



©Tinike D'haese/Oxfam, Mali 2013

MOBILISING DOMESTIC RESOURCES TO HELP MALI'S POOREST POPULATIONS: THE ROLE OF FRENCH DEVELOPMENT AID

Development cooperation has a major role to play in supporting fragile states to mobilise their own resources in order to fund basic social services. In Mali, French aid aims to build the technical capacity of Malian administrations to collect tax by fighting against fraud and tax evasion. However, collecting more domestic resources alone will not be sufficient to reduce poverty. France must support watchdog organisations to ensure greater transparency and accountability on the use of these resources for the benefit of the poorest.

TABLE OF CONTENTS

Introduction	p.3
1. Aid as a crucial means to boost domestic resource mobilisation in Mali	p.6
1.1. A lack of coherence in donor fiscal policies on expanding the tax base	p.6
1.2. France needs to upscale its political efforts to fight against tax exemptions	p.9
2. How to ensure that increased domestic resources benefit the poorest populations?	p.11
2.1. Support better allocation of domestic resources to basic social services	p.12
2.2. Strengthening oversight mechanisms and watchdog organisations for better accountability	p.14
Conclusion and recommendations	p.17
Appendix: Towards a French strategy on Aid for DRM	p.19
Notes	p.20

INTRODUCTION

Sparked by the March 22, 2012 coup d'état and armed conflict in the north, Mali's political and security crisis has exacerbated its social and economic problems. The country's poverty rate has risen from 41.5% in 2011 to 46.9% in 2014.¹ Despite the recent economic upturn, indicated by a growth rate of 5.4% in 2016², Mali remains less developed: it is ranked 175 on the list of 188 countries on the Human Development Index (HDI).³ Mali failed to reach any of the 2015 millennium development goals and continues to rely heavily on international aid, which is equivalent to 66% of its total government revenues.⁴ If the population growth rate continues at the current level of 3.6% per year, Mali's population will double by 2030.⁵

In order to face up to these challenges Mali has developed the CREDD program, a strategic framework for economic recovery and sustainable development in 2016-2018, designed to set budgetary goals for inclusive, sustainable economic growth; access to basic services and proper institutional governance; and enable the country to reach the Sustainable Development Goals (SDGs) by 2030. The CREDD estimates that 2212.9 billion CFA francs⁶ will be required to fund these public policies in 2018, yet donors are planning to provide only 517 billion CFA francs.⁷ The Malian government's own budgetary resources are set to generate just 1612.4 billion CFA francs in 2018⁸, leaving a funding gap of 83.5 billion CFA francs.

Additional resources are therefore essential in order to meet the basic needs of the population, especially in the fields of health and education. The 2017-2021 plan to reform public finance management in Mali (PREM) states that mobilising domestic funds is essential for financing development. The plan sets the goal of raising the level of tax revenue as a percentage to GDP to 20% by 2019. In 2013, the level was 15.4%, as opposed to 34% on average in OECD countries.⁹

However, domestic resources cannot be mobilised solely through statements. First of all, administrative, legislative and political frameworks must be established or reinforced to provide an operational framework, especially in fragile states or those in “crisis recovery”, such as Mali.¹⁰ Official development assistance (ODA) can help structure the necessary political and administrative frameworks and therefore play an important role in supporting domestic resource mobilisation (DRM) required to reach the SDGs. This is the aim of the *Addis tax initiative*¹¹ and the European Commission's “*Collect more – Spend Better*” strategy.¹²

The World Bank, which heads up the “Economy and Finance” group of the Technical and Financial Partners (TFPs) in Mali, stated that DRM would become a priority for the World Bank as early as summer 2017.¹³ Furthermore, in a report published in January 2017, the European Court of Auditors congratulated the European Commission on its capacity to reinforce national tax revenue mobilisation in Mali through budgetary support, while in other Sub-Saharan countries significant further effort is required.¹⁴

France is an essential member of the various international stakeholders cooperating in Mali. French ODA to Mali rose significantly during President Hollande's term in office, going from 30 to 125 million euro between 2012 and 2015.¹⁵ Following the intervention of French armed forces within operation *Serval* in January 2013, France committed to allocate 280 million euros and 360 million euros for development in Mali at donor conferences in Brussels in May 2013 and in Paris in October 2015 respectively.¹⁶ This significant commitment represents nearly 4% of France's overall ODA budget in 2016 and 25% of the total ODA received by Mali in the same year.¹⁷ Five days after his election, President Macron announced 470 million euro to support development in Mali during a visit to the country.

France appears resolutely committed to helping developing countries mobilise their domestic resources (see Appendix 1). In light of France's marked commitment to Mali, this technical paper analyses the role of French ODA in mobilising domestic resources to fight poverty and inequality. It is based on information gathered in Mali and France, during meetings with French and Malian authorities, the TFPs and civil society organisations, as well as on publicly available information (institutional documents, press articles, institutions' websites and technical reports).

This case study highlights the important role ODA can play in reinforcing Malian tax authorities' technical capacity to collect more tax revenue. In Mali, *quantitative* DRM is enabled by promoting policies to broaden the tax-base and reduce tax exemptions. However, the policies of the various donors lack coherence and French efforts to promote fair and equitable tax policies remain insufficient.

Furthermore, increasing a country's domestic resources does not alone suffice to combat poverty. Development aid must contribute to *qualitative* DRM by ensuring that fiscal revenue does in fact benefit the poorest populations. It is therefore essential to work towards effective and transparent national and local public finance governance and support watchdog organisations in order to ensure that Malian authorities are accountable to their citizens.

Oxfam asks the French government:

- To continue supporting *quantitative* domestic resource mobilisation, in particular by:
 - Increasing the share of grants (as opposed to loans) in total ODA to ensure that aid for DRM is targeted towards the poorest countries, such as Mali.
 - Strengthening the technical capacity of Malian tax authorities, while promoting progressive tax policies for fair and effective public resource collection.
 - Increasing efforts to promote transparency and reduce tax exemptions, particularly in the mining sector, thus ensuring policy coherence for development.

- To increase France's efforts towards *qualitative* domestic resource mobilisation, in particular by:
 - Strengthening the capacity of government departments and local authorities to transparently manage public finances in order to guarantee better resource allocation to essential social services.
 - Promoting democratic ownership and accountability by involving civil society in aid for DRM project as well as the fight against corruption by strengthening the capacities of internal and external regulatory bodies (the Office of the Auditor General, the Court of Auditors, legal institutions, the Network of Malian parliamentarians against corruption, independent media outlets, etc.).

1. AID AS A CRUCIAL MEANS TO BOOST DOMESTIC RESOURCE MOBILISATION IN MALI

In order to support the Malian government's efforts to mobilise greater domestic resources, donors chiefly focus on promoting two priority fiscal policies: expanding the tax base and reducing tax exemptions. ODA is crucial to the implementation of these policies, through tools ranging from technical assistance for Malian tax authorities to the establishment of specific criteria triggering budget support. However, significant differences persist between France and other donors on these reforms, in terms of political will and implementation.

1.1. A LACK OF COHERENCE IN DONOR FISCAL POLICIES ON EXPANDING THE TAX BASE

Mali's major TFPs, including France, believe that the country's narrow tax base is one of the main impediments to increasing its tax revenue. They therefore unanimously advocate an expansion of the tax base by targeting Mali's extensive informal economy. Nevertheless, this approach on the part of the international community appears to be inconsistent with the approach of the Malian authorities, who favour increasing pressure on existing taxpayers and combating tax evasion rather than expanding the tax base to include new taxpayers.

In addition, the TFPs have differing definitions of the "informal economy". While the World Bank wants to increase tax revenue from small businesses in the informal sector, the IMF and the European Union consider that collecting a consolidated tax on small businesses would be too costly and not profitable enough.¹⁸ Like the EU, France favours targeting medium-sized companies running undeclared, informal businesses, with the highest taxation potential. Some companies (for example in the agri-food, telecommunications, cotton and mining sectors) deliberately avoid taxes although their profits amply enable them to contribute to the country's tax effort. Oxfam clearly supports efforts to eradicate such practices, which are akin to tax fraud.

However, while France would like to see an increase in revenue from customs duties, it is blocked from doing so by the 11th European Development Fund (EDF) tax policy. The tax transition programme laid out in the Economic Partnership Agreements (EPCs) is based on lowering customs duties (in order to boost financial and trading activity), set off by an increase in domestic taxes, in particular the value added tax (VAT). Some civil society figures have denounced this EU-backed tax policy, pointing out that it is particularly profitable to multinational companies and raises concerns around tax fairness. The decrease in customs duties threatens the income of local producers and an increased share in total tax revenue of a regressive tax like the VAT could lead to a rise in inequality.

VAT is the principle source of tax revenue in Mali, representing 31.5% of revenue in 2013, while company taxes represented only 16% and income tax just 15.3%.¹⁹ The CREDD programme specifies that the average annual growth of VAT revenue should be 9.9% in 2018.²⁰ According to the IMF, the progress in the tax revenue to GDP ratio in 2015 and 2016 is “almost entirely due to indirect taxes, especially VAT”.²¹ In contrast, the share of company taxes fell from 35% to 30% in 2011 following the application of a West African Economic and Monetary Union (WAEMU) directive.²² It is vital to reverse this trend so that the Malian government is not overly dependent on VAT for revenues.

France actively promotes the expansion of Mali’s tax base in Mali by providing aid, mainly in the form of technical assistance to strengthen the tax authorities’ capacity to identify and inspect taxpayers and fight more effectively against tax evasion. France conducts training for tax officials and develops tools (surveys, guidelines etc.) in order to improve cross-referencing between various government fiscal services (Treasury, Tax, Customs, Business, Public Procurement etc.) and thus identify economic entities defrauding customs (duty-free items, false declarations regarding the nature or quantity of goods imported or exported etc.) or tax authorities (income tax, VAT etc.). While it is important to build the technical capacities of tax authorities, this approach should go hand in hand with promotion of equitable and progressive tax policies, an aspect that France currently neglects.

To give an example, Expertise France is implementing a 131,200 euro project over 2015-2107 designed to support the Directorate General of Taxation (DGT), in order to “ensure fiscal oversight of financial activities, reinforce the DGT’s human resource skills and support reforms to boost tax compliance”.²³ Officials from the French General Directorate of Public Finance and private experts have already carried out three training programmes for Malian officials on technical tax checking systems for multinational companies, banking and insurance entities and telecommunications companies. The project will also include more general training in accounting and VAT as well as support for improving DGT communication services. Expertise France carried out a previous technical support project from 2015 to 2106 valued at 259,520 euro for the Malian Department of Economy and Finance, specifically to strengthen the auditing capacity of the Directorate General of Customs (DGC) and to conduct an audit inquiry into taxpayers under the Directorate General of Enterprise (DGE).²⁴ France also offers financial support along with its technical support. In 2015, the Crisis and Support Centre of the French Department of Foreign Affairs and International Development contributed 69,000 euro towards equipping the river customs brigade in Mopti and providing training courses for customs officers.²⁵ France also allocated 1 million euro towards restoring the DGT following the coup d’état.²⁶

French-backed projects remain very small compared with the large-scale projects funded by other TFPs. In spite of its stated policy of investing in DRM, France lacks resources, with the number of International Technical Experts (ITEs) dropping significantly over the last few years. The Canadian PAMORI II project, for example, is providing 18.5 million Canadian dollars to capacity strengthening of the DGT and the National Land Registry (NLR)

between 2009 and 2020. The Canadian PAMORI II project provides Canadian technical expertise in the fields of training, strategic planning, internal communication and IT equipment. Moreover, its goal is threefold: “to make progress in terms of increased revenue, tax fairness, and transparency in tax management”.²⁷ While we have yet to see how PAMORI II will “increase tax fairness” in practice, this stated goal is already a step in the right direction. That France's technical and financial assistance programmes set no goals on promoting progressive, fair tax policies is problematic.

France also struggles to assert itself relative to the other TFPs, who use budget support to further the policy of expanding the tax base. Although France participates in the proceedings of the “Economy and Finance” group, other members are much more involved such as the African Development Bank or the European Union who make budgetary support conditional on improvements in tax collection.²⁸ While France has decided to promote its tax policies through technical assistance, the imbalance between loans and grants is detrimental to tax governance projects in least developed countries like Mali. In 2018, the portion of the French Development Agency's (AFD) budget allocated to governance is set to reach 500 million euro, made-up of 450 million euro in loans and just 50 million in grants.²⁹ Since public policy loans are inappropriate for DRM projects, France uses a mix of loans and grants. Given that loans are primarily targeted to solvent countries with a strong capacity to absorb financial risk, this policy of mixing loans and grants therefore funnels funding for DRM projects towards middle-income countries, at the expense least developed countries such as Mali.

Tax evasion in the livestock and fisheries sectors

Mali's livestock farming and fishing industries respectively represent 19% and 4.2% of the country's GDP.³⁰ Livestock farming is the third largest contributor to the Malian economy, after gold and cotton. The fish and livestock sectors employ around 35% of Mali's working population, 90% of whom fall within the informal economy.³¹ The contribution of both sectors to tax revenue is underestimated, since the official statistics only account for taxes applied to producers. The profits made by agri-food intermediaries remain untaxed and the unofficial taxes demanded by certain customs agents are not recorded. The committees assigned to manage the infrastructure (markets, water sources, pastures etc.) do not always transfer tax revenue to local authorities. In order to combat unofficial taxes and improve the fiscal management of these committees, the Department of Fisheries and Livestock has asked the international community to support farmers' and fishers' organisations, similar to French cooperatives. Furthermore, some livestock farming companies avoid livestock tax by leaving some of their animals undeclared. In order to combat tax evasion and encourage large-scale livestock farmers to declare all their animals, the Department of Fisheries and Livestock uses these (underestimated) declarations to determine the amount of compensation payed to farmers by the State in times of drought.

1.2. FRANCE NEEDS TO UPSCALE ITS POLITICAL EFFORTS TO FIGHT AGAINST TAX EXEMPTIONS

While tax exemptions are a significant impediment to DRM, French authorities largely ignore this fact when promoting tax policies in Mali. The European Union has carried out studies analysing the economic efficiency of the various statutory tax exemptions (those in the General Tax Code, the Customs Code, the Investment Code, the Mining and Petrol Code, the property development law etc.) and cataloguing all existing discretionary tax waivers (established by ministerial or administrative decree).³²

This work reveals the sheer extent of tax exemptions, which amounted to 203.45 billion CFA francs in 2015, preventing tax authorities from reaching goals for increased tax revenue.³³ These exemptions are equivalent to nearly 11% of Mali's overall budget and are 3.5 times higher than the country's education budget.³⁴ If this sum were to be invested in health for example, it would enable more than 4 million Malians to access basic healthcare.

The analysis points, in particular, to tax exemptions “undertaken in the absence of budgetary checks by government authorities and sometimes even contravening the law (exemptions on domestic VAT not provided for in article 195 of the GTC; customs duties and VAT exemptions on imports which cannot be found in any clause of any code)”. According to the European Union, “these practices are contrary to WAEMU community principles on the one hand, and on the other result in tax losses in return for highly uncertain gains. Finally, in terms of domestic VAT, the proliferation of exceptional exemptions is such that it undermines the underlying principle of VAT and its integrative role in the formal economy. The fact that large sections of the economy operate outside of VAT rules could also mean increased tax fraud.”³⁵ The study gives concrete examples of tax exemptions on vehicles granted by ministerial letter to individuals and companies.³⁶

The EU urgently calls for a “drastic reduction in exemptions on domestic taxes and in VAT exemptions in particular (regarding public procurement, the suppliers of State-owned companies, individual discretionary measures and externally funded tenders)”, although the authors “are aware that the proposed measures will not be easily accepted by certain economic operators”.³⁷

Other donors to Mali also wish to reduce tax exemptions, as demonstrated by the 2016 Joint Budgetary Review recommendation to “continue efforts to streamline tax exemptions granted to national and international economic operators, which constitute a key factor in budget optimisation, and begin consultation with technical and financial partners in order to limit exemptions financed through external resources.”³⁸ The World Bank is planning to carry out a study on the potential impact streamlining tax exemptions would have in boosting social spending by providing the State with increased resources.³⁹

Several donors have made budgetary assistance conditional on steps towards tax exemption reduction. For example, in 2016, the European Union partially withheld the variable portion of its budgetary support, following the

Malian government's failure to make sufficient progress with regards to performance indicators for streamlining tax exemptions. In addition, the IMF delayed the publication of its “7th Review under the extended credit facility arrangement” pending legislation banning new discretionary exemptions⁴⁰ which was due to be implemented by 1st January 2017.⁴¹ This law was eventually adopted by the Malian Parliament on 26th May 2017 and the IMF published its 7th Review early July 2017.⁴² The IMF also made its continued technical and financial assistance contingent on increased efforts on the part of the Malian government to raise the threshold for access to certain exemptions laid out in the Investment Code before the end of August.⁴³ The current threshold stands at 12 million CFA francs, drastically lower than the estimated regional average of 150 million CFA francs.⁴⁴

For its part, France has currently set aside the question of tax exemptions, believing it to be the sovereign prerogative of the Malian government. France does, however, recognise the need to evaluate existing exemptions and wishes to establish a framework for dialogue between tax authorities and large businesses in order to reduce tax exemptions.⁴⁵ Nevertheless, caught between the Malian government's efforts to increase tax revenue and French multinationals complaining of a “tax onslaught”, France appears to lack real political will to work towards more transparency and fewer tax exemptions. In addition, the tax exemptions granted to projects financed by the French government undermine the country's ability to legitimately take the lead on this question. These exemptions must be eliminated in order to demonstrate donors' good faith, save in the case of urgent humanitarian aid.

Tax exemptions in the mining sector

Mali is Africa's fourth largest gold producer⁴⁶ as well as running smaller-scale diamond, bauxite, phosphate, iron, uranium and manganese mining operations. In 2011, the mining sector's direct and indirect tax contributions amounted to 21.6% of the State's total tax revenue (i.e. 3.28% of GDP), making it a crucial sector for DRM. However, civil society organisations point out that “gold does not glitter for all Malians”, due to the numerous tax exemptions granted to extractive industries. The Extractive Industries Transparency Initiative (EITI), of which Mali has been a member since 2007, points to exemptions on VAT, customs duties and other direct and indirect taxes set out in the mining code for companies with mining exploration and operating permits.⁴⁷ Furthermore, the IMF has criticised the “excessively generous” stability clauses, set at 30 years in the mining codes (1991, 1999, 2012), while gold mine life spans are generally around 10 years.⁴⁸ The Malian branch of the Publish What You Pay (PWYP) coalition condemns the tax rate applied to these contracts, which has gone from 45% in 1991 to 30% since the adoption of the 2013 mining code. According to PWYP, taken together, tax exemptions for the mining sector represent a loss of several billion CFA francs per year.⁴⁹

2. HOW TO ENSURE THAT INCREASED DOMESTIC RESOURCES BENEFIT THE POOREST POPULATIONS?

Aid for DRM is effective only if the resources are redistributed to the poorest populations. Despite a gradual increase in tax revenue in Mali, immense challenges remain in terms of health, education and drinking water.⁵⁰ Only 5% of Government resources were allocated to the health sector during the period 2012-2014, whilst the target in the Abuja Declaration is in fact 15%.⁵¹ With no doctors in 59.2% of communes, the maternal mortality rate is high, reaching 368 deaths for every 100,000 live births. More than a quarter of all children suffer from severe malnutrition.⁵² More than 40% of school-age children are not enrolled and there are still large regional disparities in access to education, as well as inequality between boys and girls.⁵³ More than a third of the population do not have access to safe drinking water and only 35% of the urban population and 14% of the rural population have access to sanitation.⁵⁴ Increasing tax revenues without a corresponding increase in spending on basic social services could even have the opposite of the desired effect, by exacerbating poverty and heightening inequality.

Donors must therefore ensure that the collection of additional tax revenue is accompanied by an increase in spending on basic social services in order to meet the needs of the most vulnerable populations. There are two basic ways in which France can act on this matter: by strengthening the capacity of the central government and local authorities (who have a major role to play in providing basic social services) to manage public finances effectively and transparently; and by supporting internal auditing mechanisms and external checks and balances on public finance management, such as civil society organisations (CSOs), in order to increase accountability, which is vital for ensuring that domestic resources actually benefit the poorest populations.

2.1 SUPPORT BETTER ALLOCATION OF DOMESTIC RESOURCES TO BASIC SOCIAL SERVICES

At the national level, the TFPs analyse the Budget Law on an annual basis in order to ensure that the mobilisation of additional tax revenue is accompanied by efforts to direct budgetary spending towards priority sectors in the fight against poverty. At 25% of the budget, spending on social services is the largest budget item, but remains insufficient in light of the estimated 635,416,148 CFA francs required in 2017.⁵⁵ In fact, in the CREDD, half of the State's budget are meant to be allocated to basic social services.⁵⁶ Despite annual dialogue between the TFPs and central government during the Joint Budgetary Review, the partners' influence remains limited since budgetary spending remains the sovereign prerogative of the Malian government departments and Parliament, in accordance with the principle of aligning aid with national priorities.

ODA must reinforce the skills of government departments and parliamentarians to ensure the annual budget is in line with the commitments of the CREDD and meets the population's need for access to social services. From 2018, the proposed law on public finances will introduce a budgetary plan to direct state resources according to each department's own budgetary programme, including specific objectives in terms of access to basic social services, which should ensure better visibility and more effective management. The creation of a sole accounting authority for the State Treasury (a Central Bank) is also desirable so that public spending can be more easily traced.

At the local level, ODA should also support local authorities, who have a major role to play in providing basic social services, especially given the large-scale decentralisation process underway in Mali. Written into the constitution in 1992, decentralisation is a key issue in Mali and a central plank in the plan to address the institutional and security crisis affecting the country's north. The May 2013 Plan for the Sustainable Recovery of Mali (PRDM) officially transferred the responsibility for providing healthcare, education, clean drinking water and sanitation from the central government to local authorities. The PRDM specifies an increase in the portion of State revenue managed by the 760 regional authorities from 3% to 30% between now and 2018, in order to allow local governments to properly fulfil their new responsibilities.⁵⁷

In 2017, the portion of state resources transferred to local authorities reached 24.7%, however this remains insufficient to meet the population's substantial needs in terms of health, education and access to clean drinking water.⁵⁸ Fiscal revenue collected locally (in particular, a company tax called the "patent tax" and a housing tax called the "tax on local and regional development") is very low, so local authorities are heavily dependent on the financial resources that the central government transfers, even simply to cover the daily expenses associated with running a district.

Skills development within the decentralised services and organisations is required in order to ensure that the transferred resources are managed effectively. Expertise France has stated its intention to support the efficient distribution and management of public money by local authorities, by promoting "budgetisation with a focus on modern and efficient public management and improved reliability and transparency in public accounts, through digitising procedures, accounts and financial flows".⁵⁹ In 2016, France allocated 170,000 euro to fund a project aimed, in part, at assisting the reorganisation of financial governance in Mopti and improving tax compliance, in particular by renovating the buildings housing the Regional Tax Department and the Regional Tax Centre.⁶⁰ In 2017, France launched an 80,000 euro project to digitise and modernise Mopti's fiscal services, through the acquisition of office and IT equipment.⁶¹

However, beyond technical solutions for improving public finance management, it is vital to promote a real culture of transparency in order to ensure that the increased budgetary resources result in increased social spending. Too many local representatives use their positions to direct local authorities' resources towards lucrative real estate and commercial

operations, at the expense of basic social services. This causes citizens to lose trust in their elected representatives and become more reluctant to pay taxes. While revenues from small local taxes (livestock tax, bicycle tax, tax on local and regional development TLRD etc.) remain low in relation to the cost of collection, they help to promote local representatives' accountability towards citizens in terms of the provision of basic social services. Taxes are essential in order to strengthen the social and fiscal compact between governments and citizens.

Given this fact, AFD contributed 40.9% of the funds for a decentralised cooperation project carried out from June 2014 to May 2017, aimed at improving local governance and development in the Mopti region. This project, with an overall budget of 2.64 million euros, was specifically designed to reinforce elected representatives' capacity to develop annual budgets and programmes, establish and support inter-district trade unions to oversee the proper management of essential services and facilities, and provide training to members of civil society in order to prepare them for the annual public meetings on government accounts. The project also aimed to increase women's participation in elections and local decision-making bodies and to expand the place given to gender issues in development policies and districts' budget priorities, in order to improve women and girls' access to basic social services.⁶² The project's approach appears to be particularly appropriate, given the commitment demonstrated by elected representatives, trade unions, civil society and women to ensuring effective and transparent management of local public resources in the service of the community's basic needs.

2.2 STRENGTHENING OVERSIGHT MECHANISMS AND WATCHDOG ORGANISATIONS FOR BETTER ACCOUNTABILITY

Strengthening the skills of the central and regional authorities is not sufficient to guarantee that adequate public resources are allocated to basic social services. Internal regulatory bodies and external counterweight organisations must also urgently be strengthened in order to fight corruption and promote decision-makers' accountability to citizens, both locally and nationally. Expertise France highlights the importance of “strengthening public accountability mechanisms, by promoting values and ethics, professionalising internal checks and audits, building the capacities of the Court of Auditors, parliamentarians and civil society representatives, and by supporting public policy assessment”.⁶³

BUDGETARY AUDIT ORGANISATIONS

The Joint Budgetary Review of September 2016 recommended the strengthening of budgetary audits by “setting up accelerated judicial procedures, systematically launching legal investigations into all cases relating to corruption and financial crime flagged by regulatory organisations, and enabling the Office of the Auditor General to act as plaintiff in corruption trials”.⁶⁴

Some of the TFPs currently contribute to developing the capacity of internal auditing bodies. The African Development Bank provides technical and financial support to the Auditing Division of the Supreme Court, which ensures financial law enforcement and verifies that the state's accounts and the accounts of individual public accountants are in accordance with each other. The division was set to be replaced by a Court of Auditors in July of 2017, with jurisdiction over regional authorities.

In 2003, Canada supported the creation of the Office of the Auditor General (OAG), an independent regulatory institution designed to oversee the management of public revenue and expenditure, to which citizens can submit complaints. The Canadian government provided significant support to the OAG (6 million Canadian dollars from 2008 to 2017) in order to train its agents and provide it with modern auditing and communication tools.⁶⁵ By publishing an annual report with recommendations to the government, the OAG has shed light on major instances of the misappropriation of public money, such as the presidential plane scandal in 2014.¹

In the case of fraud or corruption, a legal team within the OAG is responsible for monitoring any possible legal procedures; however the Justice Department does not systematically refer matters to it. The Canadian government funds workshops involving the media and civil society in order to help citizens understand the content of the annual reports. However, the OAG's annual reports contain limited information and its sectoral reports are not made public. If the international community wishes civil society to make greater use of these reports and directly influence central and local authorities, it must demand increased transparency, especially with regards to the publication of reports on the mining sector.

PARLIAMENTARY AUDITS AND INDEPENDENT MEDIA

The Network of Malian Parliamentarians Against Corruption works in cooperation with the Auditing Division of the Supreme Court and civil society to carry out parliamentary audits on the management of public finances, in particular relating to spending on basic social services. The Network's priorities for the next two years are: integrating the Sustainable Development Goals into the Special Investment Budget and promoting the Extractive Industries Transparency Initiative. The Network requires technical assistance in order to strengthen its skills in budgetary auditing and the analysis of tax exemptions in the mining sector. In addition, the Malian Journalists' Network for the Fight Against Poverty aims to ensure better media coverage in corruption cases and to encourage accountability, but its work remains limited due to a lack of resources.

¹ In 2014, the Auditor General went to the public prosecutor regarding misappropriation of public funds, preferential treatment felony and influence peddling after having revealed in the annual report that the purchase of the new presidential plane for 29.5 million euro and the signing of arms deals had been carried out without a proper tender process.

CIVIL SOCIETY ORGANISATIONS (CSOs)

CSOs have a major watchdog role to play in demanding accountability on social spending from decision-makers. The September 2016 Joint Budgetary Review concluded that “in the fight against corruption and financial crime [...], a paradigm shift is necessary in order to transform commitments into concrete action”, in particular through “actions such as providing support to NGOs”.⁶⁶

Locally, initiatives are cropping up to raise awareness among citizens about the responsibilities of local elected representatives and develop the ability of grassroots organisations (such as, women's associations, youth movements, Neighbourhood Development Committees etc.) to analyse and check the budgets of regional authorities and hold local decision-makers to account. In March 2017, the Malian CSO “Cri 2002” partnered with Transparency International to launch a project to open civic and legal advice centres in the district of Bamako and in the regions of Sikasso and Ségou in order to provide legal support to citizens in local public finance corruption cases.

The Swiss government has contributed 500,000 euro to a project run by Oxfam Mali in partnership with several organisations, including ORFED, a civil society organisation committed to promoting good local governance.⁶⁷ ORFED sets up opportunities for citizens to speak to local elected representatives in the presence of the media, allowing them to verify that there is no misappropriation of public funds, ensure the quality of public works and evaluate the appropriateness of local government spending with regards to the real needs of the community. In spite of elected representatives' initial hesitations, these meetings have proven useful, reducing corruption and financial misappropriation. For example, certain representatives have cancelled orders for unbudgeted vehicles in the lead-up to community consultations. Local representatives have now adopted this approach themselves, organising annual consultations at their own initiative, giving citizens a voice on subjects such as the implementation of regional development plans. CSO advocacy has resulted in a clause being added to the Regional Authorities Code stipulating that government annual accounts be published before each financial year.

Nationally, CSOs have a crucial role to play in demanding fair and progressive tax policies and holding the central government to account regarding the redistribution of tax revenue. Malian civil society is relatively well organised, but its recommendations are too often ignored due to political and financial pressure from donors. For example, the opposition of numerous CSOs to the Economic Partnership Agreements went unheard, even though they were objecting to a tax policy that was likely to erode customs barriers and expose farmers to land grabs from multinational firms.

Malian CSOs struggle to make themselves heard by those in authority, chiefly due to the difficulty they have in rallying citizens. CSOs are perceived negatively by the population with regards to their political neutrality and are now competing with new forms of dissent given the emergence of religious leaders and online youth movements, which, while less organised, attract more support. CSOs also lack the resources and technical expertise to monitor and analyse state budgets, scrutinise mining contracts, or even

effectively influence the central government on the basis of the reports published by the OAG, for example. Because of this, CSOs have turned their efforts towards educating citizens, neglecting advocacy targeted towards the government. For example, following the adoption of the Budget law, they provided analysis of the budget and made it accessible to citizens through the “Citizens' Budget” document, but did little to influence the government in favour of more funding for basic social services prior to the law's adoption.

Some TFPs, such as Canada, underline the strategic importance of supporting watchdog groups to increase DRM, while France prioritises working with governments, which is laudable given the aid effectiveness principle of country ownership of development.⁶⁸ Nevertheless, if ownership is to be truly democratic, it is essential to strengthen the capacity of watchdog groups. While the AFD carries out projects to build the capacity of national parliaments and Courts of Audit in other priority low-income countries, support for NGOs and other national watchdog organisations is still lacking in Mali.

CONCLUSION AND RECOMMENDATIONS

There are several mechanisms to support domestic resource mobilisation in Mali. In order to be effective, French ODA must act on them all simultaneously. France has recognised technical expertise in building tax authorities' capacity to collect additional revenue. France must continue to provide this technical support, while promoting fair and progressive tax policies. Although French technical support is principally aimed at expanding the Malian tax base to the informal economy, France must also redouble its efforts to reduce tax exemptions. Too many tax breaks are being granted to large companies at the expense of ordinary taxpayers.

Furthermore, the French government's strategic decision to use its ODA to support Mali's efforts to mobilise additional domestic resources is meaningful only if these resources effectively contribute to the fight against poverty and inequality. Increasing the resources available to the Malian government is not sufficient in and of itself to ensure that additional tax revenue is in fact redistributed to the most vulnerable sections of the population. *Quantitative* tax revenue mobilisation must therefore go hand in hand with *qualitative* DRM.

ODA should contribute to skills development within government departments and among local officials in order to ensure improved allocation of budgetary resources to basic social services. Firstly, the Malian government must ensure that the annual budgets for basic social services are in line with the CREDD and secondly, local authorities must fully assume their responsibilities by providing basic social services, such as healthcare, education and access to clean drinking water and sanitation. Effective, transparent management of public funds will eventually improve taxpayers' trust in their elected representatives and boost tax compliance, cementing the social compact between citizens and authorities.

Finally, DRM must be accompanied by the promotion of accountability in tax policy design and the redistribution of tax revenue. French ODA must strengthen the capacities of internal audit bodies and external watchdog groups, in particular CSOs organisations but also the Office of the Auditor General, the Court of Audit, parliamentary audit committees, independent media and judicial institutions. This sphere of operation has been largely neglected by France in Mali, yet it is crucial for ensuring that tax revenue is used to help the poorest segments of the population. Support for CSOs should be fully integrated into aid for DRM projects in order to enable real, democratic ownership of development, which is a fundamental principle of effective aid.

Recommendations to the French Government:

French ODA for quantitative DRM:

- Increase the share of grants (as opposed to loans) in ODA in order to ensure aid for DRM is targeted towards the poorest countries, such as Mali.
- Continue to strengthen the technical capacity of Malian tax authorities, while promoting progressive tax policies for fair and effective public resource collection.
- Increase efforts to promote transparency and reduce tax exemptions, particularly in the mining sector, thus ensuring policy coherence for development.

French ODA for qualitative DRM:

- Strengthen the capacity of government departments and local authorities to transparently manage public finances in order to guarantee increased allocation of resources to basic social services.
- Promote democratic ownership of development and accountability by involving civil society in aid for DRM projects as well as the fight against corruption by developing the capacities of internal and external regulatory bodies (the Office of the Auditor General, the Court of Audit, legal institutions, the Network of Malian Parliamentarians Against Corruption, independent media outlets, etc.)

APPENDIX: TOWARDS A FRENCH STRATEGY ON AID FOR DRM

In 2015, France allocated 5 million euros to the mobilisation of domestic resources in developing countries, whilst the UK's aid for DRM reached 52 million euros.⁶⁹ France has been providing longstanding technical support in tax matters to developing countries, through the secondment of tax specialists from the Directorate General of Public Finance under the Department of Europe and Foreign Affairs (MAE). The Department's Stabilisation and Crisis Support Centre implements public finance governance projects for countries in crisis recovery. A steering committee for the development of international technical expertise and public finance sectoral committees (CORSEC Finances Publiques) was established in 2016 in order to promote coordination between the various public and private institutions involved in technical support in the field of public finance.

The French Development Agency (AFD) has been heading up the governance portfolio for French bilateral aid since January 2016. This covers economic and financial governance, regional governance and institutional and civic governance. AFD has produced a 2017-2018 Governance roadmap in the lead-up to the release of the MAE's strategy, which will aim to ensure better correlation between mobilising tax revenue and increasing social spending. Finally, Expertise France, the central contact for French technical support since 2015, aims to become the benchmark operator in West Africa, in particular to "support capacity building of tax authorities, local governments and representatives from civil society and business in order to improve the effectiveness of public resource collection nationally and locally, while seeking to improve tax compliance".⁷⁰

On 30 November 2016, during a meeting of the Interdepartmental committee for international cooperation and development (CICID), the French government renewed its commitment to "developing its action on governance and institutional capacity building, internal resource mobilisation and capacity strengthening of tax authorities, promoting inclusive modes of governance and supporting governments' public and sectoral policies."⁷¹ A set of strategic "Tax and Development" guidelines, established through interdepartmental cooperation, is set to be published between now and the end of 2017, detailing France's DRM strategy.

NOTES

- 1 The Malian Department of Economy and Finance, « *Cadre Stratégique pour la Relance Economique et le Développement Durable du Mali (CREDD2016-2018)* », April 2016, p.17.
- 2 International Monetary Fund, *Sixth Review Under The Extended Credit Facility, And Requests For Modification Of A Performance Criterion*, December 2016, p.4.
- 3 UNDP, Human Development Index <http://hdr.undp.org/en/data> (Retrieved 24 May 2017).
- 4 Secretariat for the harmonisation of aid, « *Politique Nationale de Gestion de l'Aide* », November 2016 (Draft version), p.17.
- 5 The Malian Department of Economy and Finance, « *Plan de réforme de la gestion des finances publiques au Mali (PREM) 2017-2021* », p.2.
- 6 The Malian Department of Economy and Finance, « *Cadre Stratégique pour la Relance Economique et le Développement Durable du Mali (CREDD2016-2018)* », April 2016, p.124.
- 7 Secretariat for the harmonisation of aid, « *Politique Nationale de Gestion de l'Aide* », November 2016 (Draft version), p.17.
- 8 The Malian Department of Economy and Finance, « *Cadre Stratégique pour la Relance Economique et le Développement Durable du Mali (CREDD2016-2018)* », April 2016, p.123.
- 9 International Monetary Fund, *Tax Policy (Diagnostic)*, September 2014, p.11
- 10 OECD, *Domestic Revenue Mobilisation in Fragile States*, 2014.
- 11 Addis Tax Initiative website: <https://www.addistaxinitiative.net/fr/> (retrieved 24 May 2017).
- 12 European Commission, *Collect More - Spend Better*, July 2015.
- 13 Interview with the World Bank in Bamako 20 March 2017.
- 14 European Court of Auditors, *The use of budget support to improve domestic revenue mobilisation in sub-Saharan Africa*, January 2017.
- 15 OECD database: <http://stats.oecd.org/> (retrieved 24 May 2017).
- 16 International conference for the economic recovery and development of Mali: <http://www.oecd.org/fr/cad/conference-developpement-mali-2015.htm> (retrieved 24 May 2017).
- 17 OECD database: <http://stats.oecd.org/> (retrieved 24 May 2017).
- 18 Interviews with the World Bank in Bamako on 20 March 2017, the European Delegation on 22 March 2017 and the French Embassy in Bamako on 16 March 2017.
- 19 International Monetary Fund, *Tax Policy (Diagnostic)*, September 2014, p.11-12.
- 20 The Malian Department of Economy and Finance, « *Cadre Stratégique pour la Relance Economique et le Développement Durable du Mali (CREDD2016-2018)* », April 2016, p.123.
- 21 International Monetary Fund, *Sixth Review Under The Extended Credit Facility, And Requests For Modification Of A Performance Criterion*, December 2016, p.9.
- 22 International Monetary Fund, *Tax Policy (Diagnostic)*, September 2014, p.11.
- 23 Expertise France, « *Fiche Projet : Appui à la Direction générale des impôts – Conventions SCAC sur FSP n°2013/28* ».
- 24 Expertise France, « *Fiche Projet : Projet de renforcement des capacités du Ministère de l'Economie et des Finances 2015-2016* ».
- 25 Crisis and Support Centre of the French Department of Foreign Affairs and International Development (MEAE), « *Fiche Projet : Projet d'Appui à la Douane Malienne* », 2015.
- 26 Interview with the French Embassy in Bamako, 16 March 2017.
- 27 Global Affairs Canada, *Project profile — Support for the Mobilization of Internal Resources (PAMORI II)*: <http://w05.international.gc.ca/projectbrowser-banqueprojets/project-projet/details/a034448001?Lang=fra> (retrieved 24 May 2017).

-
- 28 European Court of Auditors, *The use of budget support to improve domestic revenue mobilisation in sub-Saharan Africa*, January 2017.
- 29 Meeting of the public finance sectoral committee 19 April 2017.
- 30 Interview with The General Department of Globalisation of the MEAE 9 March 2017.
- 31 Ibid.
- 32 European Union Delegation, *Evaluation of the amount of and process for granting tax and customs duty exemptions*, November 2016, p.11.
- 33 Ibid., p. 11.
- 34 Department of Economy and Finance, *2017 State Budget – Expenditure per budget*: http://www.finances.gouv.ml/sites/default/files/LoiFinances/Loi_des_finances_2017/fichiers/docs/4_Tableau_des_depenses.pdf (retrieved 20 July 2017).
- 35 European Union Delegation, « *Evaluation du montant et du processus d’octroi des exonérations fiscales et douanières* », November 2016, p.83.
- 36 Ibid., p.115.
- 37 Ibid., p.84.
- 38 « *Conclusions et recommandations issues de la session technique de la Revue Budgétaire Conjointe 2016* », 28 September 2016.
- 39 Interview with the World Bank in Bamako on 20 March 2017.
- 40 Interview with the French Embassy in Bamako on 16 March 2017.
- 41 International Monetary Fund, *Sixth Review Under The Extended Credit Facility, And Requests For Modification Of A Performance Criterion*, December 2016, p.66.
- 42 International Monetary Fund, *Seventh Review Under The Extended Credit Facility Arrangement, And Requests For Extension and Augmentation*, July 2017, p.9.
- 43 International Monetary Fund, *Sixth Review Under The Extended Credit Facility, And Requests For Modification Of A Performance Criterion*, December 2016, p.66.
- 44 Interview with the International Monetary Fund in Bamako on 22 March 2017.
- 45 Interview with the Crisis and Support Centre (MEAE), 9 March 2017.
- 46 ECOFIN Agency, *Sudan overtakes Mali to become the third largest gold producer in Africa (World Bank)*, 5 May 2017: <http://www.agenceecofin.com/or/0505-47110-le-soudan-surclasse-le-mali-et-devient-le-troisieme-producteur-d-or-en-afrique-banque-mondiale> (retrieved 2 June 2017).
- 47 Extractive Industries Transparency Initiative (EITI), *EITI report Mali*, December 2016, p.116.
- 48 International Monetary Fund, *Mining and Petroleum Taxation (Diagnostic)*, December 2015, p.14.
- 49 Jeune Afrique, *Mali: a report contests the exemptions granted to miners*, 18 April 2016: <http://www.jeuneafrique.com/318760/economie/mali-rapport-conteste-exonerations-accordees-aux-miniers/> (retrieved 24 May 2017).
- 50 <http://maliactu.net/mali-projet-de-budget-2017-la-recette-seleve-a-plus-de-2000-milliards-de-nos-francs/> (retrieved 18 July 2017).
- 51 The Malian Department of Economy and Finance, « *Cadre Stratégique pour la Relance Economique et le Développement Durable du Mali (CREDD2016-2018)* », April 2016, p.42.
- 52 The Malian Department of Economy and Finance, « *Cadre Stratégique pour la Relance Economique et le Développement Durable du Mali (CREDD2016-2018)* », April 2016, p.95.
- 53 Ibid., p.89.
- 54 Ibid., p.98.
- 55 <http://maliactu.net/mali-projet-de-budget-2017-quatre-gros-postes-de-depenses/> (retrieved 18 July 2017)
- 56 The Malian Department of Economy and Finance, « *Cadre Stratégique pour la Relance Economique et le Développement Durable du Mali (CREDD2016-2018)* », April 2016, p.126.
- 57 « *Plan pour la Relance Durable du Mali 2013-2014* », 7 May 2013, p.22.
- 58 « *Conclusions et recommandations issues de la session technique de la Revue Budgétaire Conjointe 2016* », 28 September 2016.

-
- 59 Expertise France, « *Présentation activités gouvernance économique et financière Expertise France* », 30 September 2016.
- 60 MEAE, « *Fiche Projet : Décentralisation et développement des services fiscaux, légaux et judiciaires* » : http://d-portal.org/ctrack.html?search&country=ML§or_code=15114#view=act&aid=FR-6-ML-ML-75 (retrieved 24 May 2017).
- 61 MEAE, « *Fiche Projet : Equipement informatique de la Direction régionale des impôts et du Centre régional des impôts de Mopti* » : <http://mali.transparence-aide.gouv.fr/projects/equipement-informatique-de-la-direction-regionale-des-impots-et-du-centre-regional-des-impots-de-mopti/> (retrieved 24 May 2017).
- 62 « *Programme d'Appui au Développement Local de Mopti et d'Education Au Développement dans les Yvelines – PADLM Phase 2* » : <https://www.actionmopti.org/programme-d-appui-au-d%C3%A9veloppement/> (retrieved 24 May 2017).
- 63 Expertise France, « *Présentation activités gouvernance économique et financière Expertise France* », 30 September 2016.
- 64 « *Conclusions et recommandations issues de la session technique de la Revue Budgétaire Conjointe 2016* », 28 September 2016.
- 65 Global Affairs Canada, *Project profile: Support to the Office of the Auditor General*: <http://w05.international.gc.ca/projectbrowser-banqueprojets/projet-projet/details/a032514001?Lang=fra> (retrieved 24 May 2017).
- 66 *Conclusions and recommendations from the technical session of the 2016 Conjoint Budgetary Review*, 28 September 2016.
- 67 Oxfam Novib, *Project report: Tax Mobilisation for development*: <https://atlas.oxfamnovib.nl/#/project/A-04298-04:ML> (retrieved 24 May 2017).
- 68 Interview with the Crisis and Support Centre (MEAE), 9 March 2017.
- 69 OECD, « *France* », *Development Co-operation Report 2017*, 31 October 2017.
- 70 Expertise France, « *Présentation activités gouvernance économique et financière Expertise France* », 30 September 2016.
- 71 The Interdepartmental committee for international cooperation and development (CICID), *Summary of decisions*, 30 November 2016, p.12.

© Oxfam France December 2017

This document was written by Michael Siegel. Findings are based on research carried out in Mali in March 2017, with the support of Yaya Touré.

Oxfam thanks Ousmane Sy and Adam Thiam for their assistance, as well as :

In France

The French Development Agency (AFD)
Crisis and Support Centre of the French Department of Europe and Foreign Affairs (MEAE)
The General Department of Globalisation of the MEAE
Expertise France

In Mali:

Budget Monitoring Group
Canadian Embassy
CAD-Mali
Cri 2002
Department of Economy and Finance—Secretariat for the Harmonisation of Aid
Department of Livestock and Fisheries
Department of Mining
Department of Regional and Population Development
European Union Delegation
French Embassy
International Monetary Fund
Mali Publish What You Pay Coalition
Malian Town Councils' Association
National Assembly – The Network of Malian Parliamentarians Against Corruption
Office of the Auditor General
ORFED
World Bank

OXFAM FRANCE

104 rue Oberkampf – 75011 Paris
00 33 1 56 98 24 40 – info@oxfamfrance.org

