses (for example, notifications of allocations to local governments still take between 6 to 9 months after the beginning of the fiscal year), has been unwilling to reform itself and strengthen its role. To mitigate this risk, the project has included in its design activities to strengthen the role of ANICT. The proposed project will also coordinate activities with the PDO under preparation to ensure policy dialog includes the role of ANICT.

26. Institutional Capacity for Implementation and Sustainability is High. While the project is not complex in its technical design, it will involve various beneficiaries at the central and local level, which will demand a high level of coordination. Thus, the proposed project will have a PIU to coordinate all the players. In addition, there is limited capacity at the central and local governments to implement the project. Thus, the project will include technical assistance to ensure efficient implementation. Each project component will include activities related to training (including on-the-job training), allowing technical and administrative staff to gain the necessary skills to implement the activities of the project and the reforms. Finally, the Bank will provide close monitoring on the work of the implementation team and technical assistance when appropriate and necessary.

27. Fiduciary Risk is Substantial. Based on the experience from other IDA-funded projects executed in Mali, the capacity to implement externally funded projects has been low, given the delays experienced in Procurement, and fiduciary risk rated as substantial. To mitigate this risk, the dedicated PIU which will be set up and will be reinforced by the recruitment of experienced fiduciary experts.

SAFEGUARDS



A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

B. Borrower’s Institutional Capacity for Safeguard Policies

There will be no physical infrastructure financed by the project. The project focuses on institutional capacity building.

C. Environmental and Social Safeguards Specialists on the Team

Emeran Serge M. Menang Evouna, Environmental Safeguards Specialist

Mahamadou Ahmadou Maiga, Social Safeguards Specialist

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	
Performance Standards for Private Sector Activities OP/BP 4.03		
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Aug 31, 2018

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

No safeguard-related studies are expected.



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APPROVAL

Task Team Leader(s):	Fabienne Mroczka
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Approved By

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