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Report No: 57477-ML

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF  
SDR 7.7 MILLION  
(US\$ 12.0 MILLION EQUIVALENT)

TO THE

REPUBLIC OF MALI

FOR THE

GOVERNANCE AND BUDGET DECENTRALIZATION TECHNICAL ASSISTANCE

April 4, 2011

Poverty Reduction and Economic Management 3  
Country Management West Africa 3  
Africa Region

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**Currency Equivalents**  
(Exchange Rate Effective February 28, 2011)

**Currency Unit = CFAF**  
CFAF 474 = US\$1

**Fiscal Year**  
January 1 = December 31

**Abbreviations and Acronyms**

AFD	French Development Agency
AfDB	African Development Bank
AFRITAC	Africa Regional Technical Assistance Center
ANICT	National Local Investment Agency
ARMDS	Procurement Regulatory Agency
ASACO	Community Health Associations
ASDI	Swedish International Development Agency
BCEAO	Central Bank of (Francophone) West African States
BP	Bank procedures
BVG	Office of Auditor General
CADD	Deconcentration and Decentralization Support Unit
CAP	School Management Committees
CAISFF	Unit for the Support to the Computerization of Fiscal and Financial Services
CARFIP	Unit for the Support of Public Finance Reform
CAS	Country Assistance Strategy
CDI	Institutional Development Commissariat
CFAF	Franc of the African (Francophone) Finance Community
CIDA	Canadian International Development Agency
CPAR	Country Procurement Assessment report
CPS	Planning and Statistics Unit
CGSP	Public Services General Control
CNFL	National Committee of Local Finance
CQS	Consultant Qualification-based Selection
CNSC	National Council for Civil Society
CSCOM	Community Health Center
CSREF	Health Referral Center
CT	Territorial Collectivity
DA	Designated Account
DFM	Department of Finance and Material
DGB	General Directorate of the Budget
DGI	General Directorate of Taxation
DGMP	General Procurement Department
DNCF	General Directorate of Financial Control
DNCT	National Directorate of Territorial Collectivities
DNDC	National Directorate of Land Affairs and Land Registry
DNTCP	National Treasury and Public Accounting Department
DPL	Development Policy Loan
DSP	Delegation of Public Services
EC	European Commission
FM	Financial Management

FENASCOM	National Federation of Community Health Associations
GAC	Governance and Anti-Corruption
GNI	Gross National Income
GPRSF	Growth and Poverty Reduction Strategy Framework
GTZ	German Technical Cooperation Agency
HDR	Human Development Report
IDA	International Development Association
IA	Implementing Agency
IBRD	International Bank for Reconstruction and Development
ICB	international competitive bidding
IDTA	Institutional Development Technical Assistance.
IFRS	International Financial Reporting Standard
IEG	Independent Evaluation Group
IMF	International Monetary Fund
INSTAT	National Institute of Statistics
IT	Information Technology
L	Low (ORAF)
LCS	Least Cost Selection
MATCL	Ministry of Territorial Administration and Local Governments
MDG	Millennium Development Goal
MEALN	Ministry of Education, Literacy and National Languages
M&E	Monitoring and Evaluation
MEF	Ministry of Economy and Finance
MI	Medium Impact
ML	Medium Likelihood
MLAFU	Ministry of Housing, Land Affairs and Urban Development
MoU	Memorandum of Understanding.
MS	Ministry of Health
MTEF	Medium-Term Expenditure Framework (sectors)
NCB	National Competitive Bidding
NGO	Non-Governmental Organization
OECD	Organization of Economic Cooperation and Development
OHADA	Organization to Harmonize Business Law in Africa
OP	Operational Policy
ORAF	Operational Risk Assessment Framework
PAD	Project Appraisal Document
PAGAM	Action Plan to Strengthen and Modernize Public Finance Management (The first action plan used the acronym PAGAM-GFP)
PDI	Institutional Development Program
PDO	Project Development Objectives
PEFA	Public Expenditure and Financial Accountability
PEMFAR	Public Expenditure Management and Financial Accountability Review
PFAAM	Project Financial, Accounting and Administrative Manual
PETS	Public Expenditure Tracking Surveys
PFM	Public Financial Management
PISE	Education Sector Investment Program
PRED	Computerized Budget Expenditure Management Software
PRODEC	Ten Year Education Development Program
PRODESS	Health and Social Development Program
PRSC	Poverty Reduction Support Credit
PTF	Technical and Financial Partners
Q	Quarter of the calendar year.
QBS	Quality Based Selection
QCBS	Quality and Cost Based Selection
REI	Request of Expression of Interest
ROSC	Reports on the Observance of Standards and Codes

R/P	Treasury Agencies at subnational ( <i>Recettes Perceptions</i> )
SBD	Standard Bidding Documents
SCCS	Audit Section of the Supreme Court
SDR	Special Drawing Rights
SN	Sub-national
SOE	Direct Payment and Statement of Expenditures
SSS	Single source Selection
SYSCOHADA	West African Accounting Reference System
TA	Technical Assistance
TC	Technical Committee
TICC	Technical Implementation Coordination Committee
ToR	Terms of Reference
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
US	United States
USAID	United States Agency for International Development
WAEMU	West African Economic and Monetary Union (UEMOA in French)

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**PAD DATA SHEET**

REPUBLIC OF MALI  
MALI GOVERNANCE AND BUDGET DECENTRALIZATION TECHNICAL ASSISTANCE  
PROJECT

**PROJECT APPRAISAL DOCUMENT**

AFRICA

AFTP3

<p>Date: April 4, 2011 Country Director: Kathryn Hollifield Sector Director: Marcelo Giugale Sector Manager: Jan Walliser Team Leader(s): Clara de Sousa Project ID: P112821 Lending Instrument: Technical Assistance Loan</p>	<p>Sector(s): Sub-national government administration (30%); Public administration- Education (25%); Public administration- Health (20%); Central government administration (15%); General public administration sector (10%)</p> <p>Theme(s): Sub-national government administration (30%); Public administration- Education (25%); Public administration- Health (20%); Central government administration (15%); General public administration sector (10%). EA Category: C</p>
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**Project Financing Data:**

Proposed terms:

Loan    Credit    Grant    Guarantee    Other:

Source	Total Amount (US\$M)
Total Project Cost:	12
Cofinancing:	0
Borrower:	0
Total Bank Financing:	12
IBRD	0
IDA	12
New	12
Recommitted	0

Borrower: The Republic of Mali  
 Responsible Agency: Ministry of Economy and Finance  
 Contact Person: Bounafou Toure  
 Telephone No.: 223-20-231654  
 Fax No.: 223-20-221914  
 Email: tourebounafou@hotmail.com

Estimated Disbursements (Bank FY/US\$ m)

FY	11	12	13	14	15
Annual	0	3	4	3	2
Cumulative	0	3	7	10	12

Project Implementation Period: Start April 28, 2011 End: December 15, 2014

Expected effectiveness date: July 1, 2011

Expected closing date: December 15, 2014

Does the project depart from the CAS in content or other significant respects?  Yes  No

If yes, please explain

Does the project require any exceptions from Bank policies?  Yes  No  
 Have these been approved/endorsed (as appropriate by Bank management)?  Yes  No  
 Is approval for any policy exception sought from the Board?  Yes  No

If yes, please explain

Does the project meet the Regional criteria for readiness for implementation?  Yes  No

If no, please explain:

Project Development objective

The development objective of the Governance and Budget Decentralization TA Project is to strengthen capacity for public financial management at decentralized level for improved budgetary decision-making and enhanced transparency and oversight.



**Project description**

The TA would consist of four components: (1) strengthening capacity for PFM at decentralized level; (2) piloting new PFM tools in the basic education and health sectors; (3) strengthening oversight and community participation; and (4) project implementation and coordination.

Component 1- Strengthening capacity for PFM at decentralized level (US \$7.1 million), has four sub-components: (1) resource mobilization and allocation criteria; (2) budget preparation and monitoring; (3) procurement; and (4) accounting and internal controls.

Component 2 - Piloting new PFM tools in the basic education and health sectors (US \$2.0 million) is organized in two sub-components: (1) education pilot; and (2) health pilot.

Component 3 - External Oversight and Community Participation (US\$ 1.7 million) would support the building capacity for fiduciary oversight and participation. It has two sub-components: (1) external audit; and (2) participation.

Safeguard policies triggered?	
Environmental Assessment (OP/BP 4.01)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Natural Habitats (OP/BP 4.04)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Forests (OP/BP 4.36)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Pest Management (OP 4.09)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Physical Cultural Resources (OP/BP 4.11)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Indigenous Peoples (OP/BP 4.10)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Involuntary Resettlement (OP/BP 4.12)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Safety of Dams (OP/BP 4.37)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects on International Waterways (OP/BP 7.50)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in Disputed Areas (OP/BP 7.60)	<input type="radio"/> Yes <input checked="" type="radio"/> No

**Conditions and Legal Covenants:**

Financing Agreement Reference	Description of Condition/Covenant	Date Due
Effectiveness Conditions	Adopt a Project Implementation Manual (PIM), including the PFAAM, in form and substance satisfactory to IDA.	August 30, 2011
	Contract a financial management specialist under terms and conditions and with qualifications satisfactory to IDA.	August 30, 2011

## I. STRATEGIC CONTEXT

### A. Country Context

1. This project appraisal document (PAD) proposes a Governance and Budget Decentralization Technical Assistance for the Republic of Mali in the amount of SDR 7.7 million (US\$12.0 million equivalent). This operation aims to strengthen governance and public financial management (PFM) in the Malian context of decentralization, a necessary step to improve basic social service delivery. The activities to be financed by the operation were selected from the Second Action Plan for the Strengthening and Modernization of Public Financial Management (Plan d'Action Gouvernemental d'Amélioration et de Modernisation de la Gestion des Finances Publiques –PAGAM) taking into account their criticality and linkages with the support that has been provided under various development policy operations, notably PRSC-3 to PRSC-5.<sup>1</sup>

2. With a Gross National Income (GNI) per capita of US\$680 (Atlas method, 2009), Mali is placed 160th out of 169 countries in the UNDP's 2009 Human Development Index. About half of the country's 1.2 million km<sup>2</sup> area is desert and the population (estimated at 14.5 million in 2009) is primarily concentrated in the southern part of the country, which is irrigated by the Niger and Senegal rivers.

3. The 2007 Growth and Poverty Reduction Strategy Framework (GPRSF) embodies Mali's medium-term vision. The GPRSF lays out strategic priorities for accelerating growth to an average of 7 percent per year and targets the reduction of poverty from 56 percent to 51 percent of the population from 2007 to 2011. The GPRSF is designed as the first phase of the ten-year action plan to achieve the Millennium Development Goals (MDGs) which targets a reduction of poverty incidence to 34 percent of the population by 2015. To attain its twin objectives of rapid private sector-led growth and stronger public sector performance, the GPRSF outlines three strategic pillars: (1) development of infrastructure and economic sectors; (2) continuation and consolidation of public sector structural reforms; and (3) strengthening the social sectors to improve the delivery of basic social services, including improved access for the poor.

4. In Mali, the decentralization agenda is central to improving public service delivery. The National Conference held following the collapse of the military regime in 1991 unanimously adopted decentralization as a fundamental basis for the development of the country, and this led to its enshrinement in the 1992 Constitution. Indeed, decentralization was expected to help attain allocation efficiency in the face of different local preferences for public goods. Decentralization was also perceived to be an appropriate response to the rebellion of the northern regions in the country. Mali's future as a country depended on its ability to implement a system whereby urban and rural communities, even those far away from the capital city, could have a say in the way their regions are run.<sup>2</sup>

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<sup>1</sup> A first action plan (PAGAM-GFP) was adopted in 2005 and implemented in the period 2006-2010.

<sup>2</sup> On April 11, 1992, the rebellion groups and the central government signed an agreement granting special status to the three northern regions of the country, Gao, Timbuktu and Kidal.

## B. Sectoral and Institutional Context

5. Decentralization was stepped up in 1999, with the creation of 701 municipalities (Collectivités Territoriales, CT), grouped in 49 districts (cercles) and covering 8 regions plus the district of Bamako, and with local elections throughout the country. The Government is represented in each region by a governor, who oversees entities that represent the principal functions of the ministries (taxes and customs, treasury, education, health, transport, etc.). These entities execute deconcentrated government expenditures at the regional level. They also provide assistance to the decentralized departments of local governments (municipalities and regional assemblies). Local governments have their own resources and autonomous budgets. Their resources consist of: (1) local tax revenues collected with the help of the tax authorities; (2) government budget transfers (solidarity subsidies to make up for regional disparities); and (3) investment grants funded by the government and donors through the National Local Government Investment Agency (ANICT).

6. The 2002 Institutional Development Program (PDI) and its Operating Plan (for the period 2006-09) include measures to strengthen the administration at central, deconcentrated, and decentralized levels and to improve the participation of service users. The PDI determines that central government should focus on making the national strategic choices and monitoring progress. To advance deconcentration, the PDI establishes the transfer of the authority to execute the national policies to the deconcentrated administration. Decentralization includes the transfer to the local authorities of responsibility to implement programs in line with the national strategies in the following areas: economic development, natural resources management, urbanism, local planning, education, health, social action, and culture. Regarding education and health, local authorities are responsible for actions to increase access and enhance quality and outcomes. This includes managing construction of schools and clinics, and the recruitment and management of teachers and health personnel.<sup>3</sup> Strengthening the budgetary process, adopting a transparent framework for the transfer of financial resources to regional and local administrations, reinforcing human resource capacity, particularly at local level, and establishing participatory monitoring and evaluation system are critical elements of the reforms.<sup>4</sup>

7. Considerable progress was made in the adoption of legal instruments and the effective establishment of deconcentrated and decentralized entities but challenges remain. A Government commissioned review of the PDI has highlighted the following constraints to deconcentration and decentralization: (1) insufficient clarity regarding the responsibilities on local and regional development transferred to the local authorities; (2) weak consultation between the deconcentrated services and the local administrations and lack of planning coordination between the two administrations; (3) competences transferred to CT have not been accompanied by the necessary resources; (4) resource mobilization capacity of CTs is currently weak, rendering them dependent on transfers either from the central government or from unpredictable donor resources (5) poor management of functions transferred due to weak capacity of subnational entities' personnel and the inability to hire and retain skilled staff; (6) excessive concentration, at the central level, of human resources and decisions for implementation of public expenditure; and

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<sup>3</sup> Please see Annex 8 for further additional information on responsibilities devolved to local communities.

<sup>4</sup> The PDI also aims to increase the number of administrative courts, simplify the rules for administrative lawsuits, and offer systematically the possibility of conciliation and arbitration.

(7) inadequate involvement of the civil society.<sup>5</sup> In addition, the Implementation Report of the First Action Plan for the Strengthening and Modernization of Public Financial Management (PAGAM-GFP), completed in 2010, notes that information and accountability systems are poorly defined.<sup>6</sup>

8. Actions outlined in the PAGAM II continue and deepen ongoing PFM reforms, which have benefited from continued support from the Bank and other donors. The PAGAM II has four strategic goals: (1) budget revenues are optimized in a sustainable manner; (2) budget preparation and execution are in line with international standards, thus conducive to the generalization of budget support; (3) financial governance assigns responsibility to all actors and increases transparency and predictability of public financial management; and (4) deconcentration and decentralization are reinforced by an appropriate PFM system. The fourth strategic goal, to which this project would contribute, has the following intermediate goals: (1) resource transfers are consistent with competences attributed; (2) CT resources are predictable and better managed; (3) accounting information systems reflect the needs of deconcentrated services and CT; and (4) budgetary deconcentration and decentralization are supported by an adequate accountability framework that minimizes fiduciary risk and fosters transparency.

#### C. Higher Level Objectives to which the Project Contributes

9. The Government of Mali has asked for Bank financing support to strengthen governance and advance fiscal decentralization. Much progress has been made in this key GPRS priority area and Bank's support has focused on: (1) strengthening the analytical basis on which decisions are taken; (2) advancing the policy agenda through DPLs and dialogue; and (3) leveraging support from other donors. There is a compelling case to continue the Bank's strong engagement in strengthening governance and PFM systems in Mali. Further Bank support would be critical to consolidate the good institutional progress made to date and would contribute for the achievement of the fourth strategic goal of the PAGAM II (deconcentration and decentralization are reinforced by an appropriate PFM system). The Bank's involvement in strengthening capacity is rendered more urgent in light of a 2008 instruction from the Prime Minister's Office (Instruction 08/0003/PM, of 11/21/2008) that establishes that from 2010, budget lines in Education and Health should be gradually allocated to CTs, districts and regions.

10. The project is in line with the Bank's Mali Country Assistance Strategy (CAS) objective of strengthening public sector performance for service delivery. Specifically, the project contributes to the CAS objectives of strengthening public financial management, supporting effective decentralization and building local administrative capacity. Consistent with the CAS, the operation will pilot PFM and governance procedures and initiatives to strengthen capacity in selected municipalities from 4 regions, and in the education and health sectors.

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<sup>5</sup> Institutions and Development (I & D), Evaluation of the mechanism of support to local governments in Mali (April 2004); and Government of Mali and European Commission, Terms of Reference of the mid-term review mission of the Support Program for the Development of Northern Regions, and the Support Program for Administrative Reform and Decentralization.

<sup>6</sup> ADE s.a., Evaluation of the implementation of PAGAM/GFP over the period 2006-mid 2009. Final Report (November 2009).

## II. PROJECT DEVELOPMENT OBJECTIVES

### A. Project Development Objectives (PDO)

11. The development objective of the Governance and Budget Decentralization TA Project (TA) is to strengthen capacity for public financial management at decentralized level for improved budgetary decision-making and enhanced transparency and oversight.

### B. Project Beneficiaries

12. The project's primary target will be civil servants at regional and local level, elected officials and representatives of the civil society. However, civil servants at the central level will also benefit from the activities of the project, to ensure adequate coordination and complementarities between central and decentralized levels. The entry point for interventions will be the Ministry of Economy and Finance (MEF). Other beneficiaries of the activities of the project will include the Ministry of Territorial Administration and Local Governments (MACTL), the Ministry of Housing, Land Affairs and Urban Development (MLAFU), the Procurement Regulatory Authority (ARMDS), the Audit Section of the Supreme Court (SCCS), the Ministry of Education, Literacy and National Languages (MEALN), and the Ministry of Health (MS). Civil society organizations such as the National Federation of Community Health Associations (FENASCOM), School Management Committees (CAPs), Civil Society National Council (Conseil National de la Société Civil, CNSC), community surveillance committees, and local health associations will also be covered.

Table 1: Districts and Population in Koulikoro, Sikasso, Segou and Kayes

	Population	Number of Districts	Number of CTs	Number of CT with 25,000 inhabitants or more
Koulikoro	2,418,305	7	108	32
Sikasso	2,625,919	7	146	29
Segou	2,336,255	7	117	28
Kayes	1,996,812	7	129	18
Mali	14,517,176	49	701	153

13. Two sectors (education and health) and four regions (Koulikoro, Sikasso, Segou and Kayes) were selected as primary beneficiaries of the activities of the project. Education and health were chosen because these sectors provide key basic social services, have to ensure the gradual transfer of budget resources to the sub-national level in line with attributed competences in order to implement the 2008 Prime Minister's Instruction, and have urgent PFM capacity development needs. Koulikoro, Sikasso, Segou and Kayes, representing together over 65 percent of Mali's population, were chosen because they offer the minimum infrastructure requirements (electricity, telecommunications, and access to internet) for the piloting of new procedures, such as online procurement processing or double entry accounting.<sup>7</sup> The project would concentrate its activities in 12 of the 28 districts the 4 regions have, and will cover 100 CTs, 90 percent of which with 25,000 inhabitants or above. The NGOs selected have a tradition of managing and

<sup>7</sup> Some activities will have national coverage. For instance, the new procurement buyer's manual will be used nationwide as soon as it is adopted. Similarly, new allocation criteria for CT will be used nationwide when adopted.

overseeing community schools and health clinics. In line with the PAGAM II, the project will ensure that women and young people can benefit from the capacity building provided by the TA.

### C. PDO Level Results Indicators

14. The PAGAM II has defined core indicators to measure its performance and impact. The indicators chosen for the TA, derived from the PAGAM II results framework, are the following: (1) beneficiaries, of which percentage of women; (2) quarter of the year in which CTs are provided information on current and investment budgetary resources to be transferred to them from the central level; (3) number of days required for the treatment of procurement files; (4) percent of CT (pilot regions) preparing and publishing annual reports on resources available to education sector; and (5) share of submitted management accounts (decentralized entities) reviewed and judged by the SCCS.

## III. PROJECT DESCRIPTION

### A. Project components

15. The TA would consist of four components: (1) strengthening capacity for PFM at decentralized level; (2) piloting new PFM tools in the basic education and health sectors; (3) external oversight and community participation; and (4) project implementation and coordination.

16. Component 1- Strengthening capacity for PFM at decentralized level (US \$7.1 million). This component has four sub-components: (1) revenue mobilization at decentralized level; (2) budget preparation and monitoring; (3) procurement; and (4) accounting and internal controls.

- Sub-component 1.1: Resource mobilization at decentralized level (US \$1.6 million). This sub-component provides support to the formulation of a local taxation framework consistent with the overall fiscal framework of the State and strengthen capacity for its implementation, including through training activities. The TA would finance: (1) consultants to prepare studies, provide inputs for the drafting of regulations and guidelines, customize and install software, and train trainers who will in turn train civil servants and elected officials; (2) computers and software, printers, projectors, and other equipment; (3) expenses linked with the organization of workshops for the validation of studies and new regulations and of training events (per diem, meals, rental of rooms, etc); (4) printing and copying services; and (5) travel costs.
- Sub-Component 1.2: Budget preparation and monitoring (US \$1.4 million). This sub-component provides support to strengthen capacity to generate and use financial information aimed at improving budgetary related decision-making at decentralized levels, including identifying resources to be transferred to CTs, strengthening linkages among budgets at all levels, enhancing forecasting capacity and preparing guidelines on monitoring and evaluation. The TA would finance: (1) consultants to prepare studies, provide inputs for the drafting of regulations and guidelines, develop forecasting models, and train trainers who will in turn train civil servants; (2) computers and software, scanners, printers and other equipment; (3) expenses linked with the organization of

workshops for the validation of studies and new regulations and of training events (per diem, meals, etc); (4) printing and copying services; and (5) travel costs.

- Sub-component 1.3: Procurement (US \$2.4 million). This sub-component provides support to strengthen the regulatory framework for procurement in line with regional guidelines, disseminate procurement laws, regulations and guidelines and strengthen capacity for effective implementation, including through the introduction of information technology (IT) tools and training of civil servants in their use. The TA would finance: (1) consultants to provide inputs for the drafting of regulations and guidelines, propose an archive system for procurement, customize and install software, and train trainers who will in turn train civil servants and elected officials; (2) computers and software, interconnection gadgets, scanners, printers and other equipment; (3) archive equipment; (4) expenses linked with the organization of workshops for the validation of studies and new regulations and of training events (per diem, meals, etc); (5) communication services for the dissemination of procurement legislation and other key documents; (6) printing and copying services; and (7) travel costs.
- Sub-component 1.4: Accounting and internal controls (US\$1.7 million). This sub-component provides support to enhance accounting and internal controls by extending double accounting to all treasury agencies (*recettes-perceptions*) at deconcentrated levels, introducing new IT tools and training civil servants, and establishing the internal control framework for administration entities at deconcentrated levels. The TA would finance: (1) consultants to prepare studies, draft procedure manuals, propose an archive system for accounting documents, and train trainers who in turn would train civil servants and elected officials; (2) computers and software, scanners, and printers; (3) solar power kits; (4) expenses linked with the organization of workshops for the validation of studies and new regulations and of training events (per diem, meals, etc); (5) printing and copying services; and (6) travel costs.

17. Component 2 - Pilot new PFM tools in the basic education and health sectors (US \$2.0 million). Assistance under component 2 is organized in two sub-components: (1) education pilot; and (2) health pilot.

- Sub-component 2.1 Education Pilot (US\$1.2 million). This sub-component provides support to prepare and pilot the implementation of criteria for the territorial allocation of resources in the education sector to CTs, including the preparation of guidelines for supervision of education related projects, formulation and piloting of a participatory monitoring and evaluation system and the introduction of public expenditure tracking surveys (PETS) and beneficiary surveys as management tools. The TA would finance: (1) consultants to provide inputs for the drafting of regulations, train trainers who in turn would train civil servants and elected officials; (2) consultants to undertake PETS and beneficiary surveys; (3) scholarships for 4 officials to study abroad; (4) expenses linked with the organization of workshops for the validation of studies and new regulations and of training events (per diem, meals, etc); (5) communication services; (6) computers and software, scanners, projectors and printers; (7) vehicle for the supervision of the pilot; (8) printing and copying services; and (9) travel costs.

- Sub-component 2.2 Health Pilot (US\$0.8 million). This sub-component provide support to implement on a pilot basis criteria for the territorial allocation of resources in the health sector to CTs and service providers in selected regions, the preparation of guidelines for management of public and community health centers and the introduction of public expenditure tracking surveys (PETS) and beneficiary surveys as management tools. The TA would finance: (1) consultants to prepare studies, provide inputs for the drafting of guidelines, and train trainers who in turn would train civil servants and elected officials; (2) consultants to undertake PETS and beneficiary surveys; (3) computers and software, scanners, and printers; (4) expenses linked with the organization of workshops for the validation of studies and new regulations and of training events (per diem, meals, etc); (5) printing and copying services; and (6) travel costs including study visits to other countries in the WAEMU region.

18. **Component 3 - External Oversight and Community Participation (US\$ 1.7 million)**. The third component would support the building capacity for fiduciary oversight and participation. It has two sub-components: (1) external audit; and (2) participation.

- Sub-component 3.1 - External audit (US\$1.3 million). This sub-component provides support to build capacity for fiduciary oversight at the centralized and decentralized levels through technical assistance to accompany the institutional transition from Audit Section of the Supreme Court to the Accounts Court, the drafting of a code of ethics for financial judges, the training of new auditors in auditing of public accounts, and the strengthening of a framework for the carrying out of external audits at the decentralized level. The TA would finance: (1) consultants to provide inputs for the drafting of procedure manuals and guidelines, advise the authorities on the transition to the Accounts Court, propose an archiving system and customize software for audit activities; (2) reference literature; (3) computers and software, scanners, and printers; (4) archive equipment; (5) expenses linked with the organization of workshops for the validation of studies and new regulations and of training events (per diem, meals, etc); (6) internships; (7) printing and copying services; and (8) travel costs including study visits.
- Sub-component 3.2 - Participation (US\$ 0.4 million). This sub-component provides support to establish a framework for effective participation of key stakeholders (including women and youth) in the monitoring and evaluation of the allocation and use of public resources, development of “Citizen Budgets”, establishment and implementation of a mechanism for the collection and treatment of financial data to inform community surveillance committees, and provision of training on the use of said mechanism.. The TA would finance: (1) consultants to prepare studies, provide inputs for the drafting of procedure manuals on collection and treatment of financial data to inform community surveillance committees, prepare templates for the collection and treatment of financial data, prepare guidelines for the preparation of citizen’s budgets, and train trainers who in turn would train civil servants, elected officials and civil society members; (2) expenses linked with the organization of workshops for the validation of studies and new regulations and of training events (per diem, meals, etc); (3) computers and software, scanners, and printers; (4) printing and copying services; and (5) travel costs including study visits by officials and community members to other CTs in the country and in the WAEMU region.



19. Component 4 - Project implementation and coordination (US \$1.2 million). This sub-component provides support for the implementation, coordination, monitoring and evaluation of the project. The TA will finance: (1) consultants that will transfer project management, financial management, accounting and procurement skills to the project coordination and implementation agencies' permanent staff and to undertake audits; (2) driver; (3) computers and software, scanners, and printers; (4) office furniture; (5) vehicles; (6) printing and copying services; (7) travel and other costs.

## B. Project Financing

### *Lending Instrument*

20. The lending instrument proposed is a 4-year technical assistance credit (OP/BP 8.40). The key objective of the operation is to build capacity in entities directly concerned with implementing policies, strategies, and reforms that promote economic and social development. The TA credit would complement and continue the support provided under the second Poverty Reduction Support Credit series (PRSC-3 to PRSC-5) by supporting specific tasks related to the preparation or implementation of actions and reforms supported under the series.<sup>8</sup> IDA finances 100 percent of the direct costs associated with the project.

Table 2: Project Cost and Financing

Project Cost By Component and/or Activity	Total	Total in Local Currency
	US \$million	FCFA million
<b>Component 1: Strengthening capacity for PFM at decentralized level.</b>	<b>7.1</b>	<b>3525.1</b>
1.1: Resource mobilization at local level.	1.6	785.1
1.2. Budget preparation and monitoring	1.4	718.8
1.3 Procurement	2.4	1194.1
1.4 Accounting and internal controls.	1.7	827.1
<b>Component 2 - Pilot new PFM procedures in Education and Health</b>	<b>2.0</b>	<b>1002.7</b>
2.1 - Education Pilot	1.2	602.0
2. 2- Health Pilot	0.8	400.7
<b>Component 3- External Oversight and Community Participation</b>	<b>1.7</b>	<b>869.0</b>
3.2 External audit	1.3	664.2
3.3 Participation	0.4	204.8
<b>Component 4- Project implementation and coordination</b>	<b>1.2</b>	<b>603.1</b>

<sup>8</sup> The PRSC series supports the implementation of the Government's reform agenda which aims to: (i) enhance the regulatory and institutional framework for infrastructure and private investment; (ii) strengthen PFM; and (iii) improve basic social service delivery. The TA focuses its support on the implementation of actions to strengthen PFM for improved basic social service delivery.

Project Cost By Component and/or Activity	Total	Total in Local Currency
	US \$million	FCFA million
<a href="#">Total Baseline Cost[1]</a>	<b>12.0</b>	<b>6000.0</b>
Physical Contingencies	0.0	<b>0.0</b>
Price Contingencies	0.0	<b>0.0</b>
<b>Total Project Costs</b>	<b>12.0</b>	<b>6000.0</b>
Interest during construction	0.0	<b>0.0</b>
Front-end Fee	0.0	<b>0.0</b>

### C. Lessons Learned and Reflected in the Project Design

21. The preparation of this operation was informed by findings from a comprehensive evaluation by the Independent Evaluation Group (IEG, (2008) of Bank support to decentralization processes.

22. **Government Ownership and Consensus.** The IEG report noted that Bank support brought better results where there was consensus around decentralization reform within the country prior to Bank engagement, which is the case in Mali. The operation focuses on activities to strengthen the legal frameworks for intergovernmental relations, the frameworks for intergovernmental fiscal transfers, and sub national financial management because these are Government priorities and the IEG report indicates that Bank support was more successful in those areas. The team could therefore draw from successful Bank experiences to design the operation.

23. **Need for Good Analytical Background.** The operation also follows the IEG report's key recommendations for Bank support to decentralization by underpinning interventions with analytical work prepared by the Government, others donors and specifically undertaken to inform the operation.<sup>9</sup>

24. **Local Government Capacity.** By providing technical assistance the operation follows the IEG recommendation that support for policy reform should be accompanied by actions that strengthen local government capacity. Experiences from operations in Africa, Latin America and South Asia informed the selection of the decentralized entities targeted, and the attention given to capacity needs at central and regional levels in complement to local capacity needs.<sup>10</sup>

25. **Effective Coordination.** Experience from other multi-sector projects in Mali indicate that coordination capacity is limited and the project addressed the issue by attributing the technical coordination of the project to an existing unit in charge of the public financial

<sup>9</sup>Examples of references used include the Mali 2009 PEMFAR, the 2010 Draft PEFA Update, a Mali 2010 Stakeholder Analysis undertaken to inform the TA, and the 2009 Assessment of the Implementation of the PAGAM-GFP.

<sup>10</sup> Three brainstorming sessions were organized. The second included as resource persons an official from the Malian Government and Bank staff with experience in decentralization in Latin America, Africa and South Asia.

management reform in the Ministry of Economy and Finance (CARFIP), with a strong track record of the implementation and coordination of complex projects.

#### IV. IMPLEMENTATION

##### A. Institutional and Implementation Arrangements

26. The project will not set up any independent or stand-alone project implementation unit. Institutional and implementation arrangements take into account that the TA contributes for the implementation of PAGAM II and complements the PRSC series. Activity planning, decision making, project funding allocation, and monitoring and evaluation will use the institutional arrangements already in place for the PAGAM II, adjusted to tighten linkages with the PRSCs.<sup>11</sup> As detailed in Annex 3, the project will have a steering committee, chaired by the Secretary General of the MEF which includes representatives of all the main institutions involved in the project.<sup>12</sup> The MEF will be responsible for the technical coordination and fiduciary aspects of the project. Within the MEF, the unit in charge of PFM reforms (Cellule d'Appui a la Reforme des Finances Publiques, CARFIP) will ensure the technical coordination while the Department of Finance and Material (DFM) will be responsible for the fiduciary aspects. Project procurement and financing mechanisms, including disbursement, will not fully follow national procedures since some of them are not aligned with Bank's procedures.

##### B. Results Monitoring and Evaluation

27. The framework for monitoring and evaluation of the TA is in line with the institutionalized framework used for the monitoring and evaluation of the PAGAM II. PAGAM II establishes the links between the activities planned and the results to which they contribute, with a clear indication of periodicity and responsibility in the collection of information and preparation of reports. The Mali TA will contribute to a sub-set of the results matrix of the PAGAM II and as such, will adopt as much as possible the same indicators, targets, periodicity and attribution of responsibilities for the monitoring of results. TA specific indicators will be adopted, notably for the pilots in education and health, and for activities to enhance participation.<sup>13</sup> Government development objectives to which this operation contributes specifically and the associated outcome indicators that will be used to assess progress are summarized in Annex 1.

##### C. Sustainability

28. Benefits of the proposed TA are expected to be sustainable for the following reasons. First, the design of the project targets capacity development, emphasizing the creation of the right conditions for capacity to grow and be effectively utilized and retained. Second, the TA is embedded in the PAGAM II and other national programs for which there is strong Government ownership. Third, by supporting citizen participation, the project fosters continued public

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<sup>11</sup> PAGAM II maintains the implementation and coordination frameworks of PAGAM-GFP which the team considers satisfactory. The team's assessment is supported by findings from the 2009 Independent Evaluation of PAGAM-GFP.

<sup>12</sup> The steering committee will be the Technical Committee of the PAGAM II.

<sup>13</sup> The operation's budget allocates resources for that purpose.

demand for information and improvements in the quality of public services, particularly basic education and health. Fourth, Mali has a good track record of macroeconomic stability and fiscal discipline, essential to leverage support from donors that will provide resources necessary for the agenda complemented by the TA. Retaining the staff trained could prove more challenging due to reward related issues. Nevertheless, the operation tries to minimize the problem by focusing on testing methods and training materials, while training trainers.

## V. KEY RISKS AND MITIGATION MEASURES

29. The overall risk of the operation is medium impact, reflecting the complexities involved in its coordination, given the involvement of a large number of implementing entities and activities at central and decentralized levels. Capacity constraints and the weak control framework increase the risk of resources being misused. Some delays in decision making could occur both as a result of the cumbersome processes in place and of resistance to change from officials at central and regional level who stand to lose power when the capacity of local authorities is increased. Delays could be accentuated in the run up to the presidential and parliamentary elections scheduled for 2012. Project preparation was conducted so as to ensure project readiness, and an adequate supervision and control framework for the project. In addition, efforts are ongoing to identify champions at central and sub-national level to ensure smooth and timely project implementation.

## VI. APPRAISAL SUMMARY

### A. Economic and Financial Analysis

30. B.P.8.40 (Technical Assistance) states: “When it is possible to quantify the benefits of institutional development TA (IDTA) projects or components, staff performs cost-benefit analyses”. Most benefits of the activities financed by this TA are indirect, and would be reflected in better performance of the public administration and improved service delivery. The activities to improve local taxation may result in quantifiable benefits but the quantification will only be possible after the studies and proposed tax measures financed by the project are complete. Ultimately, the economic justification of the proposed project is its contribution to a better functioning government through improved PFM and improvements in governance including through enhanced participation.

### B. Technical

31. The four components have been identified in close consultation with all parties involved and respond to a real and urgent need on the ground. The activities supported are embedded in the PAGAM II and respond to key bottlenecks identified in reports including the 2008 Mali PEMFAR and the 2010 PAGAM-GFP Implementation Report. The project includes the adoption of procedures that are in line with regional and international practices (examples include double accounting, procurement procedures, contract-plans, etc.). The project will also draw from international experiences for the choice of IT applications and archive systems. The project will test new procedures and adjust them before they are rolled out. Terms of reference for key activities have been developed taking into account the need to ensure consistency between activities. Efforts were also made to sequence activities adequately.

## C. Financial Management

32. A financial management assessment of the implementing entities, i.e. the coordination unit (CARFIP) and the DFM, at the MEF, and the DFMs of the MACTL, MS, and MEALN has been conducted by the Bank in accordance with the Financial Management Manual issued on March 1, 2010. The assessment has concluded that the current proposed financial management arrangements at the central and decentralized level do not satisfy the Bank's minimum requirements under OP/BP10.02 due significantly by at least one of the following: (i) non familiarity with Bank procedures; (ii) bad performance in managing previous Bank funded projects; (iii) ongoing prosecutions for fraud and corruption at the ministry of Health regarding other donors' funds; and (iv) weak capacities at decentralized level.

33. Overall project **FM initial risk is Medium Impact, MI**. The proposed assistance to the IAs of an experienced financial management specialist familiar with Bank procedures is a mitigation measure that will contribute to meet the above mentioned Bank minimum requirement. Furthermore taking into account the following additional measures: (i) the management of the project funds only through the DFM of the ministry of finance; (ii) the assignment of an Accountant from the MEF to the project in addition to the FM specialist to carry out daily accounting operations along with the purchasing of an appropriate computer and accounting software; (iii) the involvement through a Memorandum of Understanding (MoU) of the CGSP to carry out internal audit activities; (iv) the elaboration of a project implementation manual that, among others, specifies the roles and responsibilities of the involved entities and describes accounting, financial, and administrative procedures; and (v) the recruitment of an external auditor based on terms of reference (ToR) acceptable to the Bank, the overall financial management risk for this financing could be assessed as **Medium Likelihood, ML**. Annex III provides additional information on financial management.

34. In line with the Paris Declaration, the project will focus on improving the capacity of government entities and systems. A gradual approach for using the country system will be considered subject to the implementation of the action plan. The resolution on "National Implementation of Projects Financed by IDA" endorses the new arrangements for implementing World Bank-financed projects through the national expenditure channel and financial management mechanism. The assessment concluded that the PFM is partially adequate for Bank financed investment lending: (i) national budget procedures, internal controls and audit institutions will be used with some adjustments in the FM Information System (PRED) to meet projects' needs; and (ii) accounting and reporting, Treasury management and external controls are not yet adequate. Specific FM arrangements have been determined to meet the Bank's requirements.

35. The following are stated in the Financing Agreement as effectiveness conditions:

- a) adopt a Project Implementation Manual (PIM), including the Project Financial Accounting and Administrative Manual (PFAAM), in form and substance satisfactory to IDA; and
- b) contract a financial management specialist under terms and conditions and with qualifications satisfactory to IDA.

36. The following implementation arrangements have also been included in the Financing Agreement:

- a) recruitment of an external auditor based on ToR acceptable to IDA not later than four months after effectiveness.
- b) maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.<sup>14</sup>
- c) the Financial Statements will be audited in accordance with international auditing standards. The Audited Financial Statements for each fiscal year of the project shall be furnished to IDA not later than six (6) months after the end of such fiscal year.

#### D. Procurement

37. Procurement for the proposed project would be carried out in accordance with the World Bank's "[Guidelines: Procurement Under IBRD Loans and IDA Credits](#)" dated May 2004, revised October 2006 and May 2010; and "[Guidelines: Selection and Employment of Consultants by World Bank Borrowers](#)" dated May 2004, revised October 2006 and May 2010, and the provisions stipulated in the Legal Agreement. The various items under different expenditure categories are described in general below. For each contract to be financed by the Credit, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

38. Procurement procedures will fall under the World Bank Guidelines as mentioned above, including for National Competitive Bidding (NCB) as it will be modified to be acceptable to the Bank. Seven entities will take part in the overall project implementation and supervision: the MEF, the MACTL, the MLAFU, the MEALN, the MS SCCS. Procurement activities will be carried out by each of the four institutions in their respective domains. An assessment of the capacity of the Implementing Agencies to implement procurement actions for the project has been carried out by the World Bank Procurement team based in Bamako on August 5<sup>th</sup>, 2010. The assessment reviewed the organizational structure for implementing the project and the interaction between the project's staff responsible for procurement and the Ministry's relevant central unit for administration and finance. The overall project risk for procurement is high. It may decrease to Medium Likelihood after the technical assistance to the project implementation agencies (IAs) is in place. Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and updated January 2011, shall apply to the project.

#### E. Social (including safeguards)

39. The project is expected to have positive social impacts. These will be brought about as a result of improvements in the allocation and the technical efficiency of public expenditures including at local level. Specifically, efforts to improve the capacity of the Government at

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<sup>14</sup>This includes records, accounts and preparation of related financial statements.

different levels to implement its budget priorities and strengthen PFM would enhance efficiency, transparency and accountability in public resource use and increase the country's absorptive capacity for external resources. By increasing participation, the operation could also enhance governance. Ultimately, a better managed and more transparent management of public resources would contribute for better social service delivery.

Table 3: Safeguard Policies Triggered by the Project

<b>Safeguard Policies Triggered by the Project</b>	Yes	No
<a href="#">Environmental Assessment (OP/BP 4.01)</a>	[ ]	[ X ]
Natural Habitats ( <a href="#">OP/BP 4.04</a> )	[ ]	[ X ]
Pest Management ( <a href="#">OP 4.09</a> )	[ ]	[ X ]
Indigenous Peoples ( <a href="#">OP/BP 4.10</a> )	[ ]	[ X ]
Physical Cultural Resources ( <a href="#">OP/BP 4.11</a> )	[ ]	[ X ]
Involuntary Resettlement ( <a href="#">OP/BP 4.12</a> )	[ ]	[ X ]
Forests ( <a href="#">OP/BP 4.36</a> )	[ ]	[ X ]
Safety of Dams ( <a href="#">OP/BP 4.37</a> )	[ ]	[ X ]
Projects on International Waterways ( <a href="#">OP/BP 7.50</a> )	[ ]	[ X ]
Projects in Disputed Areas ( <a href="#">OP/BP 7.60</a> )*	[ ]	[ X ]

F. Environment (including safeguards)

40. Because of the nature of the project, which primarily entails the provision of technical assistance, no significant environmental impacts are envisaged. The environmental category of the project is C. The project would trigger none of the Bank's environmental safeguards.

G. Closing date

41. The closing date is December 15, 2014.

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\* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

**ANNEX 1: Governance and Budget Decentralization Technical Assistance**

**Results Framework**

<b>Project Development Objective (PDO): Strengthen capacity for public financial management at decentralized level for improved budgetary decision-making and enhanced transparency and oversight.</b>											
PDO Level Results Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values**				Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4				
<b>Indicator One: Beneficiaries</b>	✓	<i>Number</i>	0	500	2500	4500	5000	Annual	CARFIP	All IAS	Total number of direct beneficiaries of training provided by the project.
<b>Of which women</b>	✓	<i>Percent</i>	0	10	20	30	30	Annual	CARFIP	All IAS	Percentage of direct beneficiaries of training provided by the project who are women.
<b>Indicator Two:</b> CTs are provided timely information on the allocations to be transferred from the central level		<i>Quarter of the year (Q)</i>	Current budget allocations: Q1 Investment budget allocations: Q3 (2010)	Current budget allocations: Q1 Investment budget allocations: Q3	Current budget allocations: Q1 Investment budget allocations: Q3	Current budget allocations: Q1 Investment budget allocations: Q2	Current budget allocations: Q1 Investment budget allocations: Q2	Annual	DGB, CTs	DNCT, DGB, CTs	Date in which central entities inform local entities about budget allocations for current and investment expenditures.
<b>Indicator Three:</b> Time required for the treatment of procurement files		<i>Days</i>	98 (2010)	95	90	85	80	Annual	DNCT, DGB	MATCL (DNCT-ANICT), DGB	Average number of days for the treatment of procurement files in the 4 selected regions.



<b>Indicator Four:</b> CT (pilot regions) preparing and publishing annual reports on resources available to the education sector		<i>Percent</i>	0 (2010)	0	20	30	60	Annual	CADDE MEALN	CADDE and CPS MEALN	Number of CT that prepare and publish reports which detail resources made available to primary schools divided by the total number of CT in the pilot.
<b>Indicator Five:</b> Submitted management accounts (decentralized entities) reviewed and judged by the SCCS		<i>Percent</i>	0 (2010)	0	0	10	20	Yearly	SCCS,	SCCS	Share of the management accounts (decentralized entities) submitted to the SCCS reviewed and judged by SCCS.
<b>INTERMEDIATE RESULTS</b>											
<b>Intermediate Result (Component One): Key regulations, guidelines, and information systems for enhanced predictability and control in budget preparation and execution are in place and staff is trained in their use.</b>											
<i>Intermediate Result indicator 1:</i> Treasury representations equipped with computers and solar power kits	<input type="checkbox"/>	Number	0 (2010)	30	30	30	30	Annual	DGI	DGI	Total number of R/P with computers and solar power kits installed.
<i>Intermediate Result indicator 2:</i> Revised regulations on transfers adopted		Yes/No	No	No	Yes	Yes	Yes	Annual	DGB	DGB	Regulations on transfers of budgetary resources to CTs formulated and adopted by the relevant authorities.

<i>Intermediate Result indicator 3:</i> Trainers trained on budget preparation and execution at CT level		Number	0 (2010)	0	90	90	90	Annual	DGMP	DGMP	Total number of trainers trained on budget preparation and execution.
<i>Intermediate Result indicator 4:</i> DFM and RM interconnected with DGMP		Number	0(2010)	0	8	28	48	Annual	DNTCP	DNTCP	Number of DFM and regional procurement departments (DRMP) interconnected with the DGMP
<i>Intermediate Result indicator 5:</i> Buyer's guide is posted in the MEF website		Yes/No	No (2010)	No (2011)	Yes	Yes	Yes	Annual	DGMP	DGMP	Buyer's Guide document available to the public in the website.
<b>Intermediate Result (Component Two): Key regulations, guidelines, and information systems for enhanced predictability and control in budget execution in the education and health sectors are in place and key staff is trained in their use.</b>											
<i>Intermediate Result indicator 1:</i> Guidelines and templates on the participatory M&E system in Education available and disseminated		Yes/No	No (2010)	No	Yes	Yes	Yes	Annual	CADD Education	CADD Education, MATCL	Guidelines and templates available to selected CT. Staff and community representative are familiarized with the M&E System.
<i>Intermediate Result indicator 2:</i> Trainers selected to train elected officials and civil servants on the guidelines for the implementation of Decree 02-314 on the transfer of competencies from the State to CTs (Health)		Number	0 (2010)	0	6	8	8	Annual	CADD (Health)	CADD (Health)	Trainers were selected under criteria acceptable to IDA.

<i>Intermediate Result indicator 3:</i> PETS and beneficiary survey undertaken (health and education sectors)		Yes/No	No (2010)	No	Yes (2012 surveys)	Yes (2012 surveys)	Yes (2014 surveys)	Annual	CADD Health CADD Education	CADD Health CADD Education, MATCL	PETS and beneficiary surveys are undertaken under terms of reference acceptable to IDA for the education and health sectors, and results are made available to key stakeholders notably FENASCOM, ASACO, CAPs, and donors.
<b>Intermediate Result (Component Three): Capacity to apply guidelines for external oversight is strengthened, and community members have the skills to monitor and evaluate PFM information.</b>											
<i>Intermediate Result indicator 1:</i> New auditors recruited and trained	<input type="checkbox"/>	Number	0	0	10	20	20	Annual	SCCS	SCCS, MACTL	New auditors recruited by the SCCS.
<i>Intermediate indicator 2:</i> Template for the treatment of financial data for surveillance committees is available		Yes/No	No (2010)	No	No	Yes	Yes	Annual	DNCT, CNCP, DGB,	DNCT, CNCP, DGB	The customized software for treatment of financial data exists and has been installed for the use of selected surveillance committees.
<i>Intermediate indicator 3:</i> Training material on citizen budgets (to train community members) cleared		Yes/No	NO (2010)	No	No	Yes	Yes	Annual	CNSC	CNSC, DGB MACTL	Citizen budget is available and training program and materials have been cleared by the CNSC and DGB.

## **ANNEX 2: Detailed Project Description**

1. Decentralization is a central element of the modernization agenda of the Malian State. While several competencies have been transferred to Territorial Collectivities (CT), the transfer of resources needed for their effective implementation has lagged behind. In addition, the CTs' have weak capacity to mobilize their own resources, making them highly dependent on unpredictable resources provided by the donor community. Ultimately, CTs have little discretion in making spending decisions. To address this issue and help the advancement of decentralization, the PAGAM II includes actions to enhance the revenue base of CTs and the adoption of mechanism to ensure the effective and predictable transfer of resources from the central level to the CTs. The PAGAM II includes also key actions needed to strengthen expenditure management, contract based, with clear assignment of responsibilities and accountabilities. Other actions planned include: (1) policy based planning and budgeting; (2) the establishment of an accounting information system adapted to the needs of CTs but structured to interface with the regional and central systems; (3) the introduction of a transparent accountability and oversight framework to minimize fiduciary risk and foster transparency; and (4) strengthen the capacity of CTs and ensure continued technical support.

2. The project would consist of four components: (1) strengthening capacity for PFM at decentralized level; (2) piloting new public financial management tools in the basic education and health sectors; (3) external oversight and community participation; and (4) project implementation and coordination. A detailed list of activities and associated costs is presented in Table A2.1. The project will focus on developing new tools for public financial management, but given the complexities of the areas involved, prior to the generalization of some instruments, these will be piloted in 100 CTs distributed by 12 districts and 4 regions (Koulikoro, Sikasso, Segou and Kayes), and in two sectors, basic education and health. Pilots will be conducted with a view to ensuring an approach that remains consistent with the cross sectoral decentralization reform agenda and needs and ensures that it could gradually be extended to other regions and decentralized basic services. Actions supported are embedded in the PAGAM II and support the implementation for reforms supported by the second PRSC series.

### **Component One: Strengthening capacity for PFM at decentralized level (US \$7.1 million)**

3. Assistance under component 1 of the project is structured in four sub-components: (1) resource mobilization; (2) budget preparation and monitoring; (3) procurement; and (4) accounting and internal controls.

#### **Sub-component 1.1: Resource mobilization at local level (US \$1.6 million)**

4. This sub-component provides support to the formulation of a local taxation framework consistent with the overall fiscal framework of the State and strengthen capacity for its implementation, including through training activities. The TA would finance: (1) consultants to prepare studies, provide inputs for the drafting of regulations and guidelines, customize software and train trainers who will in turn train civil servants and elected officials; (2) computers and software, printers, projector and other equipment; (3) expenses linked with the organization of workshops for the validation of studies and new regulations and of training events (per diem, meals, etc); (4) printing and copying services; and (5) domestic and international travel expenses.

### **Sub-Component 1.2: Budget preparation and monitoring (US \$ 1.4 million)**

5. This sub-component provides support to strengthen capacity to generate and use financial information aimed at improving budgetary related decision-making at decentralized levels, including identifying resources to be transferred to Territorial Collectivities (CT), strengthening linkages among budgets at all levels, enhancing forecasting capacity and preparing guidelines on monitoring and evaluation. This activity complements reforms supported by the PRSC series, notably the extension of MTEFs to cover more sector and the preparation of intra year budget reports. The TA would finance: (1) consultants to prepare studies, provide inputs for the drafting of regulations and guidelines, develop forecasting models, improve the MTEF framework and train trainers who will in turn train civil servants; (2) computers and software; (3) expenses linked with the organization of workshops for the validation of studies and new regulations and of training events (per diem, meals, etc); (4) printing and copying services; and (5) travel expenses.

### **Sub-component 1.3: Procurement (US \$ 2.4 million)**

6. This sub-component provides support to strengthen the regulatory framework for procurement in line with regional guidelines, disseminate procurement laws, regulations and guidelines and strengthen capacity for effective implementation, including through the introduction of information technology (IT) tools and training of civil servants in their use. This sub-component complements reforms on procurement supported by the PRSC series, notably the operationalization of the ARMDS and of regional procurement units, and the adoption of revised procurement codes in line with WAEMU guidelines. The TA would finance: (1) consultants to prepare studies, provide inputs for the drafting of regulations and guidelines, customize software, and train trainers who will in turn train civil servants and elected officials; (2) expenses linked with the organization of workshops for the validation of studies and new regulations and of training events (per diem, meals, etc); (3) communication services for the dissemination of procurement legislation; (4) computers and software, interconnection gadgets, scanners, and printers; (5) archive equipment; (6) printing and copying services; and (7) travel expenses.

### **Sub-component 1.4: Accounting and internal controls (US \$ 1.7 million)**

7. This sub-component provides support to enhance accounting and internal controls by extending double accounting to all treasury agencies (*recettes-perceptions*) at deconcentrated levels, introducing new IT tools and training civil servants, and establishing the internal control framework for administration entities at deconcentrated levels. The TA would finance: (1) consultants to prepare studies, draft procedure manuals and train trainers who in turn would train civil servants and elected officials; (2) computers and software, scanners, and printers; (3) solar power kits; (4) expenses linked with the organization of workshops for the validation of studies and new regulations and of training events (per diem, meals, etc); (5) printing and copying services; and (6) travel costs.

**Component 2- Piloting new public financial management tools in the education (MEALN) and health (MS) sectors (US \$2.0 million)**

8. Selected new PFM tools will be applied as pilots in the education and health sectors. Lessons from the implementation of these instruments will inform changes needed prior to the generalization of the instruments. Assistance under component 2 is organized in two sub-components: (1) education pilot; and (2) health pilot.

**Sub-component 2-1 Education Pilot (US \$ 1.2 million)**

9. This sub-component provides support to prepare and pilot the implementation of criteria for the territorial allocation of resources in the education sector to CTs, including the preparation of guidelines for supervision of education related projects, formulation and piloting of a participatory monitoring and evaluation system and the introduction of public expenditure tracking surveys (PETS) and beneficiary surveys as management tools. This sub-component complements reforms on education supported by the PRSC series, notably the adoption of a human resource management policy, and the signing of contracts between central and decentralized entities for the implementation of the country's education strategy. The TA would finance: (1) consultants to prepare studies, provide inputs for the drafting of regulations, train trainers who in turn would train civil servants and elected officials; (2) consultants to undertake PETS and beneficiary surveys; (3) scholarships for 4 officials to study abroad; (4) expenses linked with the organization of workshops for the validation of studies and new regulations and of training events (per diem, meals, etc); (5) computers and software, scanners, and printers; (6) vehicle for supervision activities; (7) printing and copying services; and (8) domestic and international travel expenses.

**Sub-component 2-2 Health Pilot (US \$ 0.8 million)**

10. This sub-component provide support to implement on a pilot basis criteria for the territorial allocation of resources in the health sector to CTs and service providers in selected regions, the preparation of guidelines for management of public and community health centers and the introduction of public expenditure tracking surveys (PETS) and beneficiary surveys as management tools. This sub-component complements reforms on health supported by the PRSC series, notably the adoption of a human resource management policy, the adoption of guidelines on the transfer of resources from central to decentralized entities, and the piloting of training activities on PFM. The TA would finance: (1) consultants to prepare studies, provide inputs for the drafting of guidelines, and train trainers who in turn would train civil servants and elected officials; (2) consultants to undertake PETS and beneficiary surveys; (3) expenses linked with the organization of workshops for the validation of studies and new regulations and of training events (per diem, meals, etc); (4) computers and software, scanners, and printers; (5) printing and copying services; and (6) travel expenses including study visits to other countries in the WAEMU region.

### **Component 3 - External Oversight and Community Participation (US\$1.7 million)**

11. In addition to supporting actions to strengthen the external audit capacity including at decentralized level and prepare the creation of the new audit institution, the operation seeks to support efforts to increase citizen's participation.

#### **Sub-component 3.1 - External audit (US\$1.3 million)**

12. This sub-component provides support to build capacity for fiduciary oversight at the centralized and decentralized levels through technical assistance to accompany the institutional transition from Audit Section of the Supreme Court to the Accounts Court, the drafting of a code of ethics for financial judges, the training of new auditors in auditing of public accounts, and the strengthening of a framework for the carrying out of external audits at the decentralized level. This sub-component complements reforms on external audit supported by the PRSC series, notably the submission to the National Assembly of Budget Review Laws accompanied by the Opinion of the SCCS, the adoption of a code that eliminates limits to the number of financial judges in the SCCS, and the adoption of a road map to strengthen the external audit function, including a framework for the clearing of audit backlogs and the transition to a new Accounts Court. The TA would finance: (1) consultants to prepare studies, procedure manuals and guidelines, provide advice on the transition into the new Accounts Court, prepare an archive system, customize software, draft the ethics code and undertake test commissioning audits to CTs to private entities; (2) acquisition of key literature references (legal, financial, etc.); (3) computers and software, printers, scanners and archive equipment; (4) expenses linked with the organization of workshops for the validation of studies and new regulations and of training events (per diem, meals, etc); (5) printing and copying services; and (6) internships and travel expenses including study visits to countries in the WAEMU region and the Maghreb.

#### **Sub-component 3.2- Participation (US\$0.4 million)**

13. This sub-component provides support to establish a framework for effective participation of key stakeholders (including women and youth) in the monitoring and evaluation of the allocation and use of public resources, development of "Citizen Budgets", establishment and implementation of a mechanism for the collection and treatment of financial data to inform community surveillance committees, and provision of training on the use of said mechanism. The TA would finance: (1) consultants to prepare studies, provide inputs for the drafting of procedure manuals on collection and treatment of financial data to inform community surveillance committees, prepare templates for the collection and treatment of financial data and train trainers who in turn would train civil servants, elected officials and civil society members; (2) expenses linked with the organization of workshops for the validation of studies and new regulations and of training events (per diem, meals, etc); (3) computers and software, scanners, and printers; (4) printing and copying services; and (5) travel costs including study visits by community members to other CT in the country and in the WAEMU region.

### **Component Four - Project Implementation and Coordination Unit (US \$ 1.2 million)**

14. This sub-component provides support for the implementation, coordination, monitoring and evaluation of the project. Specifically, the TA finances the recruitment of extended term

consultants (procurement, accounting, financial management, audits, and executive assistant), short term consultants (project management and M&E), computers, software, vehicles, and travel.



**Table A2.1: Costs of the Project**

	Activity	Expenses	Total (CFAF mn)	Total (US\$ mn)	Entity
<b>Component 1: Strengthening capacity for PFM at decentralized level</b>			<b>3525.1</b>	<b>7.1</b>	
<b>1.1: Resource mobilization at local level.</b>			<b>785.13</b>	<b>1.57</b>	DGI, DNCT, DNDC
1	Prepare a local tax policy that clarifies the roles of the main stakeholders	Consultants	77.25	<b>0.15</b>	
		Validation workshops (per diem, rental of rooms, meals, transport costs)	8.57	<b>0.02</b>	
		Computers and software and other equipment	39.48	<b>0.08</b>	
		Printing documentation	25.00	<b>0.05</b>	
2	Prepare and begin implementation of a strategy for the development of local taxation	Consultants	16.35	<b>0.03</b>	
		Computers, software and other equipment	59.00	<b>0.12</b>	
		Validation workshops	13.12	<b>0.03</b>	
		Train trainers (travel, accommodation and per diem of officials training trainers at decentralized level)	4.20	<b>0.01</b>	
3	Train officials of the DGI, DNDC, DNCT and of CT on surveying and collection of tax revenues.	Training events (travel, accommodation and per diem of officials training staff at decentralized level)	97.38	<b>0.19</b>	
		Retro projectors and other training equipment	22.50	<b>0.05</b>	
4	Provide adequate equipment and software to staff of the tax centers of the District, DGI, Treasury, DNDC, and CTs	Computers, software and other equipment	88.98	<b>0.18</b>	
5	Undertake study on the organization and performance of local taxation	Consultants	24.53	<b>0.05</b>	
		Validation workshops	14.86	<b>0.03</b>	
6	Undertake a study to identify resources to be transferred to CT in consultation with stakeholders	Consultants	8.18	<b>0.02</b>	
		Validation workshops	4.59	<b>0.01</b>	
7	Strengthen the capacity of DNCT	Computers and software and other equipment	20.00	<b>0.04</b>	
		Supervision costs	15.04	<b>0.03</b>	
8	Dissemination workshops on the operational guidelines	Workshop in Kayes	8.09	<b>0.02</b>	
		Workshop in Koulikoro	4.38	<b>0.01</b>	

	Activity	Expenses	Total (CFAF mn)	Total (US\$ mn)	Entity
		Workshop in Sikasso	10.21	0.02	
9	Equip 14 specialized offices (Domaines et Cadastre)	Computers, software and other equipment	88.98	0.18	
		Consultants	21.00	0.04	
		Deploy software in specialized offices	42.35	0.08	
10	Train 140 staff on new CUH/CRH procedures	Consultants	16.20	0.03	
		Validation and training events	17.50	0.04	
11	Dissemination of key land, property and urbanism legal documents	Survey key texts	1.00	0.00	
		Printing	22.40	0.04	
		Dissemination workshops	14.00	0.03	
<b>1.2. Budget preparation and monitoring</b>			<b>718.77</b>	<b>1.44</b>	DGB
12	Train trainers in budget preparation and execution	Consultants	10.13	0.02	
		Training events	24.75	0.05	
		Printing and distribution	5.00	0.01	
		Computers and software	18.50	0.04	
13	Training staff including at CT level on budget preparation and execution	Trainers fees	4.50	0.01	
		Training events	38.65	0.08	
		Printing and distribution	8.94	0.02	
14	Strengthen the MTEF framework	Consultant and other costs associated with the study	30.00	0.06	
15	Improve the forecasting model that informs the MTEF	Consultants	40.50	0.08	
		Validation workshop	7.75	0.02	
		Printing and distribution	4.00	0.01	
16	Expand MTEF to include CT	Consultants	12.15	0.02	
		Travel and other costs associated with the study	15.00	0.03	
		Validation workshop	2.85	0.01	
17	Prepare a strategy to introduce program budgets at decentralized level.	Consultant	40.00	0.08	
		Validation workshops and dissemination	31.40	0.06	
		Printing and distribution	25.00	0.05	
18	Revise budget execution procedures in line with program budgeting	Consultant	40.00	0.08	
		Validation workshop	10.00	0.02	
		Printing and distribution	13.90	0.03	
19	Train staff on MTEF	Per diem of trainer	3.00	0.01	
		Training events	18.00	0.04	
		Printing and distribution	6.00	0.01	
20	Train staff on results based budgeting	Per diem of trainer	31.50	0.06	

	Activity	Expenses	Total (CFAF mn)	Total (US\$ mn)	Entity
21	Prepare guidelines on program performance monitoring and evaluation	Consultant	10.13	0.02	
		Validation workshop	9.00	0.02	
		Printing and distribution	31.88	0.06	
22	Train staff on perspective analysis and strategic planning	Consultants	20.25	0.04	
		Training events	44.65	0.09	
		Printing and distribution	12.45	0.02	
23	Survey resources that could be channeled to CTs (Budget, sector funds)	Consultant	7.80	0.02	
		Validation workshop	2.20	0.00	
24	Determine criteria for the allocation of sector funds through ANICT	Consultant	52.90	0.11	
		Validation workshops	40.00	0.08	
		Printing and distribution	10.00	0.02	
25	Assess financial resources of the sectors	Consultant	11.70	0.02	
		Validation workshop	3.30	0.01	
26	Determine criteria for the allocation of resources to CT	Consultant	4.20	0.01	
		Validation workshop	0.80	0.00	
27	Determine State contributions to FNACT	Consultant	3.00	0.01	
		Validation workshop	2.00	0.00	
28	Prepare legal documents and regulations on transfers	Consultant	8.00	0.02	
		Validation workshop	3.00	0.01	
<b>1.3 Procurement</b>			<b>1194.07</b>	<b>2.39</b>	ARMDS, DGMP
29	Prepare procedure manuals on procurement at CT level	Consultant	6.08	0.01	
		National validation workshop	23.20	0.05	
30	Preparation and dissemination of a procurement buyers guide.	Consultant	6.08	0.01	
		Validation workshop	8.18	0.02	
		Printing	8.00	0.02	
		Dissemination at decentralized level (travel, accommodation, media, per diem, rental of rooms for workshops, etc.)	35.89	0.07	
31	Compilation in CD and paper support of key regulations on procurement	Consultant	1.00	0.00	
		Printing	12.00	0.02	
		Provision of CDs	6.00	0.01	
32	Expand electronic interconnection among credit managers of sector departments and regions and central procurement entities	Equipment Software	97.35	0.19	
		Training technical teams (CAISFF, DGMP, ARMDS) on ORACLE APEC (levels 1, 2 and 3)	67.77	0.14	
		Interconnection works	251.30	0.50	

	Activity	Expenses	Total (CFAF mn)	Total (US\$ mn)	Entity
		Training staff in the use of the integrated software	37.00	0.07	
		Study visits on computerization of procurement systems (DGMP and ARMDS)	20.54	0.04	
33	Establish a procurement standardized archiving system	Consultants	76.00	0.15	
		Archive equipment	172.50	0.35	
		Deploy the system at decentralized level	28.00	0.06	
		Training events	30.00	0.06	
34	Train trainers and 1060 CT staff on the new procurement procedures and disseminate information	Consultants	17.55	0.04	
		Training events	289.65	0.58	
<b>1.4 Accounting and internal controls.</b>			<b>827.13</b>	<b>1.65</b>	Treasury, DDCF
35	Train R/P agents on the CTs budget and accounting nomenclature	Consultants	13.50	0.03	
		Training events	41.50	0.08	
36	Installation of the software COLLOC in R/P of and CT	Travel expenses for the technical team	83.00	0.17	
37	Develop the interface between COLLOC and the Treasury accounting software	Travel expenses for the technical team	38.00	0.08	
38	Train CT staff on the use of the integrated COLLOC	Training events	82.42	0.16	
39	Equip 30 R/P with IT equipment and solar power kits	Computers and software	148.11	0.30	
		Solar power kits	90.62	0.18	
40	Develop an archiving system for accounting documents of CT	Consultants	13.50	0.03	
		Training events	66.17	0.13	
		Archive equipment and other	101.33	0.20	
41	Prepare guidelines on the compilation of administrative accounts	Consultants	6.75	0.01	
		Printing the guidelines	10.25	0.02	
42	Train staff on the new guidelines	Consultants	13.50	0.03	
		Training events	69.50	0.14	
43	Prepare guidelines on the compilation of administrative accounts	Consultant	6.75	0.01	
		Printing the new guidelines	10.25	0.02	
44	Evaluate the training programs for staff of the Local Delegations of DDCF on control procedures	Consultant	20.00	0.04	
		Validation workshop	12.00	0.02	
<b>Component 2 - Pilot new PFM procedures in Education and Health</b>			<b>1002.71</b>	<b>2.01</b>	

	Activity	Expenses	Total (CFAF mn)	Total (US\$ mn)	Entity
<b>2.1 - Education Pilot</b>			<b>601.99</b>	<b>1.20</b>	MEALN
45	Prepare criteria for resource allocation in education at sub-national level, prepare guidelines and train staff in their use	Consultants	40.32	<b>0.08</b>	
		Printing and distribution	30.00	<b>0.06</b>	
		Train staff	42.82	<b>0.09</b>	
46	Prepare guidelines on decentralized planning and train staff in their use	Consultant	15.00	<b>0.03</b>	
		Printing and distribution	10.00	<b>0.02</b>	
		Train staff	35.82	<b>0.07</b>	
47	Prepare guidelines on supervision of works and train staff in their use	Consultant	15.00	<b>0.03</b>	
		Printing and distribution	15.82	<b>0.03</b>	
		Train staff	19.38	<b>0.04</b>	
48	Dissemination and operationalization of decree 02-312.of the	Consultants	20.00	<b>0.04</b>	
		Printing and dissemination of the guidelines	30.00	<b>0.06</b>	
		Train CT on the new guidelines	43.82	<b>0.09</b>	
49	Develop and pilot a technical and financial monitoring and evaluation system for CTs on education	Consultants	14.00	<b>0.03</b>	
		Visits to selected sites for the pilots to collect data	38.32	<b>0.08</b>	
50	Strengthen the capacity of the CADDE	Scholarships to train CADDE staff in Canada	30.00	<b>0.06</b>	
		Computers, software and other equipment	47.22	<b>0.09</b>	
		Acquisition of a 4x4 vehicle for supervision missions	33.82	<b>0.07</b>	
		Training on the M&E and other	19.00	<b>0.04</b>	
		Consultation and dissemination activities	25.82	<b>0.05</b>	
51	Develop and pilot a participatory monitoring and evaluation framework for CTs on education	Consultants	18.00	<b>0.04</b>	
		Printing	12.00	<b>0.02</b>	
		Supervision of the pilots	15.82	<b>0.03</b>	
52	Pets and beneficiary surveys	Consultants (possibly INSTAT)	30.00	<b>0.06</b>	
<b>2.2- Health Pilot</b>			<b>400.73</b>	<b>0.80</b>	MS
53	Dissemination and training of CTs officials on the Guidelines on Decree 02-314	Consultant	27.46	<b>0.05</b>	
		Printing	37.46	<b>0.07</b>	
		Dissemination and training events	35.32	<b>0.07</b>	
54	Preparation and dissemination	Consultants	21.38	<b>0.04</b>	

	Activity	Expenses	Total (CFAF mn)	Total (US\$ mn)	Entity
	of guidelines on health center management and train selected entities.	Training events	35.13	0.07	
55	Train CT staff on decentralized planning, PRODESS, partnerships and cost sharing	Consultant	52.93	0.11	
		Training events	46.75	0.09	
		Printing of key guidelines on decentralization	32.70	0.07	
56	Capacity building and supervision - CADDE MS	Study visits	30.00	0.06	
		Supervision	17.75	0.04	
57	Evaluation of the decentralization in the health sector	Consultant	15.00	0.03	
		Validation workshop	18.88	0.04	
58	PETS and beneficiary surveys	Consultant	30.00	0.06	
<b>Component 3- External Oversight and Community Participation</b>			<b>869.04</b>	<b>1.74</b>	
<b>3.2 External audit</b>			<b>664.23</b>	<b>1.33</b>	SCCS
59	Create an archive and documentation center for the SCCS	Consultants	32.57	0.07	
		Archive and other equipment	17.27	0.03	
		Documentation	10.00	0.02	
		Train staff	3.00	0.01	
60	Preparation of a deontology code	Consultants	8.40	0.02	
		Validation workshop	1.60	0.00	
61	Technical assistance for the transition to a new Accounts Court	Consultant	147.45	0.29	
62	Introduction and training of 20 new auditors	Consultant	98.00	0.20	
		Training workshops	42.00	0.08	
63	Software for audit activities	Acquisition of software and licenses	20.00	0.04	
		Train trainers	16.42	0.03	
		Train staff	16.42	0.03	
64	Study visits and internships	Staff visits (Maghreb and sub-region)	26.40	0.05	
		Internships	77.00	0.15	
65	Preparation of annual reports	Retreat for the drafting of the report	50.00	0.10	
66	Pilot sub-contractual arrangements with private auditors	Consultants	47.85	0.10	
67	Supervision	Supervision costs	49.85	0.10	
<b>3.3 Participation</b>			<b>204.80</b>	<b>0.41</b>	

	<b>Activity</b>	<b>Expenses</b>	<b>Total (CFAF mn)</b>	<b>Total (US\$ mn)</b>	<b>Entity</b>
68	Preparation of citizen budgets	Consultants	39.30	<b>0.08</b>	CNSC
		Validation and dissemination workshop	27.30	<b>0.05</b>	
69	Develop a mechanism to support CT to collect and treat financial data to inform citizen surveillance committees.	Consultant	18.30	<b>0.04</b>	
		Equipment and software	25.80	<b>0.05</b>	
		Validation and training workshops	40.80	<b>0.08</b>	
50	Study visits	Study visits to countries in the sub-region.	53.30	<b>0.11</b>	
<b>Component 4- Project implementation and coordination</b>			<b>603.14</b>	<b>1.21</b>	CARFIP
		Consultants	234.74	<b>0.47</b>	
		Equipment and software	56.74	<b>0.11</b>	
		Vehicles	62.22	<b>0.12</b>	
		Supervision	249.44	<b>0.50</b>	
<b>Total Baseline cost</b>			<b>6000.00</b>	<b>12.00</b>	
<b>Unallocated</b>			<b>0.00</b>	<b>0.00</b>	
<b>Total</b>			<b>6000.00</b>	<b>12.00</b>	

### **ANNEX 3: Implementation Arrangements**

#### **Guiding Principles**

1. The overall implementation, coordination and supervision will be fully consistent with the mandates of existing official bodies and will follow the regionalization and decentralization frameworks. Implementation arrangements will give as much responsibility as possible to specialized service providers (for example, training institutions).
2. Consistent with the Paris Declaration, the project will not set up any independent or stand-alone project implementation unit.
3. Institutional and implementation arrangements take into account that the TA contributes for the implementation of PAGAM II and complements the PRSC series.

#### **Project Administration Mechanisms**

4. An independent assessment of PAGAM-GFP commissioned by the Government in 2009 concluded that the coordination and implementation arrangements of the project were critical for the good progress made. To built up from this good experience, PAGAM II continues to use the implementation and coordination arrangements adopted for PAGAM-GFP. The strategic coordination of the project is made by a Technical Committee (TC) which includes all the implementing agencies, and representatives of the civil society and of the donor community. The Technical Committee is chaired by the Secretary General of the MEF. At operational level, the PAGAM II has technical implementation coordination committees (TICC). The TICCs include entities that contribute for the implementation of groups of activities. The executive branch of the TC is the CARFIP.<sup>15</sup>
5. With some adjustments, the TA uses the implementation and coordination arrangements of PAGAM II (Chart A3.1. This choice is justified by the good track record of the arrangements and the fact that the TA contributes for the implementation of PAGAM II. The TC will therefore provide overall strategic orientation, approve annual work plans and budgets, take necessary measures to address any inter-ministerial conflicts over project resource allocation and/or unresolved implementation problems, approve annual monitoring and evaluation reports, create ad hoc committees to address specific issues, approve procedures, assess risks and mitigation measures, and approve annual audit reports. TA related issues will be included in the overall agenda of the TC. A TICC including representatives of the MEF, MACTL, MLAFU, ARMDS, MEALN, MS, and SCCS will be formed for the operational coordination of the TA. The CARFIP chairs the TICC in charge of the TA.
6. The MEF will be responsible for the technical coordination and fiduciary activities of the project. Within the MEF, CARFIP will ensure the project's day-to-day operational coordination and it will: (1) apply the overall project vision and strategy; (2) ensure coherence of interventions between components and sub-components; (3) monitor and harmonize procedures; (4)

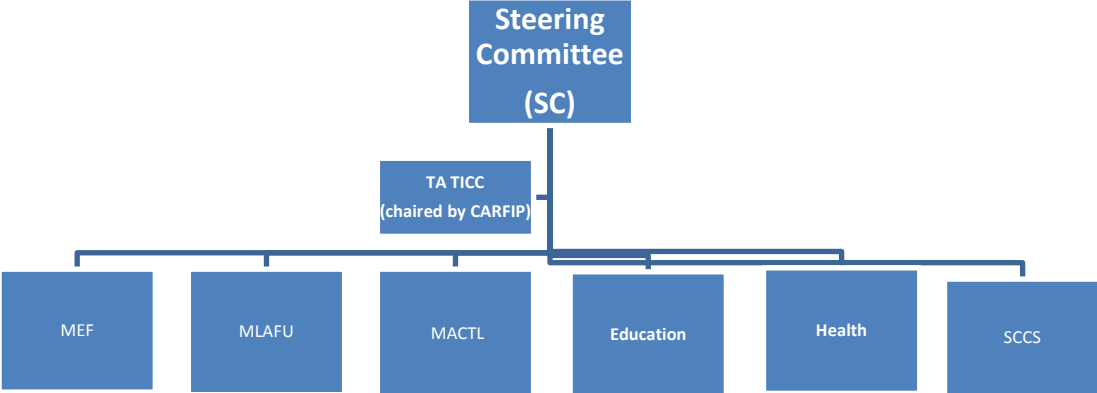
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<sup>15</sup> The CARFIP was created by the Law N. 06-035 of August 3, 2006, followed by the creation of the TC by the Ministerial Decision SG/MEF N. 000-73, of August 9, 2006, both in the context of the implementation of PAGAM-GFP.



consolidate annual work programs and budgets; (5) organize overall program supervision; (6) provide technical support to the implementing entities; (7) ensure day-to-day project management; (8) consolidate monitoring and evaluation data; and (9) produce periodic implementation reports as part of the overall PAGAM II reporting system and for the specific purposes of the project. The fiduciary management will be ensured by the DFM as discussed in further detail from paragraph 9 below.

**Chart A3.1- MALI TA - Implementation Arrangements Organizational Chart**



7. Activities other than those under the direct responsibility of the MEF will be implemented by the MLAFU, the MACTL, the MS the MEALN, the ARMDS and the SCCS. Service providers will be involved in the implementation of activities under a contractual framework. Details of the functions attributed to each type of operational entities and related terms of reference will be provided in the Project Implementation Manual.

8. A detailed project implementation manual (PIM) is being prepared and will be ready prior to project effectiveness. It will describe project guidelines, administrative, accounting and financial management contracts, standard result-based contracts for various types of services, terms of reference for personnel to be recruited, specification of training modules, accreditation procedures for service providers, etc.

**Financial Management, Disbursements and Procurement**

9. Overall, the residual financial management risk for the project assessed initially as MI has been reassessed as ML taking into account the mitigation measures proposed for implementation before effectiveness (please see paragraph 33 and 38 of the main text). The project’s day-to-day operational coordination will be attributed to the CARFIP in the MEF. The DFM at the MEF is proposed to be the fiduciary management unit for the project. Since it does not have capacity to carry out FM activities in line with Bank procedures, the project has planned

to reinforce the DFM with the recruitment of a financial management specialist familiar with Bank FM procedures. In addition, the project will reinforce FM capacity of the DFM by financing the acquisition of additional computers and software. With the overall measures to be taken to strengthen the DFM, the entity will be able to meet the Bank's requirements under OP/BP 10.02.<sup>16</sup>

### *FM arrangements*

10. **Budgeting:** The project's budget process (elaboration, implementation and follow up) will be documented in the manual of accounting, financial and administrative procedures to be set up. The annual budgets (including each implementing entity's budget) in the light of the annual action plans and the related procurement plans, will be coordinated by the CARFIP and prepared by the TICC. They will be submitted to the approval of the Steering Committee (Technical committee) as earlier as possible to allow their approval before the beginning of the year. The Technical committee will also approve changes in the budget and action plans. The annual budget will be managed through the accounting software. Projects' budget execution will be also aligned with the national budget execution process through the record of the project's transactions in the MEF Computerized Budget Expenditure Management Software (PRED) to ensure the comprehensiveness of the budget execution reports. Some PRED parameters will therefore be modified to include the project's components. 2011 Finance law will also be updated to take into account the annual allocation of funds to be provided through the first year of the project implementation.

11. **Accounting:** The accounting referential system will be SYSCOHADA (West African accounting referential system). The hardware and the accounting software will be in place before effectiveness and will be used to record all the project's transactions. This system will be used to prepare the financial statements for the project. As needed, the FM team will be trained to be able to handle accounting and reporting activities through the software.

12. **Flow of Funds:** One designated account (DA) will be maintained in a commercial bank, but an authorized public accountant (comptable assignataire) will be designated to sign and authorize transactions and record transactions in the national system.<sup>17</sup> The DA will be managed according to the disbursement procedures described in the Administrative, Accounting and Financial Manual and the Disbursement Letter. Direct payments, could be made to service providers. All payments to suppliers and services providers will be made through the DA.

13. **Internal controls and internal audit:** The DFM will elaborate a manual of accounting administrative and financial procedures. The manual will ensure adequate internal controls are in place for the preparation, approval and recording of transactions as well as segregation of duties. The manual will be subject to update as needed. The internal controller of the ministry of Finances at the decentralized level will carry out a priori control during the project implementation. In addition, the project will consider an MoU, with the CGSP to carry out internal auditing on a bi-yearly basis (or on other agreed periodicity) based on ToR acceptable to the Bank.

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<sup>16</sup> Please note that the DFM of the MEF is responsible for the fiduciary management of the project.

<sup>17</sup> An existing Government official will be assigned to perform this task, based on agreed terms of reference.

14. **Financial reporting:** The DFM will prepare a quarterly Interim Financial Reports (IFR) during the project implementation. The reporting format will be documented in the administrative, financial and accounting manual. IFR will be furnished to the Bank not later than 45 days after the end of the quarter. Annual financial statements will be prepared by the DFM and will be subject to annual external audits.

15. **External audit:** The annual financial statements of the project as well as the system of internal controls of the implementing entities will be subject to an annual audit by an experienced and independent auditor, based on terms of reference satisfactory to the Bank. The auditor will provide an opinion on the financial statements of the project prepared by the DFM. In addition to the audit report the external auditors will be expected to prepare a Management Letter giving observations, comments, and providing recommendations for improvements of the internal control system. The report will be submitted to the Bank not later than six months after the end of each financial year (June 30<sup>th</sup>).

#### *FM arrangements prior/by effectiveness*

16. The following will be stated in the Financing Agreement as effectiveness conditions:

- a) adopt a Project Implementation Manual (PIM), including the PFAAM, in form and substance satisfactory to IDA; and
- b) contract a financial management specialist under terms and conditions and with qualifications satisfactory to IDA.

#### *Other mitigation measures*

17. The strengthening of the DFM will also include: (i) the signing of a MoU with the CGSP to carry out internal audit activities not later than one month after effectiveness; (ii) the assignment, not later than one month after effectiveness, of an accountant from the MEF (to be trained to Bank procedures) to the project in addition to the FM specialist to be recruited with the purpose of building capacity within the MEF for future projects; and (iii) the purchasing of an appropriate computer and a multi-projects and multisite accounting software.

18. In line with national systems a public accountant will be assigned to the project and the MEF will take all the actions needed to reflect the expenditures financed by the project in the national budget (finance law).

#### *Supervision and monitoring*

19. The CARFIP will send to the Bank quarterly Interim Financial Reports in addition with the annual external audits. The auditor will also provide a management letter assessing the internal control system. After the application of the mitigation measures, the project overall rating is Medium Likelihood. Based on that, the Bank FM team will conduct supervision missions on a yearly basis. The first FM review will be carried out within 6 months of credit effectiveness. This detailed review will cover all aspects of financial management, internal control systems, overall fiduciary control environment and transactions from the bidding process

to disbursements. Thereafter, the on-site supervision intensity will be based on the updated financial management risk rating during implementation.

### *Disbursements*

20. Disbursements under the Credit will be transaction based. Direct Payment and Statement of Expenditures (SOE) methods will apply as appropriate. Following a review of Interim Financial Reports (IFRs) of the first year and a risk assessment, the project might shift to the report-based disbursement. Disbursement procedures arrangement will be detailed in the manual of accounting, administrative and financial procedures. Payments related to all transactions from the activities implemented by the involved ministries will be made through this designated account (DA). All documentation for all transactions shall be retained and made available by the DFM for audits and to the Bank and its representatives during supervision missions, if requested. The DA will be maintained in a commercial bank and an authorized public accountant (comptable assignataire) will be designated to sign and authorize transactions and record transactions in the national system PRED. The Designated Account will be used for all payments inferior to twenty percent of the authorized allocation.

### *Procurement*

#### **General**

21. Procurement for the proposed project would be carried out in accordance with the World Bank's "[Guidelines: Procurement Under IBRD Loans and IDA Credits](#)" dated May 2004, revised October 2006 and May 2010; and "[Guidelines: Selection and Employment of Consultants by World Bank Borrowers](#)" dated May 2004, revised October 2006 and May 2010, and the provisions stipulated in the Legal Agreement. The various items under different expenditure categories are described in general below. For each contract to be financed by the Credit, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

22. **National procurement system and ongoing reforms:** Mali adopted a Public Procurement Code in August 2008, as part of the action plan of the update of the Country Procurement Assessment Report (CPAR) for Mali carried out in FY04. The legal framework is in line with the WAEMU's guidelines. In addition, the Country has also adopted a law creating (1) an independent procurement regulatory body (ARMDS) responsible for policy and handling complaints from bidders and (2) the procurement control body (DGMP) responsible for the control of procurements transactions. These bodies are operational and in addition, the control Body has been decentralized at regional level inside the country. As such, and while the project will sustain the implementation and the performance of these bodies, it will benefit from the existence of these two bodies which are expected to improve the procurement function in the country.

23. In general, Mali's procurement laws and regulations do not conflict with IDA guidelines. However, the provisions related to the restriction of the eligibility of bidders to those coming from WAEMU countries only, will not be applied. No special exceptions, permits, or licenses need to be specified in Credit documents since IDA procedures take precedence to other laws and regulations.

24. The above mentioned Code describes NCB (as the "open competitive bidding" method (reference to the provision 44 of the procurement Code, which mentions this method as "Appel d'Offres Ouvert", i.e. "Open Competitive Bidding").

25. In reference to the code, some other provisions have limitations which are not acceptable with regard to the Procurement Guidelines and the Consultants Guidelines under the World Bank Financing. These limitations are, among others: (1) the decision in provision 9 that the Code does not apply to small contracts defined as contracts for works, goods and non consulting services estimated to cost less than CFAF 25 million (equivalent to US\$ 50,000 at the rate of 1 US\$ for CFAF 500) and contracts for consulting services estimated to cost less than CFAF 15 million (equivalent to US\$ 30,000); and the decision in the same provision that the Code does not apply to state-owned enterprises for contracts for works, goods and non consulting services estimated to cost less than CFAF 100,000,000 (equivalent to US\$ 200,000) and for consulting contracts estimated to cost less than CFAF 60,000,000 (equivalent to US\$ 120,000); (2) advertisement of the general procurement notice not mandatory on the UNDB and dgMarket portals; (3) the provision 22 which is about "the modalities of certification of candidates" may, if abused, limit the participation of bidders either nationals or foreigners; (4) the use of domestic preference (mentioned as community preference, in conjunction with WAEMU); (5) the minimum time frame for bid submission in case of urgency as mentioned in the provision 58, fixed for 15 days which may be abused; (6) the evaluation and award process of alternative bids not concordant with the Bank's procurement Guidelines; (7) possible abuse in handling cases where, if the bid which results in the lowest Evaluated Bid Price is seriously unbalanced or front loaded in the opinion of the Employer; (8) Standard bidding documents, developed under an IDF from the Bank, are in use in the country since 2002: however these SBD have not been cleared by the Bank, and they may be revised so that to take into account the new procurement Code.

26. With regard to those provisions, in order that the NCB procedure becomes acceptable to IDA for its use for NCB, the following special requirements will be taken into account: (1) even though the Code doesn't apply to small contracts, the procedures will require that for such contracts, a competitive method be used (reference to other methods described; it is expected that in a near future, this limitation will no longer apply); (2) in addition to the advertisement of the GPN in UNDB and dgMarket, bids will be advertised in national newspapers with wide circulation; (3) eligible firms, including foreign firms, will not be excluded from the competition in any case; (4) no preference margin will be granted to domestic bidders or bidder from the WAEMU countries; (5) four weeks will be provided for preparation and submission of bids, after the issuance of the Invitation for Bids or availability of the bidding documents, whichever is later; (6) the evaluation and award process of alternative bids will be revised to be concordant with the Bank's procurement Guidelines; (7) if the bid which results in the lowest Evaluated Bid Price is seriously unbalanced or front loaded in the opinion of the Employer, the evaluation process should be concordant as spelled out in the relevant Standard Bidding Documents published by the Bank; (8) for all procurement of goods and works, the Bank's Standard Bidding

Documents (SBD) or National SDB if acceptable to the Bank, will be used and modified in order to meet the exceptions authorized under NCB; (9) the project implementation agency will work with borrower's relevant authority in order to require that procurement audit will be included in the terms of reference of financial audits of the project. In addition, other adjustments will be made during project execution if the Bank considers them necessary to ensure economy, efficiency, transparency, and broad consistency with the provision included in the Section I of the Guidelines, in case it is amended.

27. Furthermore, in accordance with para.1.14 (e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that: (1) the bidders, suppliers, contractors and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have said accounts and records audited by auditors appointed by the association; and (2) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to an obstructive practice as defined in paragraph 1.14(a) (v) of the Procurement Guidelines.

28. Procurement will be carried using the Bank's Standard Bidding Documents (SBD) for all ICB if any, and National (SBD) for any eventual NCB contracts deemed satisfactory to the Bank. Contracts estimated at less than US\$ 5,000,000 for works that can be procured by local companies may be awarded through the NCB procedures.

29. Contracts for small works if any, small goods office supplies, minor equipment and furniture available locally, or non-consulting services with a cost estimate equal or below US\$ 50,000, may be procured under the shopping procedure in accordance with the provisions 3.5 of the Guidelines: Procurement under IBRD Loans and IDA Credits" May 2004, revised October, 2006 and May 2010, and in accordance with the Memorandum "Guidance on Shopping" issued by the Bank, date June 9, 2000 subject this memorandum is not contradictory with the Procurement Guidelines.

30. Procurement of Works: No works are expected under this project. However, if any, it may be small works for which no ICB or NCB are foreseen. If such small works happen to be executed, they would be procured under shopping procedures as described above, based on request for quotations obtained from qualified contractors. In the event of any grouping of contracts which will lead to NCB, this procedure may be used as described above, and in such case, while the Beneficiary has not yet any National SDB agreed with or satisfactory to the Bank, the procurement will be done using the Bank's Standard Bidding Documents (SBD) after adaptation by the beneficiary.

31. Procurement of Goods: Goods procured under this project would include: basic IT equipments and software, office equipments, computing kits and solar power kits; office furniture and office supplies; official documents editing and printing, equipments for archiving; equipments for training and for communication; vehicles/motorcycles for the purpose of surveys and mobility for training sessions. The procurement will be done using the Bank's SBD for all ICB. In the case of NCB, this procedure may be used as described above, and in such case, while the Beneficiary has not yet any National SDB agreed with or satisfactory to the Bank, the

procurement will be done using the Bank's Standard Bidding Documents (SBD) after adaptation by the beneficiary.

32. For small contracts with a cost estimate equal or below US\$ 50,000, shopping procedure may be used.

33. Procurement of non-consulting services: Non consulting services under this project would include: services for of catering for workshops, office maintenance, maintenance of equipments (IT, communication ...). The related contracts may be small contracts with a cost estimate below US\$ 50,000: in such cases, shopping procedure as described above may be used. In the event the cost is higher than US\$ 50,000, NCB procedure as described above will be used.

34. Selection of Consultants: Consultants services under this project would include strategic services for capacity building in diverse fields and related training for selected staff:

- under Component 1: survey and determine criteria for resource allocation at decentralized level, formulation of the local taxation framework and capacity building for implementation; formulation of new land management systems and capacity building for implementation; budget preparation and monitoring; enhancement of procurement capacity including training of trainers; interconnect selected Regional Directorates, sector DFM and other administrators of credits to the procurement IT system; establishment of a standardized archive system for procurement at central and sub-national level; organization and performance of the financial services of the CT; training agents on the budgetary and accounting nomenclature; installation of the integrated application to selected Treasury agencies and CT; development of an archive system for the accounting documents and their support documents; revision of the guidelines for the implementation of the accountability system for management accounts and related training on the application of the guidelines; establishment of the guidelines for the preparation of the administrative accounts and training on these new guidelines;
- under Component 2: study on resource allocation criteria coherent with the overall framework and preparation of guidelines; formulation of a participatory monitoring and evaluation framework; training of elected officials and MEALN staff at central, regional and local levels on the application of the criteria and guidelines; support to the application of the criteria, guidelines and participatory M&E framework in selected CT; preparation of guidelines on the management of community health centers and on the management of reference health centers; undertaking of PETS and beneficiary surveys in education and health;
- under Component 3: advisory services for the SCCS; formulation of an archive and documentation system; preparation of a deontology code; training auditors; audits of accounts of selected CTs; preparation of citizen's budgets at central and local level;; development of a mechanism for the collection and analysis of financial data to inform the citizen surveillance committees; piloting of citizen's budget, and the financial data collection and analysis mechanism in selected citizen surveillance committees;
- under Component 4: FM, procurement and M&E consultants.

35. Consultants will be selected using the Quality and Cost-Based Selection (QCBS) method in most cases. In special cases specified in the Procurement Plan (PP) the following methods will be used: (1) Quality-Based Selection (QBS); (2) Least Cost Selection (LCS), applicable particularly to financial audits; (3) Selection Based on the Consultants' Qualifications (CQS); (4) Single Source Selection (SSS) and (5) Individual Consultants (IC) Selection (either through competitive selection or single source). For competitive selection methods, the selection will be through requests for expressions of interest (REIs) except for the selection of individual consultants for which REIs are not mandatory, short-lists, and the Bank's Standard Requests for Proposal where required under Bank's Guidelines.

36. Short lists of consultants for services estimated to cost less than \$200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

37. Operating Costs: Operating Costs would include equipment/vehicle operating and maintenance costs, energy and water, telephone, fax and internet/intranet. They will also include costs for all fees related to the implementation of the project, such as its supervision missions by the designated national entities.

## **B. Assessment of the agency's capacity to implement procurement**

38. Consistent with the Paris Declaration, the project will not set up any independent or stand-alone project implementation unit. Project financing mechanisms, including disbursement, will follow national procedures with a view to pilot the design of perennial financing tools. However, the procurement procedures will fall under the World Bank Guidelines as mentioned above, including for NCB as it will be modified to be acceptable to the Bank. Seven entities will take part in the overall project implementation and supervision: the MEF, the MACTL, the MEALN, the MLAFU, the MS, the ARMDS and the SCCS. The MEF will be in charge of the overall project coordination and supervision. A committee will be set up for the coordination of the TA, and the TA Technical Implementation Coordination Committee (TICC). The CARFIP will ensure the day to day coordination of the project, and to this end, it will be strengthened with the recruitment of a M&E specialist. The DFM of the MEF will ensure key FM function and will be reinforced with one financial management specialist and one procurement specialist. The project will also contribute for the recruitment of a driver.

39. Procurement activities will be carried out by each of the seven entities in their respective domains; they will benefit from the support and mentoring of the procurement specialist posted assisting the project. The procurement function in the entities handled by the DFMs which is staffed by key personnel including the managing staff and deputy staff in the following domains: administration, financial management, procurement. Within the DFM, the procurement function is assigned to a unit which has a small team and ahead who coordinates the unit.

40. An assessment of the capacity of the IAs to implement procurement actions for the project has been carried out by the World Bank Procurement Team based in Bamako on August 5<sup>th</sup>, 2010. The assessment reviewed the organizational structure for implementing the project and the interaction between the project's staff responsible for procurement and the Ministry's relevant central unit for administration and finance.



41. The key issues and risks concerning procurement for implementation of the project have been identified and include:

- The entities which will benefit from the TA have experience in procurement under the national procedures; they have also past experience in project implementation under the World Bank financing; however, due to the mobility of their staff, they lack of relevant qualifications to handle procurement under the World Bank procedures;
- Possible difficulties may be encountered for the involvement of staff at decentralized level in handling procurement;
- The staff in charge of relevant assistance to the project is not yet recruited;
- The procurement specialist to be recruited for the project may be exposed to influence from the respective entities' relevant central unit for administration and finance.

42. The corrective measures which have been agreed are:

- The staff in charge of procurement must be trained in procurement including the ones at decentralized level. In addition, this TA has a component to support the procurement function: as such, capacity building in its whole would not encounter any obstacle;
- The relevant measures should be taken so that procurement for decentralized entities be handled locally, under the review of the newly created procurement control bodies at the regional level;
- The staff in charge of relevant assistance to the project should be recruited upon approval of the TA Financing by the World Bank;
- The DGMP and the ARMDS will have to play their role to ensure good governance and limit the opportunities for undue influence by any central unit of the Borrower.

43. The overall project risk for procurement is high. It may decrease to ML after the assistance for the project is in place.

### **C. Procurement Plan**

44. The Borrower will develop a procurement plan for project implementation which provides the basis for the procurement methods. This plan will be agreed between the Borrower and the TA team once it is prepared. After approval by the Bank, it will be available at the CARFIP and at the office of each of the Directorate responsible for Administration and Finance (DFM) in the Ministries listed above as benefitting from the TA. It will also be available in the project's database and in the Bank's external website. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

## D. Frequency of Procurement Supervision

45. In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the IAs has recommended one supervision mission to visit the field and to carry out post review of procurement actions. The standard post-procurement reviews by Bank staff should cover at least 20 percent of contracts subject to post-review. Post-reviews consist of reviewing technical, financial and procurement reports on procurement actions carried out by the seven entities and by the CARFIP, by Bank staff or consultants selected and hired by the Bank according to procedures acceptable to the Bank. Missions in the first 18 months shall include a Bank Procurement Specialist or a specialized Consultant.

## E. Details of the Procurement Arrangements

**Table A3.2: Procurement Thresholds**

	Prior Review Threshold Proposed (US\$ million)	Goods and non-consulting services			Selection of Consultants				
		ICB	NCB	Shopping	QCBS	QBS	CQS	LCS	SSS
Goods	≥0.5	≥ 0.5	>0.05<0.5	≤0.05					
Consulting services	≥0.2 for firms ≥0.1 for individuals all: sss				default	TBD	<0.2	TBD	TBD
					Short list of consultants for services, estimated to cost less than \$ 200,000 equivalent per contract, may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.				
Non-Consulting Services	≥0.5	≥0.5	>0.05<0.5	≤0.05					

ICB: International Competitive Bidding

LCS: Least Cost Selection

NCB: National Competitive Bidding

QCBS: Quality and Cost Based Selection

CQS: Consultant's Qualification Selection

SSS: Single Source Selection.

46. Consultancy services estimated to cost above US\$ 200,000 per contract for firms, US\$ 100,000 per contract for individual consultants, and single source selection of consultants (firms or individuals) will be subject to prior review by the Bank, as well as any other contract identified by the Bank in the Procurement Plan as to be prior reviewed.

47. Short lists composed entirely of national consultants: Short lists of consultants for services estimated to cost less than US\$ 200,000 equivalent per contract, may be composed

entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

*Governance and Anti-Corruption (GAC).*

48. Governance assessments of the energy and transport sectors in Mali were undertaken by the Bank. Identified measures to deal with significant losses at the electricity company, Électricité du Mali (EDM), were integrated in the design of the Energy Support Project and discussions took place notably with regards to means to tackle the pervasive controls that the transport sector faces in Mali. The Bank is also focusing its governance work on improving service delivery at decentralized level, including through PRSCs and this TA project. In addition, a proposal was submitted to the demand for good governance window of the Social Development Civil society Fund for a study on instruments and tools for accountability for civil society representatives.

*Environmental and Social (including safeguards)*

49. Because of the nature of the project, which primarily entails the provision of technical assistance, no significant environmental impacts are envisaged. The project environmental category is C. The project would trigger none of the Bank’s environmental safeguards.

**Table A3.2: Safeguard Policies Triggered by the Project**

	Yes	No
<a href="#">Environmental Assessment (OP/BP 4.01)</a>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Natural Habitats ( <a href="#">OP/BP 4.04</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pest Management ( <a href="#">OP 4.09</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Indigenous Peoples ( <a href="#">OP/BP 4.10</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Physical Cultural Resources ( <a href="#">OP/BP 4.11</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Involuntary Resettlement ( <a href="#">OP/BP 4.12</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Forests ( <a href="#">OP/BP 4.36</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Safety of Dams ( <a href="#">OP/BP 4.37</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways ( <a href="#">OP/BP 7.50</a> )	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects in Disputed Areas ( <a href="#">OP/BP 7.60</a> *)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

*Monitoring & Evaluation*

50. The project’s outcomes and result’s indicators are derived from the PAGAM II, which has established a monitoring framework. The CARFIP, and the implementing agencies have capacity and experience in monitoring and evaluating programs. These capacities will be enhanced by the capacity building aspects of the project. Assessments of progress in the implementation of the project and results will be undertaken regularly in the context of the PAGAM II.

51. The project is being completely financed by the Bank. Coordination with other donors is envisaged as a means to enhance complementarities. By being embedded in the coordination

\* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

framework of the PAGAM II, coordination with other donors is greatly facilitated. Coordination will be further strengthened in the context of the Macroeconomic Thematic Donor Group.

**ANNEX 4: Operational Risk Assessment Framework (ORAF)**

<b>Project Development Objective(s)</b>			
Strengthen capacity for public financial management at decentralized level for improved budgetary decision-making and enhanced transparency and oversight.			
PDO Level Results Indicators:	1	By 2014, at least 5000 beneficiaries of direct capacity building activities, of which 30 percent women.	
	2.	CTs are provided information on the allocations to be transferred from the central level for current and investment budgets by June of each year.	
	3.	Time required for the treatment of procurement files in the 4 selected regions decreases from 98 days in 2010 to 80 days in 2014.	
	4.	At least 60 CTs (pilot regions) prepare and publish annual reports on resources available to education sector.	
	5.	At least 20 percent of management accounts (decentralized entities) submitted are reviewed and judged by the SCCS.	

<b>Risk Category</b>	<b>Risk Rating</b>	<b>Risk Description</b>	<b>Proposed Mitigation Measures</b>
<b>Project Stakeholder Risks</b>	L	The main risk is an increase in civil society's distrust of public sector effectiveness and efficiency.	No specific, project-level mitigation measures.  The bank will continue supporting GoM owned PFM reforms to increase effectiveness and efficiency of public financial management for service delivery.
<b>Implementing Agency Risks</b>	MI	The main risk is of funds being misused, particularly because of the involvement of many administration bodies, including a large number of SN entities, in an environment in which there are inefficiencies in decision-making processes and coordination due to insufficient skills, reliance on outdated information systems and business process as well as excessive concentration of information and decision power. The risk is exacerbated by the overall weak accountability framework in the country. While the impact of such risk would be high, the FM framework embedded in the project	Strengthening implementation capacities is at the core of the proposed operation. In addition, the unit within the MEF that coordinates the operation has considerable experience in the coordination of complex projects (e.g.: PAGAM-GFP). This operation will provide technical assistance to the DFMs of the MEF, MACTL, MEBALN and MS, SCCS to strengthen FM, accounting and procurement capacity in line with Bank's procedures. Information systems will also be improved to strengthen coordination and decision making processes.

Risk Category	Risk Rating	Risk Description	Proposed Mitigation Measures
		takes into account existing weaknesses.	
<b>Project Risks</b>			
1. Design	MI	The main risk lies with delays in the approval and use of new procedures and instruments, reflecting, among others, resistance to change.	The project team agreed with the authorities on a realistic agenda for the preparation of new instruments and their implementation. The operation allocates funds to strengthen monitoring and evaluation to ensure timely identification of problem areas including by making good use of the pilots to make adjustments as needed. A study undertaken as part of the preparation of the operation identified strong political support to decentralization as well as stakeholders who stand to lose with the changes supported by the project. This information will be used to minimize the impact of actions to delay change.
2. Social and Environmental	L	This operation is a category C project and therefore no safeguards are triggered.	The team will monitor activities so as to update the category of the operation if needed.
3. Program and Donor	L	The main risk lies with delays in the approval and implementation of overall measures in the context of the PAGAM II.	Attention was given to the sequencing of activities within the PAGAM II. The identifying champions for change will be critical to minimize this risk.
4. Delivery Quality	MI	The main risk is to retain trained staff due to reward related issues and the political cycle.	While retaining staff involves issues which cannot be addressed in the context of the TA (such as remuneration and rotation related with the political cycle), to ensure sustainability of the changes it supports the TA focuses on the preparation of procedures and training staff, including on the job. Capacity building continuity is ensured by focusing on training trainers and preparation of training materials. The TA will allocate resources to monitor staff rotation in the regions covered so as to assess adjustments that may be needed during implementation.

Overall Risk Rating at Preparation	Overall Risk Rating During Implementation	Comments
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MI	MI	The coordination of the project is complex given the involvement of the administration at central and SN level. Capacity constraints and the weak control framework increase the risk of resources being misused. Some delays in decision making could occur both as a result of the cumbersome processes in place and of resistance to change from officials at central and regional level who stand to lose power when the capacity of local authorities is increased. Project preparation was conducted so as to ensure project readiness, and an adequate supervision and control framework for the project. In addition, efforts are ongoing to identify champions at central and SN level to ensure smooth and timely project preparation.
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## ANNEX 5: Implementation Support Plan (ISP)

### Implementation Strategy

1. The ORAF (Annex 4) identifies The following main risks of the operation:
  - IAs risk. The mains risks are: (1) inefficiencies in the IAs decision-making processes due to insufficient skills, reliance on outdated information systems and business process as well as excessive concentration of information and decision power; (2) inexperience of the IAs in coordinating and supervising project implementation including at decentralized level; and (3) of funds being misused, particularly because of the involvement of many administration bodies, including a large number of decentralized entities. The risk is exacerbated by the overall weak accountability framework in the country. The TA mitigates implementation and coordination capacity risks by providing consultants on project management, FM, accounting and procurement. Information systems will also be improved to strengthen coordination and decision making processes. Regular and sound auditing procedures have been agreed upon to ensure full compliance with Bank standards. Finally, the Bank's team will ensure close supervision of the project to resolve any problems that may emerge.
  - Design risks. The main risk lies with delays in the approval and use of new procedures and instruments, in part due to resistance to change. The project team agreed with the authorities on a realistic agenda for the preparation of new instruments and their implementation. The operation allocates funds to strengthen monitoring and evaluation to ensure timely identification of problem areas including by making good use of the pilots to make adjustments as needed.
  - Delivery quality risks. The main risk is to retain trained staff due to reward related issues and the political cycle. While retaining staff involves issues which cannot be addressed in the context of the TA (such as remuneration and rotation related with the political cycle), to ensure sustainability of the changes it supports the TA focuses on the preparation of procedures and training staff, including on the job. Capacity building continuity is ensured by focusing on training trainers and the preparation of training materials. The TA allocates resources to monitor staff rotation in the regions covered so as to assess adjustments that may be needed during implementation.
2. Taking into account the identified risks, an implementation support plan was prepared, focusing on the capacity building and supervision activities described in tables A5.1 and A5.2 below.



## Implementation Support Plan (ISP)

**Table A5.1: Support during implementation**

<b>Time</b>	<b>Focus</b>	<b>Skills Needed</b>	<b>Resource Estimate</b>
First twelve months	Strengthening coordination capacity	Project management	Resident Economist, 4 staff weeks
	Strengthening Implementation capacity	Financial management	4 staff weeks (Bamako based Bank staff)
		Procurement	8 staff weeks (Bamako based Bank staff)
12-48 months	Strengthen implementation capacity	Financial management	6 staff weeks (Bamako based Bank staff)
		Procurement	6 staff weeks (Bamako based Bank staff)

### II. Table A5.2: Skills Mix Required

<b>Skills Needed</b>	<b>Number of Staff Weeks</b>	<b>Number of Trips</b>	<b>Comments</b>
Project management	10	6	Trips will be from Bamako to the 4 regions.
Financial management & Accounting	14	4	Trips will be mainly from Bamako to the 4 regions
Procurement	14	4	Trips will be mainly from Bamako to the 4 regions

### III. Table A5.2: Partners

<b>Name</b>	<b>Institution/Country</b>	<b>Role</b>
None		

## ANNEX 6: Team Composition

### World Bank staff and consultants who worked on the project:

Name	Title	Unit
Clara de Sousa	Sr. Economist and TTL	AFTP3
Daria Goldstein	Sr. Counsel	LEGAF
Wolfgang Chadab	Sr. Finance Officer	CTRFC
Chickh Diop	Economist	AFTP3
Tawfik Ramtoolah	Senior Public Sector Specialist	AFTPR
Celestin Niamien	Financial Management Specialist	AFTFM
Cheick Traore	Sr. Procurement Specialist	AFTPC
Mahamadou B. Sissoko	Procurement Specialist	AFTPC
Pierre Kamano	Sr. Education Specialist	AFTED
Ousmane Haidara	Health Specialist	AFTHE
Safiatou Ba Dicko	Program Assistant	AFMML
Maude Jean-Baptiste	Program Assistant	AFTP3
Ezzeddine Modoud	STC	AFTP3

## ANNEX 7: Linkages with Other Projects

### Linkages with other Bank supported projects

1. The Governance and Budget Decentralization TA complements the PRSC series. The TA project would enhance capacity and support the implementation of the reforms proposed by the PRSCs, notably in the area of public financial management and with pilots in the education and health sectors. Specifically, the TA will contribute for the implementation of PRSC supported reforms on preparation, execution and oversight of the budget in the Malian context of decentralization. The TA and the DPO on Education under preparation would be complementary. The DPO supports reforms that include the adoption of a rules-based system for the allocation of resources to education activities at decentralized level as well as of participatory oversight mechanism. Instruments developed with TA support would help implement these reforms.
2. Complementarities will be sought with the Mali Urban Project under preparation. Instruments introduced by the TA such as the criteria for the allocation of resources to CT would be applied by the Urban Project. Feedback would permit the improvement of the instruments being piloted.

### Partnership arrangements

3. Many donors have been providing support to PFM reforms in Mali. Table A7.1 below presents preliminary information on the support to PAGAM II provided by several donors.

**Table A7.1: Contributions of Donors to the financing of PAGAM II**

PAGAM II AREA	DONORS PROVIDING SUPPORT
1. Budget revenues	CIDA (Canada): capacity building for tax management (land taxes).
	AFRITAC: Strengthen custom and tax administration (MEF).
2. Budget preparation and execution	CIDA : capacity building on budget management (education, health GTZ, CIDA,
	GTZ (Germany): Capacity building for economic analysis, preparation of MTEFs, IT maintenance and development, (MEF, CSCLP).
	AFRITAC: capacity building on program budgeting. Capacity building on debt management (MEF).
	UNDP: capacity building on M&E of the investment budget (MEF). Capacity building for improved aid management (MEF, MNE).
	Denmark: improved capacity for M&E (Min Agriculture, Ministry of Employment, Ministry in charge of Water).
	UNICEF: strengthen capacity on planning (MEALN).
	The Netherlands: capacity build on investment program preparation (MADER).
	UNCTAD/France: capacity building for debt management (MEF).
	WB: strengthen capacity for forecasting, results budgeting, MTEF (MEF).
3. Governance and transparency	CIDA: capacity building (BVG).

PAGAM II AREA	DONORS PROVIDING SUPPORT
	<p>GTZ: capacity building to strengthen internal controls at central and decentralized level (MEF).</p> <p>Denmark: Capacity building (MEF, regional level).</p> <p>CE: Capacity building (SCCS).</p> <p>WB: capacity building for strengthened procurement and external audit.</p>
4. Deconcentration and decentralization	<p>CE: capacity building on decentralization (various central and decentralized institutions).</p> <p>CIDA : planning (education)</p> <p>CTB: strengthen capacity for M&amp;E (MACTL, and local authorities in Koulikoro, Tombuktu, Gao, and Kidal).</p> <p>GTZ: capacity building to strengthen internal controls at decentralized level (MEF).</p> <p>AfDB: capacity building for Monitoring and evaluation, and participation (MACTL, INSTAT, Regiona Assemblies in Kayes, Segou, Koulikoro, Sikasso, Mopti).</p>
	<p>WB: capacity building for revenue mobilization, budget execution and procurement, accounting and controls, procurement, external audit and participation. (MEF, MACTL, MEALN, MS, SCCS, ARMDS, MLAFU).</p>
5. Others	<p>CIDA: PAGAM II Coordination and M&amp;E (MEF).</p>

### ANNEX 8: Powers Transferred to the Communes

<b>Health</b>	<b>Education</b>	<b>Water</b>
Preparation and implementation of health development plan.	Preparation and implementation of education development plan.	Preparation and implementation of drinking-water supply development Plan.
Establishment and maintenance of infrastructure.	Support in drawing up the catchment areas for schools.	Construction and maintenance of infrastructure.
Authorization to set up community health centers (CSCOM).	Construction and maintenance of preschool and school infrastructure.	Recruitment of operators in charge of infrastructure.
Conclusion of mutual assistance agreement with associations managing health centers (ASACO).	Determination of specific modules not coming under national classification.	Control and monitoring of approved infrastructure management bodies.
Subsidy to ASACO.	Personnel recruitment and Management.	
Personnel recruitment and Management.	Subsidy to community schools.	
Establishment of an initial stock of essential drugs.	Organization and operation of Canteens.	
Combating illegal sale of drugs.	Organization of examinations.	
Health information, education and communication.	Production of school statistics.	
Implementation of national policies and strategies of disease prevention and control.	Monitoring literacy centers.	
Social mobilization around health and welfare objectives.		