



**JOINT EVALUATION
OF BUDGET SUPPORT OPERATIONS
IN MALI
2003 - 2009**

Final Report

Executive Summary

September 2011

*Joint Evaluation carried out on behalf of the
Commission of the European Union, Belgium and Canada
as a pilot exercise of the OECD Development Assistance Committee*



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Contract N° EVA 2007/geo-acp

This evaluation is mandated by

The Joint Evaluation Unit for:
EuropeAid Cooperation Office (AIDCO)
Directorate General for Development *and*
Directorate-General for External Relations

The Canadian International Development Agency

The Special Evaluation Office of International Cooperation - Belgium

This evaluation has been accepted by the Mali Government as a pilot exercise of the OECD Development Assistance Committee.

The evaluation has been managed by the Joint Evaluation Unit, who has also chaired the Evaluation Management Committee and the Reference Group in Mali, as well as the OECD-DAC Working Group on Budget Support evaluation

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This publication has been produced with the assistance of the European Union. The contents of this publication are the sole responsibility of the authors and can in no way be taken to reflect the views of the European Union

Executive Summary

Objectives and scope of the Evaluation

The purpose of this study has been two-fold:

- (i) To undertake an evaluation of the 32 (out of 33) budget support operations which have been conducted in Mali over 2003 to 2009 by ten Development Partners (DPs)¹ and to provide recommendations on the management of future budget support operations in Mali and elsewhere; and
- (ii) To test a new methodological approach to the evaluation of budget support operations in order to assess its suitability.

The overall objective of the evaluation was: “to assess to what extent the budget support operations in question have been successful in providing the partner government with the means necessary to implement its national and sectoral development strategies, in facilitating improvements in the efficiency and effectiveness of these strategies, and, as a consequence, in attaining sustainable outcomes and impacts on growth and development”.

The Context for Budget Support in Mali

Mali is a land-locked country in the Sahel, with an estimated population of 14.5 million in 2009, and a population growth rate of 3.6% per year. Despite achieving an average annual GDP growth rate of 5% over 1998 to 2008, Mali still ranks among the poorer countries in the World with a Human Development Index of

0.309 in 2010 (160th out of 169 countries in the HDI).

In spite of its limited economic diversification, its vulnerability to changing climatic conditions and a relatively unfavourable business climate, Mali has over the last ten years maintained a stable macroeconomic environment. The process of democratisation, underway since the early 1990s, has generated peace and stability, whilst also promoting important social and institutional changes. On the basis of the Cadre stratégique de lutte contre la pauvreté 2002-2006 (CSLP – the PRSP) and the Cadre stratégique pour la croissance et la réduction de la pauvreté 2007-2011 (CSCR – the poverty reduction and growth strategy), Mali has put in place key development programmes, which have contributed to the country's improved socio-economic situation. A common country strategy for development assistance (SCAP) has been in place since September 2007, jointly developed by the Government and its Development Partners.

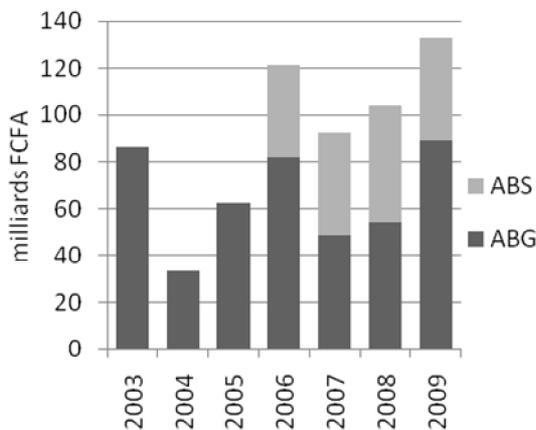
Within this context, the Malian Government has sought to create the necessary conditions for the increased use of budget support. The following architecture for General Budget Support (GBS - ABG) and Sector Budget Support (SBS - ABS) has been put in place:

- The Framework Agreement of 29th, March 2006 between the Government and 13 DPs;
- Specific frameworks for GBS and for three SBS arrangements;
- Bilateral agreements with each DP providing budget support.

¹ African Development Bank, Belgium, Canada, Commission of the European Union, Denmark, France, Netherlands, Spain, Sweden, World Bank.

Budget support to Mali has risen from 12% of Official development Assistance (ODA) in 1999 to 42% in 2009, and the number of DPs with GBS or SBS operations has grown from three to ten. Total budget support disbursed during the period of the evaluation has amounted to FCFA 634 billion, some Euro 966 million.

Disbursements of Budget Support, Mali 2003-2009



Source: MEF, Bamako

The evaluation has covered the following 32 operations in Mali over 2003 to 2009:

- 17 GBS operations;
- One SBS supporting Decentralisation and Public Sector Reform;
- 9 SBS operations in the Education sector;
- One SBS operation supporting public finance management (PFM) reform; and
- 4 SBS operations for Health & Social Development.

The Evaluation Methodology

The methodological frame of reference has been provided by the new budget support evaluation methodology developed under the auspices of the OECD-DAC. The intervention logic comprises five levels inherent to all budget support operations: Level 1: Budget Support inputs; Level 2: Direct Outputs of Budget Support; Level 3: Induced Outputs (Government outputs

facilitated directly or indirectly by budget support); Level 4: Outcomes; Level 5: Wider level Impacts.

The evaluation is based on 21 evaluation questions and 60 judgement criteria, each applied through a range of indicators adapted to the specific context of Mali.

Being based primarily on secondary data sources, the scope of this evaluation has been limited by the availability, the consistency and the quality of the available data. Nevertheless, there is no reason to doubt the validity of the trends, which have been identified and analysed. Quantitative data for the social sectors has been analysed applying econometric techniques and all data has been cross-checked using qualitative methods. Initial hypotheses were verified through focus group discussions and interviews with resource persons, undertaken during the main field mission in October-November 2010. Analysis of the Decentralisation SBS was further strengthened through a small-scale beneficiary survey.

Principal Conclusions

The Principal Conclusions (PCs) are organised according to the three aspects of the evaluation's overall objective:

Budget Support as a mechanism for financing the national development strategy

PC1. Over the evaluation period and most especially since 2006, budget support has provided the Government of Mali with a level of additional budgetary resources sufficient to constitute a "critical mass" of financing, which permitted a major increase in the level of discretionary spending and a fast expansion in the share of ODA managed through the national budget process.

PC2. Budget Support is the most predictable aid modality in Mali, with annual disbursements between 2002 and 2008, averaging 94% of projected disbursements. Nevertheless, the timing of disbursements by quarter, especially for SBS variable tranches, has been subject to regular delays, with considerable costs in terms of unplanned domestic borrowing and the delayed implementation of development programmes.

PC3. Due to the harmonisation efforts of the Government and the DPs, Budget Support has been the aid modality with the highest level of harmonisation and alignment in Mali, and very probably the modality with the lowest level of transaction costs per FCFA disbursed. Nevertheless, the annual process of assessment of the annual disbursement conditions for GBS and SBS is not yet fully harmonised and still generates unnecessary transaction costs.

PC4. Budget Support funds have been utilised in a manner consistent with the priorities identified in national and sectoral strategies, specifically in order to strengthen macroeconomic stability and increase spending in the priority sectors.

Budget Support as a mechanism to promote efficiency and effectiveness in the implementation of national policies

PC5. Due to its “critical mass” and its flexibility as a financing instrument, as well as the existence of the annual national strategy review that it helped to institutionalise, over 2003 to 2009, Budget Support has assisted in improving the overall efficiency of resource allocation and in meeting the critical strategic requirements of the priority sectors.

PC6. GBS and SBS have contributed significantly to the establishment of structures for policy dialogue, through the

introduction of a harmonised annual review calendar and through the provision of technical assistance support. These structures have facilitated the implementation and monitoring of national development programmes, in particular the CSLP / CSCRP, education and health sector policies, and policies to strengthen public finance management, decentralisation and public sector reform.

PC7. The conditionality and dialogue related to the strengthening of public finance management (PFM) helped to stimulate the establishment of the integrated PFM reform programme (PAGAM / GFP) and the acceleration of its implementation. Despite the resulting improvements in the quality of PFM, important weaknesses still remain.

PC8. GBS and SBS conditionalities have had a decisive influence on the speed with which the Government proceeded with deconcentration and decentralisation. However, the evaluation identified no other clear-cut examples of policy changes or of accelerated implementation of policies resulting from Budget Support conditionality. However, several examples were identified of policy inconsistencies and increased transaction costs generated by conditionality.

Budget Support as a mechanism to facilitate the achievement of sustainable outcomes and impacts on growth and development.

PC9. Given the prudent macroeconomic policy pursued by the Authorities, the financial contribution of Budget Support has been important in helping Mali to achieve, over the evaluation period, an average real rate of economic growth of 5% per annum, the highest attained within the West African Economic and Monetary Union (UEMOA-WAEMU).

PC10. Nominal per capita GDP has increased by 63% over the last ten years and, according to the most recent data available from household surveys, the incidence of poverty has fallen from 61% in 2000 to 51% in 2005, while the Gini coefficient has reduced from 0.400 in 2000 to 0.388 in 2005. Economic growth and low inflation seem to have been the determining factors in this process, aided in turn by the financial flows from Budget Support.

PC11. Between 2002 and 2009, the gross enrolment rate for basic (primary) education rose from 64% to 81%. Over the same period, the repetition rate fell (from 20% to 14%) and the completion rate increased (from 40% to 56%). Without the additional funding of SBS and GBS, it would have been impossible to finance the essential sector outputs (school buildings, teachers and textbooks) correlated with these achievements.

PC12. Between 2002 and 2009, the majority of the outcome indicators in the health sector have shown significant improvement (for example the use of ante-natal services has increased from 54 % in 2002 to 90 % in 2009). GBS and SBS funds contributed in a major way to the financing of expanded sector infrastructure and GBS (on its own) to the financing of additional health personnel, each of which is closely correlated with the improved outcomes achieved.

Lessons on Budget Support modalities

The experience with Budget Support in Mali demonstrates above all that budget support – sectoral or general – is effective when its primary objective is to finance and monitor the implementation of a given policy. It is much less effective when its primary objective is to change a given policy or to adapt its contents, through the means of conditionality.

In Mali, the objective has been primarily the former rather than the latter, which has allowed GBS and SBS to make major contributions to the achievement of the goals of the poverty and growth strategy (CSCR) and of sectoral strategies. However, when the intended objective has been to achieve changes in Mali's national policies (through conditionality) – as was sometimes the case with policies on decentralisation, public sector reform or PFM reform, this has generated inconsistencies in policy implementation and high transaction costs in policy and budget support monitoring.

Thus, budget support functions best as a means of supporting a well-established national policy, for which there is a clear and coherent political commitment and for which implementation structures are in place, or can easily be established. When these essential elements are not in place, it is difficult, if not impossible, to create them through budget support.

This lesson is applicable both to SBS and GBS. Indeed, the experience of Mali suggests that SBS and GBS are in practice remarkably similar, and in particular that they are subject to the same conditions for success.

Principal Recommendations

The most important contributions made by GBS and SBS in Mali have been their financial transfers and their support to the creation of structures for the coordination, programming and monitoring of policies and reform programmes (through the introduction of a harmonised annual calendar of policy reviews and through the provision of technical assistance support to the CSLP (PRSP) unit and the equivalent sectoral structures). Policy dialogue had less effect and was at times a source of confusion and unnecessary transaction costs, due to the efforts made

to change or adapt national policies through conditionality.

In the future, the Government of Mali and its Development Partners should strive to strengthen further the benefits of the financial transfers made through budget support and of the support to policy coordination structures, while correcting past errors in the design and practise of policy dialogue:

- To strengthen the impact of Budget Support financial transfers, the following steps are required:
 - Increase the predictability of disbursements (in aggregate and in terms of timing within year);
 - Develop a harmonised monitoring framework for GBS and SBS, with a single set of indicators, so as to avoid duplications and inconsistencies;
 - Simplify the definition and assessment of indicators (particularly for variable tranches);
 - Increase the flexibility in the utilisation of SBS funds, by eliminating all earmarking requirements (tying disbursements to results rather than to budget lines);
 - Give priority to making disbursements in the first quarter of the year.
- To strengthen the effectiveness of structures for policy coordination, programming and monitoring:
 - Harmonise both the timing and the substance (including monitoring indicators) of the sectoral reviews, the global review of the poverty and growth strategy and the annual budget review (for GBS), so that the whole review framework might operate as a unified whole,

with substantially reduced transaction costs.

- Within the annual calendar, programme studies to evaluate priority policies and programmes and make available to Government the necessary technical assistance to: (i) support the implementation of such studies; and (ii) strengthen internal capacity for policy review and analysis.
 - Increase the public availability of the information generated by annual reviews so as to promote public debate on development strategies and their outcomes.
- In order to strengthen the quality of policy dialogue, a process of reflection and self-assessment of current practises is needed. At present, dialogue is designed as a mechanism for monitoring disbursement conditions. Clearly, Development Partners need to ensure that the eligibility conditions for budget support are respected and that progress is made in the implementation of the policies supported by budget support, but policy dialogue should go beyond the mere tracking of disbursement conditions. It should also allow for the open exchange of ideas, in the interest of resolving problems of mutual concern. In order to establish structures and practises which would promote this type of dialogue, we recommend the following actions:
 - Redefine the objectives of policy dialogue so as to emphasise its contribution to national processes of policy design and implementation, as well as to the formulation and monitoring of the national budget.

- Base the definition of “policy triggers” and disbursement indicators strictly on the implementation targets agreed with the Government for priority national policies and programmes.
- Introduce, into the harmonised annual review calendar, space for reflection and debate on the implementation of national policies and programmes.

In order to eliminate the main obstacles to the implementation of the national development strategy, the following actions are recommended for the Government:

- In order to strengthen implementation capacity within the priority sectors, it would be prudent to give priority (in terms of timing and in the allocation of technical personnel) to the preparation of the sectoral MTEFs for education, health, rural development, social development and transport.
- In order to avoid human resource bottlenecks, exceptional measures need to be devised in advance to ensure the timely recruitment of qualified staff for the roles and the geographical locations where there is a high probability of shortages.

Treasury management problems represent an almost persistent hindrance to the efficient execution of the State Budget. Both short and medium term measures need to be put in place to address this problem:

- In the short term, measures need to be introduced, within the priority sectors, to speed up the processes of opening of budget credit lines, of commitment of expenditures, and of approval and payment of invoices. This might imply some

streamlining of the current procedures but, even without any amendment of procedures, it would certainly entail training interventions to increase the efficiency of the Directorates of Financial Administration (DAF) and of the credit/ warrant holders within the sectors. In addition, it would be necessary to remove any remaining earmarking requirements for SBS operations.

- In the medium term, a programme of reform measures to strengthen treasury management and the related accounting processes should be prepared as a key component of the second PFM reform action plan (PAGAM / GFP II). The analyses of treasury management and accounting systems presented in the 2008 and 2009 annual reports of the Bureau du Vérificateur Général (BVG) and in the IMF’s reports of 2009 make it clear that the problem is not simply one of a lack of computerisation. As a result of having a rigorous and inflexible system of controls over budget execution, the Malian public sector has over the years found ways to pass around the formal system – by using exceptional procedures (designed for emergency situations) for non-exceptional cases, or by establishing project accounts or autonomous government agencies which work outside of the system. A “cleaning up” of this situation is needed, which would entail a sharp reduction in the number of commercial bank accounts, stricter controls over the use of exceptional procedures, and the establishment of clearer

rules for the setting up of autonomous government agencies. The PAGAM / GFP II does not include such a reform programme and continues to focus on the computerisation of expenditure control, a process that should logically come after the “cleaning up” of the existing anomalies.

Finally, it seems clear that the principal constraint to economic growth relates to the low level of private sector investment. A realistic programme of measures needs to be put in place to improve the investment climate, aimed at addressing the constraints identified by national and international investors themselves. A new programme of reforms is required, based upon a detailed diagnosis of the problems.

