

**BUDGET SUPPORT, AID INSTRUMENTS AND THE  
ENVIRONMENT: THE COUNTRY CONTEXT**

**MALI COUNTRY CASE STUDY**

**FINAL REPORT**

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## List of Abbreviations

ABFN	Agence du Bassin du Fleuve Niger
AMEN	Alliance au Mali pour l'Environnement
BSI	Budget Spéciale d'Investissement
CDMT	Cadre des Dépenses à Moyen Terme (MTEF)
CEA	Country Environmental Assessment
CIDA	Canadian International Development Agency
CSLP	Cadre Stratégique pour la Lutte contre la Pauvreté (PRSP1)
CSCR	Cadre Stratégique pour la Croissance et le Réduction de la Pauvreté (PRSP2)
CSOs	Civil Society Organisations
DAC	Development Assistance Committee (of the OECD)
DC	Developing Country
DFID	Department for International Development of the UK
DNACPN	Direction Nationale de l'Assainissement et du Contrôle des Pollutions et Nuisances
DNCN	Direction Nationale de la Conservation de la Nature
DP	Development Partners
EC	European Commission
EIA	Environmental Impact Assessment
EIE	Etude d'Impact Environnementale
GBS	General Budget Support
GoM	Government of Mali
GRAINE	Groupe de Réflexions et d'Actions d'Intervention sur l'Environnement
HIPC	Highly Indebted Poor Countries facility
ICCD	International Convention to Combat Desertification
IMF	International Monetary Fund
MATCL	Ministère d'Administration Territoriale et des Collectivités Locales
MEA	Ministère de l'Environnement et de l'Assainissement
MEN	Ministère d' Education Nationale
MEFP	Ministère de l'Emploi et Formation Professionnelle
MMEE	Ministère des Mines, de l'Energie et de l'Eau
MTEF	Medium Term Expenditure Framework
NGOs	Non-Governmental Organisations
NRM	Natural Resource Management
ODI	Overseas Development Institute (London, UK)
OECD	Organisation for Economic Cooperation & Development
PEP	Poverty & Environment Partnership
PFM	Public Finance Management
PISE	Programme d'Investissement dans le Secteur Education
PNPE	Politique Nationale pour la Protection de l'Environnement
PRGF	Poverty Reduction & Growth Facility (of the IMF)
PRSP	Poverty Reduction Strategy Plan
PTF	Partenaires Techniques et Financières

SBS	Sectoral Budget Support
STP/ CIGQE	Secrétariat Technique Permanent du Cadre Institutionnel de la Gestion des Questions environnementales
UNEP	United Nations Environmental Programme
USAID	United States Agency for International Development
WB	World Bank

## Summary and Acknowledgements

This country study has been undertaken under joint funding from CIDA, DFID and UNEP, and managed by the Overseas Development Institute (ODI), London, UK. It was tabled in draft form in January 2008 and was formally presented to the Environment working group of the Mali Development Partners on 20<sup>th</sup>, March 2008. The written and verbal comments received have been incorporated in this final version. The Mali study forms part of a wider study, which includes case studies of Ghana, Mozambique and Tanzania, whose purpose is, firstly, to analyse and document experience in transferring environmental priorities from national plans to budgets, and through into government implementation plans, and, secondly, to identify how Development Partners can facilitate and support such processes within the context of increasing budget support. The primary audiences are government officials in the respective countries and their environment/natural resources counterparts in Development Agencies. A secondary audience are non-environment specialists involved in the design and management of budget support arrangements.

In the case of Mali, we set out to examine the relationship between policies, budgets and institutions within the environment sector against the benchmark of the protection of the status quo. Was the current level (and use) of public finance and the current policy and institutional framework for the environment sufficient to ensure that the status of the nation's natural capital could be sustained?

The study therefore provides an assessment of whether current financing levels and structures, existing policies and institutional structures in Mali are adequate to ensure proper maintenance of the environment. It then examines the contribution of Development Partners to these processes, assessing the effects of the financing and technical assistance currently being provided. In the light of the judgements reached on these questions, we then consider what might be needed to strengthen current financing, policies and structures and whether there might be a useful role in such a process for general or sectoral budget support.

A short summary of our conclusions is presented in Section 6 of the report along with a set of recommendations directed both at the Government of Mali and the Development Partners working in the environment sector. For the sake of brevity, we have not repeated our conclusions and recommendations here but readers should be in no doubt that these are substantive conclusions with very real implications for future public policy and spending on the environment in Mali and for the international practices of Development Agencies working on the Environment.

We would like to express our special thanks to all the staff of Government, the NGOs and the Development Agencies working on the environment and related issues in Mali. They gave freely of their time and were forthright in expressing their opinions, enabling the study team to cover much ground in a relatively short space of time. We would also like to extend our thanks to the Budget Director in the Ministry of Finance and to his team who assisted us enormously in the collection of data on public spending. Finally, we are very grateful to the team of the CIDA office in Bamako who facilitated the logistical arrangements for the study and provided useful technical advice and guidance. In particular we would like to thank Sadibou Keita, Diamilatou Singaré, Darquis Gagné and Nouhoum Sankaré.

As always, responsibility for the content of the report rests with the authors alone.

# 1. Introduction

## 1.1 Aims of the study

### 1.1.1 Background

The pursuit of sustainable methods of natural resource management, which protect the environment whilst allowing for income earning opportunities to be realised, has been the goal of environmentalists for decades. Most governments of the world have embraced it as a formal objective of national policy and there has been extensive support for its achievement provided by most Development Agencies. With the advent of climate change and the likelihood of more severe environmental hazards arising from climatic variations, it has become still more important. Yet the general perception is that particularly within Developing Countries (DCs) there is not sufficient progress being made:

- DC governments do not dedicate a sufficient level of public resources to the achievement of sustainable natural resource management (NRM); and
- As a cross-cutting policy objective, it is not given sufficient attention in national development strategies or in the daily practice of public administration.

These perceptions are difficult to test comprehensively. Yet the weight of individual observations and isolated pieces of evidence is probably sufficient for these propositions to be accepted as truths. The question is what to do about it?

In responding to this challenge, Development Agencies have had to take on board the rather dismal record of development assistance as a whole and the commitment to improve aid effectiveness through the implementation of the Paris Declaration of 2005. This places emphasis on the ownership of the development process by DC governments and their citizens and the use of aid modalities which are aligned to national policies and systems. General Budget Support (GBS) is seen as the aid modality which is most inherently aligned to national policies and systems. Its increased use appears to hold the promise of addressing the problem of financing environmental objectives in a more creative way.

#### **BOX 1: OECD – DAC Definition of Budget Support**

**Budget support** is defined as a **method of financing** a partner country's budget through a transfer of resources from an external financing agency to the partner government's national treasury. The funds thus transferred are managed in accordance with the recipient's budgetary procedures. [...] In the case of **general budget support**, the dialogue between donors and partner governments focuses on overall policy and budget priorities, whereas for **sector budget support** the focus is on sector-specific concerns.

OECD/DAC Harmonizing Donor Practice for Effective Aid Delivery: Volume 2; Budget Support, Sector-Wide Approaches and Capacity Development in Public Financial Management", 2006

Budget support offers the prospect of providing substantially increased and highly flexible funding for public sector budgets, through mechanisms which are low in transaction costs, serve to strengthen national financial management and accountability systems and give the beneficiary country a high degree of control over the use of the resources. This control is exercised through the democratic organs normally in charge of the budget process – namely

the Executive, the Parliament and the national audit authority, thus promoting country ownership of, and responsibility for, the development process.

Clearly, in order for the provision of budget support to be a viable proposition, there needs to be a certain level of trust in the quality of the mechanisms of democratic accountability and in the decision-making of the Executive. As a result most budget support arrangements are based on three eligibility criteria – firstly the existence of a national poverty reduction strategy (PRS) to which the Government (the Executive) is committed, secondly a functional (“on-track”) macro-economic programme supported by the IMF and thirdly a public finance management system, whose weaknesses have been formally assessed and for which there is in place an effective programme of reforms and improvements<sup>1</sup>. Most budget support arrangements include processes to assess the fulfilment of these eligibility conditions and to monitor progress in the implementation of the national poverty reduction strategy and the associated reforms to PFM and to other aspects of public policy and public administration. These monitoring arrangements are typically structured around an annual review when progress against a common Performance Assessment Framework (PAF) is assessed.

A further reason for the interest of Development Agencies in GBS is that this monitoring process provides a powerful mechanism for strategic dialogue between government and the GBS agencies over the policy and reform processes which should be prioritised in the PAF. At the very least, this strategic dialogue allows for an effective forum for Development Partners to express their views on the development priorities of partner governments. In certain circumstances, it may allow the GBS agencies to have a considerable level of influence on the issues which become part of the policy agenda and on the relative degree of budget priority which they are given.

This scope for influence offers the prospect of placing environmental policy and sustainable natural resource management more firmly amongst the policy priorities of the Developing Countries receiving GBS. This characteristic and the fact that GBS and SBS permit quick increases in available budgetary financing suggest that much closer attention needs to be paid to the potential use of this modality as a way of addressing environmental concerns.

The OECD Joint-Donor Evaluation of General Budget Support concluded that environmental considerations had received less attention in GBS arrangements than other cross-cutting issues such as gender (IDD and Associates, 2006). It emphasised the challenges in integrating environmental priorities into national planning processes, and highlighted that even where environmental issues had been raised in a PRS, the financial resources provided to tackle the issues were often modest and there was little or no follow-up by GBS donors during budget discussions.

As a result of the OECD evaluation, DFID, in collaboration with the Poverty Environment Partnership (PEP), commissioned a literature review of evidence on links between the environment and budget support and aid instruments (ODI, 2006). This review of existing research emphasised the limitations to the exercise of external influence upon national policy and budgetary priorities. The experience both with budget support and with structural adjustment lending in the 1980s and 1990s showed firstly that sustained implementation of development policies and reform initiatives had only occurred in contexts where there was a strong domestic political constituency in support. It also showed that domestic political constituencies were largely immune to the influence of Development Agencies.

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<sup>1</sup> Each agency providing budget support has its own policy and, although the OECD-DAC provides guidance on good practice, there is no formal statement of common policies and procedures. Nevertheless, most budget support operations use common arrangements based on the use of a unified performance assessment framework, which embodies these three eligibility criteria in addition to other disbursement conditions. See Lawson et al (2005) and IDD & Associates (2006).

However, evidence did suggest that in the presence of favourable domestic political factors, external agencies could exercise significant influence over the choice and sequencing of policy and over the degree of priority accorded to different policy objectives. What was required, then, was to understand more fully how to build up a domestic political constituency in support of the environment and how to guide it through the policy choices necessary to make sustainable natural resource management a reality. From the perspective of Development Agencies, this would require first a better understanding of the interactions between national budgetary processes, budget support agreements and national environmental actions. This country case study is part of a wider study aimed at addressing this information gap. In addition to Mali, it covers Ghana, Tanzania and Mozambique.

### 1.1.2 Purpose of the Overall Study

The purpose of the overall 4-country study is to analyse and document experience in transferring environmental priorities from national plans to budgets, and through into government implementation plans. In addition, the study will identify how donors can facilitate and support such processes within the context of increasing budget support and the use of other aid instruments.

The primary audiences are government officials in the respective countries and their environment/natural resources counterparts in donor agencies. A secondary audience are non-environment specialists involved in the development of budget support arrangements.

### 1.1.3 Approach to the Mali Country Study

There was a considerable interest in the origins of the study amongst the stakeholders interviewed in Mali and some anxiety to ensure that the study report would be readily utilisable at the country level. We were therefore challenged to define our research hypotheses more precisely and to make more tangible links to likely follow-up activities. The Mali study was accordingly organised as an investigation of the relevance and applicability to the Malian context of the three hypotheses stated at the international level, which lie at the origin of this body of work.

These three hypotheses are:

- That, particularly in the light of the new demands which adaptation to climate change is likely to bring, the level of financing currently devoted to environmental issues in most Developing Countries is insufficient;
- That environmental issues in Developing Countries are not given adequate weight within national policy structures and their corresponding legal frameworks;
- That the provision of general or sectoral budget support holds out the prospect of addressing both these concerns, by providing a sharp increase in the level of discretionary budget resources<sup>2</sup> available to DC governments, while simultaneously establishing a new, influential forum for strategic dialogue over the place of the environment within national priorities.

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<sup>2</sup> Discretionary budget resources are those resources over which the government has genuine 'discretion' or choice. Thus, it excludes debt servicing payments as well as payments of pension contributions and other statutory payments which the Public Finance Act (or its equivalent) specifies as compulsory public payments, not subject to annual parliamentary approval. In strict terms, payments of public servants' salaries are discretionary but it is common also to net these off from the pool of available budgetary resources in order to calculate the discretionary, non-salary resources available.

In testing the validity of these hypotheses within the Malian context, the country study became a type of pre-feasibility study for a budget support operation to support the environment. Was there a financing need which budget support might help to fill? Was there a need for more strategic dialogue which budget support might help to fill? How far had existing interventions by Development Partners helped to fill these gaps? Why had they failed and was it feasible that budget support might succeed in this context? What type of budget support would be most appropriate – Sectoral or General? These were the questions which the team sought to address, in reviewing the financing, the policy framework and the institutional structures of the environment sector.

However, in order to ask these questions in a meaningful way, it was necessary first to state our hypotheses more precisely. So as to judge whether the environment was “sufficiently” financed and whether it was given “adequate” weight within policy structures and corresponding legal frameworks, these terms needed to be defined with reference to some measurable benchmark or criterion. Otherwise, these hypotheses would be un-testable and thus of no real value.

Our chosen criterion was the benchmark of the protection of the status quo. Was the current level (and use) of public finance and the current policy and institutional framework for the environment sufficient to ensure that the status of the nation’s natural capital could be sustained? This seems to us an essential question. While investments in the re-forestation of hill-sides or the de-silting of the river Niger or the de-contamination of the urban landscape might improve the status of the environment and the living conditions of the poor, in the absence of the necessary structures for the sustainable management of the environment, then the gains from such investments would not be preserved. As a basic minimum, it is essential to have in place the necessary financing, the necessary policies and the necessary institutional structures to maintain the environment.

This study therefore provides an assessment of whether current financing levels and structures, existing policies and existing institutional structures in Mali are adequate to ensure proper maintenance of the environment. It then examines the contribution of Development Partners to these processes, assessing the effects of the financing and technical assistance currently being provided. In the light of the judgements reached on these questions, we then consider what might be needed to strengthen current financing, policies and structures and whether there might be a useful role in such a process for general or sectoral budget support.

## **1.2 Approach and scope of the research**

Following the objectives and overall approach explained above, our analysis has focused on five areas: i) environmental policy, ii) environmental financing, iii) the institutional structure for environmental interventions by the public sector; iv) actions by Development Partners, and v) consideration of corrective actions/ recommendations.

Clearly, in a short field study<sup>3</sup>, it is impossible to address these questions in depth and there are certainly large gaps in our analysis. What we have attempted to do has been to identify the principal trends which are observable, to seek to explain these and to formulate ideas to address the most significant problems.

Inevitably, we have focused more on constraints and on incentive problems rather than on what is working well. There is much that is working well and there are many dedicated and skilled individuals working to promote sustainable natural resource management in Mali. Without their efforts, the situation would certainly be worse. Nevertheless, we are convinced

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<sup>3</sup> Resources amounted to only 35 person days for field work, analysis and drafting of the report.

that the situation could be considerably better and that there are some relatively simple things which the Government of Mali and its Development Partners could do to generate improvements. We have therefore chosen to focus on identifying feasible, strategic actions which might generate significant positive changes. We believe that these actions are likely to be useful and relevant in most Developing Countries which rely heavily on Development Assistance to finance environmental actions by the public sector.

The scope of work undertaken is summarised in the table overleaf. A complete bibliography and a full listing of persons met are provided in annex. In addition, to the agencies mentioned in Table 1, we were also able to meet with an impromptu 'focus group' of NGOs working on environmental issues in Mali. This group was able to provide valuable opinions on each of the areas of our study. It included AMEN (Alliance au Mali pour l'Environnement), Sahel 21, SECO-ONG – an umbrella group for CSOs working on environmental issues, and GRAINE (Groupe de Réflexions et d'Actions d'Intervention sur l'Environnement).

While the resources dedicated to this country study have been modest, we have benefited enormously from having access to specialist expertise and knowledge about the environmental and socio-political realities of Mali. We were especially fortunate to be able to engage the services of Seydou Bouaré, as co-author. He has some 30 years of experience as an environmental engineer in Mali and internationally working in the private sector, with NGOs, with Development Agencies and with the Malian government. We also enjoyed the close support of the professional staff of the CIDA office in Bamako, notably Sadibou Keita and Diamilatou Singaré on environmental and poverty issues and Darquis Gagné and Nouhoum Sankaré on broader issues of economics and development cooperation. It is with the benefit of this backing that we have been able to reach some categorical conclusions.

Area of Analysis	Legal texts & Government policy documents analysed	Related reports & studies consulted	Documents produced & discussed	Agencies and institutions interviewed
<b>Environmental Policy</b>	Politique Nationale de Protection de l'Environnement - PNPE (1998) Loi d'Orientation Agricole (2006) Cadre Stratégique pour la Croissance et la réduction de la Pauvreté - CSCR (2006)	Ministère de l'Environnement et de l'Assainissement (2006) Alix & Bérubé (2006) Stoughton et al (2006) Drakenburg (2007)	Study team's Aide Mémoire (10.12.07) Draft Report (December 2007 & January 2007)	Ministère de l'Environnement et de l'Assainissement (MEA) Secrétariat Technique Permanent du Cadre Institutionnel de la Gestion des Questions environnementales (STP/CIGQE) Ministère de l'Agriculture Ministère de l'Economie et Planification Development Partners' Environment Sector Working Group
<b>Institutional structures</b>	Politique Nationale de protection de l'Environnement - PNPE (1998)	Alix & Bérubé (2006) Stoughton et al (2006)	Study team's Aide Mémoire (10.12.07) Draft Report (December 2007 & January 2007)	MEA STP/ CIGQE Ministère des Mines, de l'Energie et de l'Eau Agence du Bassin du Fleuve Niger (ABFN) Development Partners' Environment Sector Working Group
<b>Environmental Financing</b>	Budgets & expenditures for MEA and for Functional Classification 05 (Protection of the Environment) for 2004-2006 CDMT for MEA 2007-09	IMF (2006) CSCR (2007)	Study team's Aide Mémoire (10.12.07) Draft Report (December 2007 & January 2007)	Ministère des Finances Development Partners' Environment Sector Working Group
<b>Actions by Development Partners</b>		Lelong (2006), Annuaire des projets environnementaux	Study team's Aide Mémoire (10.12.07) Draft Report (December 2007 & January 2007)	CIDA GTZ The Netherlands UNDP/ UNEP USAID Development Partners' Environment Sector Working Group

## 2. Analysis of Environmental Policies

### 2.1 The *Politique Nationale de Protection de l'Environnement (PNPE)*

The *Politique Nationale de Protection de l'Environnement* (PNPE – the national policy on protection of the environment) was approved by the National Assembly in 1998 and remains the dominant legal instrument of environmental policy in Mali. It was born from the commitments made by the Mali Government at the Rio Conference on environment and development of 1992 and the subsequent Agenda 21 initiative. The Mali Government committed itself at that time to the development of a National Environment Action Plan, to the preparation of an annual report on the implementation of the Agenda 21 commitments and to a continued involvement in the preparation, negotiation and implementation of the International Convention to Combat Desertification (ICCD). The PNPE was developed alongside the preparation of a National Environment Action Plan, through an extensive, and highly participatory, consultation process which began in 1994, with support from UNDP.

The goal of the PNPE is to promote sustainable socio-economic development by ensuring food security and the development of national capacity for sustainable natural resource management. Amongst its specific objectives, it includes the following aims:

- To support the development of decentralised capacity for natural resource management;
- To support the implementation of national, regional and local action plans on the environment;
- To promote a collective policy of sanitation and waste control, based upon clearly specified responsibilities at the individual and community levels;
- To harmonise national laws and norms on the environment with those of the sub-region, notably of the Member States of UEMOA; and
- To monitor respect for national norms and for the fulfilment of international conventions and treaties on the environment.

The law presents a comprehensive conception of the environment, placing the accent on the protection of the environment through sustainable natural resource management. It takes as its starting point the idea that the environment is a cross-cutting concept and states as a clear requirement the need to integrate the protection of the environment into the design, planning and implementation of all development policies and programmes.

One of the principal mechanisms for integrating environmental protection into the design of both public and private sector programmes and projects is the requirement to undertake Environmental Impact Assessments (EIAs or EIEs in French). The precise requirements in respect of EIAs are further specified in Decree 03-594 of 31<sup>st</sup>, December 2003.

The PNPE is generally well reflected in sectoral legislation, notably in the *Code de l'Eau* of 2002 and in the *Loi d'Orientation Agricole* of 2006. Similarly, mining legislation also emphasises the need for all holders of mining exploitation permits to respect the requirements of the PNPE and the more general need to protect the natural and archaeological heritage of the nation. There are certain sectors where environmental requirements are less well specified – notably in Tourism and in Telecommunications but overall the cross-cutting nature of the obligation to protect the environment is a concept which is well captured in Malian legislation.

The PNPE itself is in need of some updating both to keep pace with technological changes and to remain abreast of regional and international legislation but it remains a powerful frame of reference. It is clear in its conception, and very widely known and understood. It has been argued that the PNPE is excessively ambitious in relation to the financial and human resources available to the Government of Mali to oversee its implementation (Alix and

Bérubé, 2005). We have some sympathy with this view and would agree that there is a need to refine the norms and regulations that form the basis of its implementation. In particular, there is a need for a refinement of the Decree of 2003 on EIAs, so as to simplify the requirements for small and standard projects where environmental impacts are relatively predictable. (See Stoughton et al, 2006, and the subsequent workshop report of 2007).

On the other hand, the PNPE appears to work well as a guiding framework. We believe that the primary reasons for the fact that it has been less than fully implemented do not derive from the specification of overly ambitious environmental standards but rather from weaknesses in the financing and institutional frameworks for its implementation.

## **2.2 The place of the PNPE within the Poverty Reduction Strategy**

Leaving aside the question of whether or not the standards it set were too high to be feasible, it is clear that the PNPE did lay down comprehensive and demanding requirements for the protection of the environment. It was clear from the time of its approval that a high level of political commitment to its implementation would be needed, if it was to have a significant impact. Did it have this political backing and do we see it reflected in national development strategies?

The Government of Mali has ratified over 30 conventions or international treaties on the environment and is known as an active member of the *Club du Sahel* and the International Convention to Combat Desertification (ICCD). 70 % of the Malian labour force is in rural areas and many of these in areas of high environmental vulnerability. The need to protect the environment is a very real aspect of daily living for most Malians and, as a result a regular part of the political discourse – particularly since the extensive and very damaging droughts of the 1970s and 1980s. So there is certainly a high political awareness of the environment. To what extent is this reflected in the importance accorded to the environment in the national poverty reduction strategy?

### 2.2.1 Incorporation of the environment in the first PRS

Mali's first formal poverty reduction strategy was the *Cadre Stratégique pour la Lutte contre la Pauvreté* (CSLP) approved by the Cabinet (Conseil des Ministres) in May 2002 to cover the period 2002 – 2006. It is generally accepted that the CSLP did not address environmental questions in an adequate manner. Alix and Bérubé (2005), for example, note the very 'minimalist' depiction of the environment in the CSLP, which made reference only to problems of controlling pollution or ensuring access to clean water and ignored issues of substantially greater importance to the livelihoods of the poor, such as the prevention of soil degradation, the sustainable management of firewood supplies and the maintenance of biodiversity. The overall effect was to grossly understate the importance of sustainable natural resource management within the process of poverty reduction.

Should this be taken as a true reflection of the level of political priority accorded to environmental issues during the period of the first PRS? We would argue that there is not sufficient evidence to reach this conclusion and that the inadequate and inappropriate mode of incorporation of environmental issues into the PRS can be attributed principally to two factors:

- The conversion of the PNPE into action programmes was inappropriately managed and did not serve to generate a viable, funded national environment plan which could then have been reflected in the CSLP. The National Environment Action Plan (NEAP or *PNAE* in French) developed in tandem with the PNPE was a programme of nine cross-cutting programmes. The design of these programmes was based on a blueprint of an 'ideal' *PNAE* and did not build either on existing programmes or on the existing division of responsibilities for environmental policy. As a result these programmes were perceived as a set of wholly new programmes to supplement

existing activities. Few of the government agencies already involved in environmental issues saw themselves as the “champions” of these programmes. Moreover, because they were designed as cross-cutting programmes, providing funding in most cases to several agencies, the advantages of championing such programmes were not immediately clear, while the mobilisation and negotiation costs that would have to be borne to get them started were rather more apparent. In addition, these programmes needed new resources in order to get started and the Development Partners who might have had sufficient resources to finance them had not been sufficiently engaged in their design to be convinced that they were worth funding. In some cases, these DPs had similar programmes which they were naturally reluctant to halt or to restructure. The problem here had been a failure on the part of Government and UNDP to adequately involve the other Development Agencies working on environmental issues. As a result of these design, funding and mobilisation problems, the *PNAE* never really got off the ground as a coherent programme and at the time of the drafting of the CSLP had no real ‘visibility’.

- Secondly, the CSLP itself was not in reality conceived as a national development strategy, with real political ownership behind it. It was prepared primarily because it was a requirement for HIPC accession. The technicians involved in its drafting prepared a document which they thought would correspond to the desires of the Development Agencies demanding its preparation. Thus, the social sectors were presented as the major priorities and considerable attention was also devoted to governance issues.

#### 2.2.2 Incorporation of the environment in the second PRS

Mali's second Poverty Reduction Strategy - the *Cadre Stratégique pour la Croissance et la Réduction de la Pauvreté (CSCR)* was approved by the *Conseil des Ministres* in October 2006 to cover the period 2007 - 2011. It enjoys stronger political support than the first PRS (the CSLP) – a fact reflected in particular in the strong emphasis given to the growth objective, epitomised in the adoption of a 7 % per annum target for GDP growth. It was prepared by 6 drafting commissions, including one on the environment, and overall the objectives of sustainable natural resource management and protection of the environment appear to be better incorporated in Mali's second PRS than in the first.

In particular, we may note the following positive aspects in this respect:

- The development of the productive sectors is presented as one of the three principal “strategic thrusts” (*orientations stratégiques*) of the CSCR. In the discussion of the priorities within this area, emphasis is placed on sustainable development of the natural resource potential, with an explicit mention of the *Loi d’Orientation Agricole* as the guiding framework<sup>4</sup>.
- The strategy is further broken down into 13 “priority intervention areas” (*axes d’intervention prioritaires*) of which Food Security and Rural Development is the first and Management of Natural Resources the third.
- These “priority intervention areas” are then reflected in 17 sectoral policies of which Protection of the Environment and the Fight against Desertification is the tenth.
- More significantly, protection of the environment and natural resource management are themes that recur in the presentation of several of the sectoral policies, so overall the environment appears reasonably well integrated into the overall strategy.

Looking at the CSCR more critically, it is clearly pertinent to ask what this all means and what sort of implications it might have for the actual allocation of resources? These are

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<sup>4</sup> See our comments above on the emphasis of the *Loi d’Orientation Agricole* on sustainable natural resource management and its consistency with the PNPE.

difficult questions to answer and in our interviews with the relevant authorities, we were not able to obtain an effective clarification. It is certainly difficult to identify the real implications of the CSCRП for the degree of prioritisation given to the environment. Yet these difficulties do not derive so much from weaknesses in the quality of conceptualisation and presentation of environmental issues, as from weaknesses in the conceptualisation of the PRS as a whole.

Here the CSCRП suffers from the classic problem of most poverty reduction strategies in Developing Countries: it is trying to fulfil too many roles simultaneously and trying to please too many stakeholders at once. On the one hand, it is a declaration of political intent (and in this respect, we would judge that the CSCRП fulfils its purpose quite effectively) but it also aims to be a more detailed action plan (which we assume is the motivation for the presentation according to sectoral policies), as well as a means of attracting additional external finance. Under the multiple pressures upon the Government of Mali coming from its Development Partners and from domestic stakeholders, it is not surprising that the PRS should take on this chameleon-like quality. As we note above, most PRSs suffer the same problem. Unfortunately, this serves to reduce quite seriously the real value of the PRS as a tool of prioritisation.

In the case of Mali, one needs to look beyond the CSCRП to the processes of planning and budgeting in order to judge the real policy priority given to the environment. We turn to these issues below in section 4 of this report after first considering the nature of the institutional framework for the environment.

### 3. The Institutional Framework for the Environment

#### 3.1 The organisational structure

In Mali, the public organisation with primary responsibility for the environment is the *Ministère de l'Environnement et Assainissement* (MEA), which is probably best translated as the Ministry of the Environment and Sanitation. It is attributed with the following functions<sup>5</sup>:

- Improvement of the habitat of the population;
- Implementation of measures to protect nature and bio-diversity;
- The fight against desertification;
- The design and implementation of measures to prevent or reduce the risk of ecological disasters;
- The prevention, reduction or limitation of pollution and harmful effects;
- The preparation and supervision of implementation of measures to improve sanitation;
- The policing and management of hunting;
- The education of citizens and distribution of information on the environment.

MEA has only three departments within its structure – Administration and Finance, the *Direction Nationale de la Conservation de la Nature (DNCN)* and the *Direction Nationale de l'Assainissement et du Contrôle des Pollutions et Nuisances (DNACPN – National Directorate for Sanitation and Control of Pollution and Harmful Effects)*. The latter two carry out the bulk of the work of the ministry and have small offices in each of the regions of the country. In addition, there are five attached agencies, which are semi-autonomous but under the responsibility of MEA – one training centre, two national conservation areas, the *Agence du Bassin du Fleuve Niger (ABFN)*, responsible for the protection of the Niger river basin and the *Secrétariat Technique Permanent du Cadre Institutionnel chargé de la Gestion des Questions Environnementales (STP/ CIGQE)*.

The *Secrétariat Technique Permanent (STP)* was established in 1998 in order to support the implementation of the PNPE. The cross-cutting nature of the environment was an important theme within the PNPE and an Inter-Ministerial Committee was established to monitor the overall status of the environment and propose measures for its protection, to ensure that environmental issues were adequately considered in development policies and programmes and to monitor the fulfilment of the nations' obligations in relation to international treaties and conventions on the environment. The STP was created to support the work of this Inter-Ministerial Committee and its associated technical consultative committee<sup>6</sup>.

Several other ministries and agencies have significant environmental functions – most of which pre-dated the PNPE. These functions are particularly important within the Ministry of Agriculture and the Ministry of Mines, Energy and Water. The Ministry of Regional Administration and Local Government (*Ministère de l'Administration Territoriale et des Collectivités Locales - MATCL*) is also relevant because a significant number of environmental protection and waste clearance functions are invested in the *Collectivités Locales*<sup>7</sup>.

<sup>5</sup> Decree No. 4-145 of 13<sup>th</sup>, May 2004.

<sup>6</sup> The *Comité Consultatif* was established with a primarily technical membership - National Directors from the relevant ministries- but also included NGOs, the media and the representatives of the Chambers of Commerce amongst its designated members. Its role was to advise the Inter-Ministerial Committee. (Decree 98-415 of 24<sup>th</sup>, December 1998.)

<sup>7</sup> The *Collectivités Locales* are deconcentrated entities responsible to the MATCL, who have primary responsibilities in respect of local-level infrastructure. They have some revenue-raising powers but Central Government is their primary source of finance.

### 3.2 The clarity and applicability of the organisational mandates

The first question to ask is whether the roles and mandates of the different organisational entities are sufficiently clear and precise in their attribution of responsibilities to be in principle workable. Our answer would be that for the most part the attribution of responsibilities is clear. There are of course some over-laps and duplications. For example, responsibilities for control of desertification lie both with the Ministry of Agriculture and with MEA. Responsibilities for pollution control are shared between MEA – in particular, DNACPN – and the Ministry of Mines with regard to mining and the Ministry of Agriculture in relation to large scale irrigation schemes<sup>8</sup>. The sanitation control functions of DNACPN are also shared with the *Collectivités Locales* and several of the persons interviewed expressed the view that MEA/ DNACPN should have no sanitation functions at all.

However, the PNPE starts from the premise that maintenance of the environment is a cross-cutting function, for which every government entity should retain some responsibility. Within this conception, it is much better for responsibilities to be assumed by two entities than by none at all! It was in large part in recognition of the likely overlaps and duplications that an Inter-Ministerial Committee was established to coordinate the division of responsibilities.

The first problem is that this Inter-Ministerial committee has never functioned effectively. Indeed, we were informed that it had never even met. The apparent reason is that the Ministers who make up the membership of this committee are unwilling to accept the position of the Minister of Environment and Sanitation as chair of this body. The Minister of the Environment and Sanitation is considered at best a peer but in reality a rather “junior peer”, given the influence and standing generally accorded to most other ministerial portfolios. It would not be acceptable for a Minister of Environment and Sanitation to hold a direct position of authority over other ministers. We were advised that in its original conception, this Inter-Ministerial Committee was to have been chaired by the Prime Minister<sup>9</sup> and most commentators agreed that such a structure would have been workable as a coordinating body.

It is reasonable to ask why the Prime Minister is unable to exert this coordinating function even in the absence of a formal Inter-Ministerial coordinating committee on the environment. The Prime Minister is formally the head of the Government, responsible for coordinating the work of the Cabinet (*Conseil des Ministres*) and would need no special committee in order to adjudicate questions of duplications or overlaps in responsibilities. The answer is possibly that to date the confusions and inefficiencies arising from institutional overlaps are not seen as sufficiently serious to require the intervention of the Prime Minister.

It should also be recognised that, in the political culture of Mali, Ministers are permitted a fairly high degree of autonomy and a degree of competition between Ministers is tolerated, and possibly actually encouraged. A large part of the motivation for joining a ruling political party is to build a sphere of influence. What is in common parlance described as “empire building” is considered normal amongst Ministers. Indeed, it might be said that Ministers lend their political support to the ruling party in exchange for the opportunity to “build an empire”. For the Prime Minister to curtail such opportunities would be effectively to renege on the implicit deal: far better to allow Ministers to keep each other in check through a process of competition.

Clearly, there is a balance to be struck between these practices, which are generally seen as an undesirable but necessary aspect of politics, and the basic requirement for government to

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<sup>8</sup> For example, the Ministry of Agriculture take responsibility for ensuring that the *Office du Niger* fulfill the commitments made in the Environmental Impact Assessments of their rice irrigation schemes.

<sup>9</sup> The formulation of the decree establishing the committee (Decree No. 98-415 of 24<sup>th</sup>, December 1998) was apparently changed at late notice to nominate the Environment Minister as the Chair.

be effective. As we have noted above, it is probably the case that at the political level, the inefficiencies created by the existing institutional overlaps are not seen as sufficiently serious to require intervention by the Prime Minister or President. Unfortunately, the costs of failing to maintain the environment effectively are in most cases not immediately apparent: a greater awareness of these issues needs to be generated at the political level. Re-establishing the inter-ministerial committee, with the Prime Minister as its Chair, would be a good way to raise this awareness and to begin to harmonise institutional responsibilities more effectively.

What is clear is that if the objective is to establish an institutional structure which would ensure sustainable natural resource management and adequate maintenance of the environment, then either the legislative distribution of responsibilities must be defined more precisely or the Inter-Ministerial committee must be made functional. As pressures on the environment become greater and the risks of serious natural disasters become ever higher with climate change, the need to resolve this institutional impasse will become more and more urgent.

### **3.3 The inadequacies of funding for recurrent activities**

The second major problem affecting the operation of the institutional framework is the severe deficiency of recurrent funding. We were unable to do a comprehensive assessment of this question in the time available but virtually all of the resource persons we interviewed - both within and outside of government - attested to this problem. We were also able to collect from the documents we analysed and from our interviews a number of statistics illustrative of this problem:

- The DNACPN unit responsible for the monitoring and follow-up of EIA studies on a nationwide basis comprises only two permanent staff, both based in Bamako with very limited funding for travel elsewhere. (Stoughton et al, 2006)
- The *Secrétariat Technique Permanent* has a staffing strength of only 15 of the 30 staff, for which it has positions in its establishment. These have to cover the full range of coordination, monitoring and information dissemination functions for which STP is responsible. (Alix and Bérubé, 2005; and interviews with STP.)
- The DNACPN only has sufficient funds to undertake 9 factory inspections per year.

Alix and Bérubé (2005) concluded that the available levels of human and financial resources were grossly insufficient to permit effective implementation of the PNPE and indeed questioned whether it was appropriate to have such an ambitious set of legal requirements in such a context. They pointed not only to the limited funding being received by MEA and the STP but also to the very limited budgets allocated to the *Collectivités Locales*.

Houghton et al (2006) in analysing the effectiveness of the provisions for Environmental Impact Assessments concluded that:

‘...Mali’s system exhibits a number of strengths and clearly embodies key principles of EIA effectiveness. However, in practice the system does not function at a level of effectiveness sufficient to achieve its desired objectives. .... Information collected and analyzed before, during and after the fact-finding mission to Mali supports the conclusion that the EIA process—and environmental protection more broadly—are seriously under-resourced.’

In short, there appears to be more than enough evidence that the current levels of recurrent funding provided by the Mali Government are grossly insufficient to permit the PNPE to be effectively implemented.

### 3.4 The competition for project and fee-based funding

Unfortunately, the nature of the response to this problem has served to further weaken the institutional framework for the implementation of the PNPE. Most of the functions which need to be financed for the PNPE to be effectively implemented are recurrent functions – the processing of EIA documents, the undertaking of regular inspections, monitoring activities and information dissemination activities. These should be financed from the normal operational budgets of the MEA, the *Collectivités Locales* and the other government entities with responsibilities for the environment. However, the Malian Government has always had difficulties in meeting the financing requirements of the *Budget de Fonctionnement* and most Government organisations expect to receive a *budget de fonctionnement*, which is sufficient for salaries, maintenance of buildings, telephones and electricity, and only a small proportion of recurrent activities. For any further requirements – such as monitoring or inspection visits to the interior, information dissemination events, studies, training courses or overseas trips to attend conferences – the general approach is to seek either project funding (from an overseas donor) or financing from fees<sup>10</sup>.

The difficulty is that project funding is generally intended for investment activities – activities with a finite lifetime, which aim either to build new assets or enhance the value of existing assets. Many Development Partners do fund recurrent operations, as a part of a project package but are generally reluctant to do so both because this can create a funding gap when project financing finishes and, more generally because their primary objective is to finance investment. Government entities seeking project financing therefore have to re-orient their activities towards investment functions and towards project management activities. Over time, this is exactly what MEA and the other entities responsible for the environment have done. The basic functions of monitoring, inspection and control, as well as public education and information dissemination have been increasingly neglected as energies have been devoted to winning and implementing projects.

This is not only because project funding is easier to obtain than government recurrent funding. It is also because projects offer opportunities for earning salary supplements of different kinds, for receiving higher travel allowances than would be normal with Government financing; they give greater access to overseas travel and to opportunities for training. It is natural and rational that public servants should be attracted to these opportunities. Development Partners who want their projects to be implemented quickly and effectively will naturally want to attract the best public servants and, as they need to compete with other Development Partners to obtain them, they will tend to offer the best conditions which their procedures permit.

The end result in the environment sector has been to draw attention away from the basic, recurrent functions necessary to implement the PNPE and to maintain the environment. Instead, large numbers of investment projects are being pursued. A good number of those pursued are never actually financed and even when they are, it is generally after a substantial period of project design and negotiation. These “transaction costs” consume the time of exactly the same limited pool of qualified public servants who are being asked to implement environmental legislation. There are many good investment projects which have helped to promote re-forestation or the de-silting of Mali’s rivers or the protection of indigenous fauna but in the absence of the basic activities necessary to protect the environment and to ensure that sustainable natural resource management practices are being pursued, then the benefits of these projects will not be sustained. Incentives will need to be changed if a balance is to be restored and if Mali’s environmental entities are to fulfil our basic minimum standard of maintaining the environment.

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<sup>10</sup> Financing from fees is less common in Mali than in the other three study countries but it does also offer an extra financing source. The DNACPN for example obtain a good part of their recurrent resources from the sale of waste disposal containers to *Collectivités Locales*. It would surely be more efficient for these to be sourced directly and for the DNACPN to concentrate on monitoring fulfillment of sanitation regulations.

## 4. Public Spending on the Environment

In this section, we examine the recent trends in public spending on the environment. Unfortunately, we do not have sufficient information to judge what would be an adequate level of financing to ensure effective maintenance of the environment<sup>11</sup>. However, we can assess trends over time and provide a judgement on whether the relative financial priority accorded to the environment is increasing or declining. We can also assess how the structure of spending is changing – in particular the balance between investment spending and operating budgets so as to judge whether the trends we described above are being accentuated or not.

### 4.1 The level and structure of public spending 2004 – 2006

Given the time available, we have had to make a number of choices about the coverage and focus of the analysis of public expenditures:

- Firstly, we have chosen to limit our analysis to the examination of budgets and spending recorded in the State budget. We are aware that this represents an underestimate of actual spending due to the relatively large number of externally financed projects, whose expenditures are not effectively captured in the State Budget. On the other hand, the State Budget is prepared by the Executive and approved by the National Assembly; as such, it represents the direct result of active and explicit political decisions
- Secondly, we have focused our attention predominantly on spending rather than on approved budgets, in recognition of the fact that there are sharp differences between the two. Nevertheless, we have compared budgets and expenditures<sup>12</sup> where relevant in order to obtain a sense of the credibility of the budget and the efficiency of the budget execution process.
- We have given special attention to spending by MEA, as the principal public entity responsible for the environment.
- We have also examined spending against Functional classification 05, within the IMF/ UN CoFoG system (Classification of the Functions of Government). This is an international system of classifying spending against functions which was adopted by the Malian Government in 2003. Function 05 covers spending on Protection of the Environment. It covers most of MEA's spending (excluding administration) as well as other government programmes dedicated to the protection of the environment<sup>13</sup>. It is nevertheless a relatively narrow classification, which excludes in particular many activities within the rural development sector, which could legitimately be described as environmental spending. It also excludes environmental spending by the *Collectivités Locales*.

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<sup>11</sup> It is a good illustration of the power of the incentives to pursue projects that a calculation of the basic recurrent requirements to implement the PNPE does not appear to have been made.

<sup>12</sup> Specifically, we have sought to compare the *dotations budgétaires* as approved by the National Assembly with the *dépenses liquidées*, which are the actual expenditures approved for payment.

<sup>13</sup> Function 05 has six sub-functions: 051 Solid waste management; 052 Treatment of Sewage Water; 053 Reduction of Pollution; 054 Protection of Bio-Diversity & the Environment; 055 Research and Development on Environmental protection and 056 Environmental protection activities not classified elsewhere.

Below, we present summary data on spending by MEA over 2004 – 2006. There are three particular features of the spending trends, which stand out:

- Firstly, the actual level of spending has risen quite sharply, representing an average annual increase of 22 % over 2005 and 2006. This is a faster rate of growth than overall non-interest public spending, which has permitted the sector share of overall spending accruing to MEA to grow from 0.57 % in 2004 to 0.61 % in 2006.
- Secondly, the rate of execution of the budget for operating expenditures remained close to 100 % for each of these three years.
- By contrast, the rate of execution of Investment spending did not reach even 20 % of the approved budget allocations.

<b>714 - Ministry of the Environment &amp; Sanitation</b>				
<b>Budget Allocations &amp; Actual Expenditures 2004 - 6</b>				
(in thousands of FCFA)				
	2004	2005	2006	Average Annual Increase
<b>Budgetary Allocations</b>				
Operating Expenditures	2,434,129	2,821,773	3,165,713	
Investment Expenditures	5,527,000	7,608,000	10,501,517	
<b>Grand Total</b>	<b>7,961,129</b>	<b>10,429,773</b>	<b>13,667,230</b>	
<b>Actual Expenditures</b>				
Operating Expenditures	2,459,877	2,760,226	3,132,540	13%
Investment Expenditures	1,007,503	1,405,253	2,000,262	41%
<b>Grand Total</b>	<b>3,467,380</b>	<b>4,165,479</b>	<b>5,132,802</b>	<b>22%</b>
Total Expenditure (less Interest Payments)	608,500,000	694,400,000	845,500,000	18%
MEA Expenditures as % Total	0.57%	0.60%	0.61%	
<b>Expenditure as % of Budget</b>				
Operating Expenditures	101.1%	97.8%	99.0%	
Investment Expenditures	18.2%	18.5%	19.0%	
<b>Grand Total</b>	<b>43.6%</b>	<b>39.9%</b>	<b>37.6%</b>	
Source: Ministry of Finance, Budget Directorate				

We would judge that this latter figure – of the rate of budget execution on investment spending – is probably an under-estimate. 60-70 % of the overall public investment budget is funded through externally financed projects. Many of these do not disburse through the national treasury system and are therefore not systematically accounted in the way in which other budget expenditures would be. They require a formal submission of expenditure statements by project managers (or funding agencies), which then need to be verified before inclusion in the public accounts. As a result, a significant proportion of project spending is not captured in expenditure statements.

By contrast, because there is pressure from sector Ministers and sector managers to include as many projects as possible in the Budget, the estimated budgets for these projects are more commonly included. Indeed, we were advised that there is often pressure to include projects, for which financing agreements are not concluded or whose start-up conditions

remain to be fulfilled and which as a consequence are unlikely to have any significant disbursements. Thus, a good part of the recorded difference between investment budgets and investment spending can be attributed to unrealistic budgeting. Nevertheless, one should make an adjustment to take account of project expenditures which are unrecorded. Our guess is that an execution rate of 30-35 % would be more accurate<sup>14</sup>.

Below, we present summary data on spending within functional classification 05, "Protection of the Environment". MEA expenditures account for the bulk of spending within this function, so the trends are not surprisingly very similar<sup>15</sup>. If anything they are slightly accentuated, for example, the average annual growth rate of spending within this functional category has been 26 %, as compared with 22% for MEA.

<b>Function 05 Protection of the Environment</b>				
<b>Budget Allocations &amp; Actual Expenditures 2004 - 6</b>				
(thousands of FCFA)				
	2004	2005	2006	Annual Average Increase
<b>Budget Allocations</b>				
Prime Minister's Office	24,307	0	0	
Ministry of the Environment & Sanitation	5,175,896	6,670,249	7,399,863	
Agence Malienne de Radioprotection (AMARAP)	37,404	97,364	110,000	
Agence du Bassin du Fleuve Niger	72,500	103,135	195,263	
Ministry of Mines, Water & Energy	1,756,000	368,291	1,162,000	
<b>Grand Total</b>	<b>7,066,107</b>	<b>7,239,039</b>	<b>8,867,126</b>	<b>12%</b>
<b>Actual Expenditures</b>				
Prime Minister's Office	23,951	0	0	
Ministry of the Environment & Sanitation	3,806,495	3,744,737	5,810,524	
Agence Malienne de Radioprotection (AMARAP)	30,844	94,022	108,594	
Agence du Bassin du Fleuve Niger	69,523	91,752	182,408	
Ministry of Mines, Water & Energy	929,999	316,714	928,410	
<b>Grand Total</b>	<b>4,860,812</b>	<b>4,247,225</b>	<b>7,029,936</b>	<b>26%</b>
Total Expenditures (less Interest Payments)	608,500,000	694,400,000	845,500,000	18%
Function 05 Expenditures as % Total (less interest)	0.80%	0.61%	0.83%	
<b>Expenditures as % of Budgets</b>				
Prime Minister's Office	98.5%	n.a.	n.a.	
Ministry of the Environment & Sanitation	73.5%	56.1%	78.5%	
Agence Malienne de Radioprotection (AMARAP)	82.5%	96.6%	98.7%	
Agence du Bassin du Fleuve Niger	95.9%	89.0%	93.4%	
Ministry of Mines, Water & Energy	53.0%	86.0%	79.9%	
<b>Grand Total</b>	<b>68.8%</b>	<b>58.7%</b>	<b>79.3%</b>	
<i>Source:</i> Ministry of Finance, Budget Directorate				

<sup>14</sup> The World Bank report disbursement rates on their overall project portfolio of 35-40 %.

<sup>15</sup> There would appear to be a slight inconsistency between the rate of spending recorded against budget vote 714 (MEA) and the spending recorded for MEA within the functional category 05, which is higher. We understand that this is explained by the inclusion within the functional category of spending by the two national conservation areas – in Bamako and Baoulé.

The table below shows the economic classification of spending within MEA over 2004 – 2006. The changing composition of the operating budget is interesting. Improvements in domestic revenue collections at the national level and increased levels of General Budget Support have permitted a steady expansion of the overall operating budget for MEA, and it has become possible to utilise an increasing proportion for expenses which are directly linked to the performance of regulatory and service delivery activities, such as the purchase of chemicals (for de-fumigation activities), the operation and maintenance of vehicles and the payment of travel allowances. In 2004, nearly 70 % of the operating budget was dedicated to salaries, electricity, water and telephones. In 2006, this figure had fallen to 65 %.

<b>714 - Ministry of Environment &amp; Sanitation</b>			
<b>Economic Classification of Actual Expenditures 2004 - 6</b>			
(Percentages)			
	2004	2005	2006
<b>Operating Expenditures</b>			
Staff Costs	59.9%	55.3%	53.1%
Overtime Payments	0.3%	0.5%	0.5%
Electricity & Water	0.0%	0.0%	0.0%
Telephone Charges	8.9%	9.9%	1.6%
Other Operating Expenses	30.9%	34.2%	44.8%
	100.0%	100.0%	100.0%
<b>Investment Expenditures</b>			
Research & Studies	36.0%	60.1%	19.8%
Public Works & Construction	22.4%	3.5%	26.0%
Investment Expenditures	28.8%	16.6%	43.3%
Acquisition of IT Equipment	0.0%	18.5%	3.0%
Operating Expenses linked to Investments	12.8%	1.3%	7.9%
	100.0%	100.0%	100.0%
<b>Total Actual Expenditures</b>			
Operating expenditures	70.9%	66.3%	61.0%
Investment Expenditures	29.1%	33.7%	39.0%

Source: Ministry of Finance, Budget Directorate

#### 4.2 Some conclusions: is public spending on the environment adequate?

What is the significance of these spending trends for our overall analysis? In the first place, it would appear to confirm the overall perception that the level of public spending on the environment is low. In Mali, less than 1 per cent of overall non-interest public spending is dedicated to Protection of the Environment. Notwithstanding our caveats about the under-estimation of project spending and the narrow coverage of the functional classification, this is by any standards a low figure. By way of comparison, the summary data on budget execution presented in the CSCR<sup>16</sup> shows for 2005 a percentage share of total spending of 1.4 % for “Culture, Youth and Sports” and 1.9 % for “Diplomacy and Foreign Affairs”.

On the other hand, the relative share of spending allocated to Protection of the Environment is steadily increasing, suggesting some improvement in the priority which it is accorded.

<sup>16</sup> CSCR (2006), p.11.

A further positive feature is the impressive rate of budget execution recorded with regard to the budget for operating expenditures (*budget de fonctionnement*), which has been approximately 100 % in each of the three years. Although there is significant evidence (see section 3.3) that the operating budget is substantially below what is likely to be required to oversee implementation of the PNPE, the fact that what is budgeted is in fact made available and paid is of considerable importance. In particular, it suggests that if a substantial increase in the operating budget could be achieved, then this would represent a far more efficient way of meeting the financing deficit than financing through projects, where lead times and transaction costs for preparation and negotiation are high and budget execution rates are substantially lower.

In summary, then, our review of public expenditures on protection of the environment does suggest that its share of the budget is substantially lower than it should be possible for the Government of Mali to achieve. Moreover, the overall level of allocations remains too low to permit effective oversight of the implementation of the PNPE. We know that, for the most part, the agencies working in the environment sector seek to fill this funding gap by trying to procure more project financing and by trying to seek greater access to fee collections. The way incentives are currently structured, this is rational behaviour both because funding from such sources appears more easily available than funding from the *budget de fonctionnement* and because it can be more flexibly utilised – including to provide the sorts of salary supplements and other benefits which qualified staff are increasingly demanding. On the other hand, the substantially higher levels of budget execution achievable against the *budget de fonctionnement* suggest that this behaviour is not justified on efficiency grounds.

## 5. The role of Development Partners

As we have already noted, Mali's Development Partners play a very important role in the financing of environmental activities and, more broadly, in the maintenance of awareness of environmental issues. Over the years, they have supported in crucial ways the creation and development of many of the policy, legal and institutional building blocks of the Malian environmental sector, including the PNPE itself and many of the regional structures needed to address the environmental problems common to the Sahel (such as desertification and soil degradation) or to protect its common river basins and wetlands. There have also been a good number of successful project innovations, which for example have helped to develop new approaches to managing household fuel-wood resources, to protecting bio-diversity and to promoting sustainable natural resource management techniques. These achievements should not be forgotten and are generally widely acknowledged within Mali.

Nevertheless, in relation to the basic problem of establishing and sustaining an adequate institutional framework to protect the environment and promote sustainable natural resource management practices, it seems clear to us that the Development Partners are inadvertently undermining the institutions which need to be protected and developed. They are part of the problem rather than part of the solution.

In this section, we will firstly analyse exactly how and why this happens. We will then consider what has been done to date in order to correct the situation and finally assess whether there is a potential role for general or sectoral budget support as alternative modalities with which to support the environment sector. We would stress that it is not our intention to downplay the very real contributions which Development Partners have made and continue to make. We are concerned more with the perverse side-effects which their actions appear to be having and with the search for solutions to this problem.

### 5.1 Overview of information on Donor spending

Much of the information used in this section is drawn from Lelong (2006), *Annuaire des projets environnementaux des bailleurs de fonds et des ONG internationales au Mali* (Almanac of Environmental Projects financed by Donors and International NGOs in Mali). This document was produced under the auspices of the GTZ PAPE project (*Projet d'Appui à la Politique Environnementale*), which provides institutional support to the *Secrétariat Technique Permanent* (STP). The document has been very useful to us in providing a snapshot of external finance to the environment sector (presented in the text box below).

Nevertheless, it is surprising to us that there does not exist a better base of information against which to coordinate the use of external resources. In particular, one would normally expect to see an external finance data-base managed directly by the planning unit of the Ministry, or its equivalent (in this case, STP). The data-base would include estimates of disbursements as well as budgets and would ideally be structured so as to link directly with the national budget. Indeed, it would serve as a source of information on project spending for subsequent incorporation in the budget.

Hopefully, the initiative of preparing the *annuaire* will be repeated and may be able to contribute to the creation of a more institutionalised, government-managed data-base. Yet, the fact that these institution-building objectives do not seem to have been even implicit in the organisation and preparation of the 2006 *annuaire* is rather worrying and says much about the relatively low expectations held both by Government and its Development Partners in relation to aid coordination activities.

## A Snapshot of Donor and NGO support to the Environment Sector

External support to the environment sector in Mali is provided exclusively through projects, with the exception of the very small proportion of the FCFA 84 billion (US \$ 185 million) of General Budget Support that comes to the sector annually through the national budget process.

In 2006, there were approximately 92 externally financed projects supporting the environment, with annually allocated budgets of approximately FCFA 25 billion (US \$ 55 million) and disbursement levels probably equivalent to 40 % of this amount.

Of these 92 projects:

- ✓ 31 were managed directly by MEA and its departments and agencies;
- ✓ 14 by other Government departments;
- ✓ 37 by international NGOs; and
- ✓ 10 by international research institutes or other entities.

These 92 projects comprised 147 components, spread across the following activities:

- 25 projects/ sub-projects supporting Environmental Policies;
- 12 supporting Environmental Education & Information Dissemination;
- 9 supporting Sustainable Energy;
- 21 supporting Sanitation and Pollution Control;
- 6 supporting Bio-diversity and Conservation;
- 3 supporting Sustainable Natural Resource Management (NRM) in agriculture;
- 23 supporting NRM against desertification/ erosion/ forest depletion;
- 24 supporting sustainable management of water resources; and
- 24 providing general support to sustainable NRM.

20 different Development Agencies and at least 34 international NGOs were engaged in these projects.

**Source:** Adapted from Lelong, B. (May 2006), *Annuaire des projets environnementaux des bailleurs de fonds et des ONG internationales au Mali*. GTZ, Bamako.

### 5.2 How do Development Partners' actions undermine national institutions?

In Section 3 above we discussed the strengths and weaknesses of the institutions responsible for the implementation of the PNPE. We noted that:

- Many of the activities which Government must undertake in order to oversee implementation of the PNPE and ensure application of sustainable NRM practices are recurrent activities, which need to be undertaken in a routine manner each year. These activities include the review and processing of Environmental Impact Assessments, the inspection of factories, farm enterprises, *Collectivités Locales* and other entities responsible for fulfilling environmental and pollution control norms, the monitoring of the physical status of the environment, the preparation of reports to Government and the public and the dissemination of information on sustainable natural resource practices.
- MEA's annual budget allocation for operating expenditures is grossly inadequate to permit the effective performance of these essential recurrent activities.

- MEA does not believe it has any feasible chance of increasing its budget for operating expenditures to the level that would be required.
- However, the MEA staff and the members of its constituent departments do know that Development Agencies are willing to provide substantial amounts of finance for investment projects in the environment sector, that these can generally be negotiated at the sectoral level, with limited interference from the Ministries of Finance or Planning, and that there is a relatively high degree of discretionary control over the management of these project budgets.
- Moreover, it is known that many of these investment projects offer the prospect of different types of salary supplements as well as preferential rates for travel allowances and other types of fringe benefits. The better qualified public servants are often difficult to attract without the promise of such benefits.
- There is therefore a very strong interest in winning project finance.
- However, project finance is made available predominantly for investment activities.
- Therefore, MEA and other agencies set up with the primary mandate of protecting the environment through recurrent activities of inspection, supervision and information dissemination have had to find ways of embracing investment activities too. Indeed, these investment and project management activities have come to dominate their attentions to the detriment of the essential recurrent services necessary for the protection of the environment.

To a degree, these perverse incentives operate throughout the Malian Government but their effects are less noticeable in sectors more explicitly geared to service delivery, such as education, health, or agriculture where the differences between investment and recurrent activities are less pronounced. In a sector such as environment, where Government's role is predominantly regulatory, there are few projects which can effectively serve the needs of the ministry and promote its core mission. Many of the 31 separate projects, which MEA is now managing, are not appropriate functions for a regulatory and coordinating agency: they should be managed by the *Collectivités Locales* or by sector ministries such as Agriculture, or Mines, Energy & Water.

However, the perverse incentives generated within the Government mechanism by the structure of available financing seem to be reinforced by the incentives operating within the Development Agencies. Most of the Development Agencies operating in Mali (and all of those working in the environment sector) are signatories of the Paris Declaration, which promotes, amongst other things, joint working, co-financing and the use of 'silent partnerships' to facilitate harmonization. Yet in the environment sector, there are 20 separate Development Agencies operating and 92 projects under implementation. There are a few examples of co-financing of projects but very few: instead the incentives seem to favour working independently, and starting new projects rather than contributing to existing ones. As a result, there are 25 projects providing support to Environmental Policy and many of these seem to represent little more than a duplication of efforts. Within this group of 25 projects, there are two providing assessments of the impact of climate change, three aiming to strengthen environmental management capacities at the decentralised level, and four supporting better management of the Niger, Senegal and Gambia river basins. (Lelong, 2006)

Why do these duplications occur? Why are there so few co-financed projects? We can only guess at the answers to these questions, having only interviewed a selection of the Development Agencies engaged in the environment sector, with this as only one theme amongst several pursued in our interviews.

We have no doubt that the agencies engaged within the environment sector pursue the principles of the Paris Declaration. These are commitments which were entered into at the highest level and for which most agencies have now developed internal guidance and procedures. Yet, at the country level these do not appear to be the dominant incentives. Our judgement is that in Mali, as in many other countries, the two dominant incentives for most Development Agencies are, firstly, to seek maximum visibility – to be seen to be making a difference, and, secondly, to maximize project disbursements<sup>17</sup>.

Visibility is especially important for the smaller development agencies and the smaller international NGOs, whose survival depends on being known amongst their domestic constituents. Even in larger agencies, visibility seems to have become quite important amongst environment advisers, whose positions in many agencies have been under threat as the focus of attention narrows to a small set of 'priority sectors' from which environment is frequently excluded.

For virtually all agencies, there is a political requirement (from Governing Boards or from Parliaments) to maintain high disbursement to administrative cost ratios. The combination of these two incentives tends to push agencies firstly to have their own 'high profile' projects and, secondly, to use their own structures to manage implementation. By using their own structures, Development Agencies are better able to influence disbursement rates and to control the implementation process. For example, the use of their own structures allows Development Agencies to avoid the administrative complexities which using government systems might entail and to build in strong staff incentives to attract the better public service managers.

Clearly, the pattern of internal incentives is changing and its influence on the process of Development Cooperation is evolving. There are initiatives being pursued to improve the coordination of external support to the environment sector and to strengthen the harmonisation of processes and procedures. Similarly, some agencies – including CIDA – are placing increased emphasis on the use of general and sectoral budget support as modalities which are more intrinsically aligned to Government policies and systems. We examine below the evidence on the impact of these initiatives.

### **5.3 The Development Partners' Thematic Group on the Environment**

There exists a Development Partners' Thematic Group on the Environment (*Groupe thématique des PTF Environnement*) which brings together all of the Development Agencies working on environmental issues. A group of this kind has existed in some form or another for a considerable time but it has not always been active. Alix & Bérubé reported that the group was not active at the time of their mission in 2005 and stressed the importance of re-establishing an effective coordinating framework.

In its current format, the group has been in place for approximately 18 months, meeting once a month with only Development Partners participating and once every three months with Government and Development Partners. The various members interviewed reported that it works primarily as a forum for information exchange – for reports to be distributed, for schedules of visiting missions to be shared and general questions of common interest to be

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<sup>17</sup> Ostrom et al (2001) describe very effectively how the balance of these and other incentives is played out within SIDA. De Renzio et al, (2005) overview the internal incentives of six development agencies. Lawson et al (2006) examine incentives for harmonization and alignment within the World Bank.

discussed. The one example we were provided of the Group working effectively to develop a common position across Development Partners and to present this formally to Government was in relation to the preparation of comments on the first draft of the CSCR. Most members of the group would like to see deeper forms of cooperation and coordination but recognise that there is a considerable amount of preparatory work to do before this can be possible. In particular, it was commented that the role of the group would need to be more sharply defined – through a joint Memorandum of Understanding, for example – and that the precise role of the coordinator (*'chef de file'*) also needed sharper definition.

We would agree strongly with these comments. We were actually quite surprised at the limited level of ambition in relation to the role of the Group. For example, the idea that the Group might be used as a vehicle to promote implementation of the Paris Declaration was not perceived as a realistic ambition in the short to medium term. Certainly, it does not seem feasible to think of the Group in its current format as a vehicle to promote joint missions and joint studies and still less as a project screening body to reduce the level of duplication within the environmental portfolio and promote co-financing.

There are of course a great variety of reasons why this should be so and some of these have simply to do with history and personalities. For the Group to start to be effective as a vehicle of harmonisation and alignment, the Group members need to be prepared to give up some of their autonomy and to submit at least certain types of decisions to the authority of the Group. Clearly a high degree of trust needs to be built up before this can be possible, and in these sorts of circumstances, there usually needs to be an external 'push' in order to kick start that sort of process. Normally, this external 'push' would come from one of three sources:

- A Government insistence that progress should be made in harmonisation and alignment;
- The appointment of a "Lead Agency" within the sector able to take a proactive role; or
- A concerted decision by the Heads of Mission of the Development Partners, supported by some effective follow-up process.

None of these impulses currently seems to be in place. The Government of Mali does not have an active policy to promote harmonisation and alignment. It has recently established a *S cr tariat   l'Harmonisation* within the Ministry of Finance but this appears to have limited executive power (or limited will to use its executive power) to control the numbers and types of project agreements entered into at the sectoral level. In order for this to happen, it would need to be convinced that the political and administrative costs of controlling project 'deals' made at the sectoral level would be more than compensated by tangible benefits of other kinds. In the countries – such as Tanzania and Uganda - where more decisive steps have been taken towards coordinating aid and promoting the principles of the Paris Declaration, these benefits have generally been assured by the presence of high levels of budget support. Mali is not yet at this stage, although it may perhaps be approaching such a situation in the health and education sectors where substantial resources are now available through general and sectoral budget support arrangements.

GTZ is currently the "Lead Agency" or "*Chef de File*" for the environment thematic group but there are a number of reasons why it does not have the necessary profile to be able to play a proactive role. Most importantly, it is not an External Financing Agency but rather a provider of technical assistance. This has two implications: a) it has a much lower level of financial resources available to invest in the sector and therefore its own harmonisation and alignment actions have less impact; b) Being primarily a provider of advice to Government, it has less credibility as a spokesperson on behalf of the External Financing Agencies. In a formal sense, GTZ is not the spokesperson of the German Government on development cooperation issues. How then can it credibly play the role of spokesperson for the

environment DPs as a whole? Clearly, a different type of Lead Agency is needed and this is an issue the environment DPs ought to address soon.

There has already been discussion at the level of Heads of Mission over efforts to deepen actions on harmonisation and alignment. A “*Pool Technique*” has also been established within the World Bank office to support such initiatives. Although such initiatives remain at an early stage, it seems to us that this is the most likely path by which to strengthen the coordinating structures for the environment sector. It has implications for how the results of this report should be disseminated and developed, which we will address in our conclusions.

#### **5.4 The experience with budget support in Mali**

The development of “programme based approaches” is one of the key responses adopted by the Paris Declaration to the problems generated by the use of large numbers of uncoordinated projects, poorly aligned to government policies and systems. It involves focussing external support on a coherent, government-led programmes (normally developed at the sectoral level), utilising harmonised procedures and modalities which are aligned to government systems. It does not necessarily involve general or sectoral budget support but as these modalities are, of their nature, more aligned to government policies and systems, the use of these modalities is normally favoured within programme based approaches.

In Mali, Programme Based Approaches are relatively advanced in the Health and Education sectors and significant aspects of such approaches have also started to be introduced in Water, Transport and Agriculture. At the more global level, there is also a general budget support arrangement in place. The text box below provides some summary details on these programmes. They are relatively recent initiatives and there is not yet sufficient experience with them to reach any firm judgements on their applicability and usefulness in the Malian context. Nevertheless, experience to date does provide some guidance on their possible role within the environment sector:

- A harmonised calendar has been established for the annual review of the GBS and the health and education SBS arrangements. This is integrated into the cycle of annual reviews of the CSCR and the cycle of budget preparation and involves two reviews for each of these arrangements, focused respectively on the assessment of the disbursement conditions for the fixed and variable tranches.
- Only one cycle of annual reviews has taken place to date and the need to develop more detailed terms of reference for the various aspects of the review arrangements has been recognised. Nevertheless, these reviews are generally perceived as having been a success, in particular permitting open and frank dialogue over the ongoing reform programme, whilst also allowing for a predictable schedule of GBS/ SBS disbursements to be fulfilled.
- The GBS arrangement is supported by a comprehensive programme of PFM reforms – the PAGAM-GFP, *Programme d’Action Gouvernementale d’Amélioration et de Modernisation de la Gestion des Finances Publiques*.
- This was developed in order to respond to the weaknesses in public finance management identified in the diagnostic assessment undertaken in November 2006, following the PEFA methodology. Although we were unable to obtain access to this assessment, we were advised that it gives a picture of a PFM system, which, despite important and continuing weaknesses, is on a par with the PFM systems of most neighbouring countries and in some cases significantly better.

- The four basic conditions necessary for the disbursement of the fixed tranches<sup>18</sup> for each of the three GBS/ SBS arrangements were fulfilled in 2006, permitting full disbursement of these tranches in 2007. The stakeholders involved in these processes were confident that these conditions would again be fulfilled in 2007/ 08.
- In 2007, some two thirds of the targets specified for the GBS variable tranche were fulfilled. Some GBS agencies (notably France and the Netherlands) were willing to disburse their variable tranche in full; Canada elected to disburse 80 %.

### **Overview of General & Sectoral Budget Support Arrangements in Mali**

In 2006, seven Development Agencies signed a joint Memorandum of Understanding for the provision of General Budget Support to Mali – the African Development Bank, Canada, the European Commission, France, the Netherlands, Sweden and the World Bank. The first joint annual review of GBS took place in September 2007, including Germany as an observer and a likely additional future provider of budget support.

In 2006, GBS disbursements comprised FCFA 84 billion (US \$ 185 million) – approximately 10 % of non-interest public spending. Higher levels of disbursements are anticipated over 2008 – 2011 in support of the CSCR. P.

Memoranda of Understanding were also signed by a similar group of agencies in 2006 and 2007 to provide Sectoral Budget Support (SBS) to the Education sector in support of the PISE II programme (*Programme d'Investissement dans le Secteur d' Education II*) and to the health sector in support of the *PRODES* programme.

Both of these SBS arrangements follow structures in which disbursements are held in special Treasury accounts, recorded as individual budget lines within the *Budget Spéciale d'Investissement* (the Development Budget). The projects and activities to be financed from these budget lines are planned within the CDMTs (MTEFs) of each sector. The individual agencies responsible for implementation – in the case of the *PISE II*, the *Ministère d'Education Nationale (MEN)* and the *Ministère de l'Emploi et de la Formation Professionnelle (MEFP)* - then need to request the Budget Directorate of the Ministry of Finance to open up credit lines in their favour to permit implementation.

In 2006, the level of disbursement of Sector Budget Support (SBS) was FCFA 47.2 billion (US \$ 104 million), or approximately 5.6 % of non-interest spending. We understand that the disbursement procedures put in place for 2007 (as described above) have proven cumbersome and are likely to mean that disbursements will be rather less in 2007.

Overall, the agencies engaged in these processes, which we were able to interview, expressed general satisfaction with the results so far achieved and quite a high degree of optimism for the future. None saw these processes as “instant solutions” to the policy and institutional problems of Mali and all were conscious that reform implementation continued to be a slow process. In the more politically sensitive areas – such as cotton sector restructuring – progress was especially slow in 2006/ 07. Nevertheless, the GBS agencies felt that it was a positive feature that open and frank dialogue was being maintained and believed that this could help to develop more consistent political support to such reforms.

<sup>18</sup> These conditions were: a) fulfillment of the requirements to remain on-track with the IMF PRGF programme; b) Adequate progress in the implementation of the CSCR. P.; c) Progress in implementation of the PFM reform programme (PAGAM-GFP); and d) A prioritization of budget spending consistent with the CSCR. P, in particular increasing the sector shares of health, education, transport and water.

Despite the difficulties involved in putting effective management and implementation structures in place, the World Bank expressed their strong conviction that an increased use of budget support, backed up by a structured process of strategic dialogue was the right way forward for Mali. Their country programme envisages achieving, by 2011, a 50:50 balance in disbursements between Development Policy Lending (budget support) and Investment Lending (projects). We understand that the European Commission have a similar objective.

#### 5.4.1 Key Lessons for the Environment sector

Do these arrangements present a possible way forward for the environment sector? Our answer would be 'potentially yes', but it is clear that more detailed feasibility and design work is needed before a firmer conclusion can be reached. Secondly, the lessons emerging from existing arrangements need to be assimilated and applied:

- There is a major financing gap at present in relation to the recurrent activities necessary for the effective oversight of the environment and the efficient implementation of the PNPE. If budget support allowed these needs to be met through the *budget de fonctionnement* as they should be, this would address a real need while also permitting an improvement in the degree of accountability within the environment sector.
- The fact that these recurrent activities do not fall exclusively within MEA but also within the *Collectivités Locales* and various other sector ministries suggests that the use of a Sector Budget Support arrangement might prove unnecessarily cumbersome and problematic.
- Certainly, if an SBS arrangement was to be adopted for the environment, it would be wise to introduce more flexible and efficient disbursement arrangements than those currently operating for the health and education sectors.
- The CDMT (MTEF) is potentially a useful tool for programming the use of available resources for the environment. However, there are few sectors which have been able to develop realistic and viable CDMTs, due to the great difficulties that are posed by the need to programme the use of external project financing, over which there is limited control and limited information.
- Education and Health are the only two sectors which have been truly successful in developing robust CDMTs. The fact that both of these sectors made active attempts to reduce the levels of project financing and to make all external financing subject to a single policy framework is relevant. Indeed, it would seem to suggest that rationalisation and restructuring of external project financing are preconditions for the development of successful CDMTs.
- Notwithstanding the successes that have been achieved with both GBS and SBS, all commentators agreed that considerably more work is needed to streamline the arrangements for management, monitoring and disbursement<sup>19</sup>. The need to resolve these design and management issues tends to make the start-up period for GBS and SBS arrangements relatively demanding of administrative time. Stakeholders need to make adequate provision for these requirements.

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<sup>19</sup> The Aide Mémoire of the September 2007 Joint Budget Support Review also underlined this point and made some suggestions about how this might be done.

## 6. Conclusions and Recommendations

At the beginning of this study, we set out to address the question whether the current level (and use) of public finance and the current policy and institutional framework for the environment were sufficient to ensure that the status of the nation's natural capital could be sustained? We recognised the importance of investing in the environment to improve the value of natural capital and to promote better systems of natural resource management, capable of generating sustained and higher incomes for the poor. Yet, we judged that the starting "benchmark" should focus on maintenance. Were policy, finance and institutional structures in Mali adequate to ensure proper maintenance of the environment?

### 6.1 Conclusions on policies, institutions and finance for the environment

We concluded that policy was reasonably sound. The *Politique Nationale de Protection de l'Environnement* (PNPE – the national policy on protection of the environment) was approved by the National Assembly in 1998 and remains the dominant legal instrument of environmental policy in Mali. It presents a comprehensive conception of the environment, placing the accent on protection through sustainable natural resource management. It takes as its starting point the notion of the environment as a cross-cutting concept, stating the clear requirement to integrate the protection of the environment into the design, planning and implementation of all development policies and programmes.

The PNPE itself is in need of some updating both to keep pace with technological changes and to remain abreast of regional and international legislation. There is also a need to refine the norms and regulations that form the basis of its implementation. In particular, there is a need for a refinement of the Decree of 2003 on EIAs, so as to simplify the requirements for small and standard projects.

On the other hand, the PNPE remains a powerful frame of reference. It is clear in its conception, and is very widely known and understood. We believe that the primary reasons for the fact that it has been less than fully implemented do not derive from the specification of overly ambitious environmental standards but rather from weaknesses in the financing and institutional frameworks for its implementation.

The level of public spending on the environment appears to be substantially less than adequate. In Mali, less than 1 per cent of overall non-interest public spending is dedicated to the functional category "Protection of the Environment". We believe that public spending data under-estimate project spending and that the coverage of the functional classification has been defined unduly narrowly. Nevertheless, this is by any standards a low figure. By way of comparison, the CSCRP shows a percentage annual share of total spending of 1.4 % for "Culture, Youth and Sports" and 1.9 % for "Diplomacy and Foreign Affairs".

Public spending levels are especially low in relation to operating budgets. This has a major impact on the ability of MEA and other environmental entities to conduct the supervision, monitoring, control and information dissemination functions that are so crucial to the implementation of the PNPE. For example, the team responsible for reviewing and processing Environmental Impact Studies within MEA comprises only two people, meaning that oversight is inevitably very partial.

On the other hand, the relative share of spending allocated to Protection of the Environment is steadily increasing, suggesting some improvement in the priority which it is accorded.

A further positive feature is the impressive rate of budget execution recorded with regard to the budget for operating expenditures (*budget de fonctionnement*), which has been approximately 100 % in each of the last three years. Although the operating budget is substantially below what is likely to be required to oversee implementation of the PNPE, the

fact that what is budgeted is in fact made available and paid is of considerable importance. It suggests that if a substantial increase in the operating budget could be achieved, then this would represent a far more efficient way of meeting the financing deficit than financing through projects, where lead times and transaction costs for preparation and negotiation are high and recorded budget execution rates are only 20 %.

Inevitably, the very limited operating budgets for MEA and other environmental entities have a serious impact on their ability to operate as effective institutions.

Unfortunately, the nature of the response to this problem has served to further weaken the institutional framework for the implementation of the PNPE. Most of the functions which need to be financed for the PNPE to be effectively implemented are recurrent functions – the processing of EIA documents, the undertaking of regular inspections, monitoring activities and information dissemination activities. These should be financed from the normal operating budget – the *Budget de Fonctionnement*. However, this has usually been sufficient only for salaries, maintenance of buildings, telephones and electricity, and only a small proportion of recurrent activities. For any further requirements – such as monitoring or inspection visits to the interior, information dissemination events, studies, etc, the general approach has been to seek either project funding from an overseas donor or financing from fees.

The difficulty is that project funding is generally intended for investment activities – activities with a finite lifetime, which aim either to build new assets or enhance the value of existing assets. Many Development Partners do fund recurrent operations, as a part of a project package but are generally reluctant to do so both because this can create a funding gap when project financing finishes and, more generally because their primary objective is to finance investment. Government entities seeking project financing therefore have to re-orient their activities towards investment functions and towards project management activities. Over time, this is exactly what MEA and the other entities responsible for the environment have done. The basic functions of monitoring, inspection and control, as well as public education and information dissemination have been increasingly neglected as energies have been devoted to winning and implementing projects.

This is not only because project funding is easier to obtain than government recurrent funding. It is also because projects offer opportunities for earning salary supplements of different kinds, for receiving higher travel allowances than would be normal with Government financing; and for overseas travel and training. It is natural and rational that public servants should be attracted to these opportunities. Development Partners who want their projects to be implemented quickly and effectively will naturally want to attract the best public servants and, as they need to compete with other Development Partners to obtain them, they will tend to offer the best conditions which their procedures permit.

The end result in the environment sector has been to draw attention away from the basic, recurrent functions necessary to implement the PNPE and to maintain the environment. Instead, large numbers of investment projects are being pursued. A good number of those pursued are never actually financed and even when they are, it is generally after a substantial period of project design and negotiation. These “transaction costs” consume the time of exactly the same limited pool of qualified public servants who are being asked to implement environmental legislation.

There are many good investment projects which have helped to promote re-afforestation or the de-silting of Mali’s rivers or the protection of indigenous fauna. Yet, in the absence of the basic activities necessary to protect the environment and to ensure that sustainable natural resource management practices are being pursued, then the benefits of these projects will not be sustained. In short, the incentives currently generated by the financing structure for the environment are undermining the quality of Mali’s environmental institutions. As a result, the basic minimum standard of maintaining the environment is not met.

## 6.2 Conclusions on the support of Development Partners for the environment

Mali's Development Partners play a very important role in the financing of environmental activities and in sustaining awareness of environmental issues. They have supported in crucial ways the development of the policy, legal and institutional building blocks of the Malian environmental sector, including the PNPE itself and many of the regional structures needed to address the environmental problems common to the Sahel or to protect its common river basins and wetlands. There have also been a good number of successful project innovations, which have helped to develop new approaches to sustainable natural resource management. These achievements are widely acknowledged within Mali and should not be forgotten.

Nevertheless, in relation to the basic problem of establishing and sustaining an adequate institutional framework to protect the environment and promote sustainable natural resource management, it seems clear to us that the Development Partners are inadvertently undermining the institutions which need to be protected and developed. They are part of the problem rather than part of the solution.

Why is this? Simply because there are too many projects, which are poorly coordinated and generate strong incentives for the Malian environmental institutions and agencies to neglect their core roles. We have described above the negative effect this has had on the institutional framework.

## 6.3 Recommendations

If Mali is to maximise the value of its natural resources and prepare itself for the even greater environmental challenges which climate change is likely to present, then this situation needs to be addressed as a matter of urgency. From the perspective of the Development Partners, the situation also calls for urgent action. What is currently happening in the environmental sector in Mali is virtually the antithesis of effective aid and totally at variance with the principles of the Paris Declaration, to which all of the Development Partners operating in the environment sector have committed themselves.

Yet, fundamentally these are Malian problems which need to be solved by Malians themselves. So our primary recommendations are directed to the Mali Government. These are aimed at helping the Malian Government to take charge of this situation. There are important supporting actions which Development Partners can take to help make this happen and we present these as a set of secondary recommendations.

### 6.3.1 Taking charge of the situation: what the Government of Mali might do

We have had only a limited amount of contact with the Malian authorities and none at the most senior levels of government. Under these circumstances, we acknowledge that it is presumptuous to present substantive recommendations<sup>20</sup>. It may be that some of the initiatives we propose are already being pursued without our knowledge; there may be other proposals, which however desirable are simply not possible for reasons of which we are not aware. If this is the case, we apologise in advance and simply re-iterate that our fundamental objective is to promote debate and help change to happen. So, with this strong proviso, we make the following recommendations:

- Firstly, there is a need to strengthen the regularity and frequency of debate on environmental issues at the highest levels of Government. The Inter-ministerial committee on the environment was intended to do just that. We believe it is important as a first step to revive this committee under the chairmanship of the Prime Minister.

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<sup>20</sup> In our defence, we would stress that we have been encouraged to make substantive recommendations by virtually all the stakeholders we interviewed!

- Secondly, it is necessary to find ways of raising the financing available through the *budget de fonctionnement* for MEA and the other agencies involved in the function of the protection of the environment. A number of actions will need to be taken to support this objective:
  - MEA and the other agencies concerned should be directed to prepare realistic budget estimates of the recurrent resources required to implement the PNPE.
  - These estimates need to be reviewed carefully with the Ministry of Finance and, if considered appropriate, with the Development Partners working in the sector in order to arrive at a more realistic and better structured CDMT for the sector.
  - In the short term, the additional resources will need to be generated by controlling the growth of other sectors.
  - In the longer term, financing could be obtained by negotiating with Development Partners to increase levels of budget support.
  
- Thirdly, it will be necessary for the Government to find ways of reducing the numbers of projects being managed by MEA and the other agencies whose primary responsibilities are to implement the PNPE. Although reducing numbers (by rationalising and restructuring the existing portfolio) should be the primary objective, the actual level of investment funding may also need to be reduced if projects are not fully justified on cost-benefit grounds. Again, a series of actions may need to be taken in respect of this objective:
  - MEA and the other agencies concerned should be directed to negotiate with their DPs to find ways of merging different projects currently working in the same or similar areas and, above all, to ensure that all new projects are fully justified on cost-benefit grounds and that they make maximum use of co-financing and other opportunities for harmonisation across funding agencies. This exercise should be made a part of the preparation of the 2009 – 2012 CDMT.
  - In parallel, the *Sécrétariat à l'Harmonisation* should prepare an updated policy statement on the use of project financing. This should state (or re-state) clearly the circumstances under which project financing would be considered appropriate by the Government of Mali and the methods of implementation which should be favoured. If possible, the policy document should also try to lay down norms for the payment of staff allowances from project funds.
  
- Simultaneous with this, Government initiatives aimed at improving the terms and conditions of the scarce professional groups within the public sector need to be accelerated. The intention should be to replace project allowances (which are often intransparent and discretionary) with formal improvements to terms and conditions which are fully transparent and can be justified by reference to performance and professional qualifications.
  
- Finally, it will be necessary to update the PNPE legislation, including in particular the administrative decrees which support it, so as to ensure that all aspects of the legislation are implementable with the financial and human resources likely to be available to the Government.

The professional staff of MEA, the STP and the other agencies involved in the implementation of the PNPE will need to carry the primary responsibility for implementing these measures. It is important that their views and ideas on the set of questions addressed in this report are properly incorporated into the package of corrective measures finally developed. **The organisation of a workshop to discuss and refine the recommendations above would therefore be a very appropriate next step.**

### 6.3.2 Supporting actions which might be taken by Development Partners

As we have stressed above, the problems of the Malian environmental sector need to be resolved by the Government of Mali itself. However, there are certain actions which the Development Partners in the environment sector might take to provide some support to the initiatives recommended above:

- As a first step, we believe there is a need to strengthen the arrangements for coordinating DP support to the environment sector. In particular, the *Groupe Thématique PTF Environnement* needs to be restructured so that it can play a more high profile and proactive role. A number of measures will need to be taken to make this possible:
  - Firstly, a different type of “Lead Agency” (chef de file) needs to be appointed capable of driving the change agenda which is needed<sup>21</sup>. This needs to be one of the agencies providing a significant level of external finance to the sector, whose actions have significance in themselves (because of the funding contribution) and who are able to influence other DPs, whilst also having high credibility with Government.
  - Secondly, instructions need to be developed (to which all Group members can commit) regarding the regular submission of information on project budgets and project expenditures to the Ministry of Finance and to the relevant sector ministries<sup>22</sup>.
  - A process of rationalising and restructuring the existing project portfolio will be needed so as to maximise co-financing opportunities and eliminate unnecessary duplications.
  - These measures should be undertaken as part of a process of support to the development of an updated and improved CDMT for the sector to cover the years 2009 – 2012.
  - The process of learning-by-doing through the completion of these measures will help to define a more appropriate role for the Environment Group and for the Lead Agency. In early 2009, it would therefore be appropriate to draft new Terms of Reference for the Group, its Lead Agency and other officials.
- In parallel, with these more ‘internal’ measures, the environment DPs should offer whatever support might be needed for Government to address the agenda laid out above. This may involve technical assistance or the more informal provision of direct advice through participation in working groups, etc. It may also involve assistance in mobilising DP support and even some “policing” of DP’s actions to facilitate compliance with new policies on aid effectiveness.
- A crucial element of the strategy laid out above is the achievement of a switch from project financing to increased recurrent financing through the Budget. This will almost certainly require higher levels of Budget Support and the introduction of performance indicators on environmental issues within budget support arrangements. Our opinion is that this should be managed through some adaptation of the current GBS arrangement, rather than through a separate SBS arrangement. However, an SBS arrangement is also a possibility so **our immediate recommendation is for the initiation of a participatory consultancy process by which the details of budget support arrangements might be worked out with Government.**

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<sup>21</sup> We must emphasise that this recommendation implies no criticism of GTZ: the problem derives only from their inherent characteristics which are a simple reflection of their mandate.

<sup>22</sup> The ODA-MOZ database which has been developed in Maputo, Mozambique is an excellent example of the sort of reporting format that might be adopted. This was closely supported by the Delegation of the European Commission, who would certainly be willing to provide further information.

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## Annex 1: List of Persons Met

### Government

<b>Name</b>	<b>Designation</b>	<b>Institution</b>
Abdoulaye Berthé	Secrétaire Général	Ministère de l'Environnement et de l'Assainissement
Boubacar Daikité	Directeur National Adjoint, Direction Nationale de l'Assainissement et du Contrôle des Pollution et des Nuisances	Ministère de l'Environnement et de l'Assainissement
Moussa Dembele	Directeur Adjoint	Ministère de l'Environnement et de l'Assainissement
Dr. Moulaye Farota, PhD	Secrétaire Technique Permanent Conseiller Technique	Ministère de l'Environnement et de l'Assainissement
Elmehedi Ag Hamita	Directeur, ABFN	Ministère de l'Environnement et de l'Assainissement
M. Abdoulaye Traoré	Chef Division Contrôle des Pollutions et des Nuisance, D.N.A.C.P.N.	Ministère de l'Environnement et de l'Assainissement
Drissa Traoré	Chef Division Etudes et Planification. D.N.A.C.P.N.	Ministère de l'Environnement et de l'Assainissement
Fousseyni Mariko	Secrétaire Général	Ministère de l'Agriculture
Seydou Keita	Ingénieur Géologue	Ministère des Mines, de l'Energie et de l'Eau
Sekou Haidara	Secrétaire Executif Fonds de Développement de l'Eau	Ministère des Mines et de l'Energie et de l'Eau
Moctar Kone	Inspecteur de Finances Directeur du Budget	Ministère de s Finances Ministère de s Finances
Moussa M. Sissoko	Ingenieur en Informatique Direction Général du Budget	Ministère des Finances,
Ahamadou H. Sidibe	Chef, Unité Développement des Infrastructures de Base et Secteur Productifs	Ministère de l'Économie et de la Planification, Cellule Technique Cadre Stratégique de Lutte contre la Pauvreté

## Development Partners & NGOs

Name	Designation	Institution
Dr. Michaela Braun Yao	Conseillère Technique Principale, Projet d'Appui à la Politique Environnementale	GTZ
Aida Dembélé Mba	Environmental Adviser	UNDP
Madame Danté	Environmental Adviser	Royal Netherlands Embassy
Mamadou Agustin Dembélé	Chargé de l'Environnement Spécialiste Suivi/Evaluation	USAID
Taoufiq Bennouna	Senior Environmental Specialist TerraAfrica Secretariat	The World Bank
Abdoulaye Konate	Senior Economist Poverty Reduction and Economic Management	The World Bank
Darquis Gagné	Conseiller/Directeur-adjoint de la Coopération	Ambassade du Canada
Sadibou Keita	Environmental Adviser	Ambassade du Canada
Diamalitou Singaré Diarra	Coordinateur Secteur : Sécurité et Croissance des Revenus des Ménages	Ambassade du Canada
Boubacar Alpha Bah	Economist	BECIS
Lyne Caron	Directrice	SAHEL 21
Seydou Toyola		SAHEL 21
Ibrahim Mba	Directeur	Alliance au Mali pour l'Environnement - AMEN