

MINING REVENUE AS A SOURCE OF FUNDING FOR UNIVERSAL HEALTH COVERAGE IN MALI

ALFOUSSEYNI DIAWARA, AMADOU KEITA, LAURENCE TOURÉ,
MYLÈNE CODERRE ET BONNIE CAMPBELL



A collective research project of the Groupe d'études et de recherche en sociologie et droit appliqué (GERSDA), the Association malienne de recherche et formation en anthropologie des dynamiques locales (MISELI) and the Centre interdisciplinaire de recherche en développement international et société (CIRDIS) at the Université du Québec à Montréal.

ABSTRACT

This Policy Brief draws attention to the enormous potential of the Malian mining sector for funding public services and does so using the example of an intergenerational investment: Universal Health Coverage (UHC). If all mining revenue from a single year was allocated to the funding of UHC, we believe that coverage could be extended to the entire population of Mali for at least 13 years. However, several obstacles stand in the way of mobilising mining revenue to finance the health sector, such as: silo management, the persistence of regulatory and fiscal frameworks favourable to extractive companies and the mining sector's lack of transparency in terms of mining revenue management. This brief concludes with a series of recommendations that include revising the fiscal regime, reinforcing capacities, and harmonising government interventions.

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WHAT ARE THE ISSUES?

Gold mining is an economic pillar in Mali, but it is proving difficult to extend the sector's economic benefits to the population. The regulatory frameworks for mining that have prevailed until now are based on a sectorial approach with few links to the economy and weak socioeconomic development goals.¹

In recent years, the government has sought to redefine its approach and harmonise it with the Africa Mining Vision (AMV) and regional economic community provisions. This process has led to the adoption of a national policy on the development of the mining and petroleum sectors in 2018 and a new mining code in 2019.

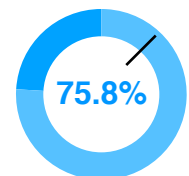
In this context of reforms, it is useful to reflect on the developmental role that this sector could play. The links between the mining sector and development are generally formulated in terms of *maximising revenue* and synergies with other economic sectors.

However, the issue of the allocation and redistribution of mining revenue is just as fundamental to optimise the contribution of the mining sector to the country's development.

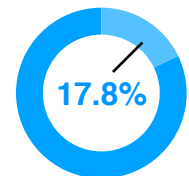
Using a case study that sought to be illustrative rather than prescriptive, this research project evaluated the potential of the Malian mining sector for funding public services using the example of Universal Health Coverage (UHC). The current pandemic highlights the necessity of having robust health systems in place and emphasises the importance of funding this sector.²

Mining sector contribution to the national economy in 2018

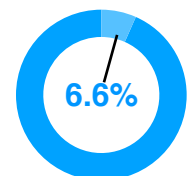
Contribution to exports



Contribution to state revenues



Contribution to GDP



Reference:
2018 EITI Mali Report

UHC is at the heart of the 2014-2023 *Plan décennal de développement socio-sanitaire* (Ten-Year Health and Social Development Plan) and a law establishing the universal health insurance regime (*Régime d'Assurance Maladie Universelle* – RAMU) was enacted in 2018. Despite this political will, more than 75 per cent of the population still does not have health coverage.³

In Mali, health care is primarily funded by international partners (35 per cent) and households (34 per cent). The government finances 28 per cent of health care spending, accounting for a marginal portion of the national budget (5 per cent). Extending UHC to the entire population would cost 17.2 billion CFA francs annually, representing a 54 per cent increase in government health care spending.⁴ To honour its commitments, the government of Mali will need to find new sources of financing and the mobilisation of mining revenue is a promising avenue to explore.

RESEARCH

Funded by the Social Sciences and Humanities Research Council (SSHRC) of Canada, the objective of the **Access to Health, Mining Resources and the Role of Public Policies in Mali** (*Accès à la santé, ressources minières et le rôle des politiques publiques au Mali*) project was to identify the challenges of mobilising mining revenue and its potential for funding UHC. While this project focused on a specific public policy, it did not in any way advocate for the prioritisation of certain objectives or political instruments, nor did it recommend that additional financing from mining revenue be awarded to health care rather than other sectors such as education and agriculture. Rather the study sought to identify the best strategies and contexts to mobilise additional resources and maximise the developmental contribution of the mining sector using the example of mines/health nexus.

The research for the project took place between December 2017 and May 2021 and involved two teams based in Mali: MISELI (health) and the Groupe d'Études et de Recherche en Sociologie et Droit Appliqué - GERSDA (mining) who worked in conjunction with international researchers specialised in public policies in the health and the mining sectors. The study was based on three methods:

1. Conducting a literature review of the mining revenue mobilisation strategies implemented by other sub-Saharan African countries;
2. Studying the regulatory and institutional frameworks of Mali's mining and health sectors;
3. Conducting 77 interviews in Bamako and the Kayes region with:
 - Representatives of public administrations (mining, health and finance);
 - Representatives of non-governmental organisations and civil society;
 - Representatives of technical and financial partners (TFP); and
 - Researchers who specialise in these areas.

MAIN FINDINGS

- 1. In its *Plan d'Action pour le Mali (MAP) 2020-2030. La voie à suivre pour une meilleure santé (Mali's Action Plan 2020-2030. The Way to Better Health)*, the government acknowledges that an increased mobilisation of local resources will be necessary to fund UHC, notably through taxes levied on specific sectors such as mining.⁵**

2. Mining revenue from a single year would be sufficient to fund UHC for the entire population of Mali for 13 years.

- According to official sources, **mining revenue contributed 227.4 billion CFA francs to the national budget in 2018 and the annual cost of extending UHC is estimated at 17.2 billion CFA francs**. Considering that mining revenues could in fact be increased even further, this theoretical scenario shows the sector's vast potential for funding public services.
- Nonetheless, many of the decision makers and TFP representatives interviewed view this option as unrealistic and difficult to implement.⁶

What are the challenges to mobilising mining revenue for funding UHC?

3. Silo Management

- The coexistence of several regulatory frameworks for mining (1991, 1999, 2012, 2019) and the poor coordination among the various social security regimes that should ultimately make up the RAMU, complicate the management of these two sectors.
- The lack of communication between the ministries involved, the *ministère de la Solidarité et de l'Action Humanitaire* (Ministry of Solidarity and Humanitarian Action) and the *ministère de la Santé et de l'Hygiène Publique* (Ministry of Health and Public Hygiene) and their differing strategic visions concerning UHC have long been an impediment to constructive discussions.⁷ Since 2019, with the return of the social sector to the health sector, the *ministère de la Santé et du Développement Social* (Ministry of Health and Social Development) is responsible for the implementation of UHC. However, it remains to be seen how it will manage the ever-decreasing share of the national budget allocated to health and whether it will start considering the mining sector for potential funding purposes.

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- Because of the lack of communication amongst each other, the *Direction nationale des Mines et de la Géologie*, (National Directorate of Geology and Mines), the *Direction générale des Impôts* (the Tax Directorate), and the *Direction générale des Douanes* (Directorate General of Customs) do not have comprehensive information on which to base their interventions.
 - **There is no designated site for intersectoral consultation, which limits dialogue among ministries and consequently, the emergence of a shared global vision on the potential role of the mining sector in development.**

4. Precedence of highly attractive fiscal regulatory frameworks that deprive the state of significant sources of revenue

- Mining codes and agreements provide companies with favourable fiscal regimes and stable tax conditions for up to thirty years (the 2019 code reduces this duration to ten years).⁸ However, the IMF estimates that on average mining operations provide a return on investment five years after the beginning of activities.⁹
- Of the thirteen companies operating in 2018, eleven were regulated by codes prior to the code of 2012 that grant even more favourable tax exemptions.¹⁰ Because the 2019 mining code does not contain a retroactivity clause,¹¹ the scope of the reforms is considerably limited.
- According to the IMF, the customs duties and value-added tax (VAT) exemptions granted by the state to mining companies accounted for 21 per cent of total tax expenditures in 2016.¹²

5. Inadequate traceability and transparency in the management of mining revenue

- There are discrepancies between the data disclosed by mining companies, the *Direction générale des Douanes* and the *Direction nationale des Mines et de la Géologie* regarding company payments, export and production volumes. In 2016, the Extractive Industries Transparency Initiative (EITI) reported that several companies had exported gold without a mining permit or being listed on the mining registry.¹³ The traceability of transfers made to local communities is also an issue as there are discrepancies between the amounts disclosed by companies, the *Direction générale des Impôts* and local governments.
- In 2018, out of a total of 241 billion CFA francs in mining revenues destined for the Public Treasury, 94.3 per cent was allocated to the national budget.¹⁴ However, public finances are based on the single coffer principle of the Public Treasury, meaning that revenues are placed in a single account. As a result, it is difficult to determine how these revenues are used and to measure their impact on the funding of public services.

RECOMMENDATIONS

1. Revise the fiscal regime to maximise mining revenue

A. Eliminate discretionary and non-essential tax exemptions

- In 2017, the government passed a law to eliminate exemptions that the legislation did not authorise. Mining agreements should be reviewed to ensure their compliance with the law on the elimination of discretionary exemptions.
- It would also be useful to revise the provisions of the tax, customs and mining codes to eliminate non-essential exemptions, i.e., not justified by 'economic policy (regulations, incentives) and social (redistribution of income) considerations.¹⁵

B. Revise stability clauses

- Make retroactive the reduction of the period of stability set out in the new mining code.
- Set the duration of fiscal stability so that it coincides with the period required to amortise the investments made by the mining operator.

C. Favour a fiscal regime regulating all mining activities rather than specific fiscal regimes defined by bilateral agreements with individual mining companies

- In the longer term, limit provisions that are open to negotiations with mining companies and defined by bilateral agreements, particularly with regard to the fiscal regime that regulates them. Mining agreements contain specific fiscal provisions that restrict the implementation of domestic tax laws.¹⁶
- This recommendation would limit the scope of mining agreements, simplify regulatory frameworks and make them more coherent, increase the predictability of mining revenue and guarantee greater transparency in the conditions associated with gold mining.

2. Improve monitoring and transparency in mining revenue management

A. Reinforce the monitoring of exports and mining production

- Strengthen the technical and financial capacities of the *Direction générale des Douanes* and the *ministère de l'Économie et des Finances* (Ministry of Economy and Finance), to improve reporting procedures. The *Direction générale des Douanes* must be in a position to provide comprehensive information on export and production volumes and justify discrepancies between the numbers provided by mining companies and those of the government.¹⁷

B. Disclose payment flows for each mining project

- Implement a mechanism for the disclosure of payment flows for each mining project¹⁸ to monitor the amounts provided by companies to the state, the Local Development Mining Fund (established by the 2019 Mining Code), local communities or which take the form of social payments under Corporate Social Responsibility (CSR) initiatives.

C. Define guiding principles for the use of mining revenue and introduce a transparent management system

- As exists in Botswana (see box below), guiding principles for mining revenue management should be established so that revenue is reinvested and converted into human, social and economic capital, while at the same time taking intergenerational equity into account.¹⁹ This would require the creation of a tool to trace the allocation of these funds by the state and capable of monitoring their use.
- Encourage those in charge of the local development plan to focus on funding health and align CSR initiatives with public health policy goals.

Botswana's Sustainable Budget Index (SBI)

SBI consists in using mining revenue to cover investment expenditures and recurring (i.e., non-mining) revenues to finance recurring expenditures. As health and education spending is a human capital investment, it is funded by mining revenue. From 1983 to 2016, 87 per cent of mining revenue was used for physical and human capital investments. However, one of the shortcomings of Botswana's approach is that only a small portion of mining revenue is allocated to savings which, given the finite nature of mineral resources, undermines intergenerational equity and makes public services vulnerable to mineral prices.

Source: African Natural Resources Center & The African Development Bank (2016), Botswana's Mineral Revenues Expenditure and Savings Policy.

3. Reinforce capacities and harmonise government interventions

A. Reinforce the technical, human and financial capacities of ministries associated with the health and mining sectors

- Encourage companies with activities regulated by codes prior to the 2019 Mining Code to contribute to the *Fonds de financement de la recherche géologique et minière* (Fund for Financing of Geological and Mining Research), established by the 2019 code, in order to increase the technical and financial capacities of public authorities, particularly in the fields of geological data and the negotiation of agreements.
- Recommend the setting up of a working group within the *Cellule de planification et de statistique du secteur santé, développement social et promotion de la famille* (Center for Planning and Statistics

- Health, Social Development and Family Promotion Sectors) to overcome diverging approaches and end competition among the institutions involved in the operationalisation of the various health sector reforms.

B. Encourage interministerial initiatives

- Create a working group with members of the ministries concerned (mines, health, finance, territorial administration and decentralization), researchers and civil society actors to identify health funding mechanisms stemming from the mining sector. For example, one avenue would be to study the potential of the special tax on certain products, such as gold, to finance the RAMU's implementation.

CONCLUSION

Mali has abundant mineral resources. Given their non-renewable nature, the management of public revenue from the mining sector should be steered by guiding principles to ensure that this revenue is reinvested and converted into human, social and economic capital. The mining sector represents a unique opportunity for domestic and sustainable UHC funding that would reduce the dependence of health care on external financing sources.

This Policy Brief proposes a change of perspective in public policy orientations to articulate the objective of mining revenue maximisation, as defined in the *Politique nationale de développement des secteurs minier et pétrolier* (National Policy on the Development of the Mining and Petroleum Sectors), and the 2019 Mining Code, with the funding requirements of key public services.

Its recommendations are clearly aligned with the *Plan d'action pour le Mali (MAP) 2020-2030. La voie à suivre pour une meilleure santé*, (Mali's Action Plan 2020-2030. The Way to Better Health) in promoting a bold vision in favour of transformative change to speed up Mali's progress towards achieving the Sustainable Development Goals and Universal Health Coverage.

NOTES

1 The current study focuses solely on the industrial mining sector.

2 UNCTAD (2021) 'Promoting Investment in Health Post-Pandemic: A Global Trend?', United Nations Conference on Trade and Development, July 7, 2021, <https://investmentpolicy.unctad.org/publications/1251/promoting-investment-in-health-post-pandemic-a-global-trend->.

3 Awawda, S. et al. (2020) *La couverture sanitaire universelle au Sahel: le cas du Mali et du Tchad*, Policy Brief. UNISSAHEL, 6 p.

4 Op.cit. (2020) Awawda et al.

5 Ministère de la Santé et des Affaires Sociales (2020) *Plan d'action pour le Mali (MAP) 2020-2030. La voie à suivre pour une meilleure santé*. Republic of Mali.

6 In 2016, the *ministère de la Solidarité et de l'Action Humanitaire* (Ministry of Solidarity and Humanitarian Action) and the World Health Organization requested a study on this topic. It focused on the possibility of taxing certain areas (plane tickets, alcohol and the phone industry), but did not include the mining sector because of the lack of political will and transparency in revenue management. See Traoré, M. & Brikci, N. (2016) *Le financement de la santé au Mali à travers les sources de financement innovantes*, Oxford Policy Management. It should be noted that the approach adopted in the present SSHRC study is not limited to the taxation of the mining sector. Rather it examines the sector's management as a whole, including the revision of the fiscal regime, the negotiation of agreements, the monitoring and transparency of mining revenue management, and the reinforcement and harmonisation of government interventions.

7 Gautier, L., Touré, L., & Ridde, V. (2021) 'L'adoption de la réforme du système de santé au Mali : rhétorique et contradictions autour d'un prétendu retour de la santé communautaire', in V. Ridde (ed.) *Les défis de la couverture sanitaire universelle en Afrique subsaharienne : permanence et échecs des instruments du New Public Management – Vers une couverture sanitaire universelle en 2030 ?*, Éditions science et bien commun.

8 Titles are automatically renewed for consecutive ten-year periods until the deposit is depleted. It should be noted that while the stability of the fiscal regime is guaranteed to holders of mineral exploration rights for the duration of their title, including periods of renewal, it is only guaranteed to holders to mineral extraction rights for the initial validity period of their title.

9 International Monetary Fund (IMF) (2015) *Mali: Technical Assistance Report-Mining and Petroleum Taxation (Diagnostic Assessment)*, IMF Staff Country Reports, 15/348, p. 1.

10 EITI MALI (2020) *Rapport ITIE 2018*, Extractive Industries Transparency Initiative, December 2020, p. 33.

11 To a certain extent, companies are free to decide if they wish to adopt a more favourable tax provision, but if they choose to do so they have to adopt the entire law containing that provision.

12 IMF (2018) *Mali: Selected Issues*, IMF Country Report No. 18/142, p. 31.

13 EITI MALI (2018), *Rapport ITIE 2016*, Extractive Industries Transparency Initiative, December 2018, p. 81.

14 Op.cit., EITI (2020), p. 12.

15 Op.cit., IMF (2018), pp. 23-24.

16 IMF (2021) 'Tax Avoidance in Sub-Saharan Africa's Mining Sector', International Monetary Fund

17 Op.cit., EITI (2020), p. 101.

18 Ibid., EITI (2020), p. 100.

19 Jefferis, K. (2016) *Public Finance and Mineral Revenues in Botswana*, Technical Report, Waves Partnership Botswana Program.

Research:

Alfousseyni Diawara, Professor researcher, Université des Sciences Juridiques et Politiques de Bamako (USJPB)
alfdiawara@yahoo.fr

Amadou Keita, Professor researcher, USJPB
keita_amad@yahoo.fr

Laurence Touré, Researcher, MISELI
chat@afribonemali.net

Redaction:

Mylène Coderre, PhD Candidate, University of Ottawa
mylene.coderre-proulx@uottawa.ca

Bonnie Campbell, Professor Emeritus, UQAM
campbell.bonnie@uqam.ca

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