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MALI

May 2018

2018 ARTICLE IV CONSULATION AND EIGHTH AND NINTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR MALI

In the context of the 2018 Article IV Consultation and Eighth and Ninth Reviews Under the Extended Credit Facility Arrangement, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on May 23, 2018, following discussions that ended on April 24, 2018, with the officials of Mali on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these circulations, the staff report was completed on May 10, 2018.
- A **Debt Sustainability Analysis Update** prepared by the staffs of the IMF and the International Development Association (IDA).
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Mali.

The documents listed below have been or will be separately released:

Letter of Intent sent to the IMF by the authorities of Mali*
Memorandum on Economic and Financial Policies by the authorities of Mali*
Technical Memorandum of Understanding*
Selected Issues

* Also included in Staff Report.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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COMMUNICATIONS DEPARTMENT

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May 23, 2018

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Washington, D.C. 20431 USA

IMF Executive Board Completes Eighth and Ninth Reviews under the ECF Arrangement, Approves US$89.7 Million Disbursement, and Concludes 2018 Article IV Consultation with Mali

On May 23, 2018, the Executive Board of the International Monetary Fund (IMF) completed the Eighth and Ninth Reviews of Mali's performance under the program supported by an Extended Credit Facility (ECF) arrangement.[1] Completion of the reviews enables the disbursement of SDR 63.3 million (about US$89.7 million) or 34 percent of quota, bringing total disbursements under the current arrangement to SDR 154.95 million (about US$ 219.7 million) or 83 percent of quota.

The ECF arrangement for Mali was approved on December 18, 2013 for SDR 30 million (about US$46.2 million, or 16.1 percent of quota at the time see Press Release No. 13/524).[2] Additional access of SDR 68 million (about US$96.4 million, or 36.4 percent of quota was approved on June 9, 2016. It was followed by an augmentation of SDR 88.6 million (about US$125.6 million), or 47.5 percent of Mali's quota approved on July 7, 2017 along with a one-year extension of the program, bringing Mali's access under the ECF arrangement to SDR 186. 6 million (about US$264.6 million) or 100 percent of quota.

Following the Executive Board's discussion Mr. Furusawa, Deputy Managing Director and Acting Chair, made the following statement:

"Mali's performance under the program supported by the IMF's Extended Credit Facility Arrangement has been satisfactory. The economic recovery continued in 2017, with robust GDP growth, subdued inflation, and an improved fiscal position. The medium-term economic outlook remains positive, although fragile security conditions pose a downside risk.

"The Malian authorities have reaffirmed their commitment to reach the 2019 WAEMU

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] For more detail on the ECF arrangement for Mali and the country's broader economic outlook, go to: www.imf.org/mali.

convergence criteria. The 2018 budget aims at maintaining expenditures in line with budgetary resources while protecting social spending and stimulating medium-term public investment. Fiscal consolidation is underpinned by improved resource mobilization, including boosting collection of indirect taxes, and containing current spending while accommodating priority spending needs for security and decentralization.

"Improving revenue mobilization and strengthening the efficiency and quality of public spending is key to create fiscal space to finance investment in infrastructure, social, and human capital while maintaining sound public finances. The authorities' program includes steps to strengthen tax administration, raise the efficiency of VAT collection, enforce taxpayer compliance, improve the effectiveness of mining sector taxation, and further streamline tax exemptions. Reinforcing public financial management and containing tax expenditures will also contribute to fiscal discipline. Strengthening the financial position of the state-owned electricity company would help mitigate fiscal risks and free up resources for investment and priority spending.

"Keeping the momentum of structural reforms set in motion during the program will be critical to realize the positive outlook, improve the business climate and sustain robust, inclusive growth. To advance the implementation of the 2015 Peace agreement, the authorities need to continue fiscal decentralization. Implementing the law against illicit enrichment, including through enforcement of the asset declarations by public officials, will help consolidate recent governance reforms."

The Executive Board of the IMF also completed the 2018 Article IV Consultation with Mali.

Mali's economic recovery continued in 2017 amid persistent security challenges. GDP growth remained robust, at an estimated 5.3 percent supported by good harvests and robust domestic demand. Inflation was subdued, remaining well below the regional ceiling. The 2017 fiscal outturn and the 2018 budget are in line with the program targets and the goal of converging to the WAEMU's regional fiscal deficit norm of 3 percent of GDP by 2019. The macroeconomic outlook is, however, subject to downside risks stemming mainly from Mali's fragile security situation.

Executive Board Assessment[3]

Executive Directors agreed with the thrust of the staff appraisal. They commended the authorities for the recent strong macroeconomic performance despite a challenging environment. However, they noted that poverty and inequality remain high. Directors also noted that while the short-term economic outlook is favorable, further adverse movements in commodity prices and fragile domestic security conditions pose risks. They emphasized that

[3] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

continued commitment to strong policies and reforms is necessary to preserve economic gains, and foster sustainable and inclusive growth.

Directors welcomed the 2018 budget, which provides an adequate basis for fiscal policy amid pressing spending needs related to the peace agreement and security. They encouraged the authorities to remain vigilant in executing the budget as planned, particularly during the upcoming elections. Directors welcomed the authorities' commitment to reach the 2019 WAEMU convergence criteria which will be important for maintaining a manageable public debt burden.

Directors welcomed the improved domestic revenue performance. They encouraged the authorities to create further fiscal space by mobilizing additional domestic revenue and strengthening the efficiency of public spending. Broadening the tax base, a more efficient taxation of the mining sector, and strengthening tax administration will be essential to boost the tax-to-GDP ratio. Directors stressed the importance of containing tax expenditures and improving the efficiency of public investment spending to free up resources to support growth and boost social spending.

Directors highlighted that financial sector resilience and financial inclusion are critical for supporting economic growth. They welcomed the recent improvement in financial soundness indicators and encouraged action to address risks from the high concentration of bank credits on a few borrowers and economic activities, and called for an overall strategy to reduce nonperforming loans. Directors also supported measures to foster financial inclusion, including by expediting the implementation of their comprehensive plan to consolidate microfinance institutions and reform the microfinance sector, and supporting the development of a nascent mobile banking sector.

Directors underscored the need to further improve the business environment. They encouraged the authorities to address remaining impediments to growth, including corruption, insufficient power supply and poor transport infrastructure, limited access to credit, and a shortage of skilled labor.

Directors welcomed the steps taken to improve governance and accountability. They commended the authorities' progress with anti-corruption measures, especially requiring asset declarations by public officials, and urged strong enforcement to boost stakeholders' confidence. Directors encouraged further steps to strengthen the implementation of the AML/CFT framework and consolidate improvements in the PFM system's integrity and transparency.

It is expected that the next Article IV consultation with Mali will take place in accordance with the Executive Board decision on consultation cycle for members with Fund arrangements.

Table 1. Mali: Selected Economic and Financial Indicators, 2013–23

	2013	2014	2015	2016	2017	2017	2017	2018	2019	2020	2021	2022	2023
				Est.	Prog.	Prog.[1] Rev.	Est.	Prop. Prog.	Projections				
	(Annual Change in percentage)												
National income and prices													
Real GDP	2.3	7.0	6.0	5.8	5.3	5.3	5.3	5.0	4.7	4.7	4.7	4.7	4.7
GDP deflator	0.7	1.6	2.8	1.5	1.7	1.2	1.6	1.4	1.4	1.8	2.0	2.0	2.2
Consumer price inflation (average)	-0.6	0.9	1.4	-1.8	0.8	0.2	1.8	1.4	1.7	1.9	2.1	2.2	2.2
Consumer price inflation (end of period)	0.0	1.2	1.0	-0.8	1.0	1.0	1.1	1.6	1.7	2.0	2.2	2.2	2.2
External sector (percent change)													
Terms of trade (deterioration -)	-16.6	5.5	18.6	15.5	4.5	-6.4	0.2	-2.6	0.9	1.2	0.5	-2.6	-2.6
Real effective exchange rate (depreciation -)	0.5	1.8	-3.6	-1.9	...	...	0.9	...	...	...	...	...	...
Money and credit (contribution to broad money growth)													
Credit to the government	-2.7	0.8	1.6	10.4	7.3	6.9	3.9	14.5	3.0	...	...	...	...
Credit to the economy	7.5	12.4	14.6	13.7	10.2	10.8	6.3	8.5	8.9	...	...	...	...
Broad money (M2)	7.4	7.1	13.2	7.3	14.4	7.8	7.9	16.2	8.0	...	...	...	...
	(Percent of GDP, unless otherwise indicated)												
Investment and saving													
Gross domestic investment	17.8	20.4	18.4	18.6	19.7	20.0	18.9	19.6	19.7	19.8	20.1	20.3	20.5
Of which: government	6.0	6.5	7.3	8.9	9.6	9.9	8.8	9.5	9.6	9.7	10.0	10.3	10.5
Gross national savings	14.9	15.7	13.0	11.4	12.8	11.8	12.8	13.0	13.4	13.7	14.1	14.1	14.1
Of which: government	0.2	0.4	2.1	1.8	2.1	3.1	3.5	3.1	3.5	3.6	3.9	4.0	4.1
Gross domestic savings	2.8	4.9	2.8	1.8	2.1	1.9	3.2	4.2	4.1	4.6	5.2	5.4	9.9
Central government finance													
Revenue	14.5	14.9	16.4	16.7	17.1	18.3	18.5	19.4	18.7	19.0	19.3	19.9	20.4
Grants	2.8	2.2	2.7	1.6	2.0	2.3	1.6	1.2	1.6	1.7	1.8	1.8	1.8
Total expenditure and net lending	19.7	20.0	20.9	22.2	23.1	24.0	23.0	23.9	23.3	23.7	24.1	24.6	25.2
Overall balance (payment order basis, including grants)	-2.4	-2.9	-1.8	-3.9	-4.1	-3.5	-2.9	-3.3	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, including grants)	-2.4	-2.4	-3.2	-3.9	-4.1	-3.4	-2.6	-3.6	-3.0	-3.0	-2.8	-2.9	-2.9
Basic fiscal balance (WAEMU def.)[2]	-0.7	-1.2	0.5	-1.9	-1.6	-1.1	-0.9	-1.3	-1.1	-0.9	-0.8	-0.6	-0.5
External sector													
Current external balance, including official transfers	-2.9	-4.7	-5.3	-7.2	-6.8	-8.1	-6.0	-6.5	-6.3	-6.1	-6.0	-6.3	-6.4
Current external balance, excluding official transfers	-12.4	-12.7	-12.3	-14.6	-15.9	-16.6	-13.1	-13.6	-13.5	-13.0	-12.6	-12.5	-8.1
Exports of goods and services	24.9	22.5	24.0	23.4	22.1	23.1	23.2	22.7	21.1	20.6	20.1	19.7	19.3

Table 1. Mali: Selected Economic and Financial Indicators, 2013–23 (continued)

Imports of goods and services	39.9	38.0	39.6	40.3	39.6	41.2	38.9	38.0	36.7	35.7	35.0	34.7	30.0
Debt service to exports of goods and services	2.3	3.5	5.8	3.8	5.2	4.8	4.1	5.3	4.7	5.7	5.8	6.2	5.8
External debt (end period)	21.5	21.0	22.6	24.9	23.0	25.3	24.5	23.4	23.2	23.4	23.6	24.1	24.4
Memorandum items:													
Nominal GDP (CFAF billions)	6,544	7,114	7,748	8,322	8,870	8,868	8,899	9,474	10,057	10,719	11,448	12,230	13,082
WAEMU gross official reserves (billions of US$)	13.6	13.2	12.4	10.4	…	…	13.0	…	…	…	…	…	…
(percent of broad money)	49.2	47.0	43.8	35.0	…	…	35.3	…	…	…	…	…	…
(months of WAEMU imports of GNFS)	4.5	4.7	5.0	4.0	…	…	4.2	…	…	…	…	…	…
Public Debt (Percent of GDP)	26.4	27.3	30.7	35.9	30.0	31.8	35.6	35.9	36.6	37.6	38.6	39.8	40.4
Domestic debt (end period) [3]	4.9	6.3	8.0	11.0	7.0	6.5	11.0	12.5	13.4	14.3	15.1	15.7	16.0
US$ exchange rate (end of period)	478.7	532.0	603.1	622.2	…	…	…	…	…	…	…	…	…
Gold Price (US$/fine ounce London fix)	1411	1266	1160	1248	1357	1254	1257	1340	1375	1421	1460	1492	1525
Petroleum price (crude spot) (US$/bbl)	104	96	51	43	51	55	53	62	58	56	54	55	56

Sources: Ministry of Finance; and IMF staff estimates and projections.

[1] IMF Country Report No. 17/209, Mali: Seventh Review Under the Extended Credit Facility Arrangement.

[2] Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending excluding foreign-financed capital spending.

[3] Includes BCEAO statutory advances, government bonds, treasury bills, and other debts.

INTERNATIONAL MONETARY FUND

MALI

May 7, 2018

STAFF REPORT FOR THE 2018 ARTICLE IV CONSULTATION AND EIGHTH AND NINTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT

KEY ISSUES

Context. Mali is a fragile state, facing severe security challenges and social tensions. The authorities struggle with the implementation of the 2015 peace agreement, and persistent insecurity in northern and central Mali associated with limited State presence, highlights the lack of a peace dividend and explains limited societal buy-in. The economic recovery has entered its fifth year, and growth is projected to remain robust in the near term. However, poverty remains high and social discontent is growing. The economic outlook is also subject to downside risks from the volatile security conditions and potential pressures on policy implementation ahead of the 2018 elections.

Article IV discussions. Discussions focused on policy priorities to strengthen macroeconomic resilience and generate higher and more inclusive growth. Sustained efforts to increase tax revenue, including through more efficient international taxation, and improve the efficiency and quality of public spending are key to create much-needed fiscal space to finance investment in infrastructure, social, and human capital while maintaining sound public finances. Addressing such needs is crucial to raising long-run economic growth and further reducing poverty in a context of high population growth. Improving governance and addressing financial sector weaknesses to improve asset quality and financial inclusion would also help foster growth.

Program implementation. Program performance through December 2017 was broadly satisfactory. All end-June and end-December performance criteria and continuous performance criteria were met. Progress on structural benchmarks has been slower than expected, with two of five structural benchmarks met, one implemented with delay, and two reformulated and reprogrammed for end-June 2018 and end-July 2018. The 2018 program is consistent with reaching the WAEMU convergence criteria in 2019, while accommodating increased domestically-financed capital spending and security needs. The program's structural component incorporates measures to support continued revenue growth, strengthen public financial management, and promote good governance.

Staff views. In light of program performance and commitments, staff supports the authorities' request for the completion of the eighth and ninth reviews under the ECF arrangement, which would result in the disbursement of an amount equivalent to SDR 63.3 million

Approved By
Roger Nord (AFR) and Johannes Wiegand (SPR)

A staff team comprising Boriana Yontcheva (head), Jemma Dridi, (both AFR), Benoit Taiclet, Irena Jankulov Suljagic (both FAD), Mehdy Ben Brahim (external expert), and Alexandre Nguyen-Duong (MCM), visited Bamako from October 30–November 11, 2017, a staff team comprising Boriana Yontcheva (head), Jemma Dridi, and Alexandre Nguyen-Duong (all AFR), visited Bamako from March 13–16, 2018, a staff team comprising Boriana Yontcheva (head), Jemma Dridi, and Alexandre Nguyen-Duong (all AFR), and Irena Jankulov Suljagic (FAD) met with authorities from April 23–24, 2018 in Washington D.C. Abdoulaye Tall (resident representative) and Bakary Traoré (local economist) supported all missions. Mr. Diakité (OED) participated in some of the discussions during the November mission. The mission met with the Prime Minister, Soumeylou Boubèye Maïga; the Minister of Economy and Finance, Dr. Boubou Cissé; the Minister of Decentralization and Local Taxation, Alassane Ag Ahmed Moussa; the Minister of Labor and Public Service Diarra Raky Talla; the Minister of Justice, Hamidou Younoussa Maïga; the Minister of Digital Economy and Communication, Arouna Modibo Touré; the Economic Advisor to the President, Ibrahim Bocar Ba; the President of the Supreme Court, Nouhoum Tapily; the President of the Anti-Corruption Office (OCLEI), Moumouni Guindo; the National Director of the Central Bank of West African States, Konzo Traoré; other senior government officials, the private sector, trade unions, and development partners.

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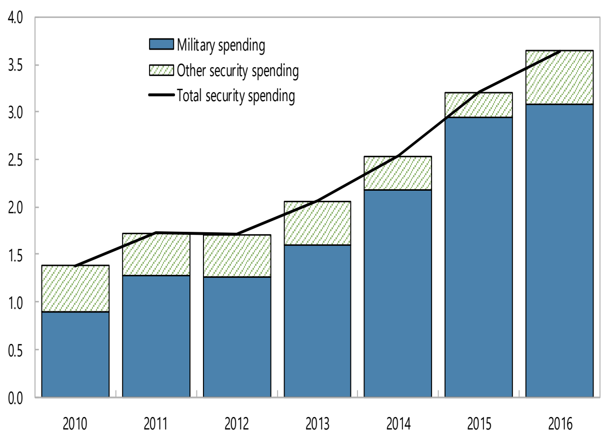
CONTEXT: FRAGILITY AND SECURITY CHALLENGES

1. **Mali is a fragile state with a challenging security situation and an undiversified economy (box 1).** Fragility is rooted in the country's geographical position, and challenging social, economic and security conditions. The situation has worsened since 2012. Mali's landlocked position increases production and trade costs. High poverty rates and weak human capital, mainly due to limited access to basic services, constrain growth. Persistent insecurity weighs on the government's budget. The share of security spending in Mali's budget has been increasing, making the preservation of much needed spending on social services and development challenging (Text Figures 1 and 2) and discourages investment and growth. With agriculture accounting for over 30 percent of GDP, and cotton and gold for over 80 percent of exports, the country is vulnerable to adverse weather conditions and commodity price fluctuations.

Text Figure 1. Mali: Military and Security Spending

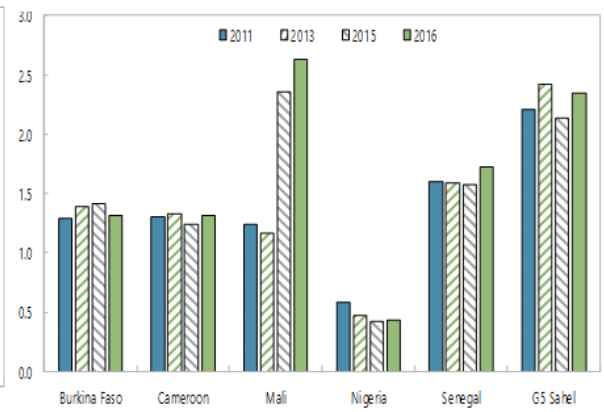
(Percent of GDP)



Sources: Malian authorities; and IMF staff estimates.

Text Figure 2. Selected Sahel Countries: Military Spending

(Percent of GDP)



Sources: Stockholm International Peace Research Institute Military Expenditure database; and IMF staff estimates.

2. **Despite a robust performance in recent years, growth has been volatile and not inclusive**. The economy is rebounding from the contraction triggered by the 2012 heavy offensive of armed groups that lasted most of the year and a failed military coup. The security situation has since been tense despite the conclusion in 2015 of a peace agreement between the 2013 democratically-elected government and the main armed groups. Despite this challenging environment, GDP growth has averaged 6.3 percent per year since 2013. However, growth has been volatile and per capita growth continues to be weak relative to peers (Figure 4). Also, poverty and inequality remain high, calling for more inclusive policies over the medium term (Text Figure 3).

3. **The fiscal space has remained tight**. The tax revenue-to-GDP ratio rose significantly in recent years (about 0.85 percentage point of GDP per year during 2012–16) albeit from a low level. Military and security expenditures have more than doubled since 2012 (text Table 1). The authorities plan to offset the expected 2018 shortfall in external financing by additional recourse to domestic debt. The resulting deterioration of debt indicators highlights the need to optimize the use of the available fiscal space.

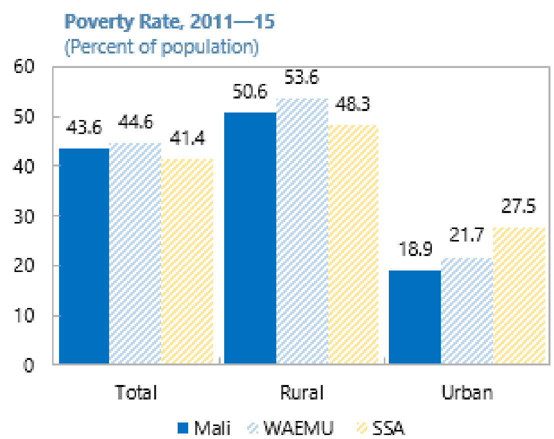
Text Table 1. Mali: Selected Fiscal Indicators

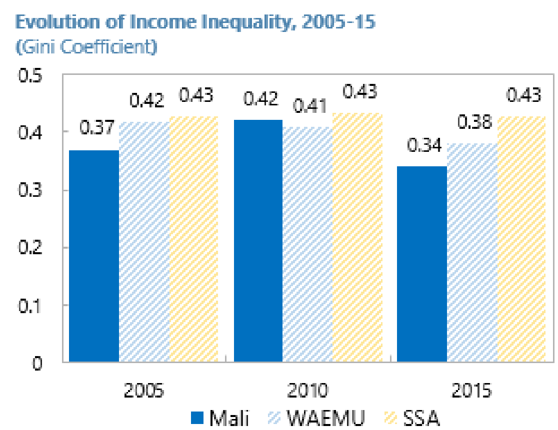
(Percent of GDP)

	2012	2013	2014	2015	2016	2017 Rev. Prog.	2017 Est.
Tax revenue	**11.9**	**12.3**	**12.5**	**14.0**	**14.9**	**15.3**	**15.2**
Direct taxes	4.1	3.9	4.6	4.3	4.4	4.8	4.7
Indirect taxes	7.8	8.4	8.0	9.7	10.5	10.5	10.5
Of which VAT	4.5	5.0	4.7	5.3	5.6	5.7	5.9
Grants	**0.2**	**2.8**	**2.2**	**2.7**	**1.6**	**2.3**	**1.6**
Projects grants	0.1	0.9	0.9	1.3	0.9	1.1	0.9
Budgetary support	0.1	1.8	1.3	0.9	0.6	1.2	0.7
Expenditure	**14.0**	**18.2**	**18.4**	**19.2**	**21.1**	**22.9**	**21.2**
Of which Military and Security	1.7	2.1	2.5	3.2	3.7	...	3.8
Current expenditure	11.3	12.2	11.9	11.9	12.2	13.0	12.4
Capital expenditure	2.7	6.0	6.5	7.3	8.9	9.9	8.8
Externally financed	0.5	2.5	2.7	3.6	2.9	3.5	2.8
Domestically financed	2.2	3.5	3.8	3.7	6.0	6.4	6.0
Overall fiscal balance (incl. grants)	**-1.0**	**-2.4**	**-2.9**	**-1.8**	**-3.9**	**-3.5**	**-2.9**

Sources: Ministry of Finance; and IMF staff estimates and projections.

Text Figure 3. Mali: Poverty and Income Inequality





Source: World Bank, World Development Indicators; and staff estimates.

4. **Implementation of past policy recommendations was broadly satisfactory (Text Table 2).** The authorities are making notable progress in stabilizing the macroeconomic situation. but implementation of structural reforms has been mixed.

Box 1. Insecurity and Fragility

Mali's multi-faceted fragility is rooted in ethnic and political violence, poor governance, and unequal development. Mali has a total population of about 18 million inhabitants, 10 percent of which live in the northern regions. High population growth rates, insecurity in the North and the Center, and recurrent drought have led to persistent poverty. The country ranks at the bottom of the UN Human Development Index (175th out of 188 countries, in 2015). Development indicators fall short of the Sustainable Development Goals and lag those of peer countries (Figure 3).

In 2012, the country was hit by a deep political and security crisis with long-lasting effects. In early 2012, armed Tuareg groups rebelled over persistent perceptions of exclusion and a failure to implement better political representation and gained control over Northern Mali, helped by Jihadist groups. Army officers overthrew the incumbent government, considered responsible for failing to quell the rebellion. Dissent among the rebel armed groups led to further conflict within Northern Mali. After almost a year of brutal control by Islamist groups, French-led military forces and a large UN peacekeeping contingent helped the Malian army drive these groups out of the main northern cities. Stabilization efforts continued with the democratic election in 2013 of President Keita, who signed a peace agreement with a coalition of rebels in June 2015.

The security and political crisis caused a sharp recession in 2012. Real GDP contracted by 0.8 percent because of the suspension of donor support following the military coup, and sharp decline in services (trade, hotel and restaurants), construction and public works. Banks suffered losses estimated at 0.3 percent of GDP through the theft of banknotes, the looting of buildings, and an increase in nonperforming loans. Drastic budget constraints forced the government to reduce capital spending by over 30 percent.

The security crisis also led to a humanitarian crisis. Over 420,000 people were displaced to the south of the country and neighboring countries putting upward pressure on social spending. Human rights violations are frequent, particularly those of women (over 50 percent of displaced) and children (30 percent of displaced). In the northern regions, the availability and quality of basic social services (education, health, water and sanitation, etc.) were adversely affected by growing insecurity. Over 90 percent of health centers and education establishments in these regions have closed.

Security conditions remain fragile in Mali and unrest is spreading to neighboring countries. Notwithstanding progress in stabilizing the country, some areas are still beyond the control of government forces. Significant delays in implementing the 2015 peace process are contributing to the proliferation and fragmentation of armed groups, which are increasingly staging violent attacks on Malian, French and UN forces and on civilians, causing considerable casualties. Since 2015, these attacks have spread to central and southern Mali and neighboring countries, particularly Burkina Faso and Niger. Prevailing insecurity in Mali inhibits the government's ability to deliver services to underdeveloped regions to reduce inequalities that have fueled the conflict, and govern effectively. Societal frustration with slow progress in improving governance and reducing poverty and inequality is growing.

Regional efforts are expected to improve the effectiveness of the military response to jihadism and insecurity threats. Faced with the deterioration of the situation on the borders of Mali, Burkina Faso and Niger, the G5 Sahel regional organization, which groups these three countries, as well as Mauritania and Chad, reactivated in 2017, with the support of France, the EU and other partners a joint anti-jihadist force project, initially launched in November 2015. The G5 Sahel joint force is also endorsed by the UN Security Council.

RECENT DEVELOPMENTS AND PROGRAM IMPLEMENTATION

A. Recent Developments

5. **Mali's economic recovery continued in 2017 amid persistent security challenges**. Recent economic developments and the macroeconomic outlook remains largely unchanged compared to the seventh review (see EBS/17/209; Figures 2–3 and 5, Text Table 1, Tables 1–6).

- **Preliminary data suggest a GDP growth of 5.3 percent for 2017**. Growth was supported by good harvests and a robust performance of the tertiary sector. Economic activity also benefitted from the impact of vigorous capital spending. Inflation was subdued at 1.1 percent, well below the regional ceiling.

- **The external position improved but remains weak**. The overall balance of payments narrowed by 4.6 percentage points from 2016 to a surplus of 0.7 percent of GDP in 2017 reflecting less private capital outflows. In addition, higher inflows of grants and multilateral loans (due to carry-over from delayed disbursements from 2016) increased the capital and financial account surplus by about 3 percentage points to 5.6 percent of GDP. The current account deficit contracted somewhat to 6 percent of GDP in 2017, reflecting improvement in the services and trade balances.

- **The 2017 fiscal outturn at end-June and end-December is in line with the program**. Good revenue performance at end-June contributed to reducing the deficit compared to program projections, but capital expenditures and, to a lesser extent, current expenditures have been under executed. Preliminary data indicate that the 2017 fiscal deficit was contained to 2.9 percent of GDP, below the program targets of an overall fiscal deficit at 3.5 percent of GDP (on a payment-order basis) and a basic deficit of 1.1 percent of GDP. Expenditures were cut in response to a shortfall in external support of about 0.8 percent of GDP (0.5 and 0.3 percent of GDP shortfall in budget support and project loans, respectively) and revenues came in slightly above target.

6. **The external sector assessment highlights the need to boost structural competitiveness**. The real effective exchange rate is broadly consistent with fundamentals but structural competitiveness remains weak (Box 2).

7. **Debt vulnerabilities remain moderate but need to be monitored closely**. Mali's updated debt sustainability analysis confirmed a moderate risk of debt distress (Annex I). Domestic public debt increased sharply in 2016 and 2017, reflecting the government's strategy of using domestic financing to offset lower disbursements of foreign loans and grants.

8. **The financial sector is stable but stress has intensified**. Although the capitalization of banks has increased, the persistently elevated level of non-performing loans (16.7 percent in December 2017) remains unresolved (Table 9). The high concentration of banks' loan portfolio also

remains a source of concern. The microfinance sector grew rapidly, but progress in liquidating failing microfinance institutions remains limited.

Text Table 2. Mali: Implementation of Key Recommendations from the 2015 Article IV Consultation[1/]

Recommendation	Status
Continue to strengthen public financial management.	Work in progress. PFM reforms have benefitted from intense Fund TA support (MEFP, ¶¶15,35-36,45,67).
Gradually implement the decentralization process and resource transfer and in tandem with an improvement in the administrative and absorption capacities of local governments.	Work in progress. Transfers to local government reached 22.9 percent of revenue in 2016, and 24.4 percent in 2017 and are expected to rise to 25.3 in 2018 (MEFP, ¶36).
Strengthen basic infrastructure (roads, electricity, and irrigation) as well as education and training to raise human capital to boost growth.	Work in progress. Efficiency gaps in public investment management hamper government agenda on infrastructure. The implementation of the recent PIMA mission's recommendations is underway (MEFP, ¶¶38-39).
Strengthen the business climate, including through better regulation, lower labor taxation, and an enhanced AML/CFT framework.	Work in progress.
Improving governance to facilitate producing high economic dividends.	Work in progress. While progress on governance has been slow, the authorities have recently made headways in implementing the 2014 law on fighting corruption and illicit enrichment (MEFP, ¶¶11, 52-54).
Tackle the challenges posed by rapid population growth for job creation and the provision of public services.	Work in progress. While the authorities expressed reservation to policy advice addressing high fertility and contraception gap for cultural reasons, efforts are underway to boost inclusive growth.
Address weaknesses in the financial sector. In particular, implement the plan to restructure the BHM state-owned bank to reduce fiscal risks and strengthen its balance sheet to make it attractive to potential private investors, and strengthen the traditional banking system and the micro-finance sector.	Partly done. BHM merged with BMS, another public bank. The new bank is being reformed and its balance sheet strengthened to prepare for privatization. So far only 2 microfinance institutions (MFIs) are being liquidated, out of 23 MFIs that were deemed not viable. An overall strategy to reduce NPLs is being developed with Fund assistance (MEFP, ¶¶63-64x).

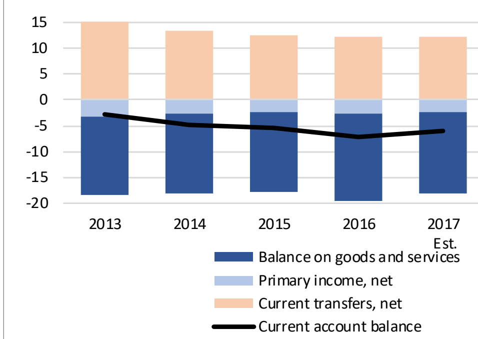
[1/] See IMF Country Report No. 15/339, Mali: 2015 Article IV Consultation Staff Report.

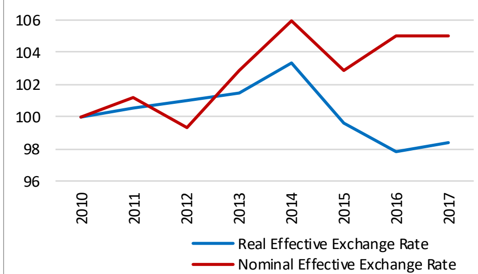
Box 2. External Sector Assessment

In 2017, the current account deficit (including grants) contracted to an estimated 6 percent of GDP, compared to 7.2 percent of GDP in 2016. The trade balance improved by 1.2 percentage point to a deficit of 15.7 percent of GDP, reflecting an increase in export of cotton. Mali's real effective exchange rate (REER) has depreciated by about 5 percent since 2014, mainly driven by the US dollar appreciation.

Mali's external position is estimated to be broadly consistent with fundamentals based on the EBA-lite methodology. The CA model estimates a current account gap of about -0.5 percent of GDP relative to its adjusted norm of -5.5 percent at end-2017. Assuming a current account elasticity of 24 percent, the methodology suggests a REER overvaluation of 2.4 percent. The IREER panel regression shows a larger undervaluation of 14 percent. Given the margin of error, staff is of the view that both the CA and the REER are in line with fundamentals.

Mali's weak business environment and slow progress in improving governance inhibit competitiveness and export diversification. Mali lags its regional comparators in dealing with expanding electricity coverage, enhancing access to finance, strengthening investor protection, and improving health and education standards. Exports are poorly diversified across products and markets.





Source: IMF Staff calculations.

Exchange Rate Assessment EBA-lite (In percent of GDP)

	CA norm	CA gap	REER gap
Current account (CA) panel regression	-5.5	-0.5	2.4
Index REER panel regression			-14
External Sustainability (ES)	-5.2	-0.8	5.8

B. Performance under the Program

9. **On July 7, 2017, the Executive Board completed the seventh review under the Extended Credit Facility (ECF) supported program approved on December 18, 2013, but subsequent discussions were delayed.** The authorities have since reached a consensus with stakeholders and moved a governance reform against illicit enrichment forward, thereby allowing for the completion of the eighth and ninth reviews.

10. **All quantitative targets for the eighth review (end-June 2017 test date) and for the ninth review (end-December 2017 test date) and all continuous performance criteria were met.**

- For the eighth review, the ceiling on government bank and market financing was met with a significant margin. The gross tax revenue target was met with a small margin. The indicative targets on the basic fiscal balance and on poverty-reducing expenditure were observed (MEFP, table 1, ¶9).

- For the ninth review, all quantitative targets were met (MEFP, Table1, ¶10). The authorities continue to strengthen measures to implement results-based management in tax revenue collection agencies, a step that has already helped bolster revenues in recent years. They are also implementing measures to contain spending in line with available resources, including in the context of program-budgeting framework. The authorities have also made strides in improving their expenditure management tools to ensure the monitoring and evaluation of program-budgeting performance starting in December 2018 (structural benchmark for end-May 2018).

- The continuous PCs on external payment arrears and contracting and guaranteeing of new external debt on non-concessional terms were also met.

11. Progress on structural benchmarks has been slower than expected with only half of the structural benchmarks met as planned (MEFP, Table 3 and ¶11).

- In August 2017, the authorities conducted a public information campaign with key stakeholders to explain the costs of current practices, the need for reform and the advantages of a more flexible petroleum pricing mechanism. The authorities have also implemented a form of an automatic fuel price adjustment mechanism since September 2017 to ensure that monthly changes in domestic retail fuel prices follow international price movements within a 3 percent margin. However, as the international fuel prices are expected to rise, the authorities are working on a comprehensive strategy to enhance fiscal revenue from petroleum products.

- In August 2017, the authorities carried out the second phase of the Integrated Debt Management System project, by developing complementary modules for the calculation of debt ratios, the calculation of the present value, the production of debt statistics, and debt simulations. Some technical issues are being resolved to ensure transfer of public entities' deposits to the BCEAO, thereby completing the implementation of a treasury single account (TSA). Therefore, this benchmark is proposed to be reformulated to target the rate of transfer of government deposits in the TSA and reprogrammed to end-June 2018.

- The implementation of the 2014 Law against illicit enrichment faced legal challenges, inhibiting the achievement of the targeted 20 percent transmittal rate of government officials' financial disclosures, which was reached in February 2018. The authorities now target a transmittal rate of 35 percent and 50 percent in June 2018 and October 2018, respectively. The measure on reducing the investment threshold for tax exemption to CFAF 100 million (from CFAF 12.5 billion) is proposed to be reprogrammed to end-July 2018.

- Furthermore, the authorities have made headways in implementing the recommendations of the 2017 report on compliance of the expenditure management software (PRED) and financial and accounting information system (AICE) with the new budgeting and accounting processes (MEFP, ¶49).

MACROECONOMIC OUTLOOK AND RISKS

12. The macroeconomic outlook remains broadly positive (Text Table 3). Real GDP growth is projected at 5 percent in 2018, and slowing slightly thereafter to settle around 4.7 percent in the medium term, Mali's long-run estimated potential rate of growth. This baseline assumes implementation of structural reforms conducive to private sector-led growth, and more efficient public investment that would remain a driver of growth as the budget consolidates. While supply shocks will continue to cause occasional spikes, inflation would remain moderate at about 2 percent. After a small deterioration in 2018 (¶13), the fiscal position should improve over the medium-term reflecting the authorities' determination to implement policies to abide by the WAEMU fiscal deficit convergence criterion. The current account deficit is projected to deteriorate somewhat to about 6.5 percent of GDP in 2018, due to rising oil prices and worsening terms of trade, but stabilize over the medium term as investment and import growth remain constant. The current account deficit will be fully covered by capital inflows as investment and import growth remain constant.

13. This outlook is facing downside risks (Text Table 4. Risk Assessment Matrix). The most immediate risk to the outlook remains the volatile security situation. A spread of violent attacks could dampen private sector confidence and affect economic growth and public finances. Agricultural output also remains vulnerable to adverse weather conditions, while high dependence on gold and cotton exports (about 65 percent and 15 percent of total exports, respectively) leaves Mali's balance of payments vulnerable to international commodity price fluctuations. External risks arise from shifting terms of trade, reductions in donor funding, and falling FDI.

Authorities' Views

The authorities broadly concurred with staff's projections and assessment of risks. They agreed with staff's views on growth and inflation prospects for the medium term, but saw the scope for potentially revising projections during the next review to reflect the impact of a new gold mine coming on stream soon as well as of rising oil prices. The authorities agreed with staff projections of revenues and expenditures for the medium term which will strengthen the fiscal stance, and in turn contribute to improving the external position.

Text Table 3. Mali: Key Economic Indicators, 2014–23
(percent of GDP)

	2014	2015	2016		2017		2018	2019	2020	2021	2022	2023
	Est.	Est.	Rev. Prog.	Est.	Prog.	Rev. Prog.	Prop. Prog.			Proj.		
					(Change in percent)							
Real GDP growth	7.0	6.0	5.4	5.8	5.3	5.3	5.0	4.7	4.7	4.7	4.7	4.7
Consumer price inflation (average)	0.9	1.4	-1.6	-1.8	0.8	1.8	1.4	1.7	1.9	2.1	2.2	2.2
Consumer price inflation (end of period)	1.2	1.0	0.5	-0.8	1.0	1.1	1.6	1.7	2.0	2.2	2.2	2.2
					(Percent of GDP)							
Revenue	14.9	16.4	16.8	16.7	17.1	18.5	19.4	18.7	19.0	19.3	19.9	20.4
of which: Tax revenue	12.5	14.0	14.9	14.9	15.3	15.2	15.8	16.3	16.7	17.1	17.6	18.1
Grants	2.2	2.7	2.0	1.6	2.0	1.6	1.2	1.6	1.7	1.8	1.8	1.8
Total expenditure and net lending	20.0	20.9	23.2	22.2	23.1	23.0	23.9	23.3	23.7	24.1	24.6	25.2
Overall balance (payment orders)	-2.9	-1.8	-4.3	-3.9	-4.1	-2.9	-3.3	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash)	-2.4	-3.2	-4.3	-3.9	-4.1	-2.6	-3.6	-3.0	-3.0	-2.8	-2.9	-2.9
Basic fiscal balance [1]	-1.2	0.5	-2.1	-1.9	-1.6	-0.9	-1.3	-1.1	-0.9	-0.8	-0.6	-0.5
Total public debt	27.3	30.7	29.7	35.9	30.0	35.6	35.9	36.6	37.6	38.6	39.8	40.4
Current external balance (including official transfers)	-4.7	-5.3	-7.7	-7.2	-6.8	-6.0	-6.5	-6.3	-6.1	-6.0	-6.3	-6.4
Overall balance of payments	-2.5	-1.6	0.1	-3.9	-1.1	0.7	-2.0	-1.7	-1.3	-1.0	-1.0	-1.2

Sources: Malian authorities; and IMF staff estimates and projections.

[1] Defined in Table 3, footnote 3.

Mali: Risk Assessment Matrix[1]

Source of Risks	Relative Likelihood	Impact if Realized	Recommended Policy Response
Spillover Risks			
Tighter global financial conditions.	**High**	**Medium** Tighter (or more volatile) global financial conditions could raise investment financing costs, and lead to a fall in FDI and through this output growth.	Diversify exports with more private sector involvement.
Weaker-than-expected global growth.	**High**	**Medium** Falling export demand may reduce revenue and net export, increasing fiscal risks. Adverse impact on growth through less foreign direct investment inflows and external support.	Improve business environment to support diversification. Consolidate fiscal buffers through domestic revenue mobilization and streamline public investment plans. Energize external support through better compliance to donors' conditionality and emphasizing the merits and needs of Mali's development strategy.
Domestic/Regional Risks			
2018 general elections yielding an unstable government	**Medium**	**Medium** Given growing perception of poor governance and corruption it may be difficult to maintain a sustainable consensus to govern. This could compromise the hard-won fiscal gains made over the last three years.	Communicate the benefits of the government's macroeconomic program and improve the currently ad hoc approach to economic management.
Adverse weather conditions	**Medium**	**High** Lower agricultural production could imply heightened food security risks, a decline in growth rates, and additional fiscal costs.	Seek international support and make room for more food security-related spending.
A collapse of the peace agreement or greater autonomy for the North and/or increased violent activity by armed groups.	**Medium**	**High** Rise in political tensions, decline in confidence, investment and business activity.	Seek international support and make room for more security-related spending. Boost the implementation of key provisions in the peace agreement toward local development.
Rise in risk premia and the cost of debt on regional financial markets.	**Medium**	**High** Higher costs of borrowing for government and business reduce economic activities.	Rely predominantly on concessional financing; optimize debt portfolio, and reduce borrowing needs. Adjust non-priority spending level, if necessary.

[1]/The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood of risks listed is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

POLICY DISCUSSIONS

Policy discussions focused on addressing near-term issues and critical medium-term challenges. The policy priorities are anchored on the National development plan (CRED). In the short term, the fiscal strategy is defined by WAEMU regional rules, financing availability, and debt sustainability concerns. Over the medium term, discussions centered on increasing fiscal space, encouraging sustainable growth and competitiveness, promoting financial sector efficiency, and enhancing economic governance to lift impediments to growth.

A. Near-Term Challenge: Preserving Macroeconomic Stability in an Election Year with Security Challenges and Lower External Financing

14. The 2018 budget adopted in late December 2017 projects an overall deficit of 3.3 percent of GDP that is in line with the adjustment path laid out in the staff report for the seventh review and consistent with reaching the WAEMU deficit criterion of 3 percent of GDP by 2019 (MEFP, ¶7).[1]

- Tax revenues are expected to increase by 0.6 percent of GDP, underpinned by measures to reduce exemptions and improve tax administration (Text Table 4). The law to stop granting new discretionary tax exemptions and reducing other exemptions will be fully implemented in 2018. Measures to improve tax administration both at customs and general tax directorate are also expected to boost revenues.

Text Table 4. Mali: Impact of Tax Revenue Measures[1/]

	Billion of CFAF	Percent of GDP
Implementation of the 2017 law on exemptions	**28**	**0.3**
Improvements in tax administrations	**28**	**0.3**
Customs revenues (VAT and other duties)	10	0.1
Domestic revenues (VAT and other revenues)	19	0.2
Total	**57**	**0.6**

Sources: Malian authorities; and IMF staff calculations.
[1/]Revenue gains compared to the 2017 outcome.

- Appropriations for current spending are projected to increase by 0.8 percentage points of GDP, mostly reflecting an increase in the wage bill. Wages and salaries are projected to increase by 0.5 percent of GDP on account of new recruitments in the police and security personnel, statutory advancement of civilian and military personnel and the financial impact of agreements with civil servant unions. Spending on goods and services are projected to increase by

[1] The 2018 budget targets an overall deficit (payment order) of 3.3 percent of GDP and a basic budget deficit of 1.3 percent of GDP. The 0.3 percentage of GDP deterioration relative to the 2017 outcome owes to the 2017 overperformance.

0.1 percent of GDP as the authorities will reduce other spending to accommodate election-related spending of 0.5 percentage point of GDP. Appropriations for capital outlays are projected to increase by 0.7 percentage points of GDP. Domestically-financed outlays would increase by 0.8 percentage point of GDP, attributable mainly to the acquisition of equipment by the administrations as well as the support of the Law of Orientation and Military Programming and the Law on Programming on Internal Security. This increase is also attributable to the implementation of road projects, the upgrading of health facilities and agricultural investments. At the same time, externally-financed capital expenditure would decline by 0.1 percentage point of GDP as projects by key donors expired in 2017 and are likely to be renewed starting in 2019.

15. The budget deficit is expected to be financed through greater reliance on domestic and regional sources. Donors reduced their budget support as well as project aid for 2018. Multi-year support programs of key donors expired in 2017 and key donors reduced their budget support in 2018, but are expected to gradually increase their support starting in 2019. Hence, for 2018, the authorities now project about 1.2 percent of GDP of external support (0.4 budget support and 0.9 project grants). Discussions with key donors, including the World Bank and the EU, indicate that preparatory work for starting new operations and increased engagement is underway, reestablishing the catalytic role of the ECF. The authorities intend to compensate by increasing CFA-denominated financing on the domestic and regional market.[2] Given the high import content of publicly-financed investment projects, the larger reliance on domestic financing is expected to have a small negative impact on WAEMU reserves. However, the impact is minor and more than offset by the sizable Eurobond issuance by its two largest countries and the BOAD (West African Development Bank).[3] Hence, the increase in domestic and regional financing is consistent with the debt sustainability analysis and with available resources at the regional market and does not generate discernible risks to reserve adequacy at the union level. Staff encouraged the authorities to remain vigilant to execute the budget as planned and resist temptation to relax the fiscal stance in the electoral context.

16. In the context of limited fiscal space, external support is key to help accommodate priority spending while maintaining public finances on sound footing. Given Mali's fragility and instability risks, increasing domestic and regional financing to offset lower external financing is appropriate as resources are available on the regional market. However, staff underlined that the increased recourse to the regional and domestic markets needs to be temporary as higher borrowing costs would reduce future fiscal space and worsen the debt stability assessment. Further internal adjustment would be needed if financing conditions change or other risks materialize, including higher oil prices, persistent shortfalls in external support, tightening conditions on the regional market, higher-than-projected election-related spending, and tax revenue shortfall. As local and national elections are nearing, social tensions could also give rise to political pressures to increase spending. The adjustment could take the form of nonpriority spending cuts or rephasing investment spending to better align it with available financing. Staff emphasized the need for the

[2] As Mali is part of the WAEMU, the government has access to the regional bond market and domestic debt covers all CFA-denominated debt by convention.

[3] WAEMU—Staff Report on Common Policies of Member Countries, SM/18/56.

authorities to step up efforts to reach out to donors and accelerate structural reforms to secure more concessional external financing.

Authorities' Views

17. The authorities shared staff analysis of the near-term fiscal challenges. They reiterated their commitment to execute the budget as planned. They added that the 2018 budget includes adequate appropriations for election-related spending without undermining medium-term fiscal sustainability. However, should more spending become unavoidable, additional revenue will be sought or other non-priority spending items, in particular on goods and services, will be cut to remain within the budget envelop and preserve the consolidation path agreed in the program. The authorities saw the shortfall in external support 2018 as temporary and explained that their reform momentum will continue to ensure that external support will gradually recover to historical trends starting in 2019. They are working with key donors, including the EU and the World Bank, to help advance reforms and to expedite preparatory for work for launching new support programs.

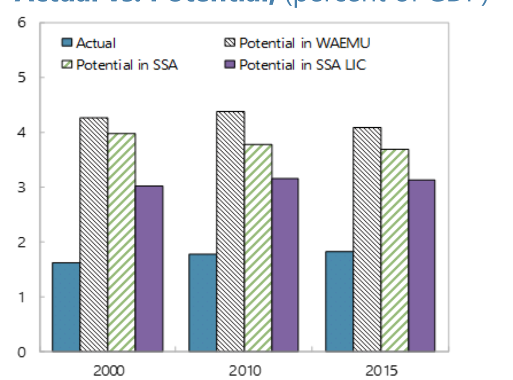
B. Medium-Term Challenge 1: Creating Fiscal Space

Accelerating Reforms to Broaden the Tax Base and Enhance the Efficiency of Public Spending

Revenue Mobilization

18. The authorities and staff concurred that sustained revenue mobilization is key to financing priority spending while preserving fiscal sustainability. The emphasis placed by the authorities on efforts to increase revenue mobilization in the context of their ECF supported program has served them well, with ambitious programmed revenue targets having often been met with significant margins. Over 2012–16, tax revenues have increased on average by 0.8 percentage points of GDP in Mali, 0.5 percent of GDP above the WAEMU average. This performance is the result of the authorities' efforts, with IMF technical assistance support, to implement tax policy measures, including increasing tax rates, tax base expansion, and improvements of tax payers' compliance, through stronger tax and customs administrations. Tax revenue increased to an estimated 15.2 percent of GDP in 2017 (from 11.9 percent of GDP in 2012). Staff analysis shows that Mali could improve the collection at the borders revenue collection further by 1½–2 percentage points of GDP. This can be achieved through a combination of tax policy and customs administration reforms (Text Figure 4).[4] The

Text Figure 4. Mali: Customs Revenue: Actual vs. Potential, (percent of GDP)



Sources: Authorities; and IMF staff calculations and estimations.

[4] This corresponds to the gap between the potential and actual revenues. The tax potential is the tax ratio that would result if an economy uses all its resources and ability to collect all obtainable tax revenues from given bundles

(continued)

authorities agreed with staff's conclusions on the potential impact of modernizing the tax and customs administrations and improving their efficiency to sustain recent gains and move closer to meet the revenue target set at 20 percent of GDP by the WAEMU Convergence Pact (MEFP, ¶¶16-21) (Selected Issues Paper on tax potential). To meet their revenue targets, the authorities will continue to implement tax base broadening measures, a gradual reduction of exemptions and step up revenue collection. They intend to accelerate the reform of the system of incentives for the tax and customs inspectors in the context of a comprehensive strategy for improving human resource management (MEFP, ¶30). Skill-based modernization of human resources has been an important pillar of modernization efforts in the Directorate of Customs.

19. The authorities and staff concurred on the need to improve the management of the mining sector in order to harness its sizable potential, while closing loopholes to shore up corporate income tax proceeds from multinational companies. Malian mining legislation and international corporate tax system are hampered by the coexistence of several parallel mining codes, and an investment code alongside the general tax code which weakens the overall tax balance (Boxes 3 and 4). The authorities are in the process of updating the mining code with a view to reconciling a desire to attract international investors and a sufficient taxation of the mining rent (MEFP, ¶23). The objective is to strengthen the Malian international taxation framework and align it closer with international standards. In 2016, Mali enacted transfer pricing regulation to strengthen the application of the arm's length principle and to implement a transfer pricing documentation requirement.[5] Going forward, staff encourages the authorities to pursue their efforts to strengthen their transfer pricing legislation through the implementation of efficient thin-capitalization rules, to maintain the effectiveness of its withholding tax system through adequate international tax treaties and to mitigate the risks of potential abuses to special tax regimes.[6] In order to effectively implement its transfer pricing legislation, Mali should continue its efforts to develop solid capabilities including training dedicated specialists and creating operational tools adapted to its actual challenges. The authorities concurred with staff on the need to identify appropriate policy responses to profit shifting and base erosion. They underscored the importance of capacity building, including through staff training and creating effective operational tools to effectively implement its transfer pricing legislation (MEFP ¶22, Table 4).

of determinant characteristics, including GDP per capita, consumption, gross fixed capital formation, inflation, trade openness, share of agriculture in GDP, share of the urban population, natural resource rents and broad money.

[5] Finance laws for 2016 and 2017. Arm's length principle consists in comparing the price of an intragroup transaction to the price that independent companies would have agreed under similar circumstances. In the Base Erosion and Profit Shifting Action Plan, the OECD has adopted a three-tiered approach to documentation, which includes a (i) Country-by-country Report; (ii) Master File; and (iii) Local File, providing a global financial picture of a multinational enterprise.

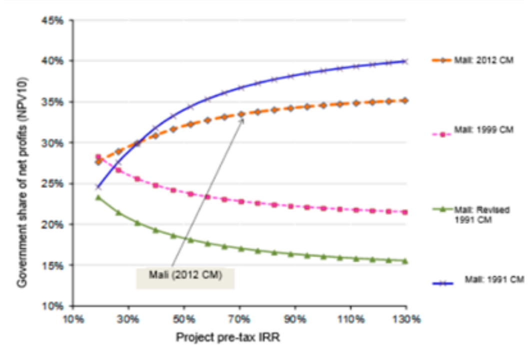
[6] Thin capitalization refers to a situation where a company (say A, resident in a low tax jurisdiction) injects capital in a related company (say B, in Mali) at debt levels, relative to equity, that would be too high to materialize if A and B were independent. This creates a future stream of large payments of interest from B to A, with the result that part of B's profit is transferred as a deductible expense to A. Withholding tax is a tax deducted at source, especially one levied by some countries on interest or dividends paid to a person resident outside that country.

Box 3. Developments in Mineral Taxation[1]

Reforms in mineral taxation are a priority in the authorities' program. Mali's mining sector (mineral) currently represents about 6.5 percent of GDP; 65 percent of total export; and 20 percent of total fiscal revenues. Mali is Africa's third-largest gold producer after South Africa and Ghana, with reserves estimated in 2017 at some 830 tons. Total output from the ten large-scale gold mines reached 50.9 tons in 2016. With two new projects, the expected mining production could go up to 60 tons of gold by 2018. The country also has small-scale mining activities and small manganese and iron mining operations.

The mining taxation reforms aimed at increasing tax progressiveness and public revenues, while preserving the competitiveness of the sector (Figure 1). The mining codes governing the operations of mining companies are managed by four directorates in three different ministries, fragmenting their administration and enforcement. Three mining codes (MCs) coexist in Mali, the 1991, 1999 and 2012 ones, and define the sector-specific taxes, duties, levies and royalties and include fiscal stability provisions. Compared to the 1991 MC, the 1999 and 2012 codes tried to develop a more effective taxation of multinational business income. The main changes introduced by the 1999 and 2012 MCs relate to: (i) introduction of a 10 percent free equity participation, (ii) elimination of the five years CIT exemption applicable after the production start, (iii) elimination of the 45 percent CIT tax rate and application of the 30 percent General Tax Code rate, and introduction of a 25 percent reduced CIT rate for the first 15 years of production in the 2012 code, (iv) increase in transparency by online publishing tax agreements and feasibility studies of companies holding mining rights, and (v) introduction of a 10 percent capital gains tax from the direct transfer of mining rights. In addition, a company can only opt to a more favorable tax regime if it adopts the regime in its entirety. The 2012 MC made additional changes, including: (i) the introduction of a tax on "excess production" by applying a general CIT rate to production exceeding projected output by more than 10 percent; (ii) narrowing the stability clause scope by excluding duties, levies and mining royalties; and (iii) redefining the ring-fencing provisions suggesting that one company could acquire several permits.

Mali: Progressivity of the Mining Fiscal Regimes



Source: IMF (2015); Mali: Mining and Petroleum Taxation (Diagnostics Assessment).

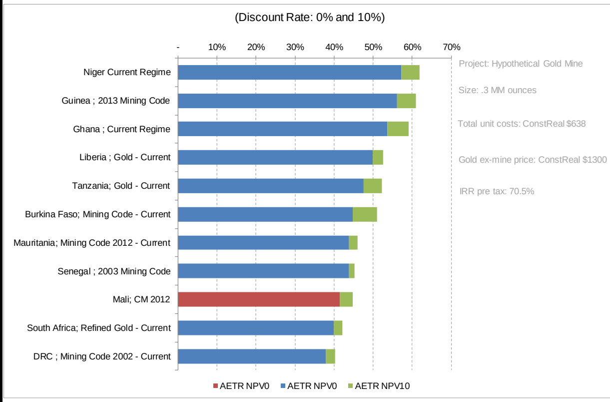
However, changes have been constrained by stability clauses, Seven out of the ten mining companies still operate under the 1991 mining code due to lengthy fiscal stability clauses. The fiscal stability clauses– freezing the tax regime at the time when the exploration permit is obtained – seem to be particularly generous. First, the stability clauses are 30 years long, while the productive life of mines are much shorter (about 10 to 15 years). Second, the 1991 stability clauses are asymmetrical as companies could freely opt for more favorable tax provisions to reduce the tax burden. Third, the payback period seems to be short, generally less than five years. Finally, the long stability clauses lead to co-existence of several tax regimes for the same activity and "special" negotiated agreements for extensions.

Internationally, the attractiveness of Mali's tax regime, as it applies to mining, is mixed. Based on the average effective tax rates, Mali's 2012 tax regime provides for a smaller share of mining rent going to government in Mali than in similar countries in the region. However, the tax regime turns to be more regressive than in comparable countries, meaning that the share of mining rent going to the Malian government is relatively larger for less profitable projects.

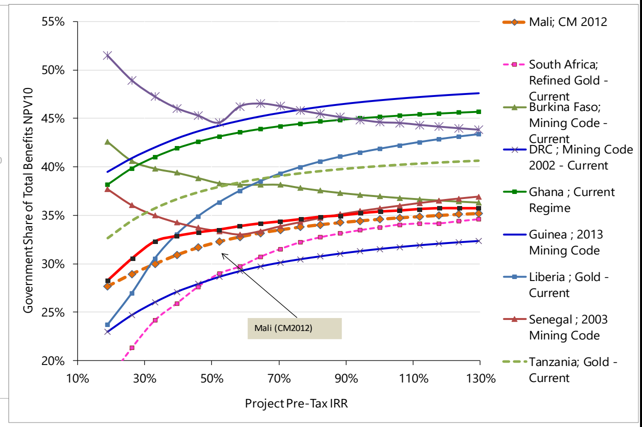
Looking ahead, the government has engaged in a new review of the mining code with the desire to attract the international investors needed to maximize mineral resource rent and sufficient taxation of that rent. This reform should involve: (i) establishing a ring-fencing principle, (ii) streamlining the institutional organization of various mandatory levies, (iii) reducing the duration of stability clauses, and (iv) improving the progressivity of the mining taxation regime.

Text Figure 5. Mali: Mining Taxation

Average Effective Tax Rate: Mali and Comparators



International Comparison: Progressivity (Mining)



For more information see IMF (2015); Mali: Mining and Petroleum Taxation (Diagnostics Assessment).

Expenditure Efficiency

20. Enhancing the efficiency of public spending could further increase the "effective" fiscal space and support growth:

- A more efficient delivery of public services could yield better outcomes and would also provide for contingency in case the assumptions underpinning the existing fiscal space calculations do not materialize or if financing conditions change and external support doesn't materialize. While the overall level of public expenditure to GDP in Mali remains below the SSA average, spending has risen rapidly over the past decade. However, expenditure is generally less efficient than in peer countries. Health and education expenditures in percent of GDP are in line with SSA averages but indicators in terms of outcomes are much lower, highlighting the scope for efficiency gains. Similarly, while public investment levels have recovered since the 2012 dip, the quality of infrastructure remains below peer countries (Figure 1).

Box 4. International Taxation

Aggressive tax optimization practices of multinational companies (MNE), including transfer pricing, pose a risk to the Malian fiscal revenues. In 2015, the corporate income tax (CIT) reached 2.4 percent of the country's GDP, with MNEs representing more than 80 percent of CIT revenues.[1] International tax optimization practices additionally impact taxes on income from securities (IRVM) on interests and dividends as well as withholding taxes. While the mining and telecommunication sectors are traditionally the most important for the Malian economy, the growth of other industries such as the financial services, the oil and the building sectors creates additional risks of CIT avoidance.

Mali is vulnerable to international tax optimization, including transfer pricing. In 2015, 60 percent of FDI flows in Mali may be estimated as transiting through low-tax off-shore jurisdictions.[2] In addition, 29.5 percent of Malian MNEs accounted negative taxable results in 2016 against 16 percent of all companies under the normal CIT regime, which tends to indicate CIT optimization schemes.[3]

Mali's Exposure to Thin Capitalization Risk

Country of Origin	Debt to equity ratio 2011	2012	2013	2014	2015	Share in Total FDI in 2015
DE ratio over 5 in 2015						**0.35**
Australia	(18.62)	12.37	10.11	26.31	23.15	0.13
Barbados					14.21	0.15
Canada				0.76	5.26	0.05
Germany					5.74	0.02
DE ratio over 1.5 in 2015						**0.49**
South Africa		0.54		1.05	1.88	0.04
United Kingdom	2.63	1.30	0.46	0.88	1.59	0.45
World	0.88	0.93	0.58	0.94	1.76	1.00

Source: CDIS, and IMF staff calculations.

Mali has recently enacted transfer pricing regulations to strengthen the applicability of the arm's length principle and to implement a transfer pricing documentation requirement. [4] In addition, the Malian international tax legislation includes withholding taxes on service fees, interests and dividends paid to overseas persons, which limits the incentive for MNEs to overprice these transactions. The limited network of international tax treaties generally maintains the applicability of these withholding taxes.

Nevertheless, Mali's international corporate tax system suffers from the coexistence of several mining codes (see box on mining taxation in Mali) and of an investment code alongside the general tax code, which weakens the overall balance of the CIT legislation. Tax incentives create loopholes which may be utilized by major CIT taxpayers to artificially reduce their CIT paid in Mali. In addition, Mali has not yet enacted an effective thin-capitalization[4] regime despite the weight of the capital-intensive sectors such as mining and telecommunications.

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[1] Excluding the two simplified tax regimes ("impôt synthétique" and "régime de l'impôt réel simplifié") for companies with a turnover below FCFA 50 million.

[2] In 2015, the coordinated direct investment survey ("CDIS") displayed investments of $454 million from Barbados and $1,380 million from the United Kingdom. Since the United Kingdom does not report any investment in Mali in the CDIS, these investments may be attributed to the British Overseas Territories and Crown Dependencies.

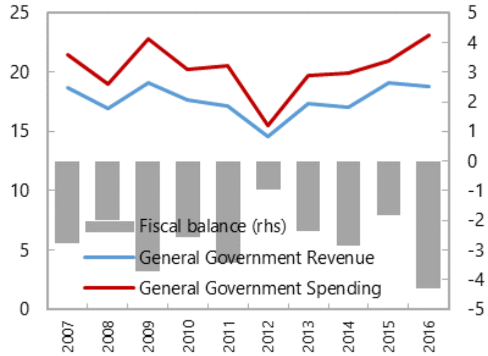
[3] Sources: Direction Générales des impôts du Mali; and IMF staff calculations.

[4] Thin capitalization refers to a tax optimization practice consisting in pushing down to an affiliate a high level of debt compared to equity, so that the indebted company may deduct from its taxable basis more interests than a normally leveraged company.

Figure 1. Government Spending and Economic Classification [1]/

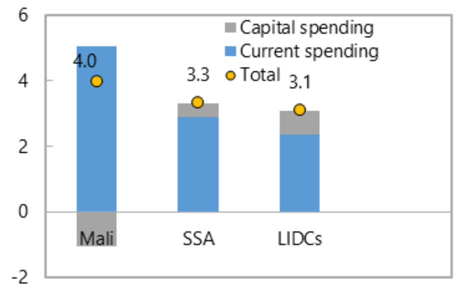
After a dip in 2012, Mali's expenditure has risen rapidly

Mali -- Fiscal balance (in percent of GDP), 2004 - 2016



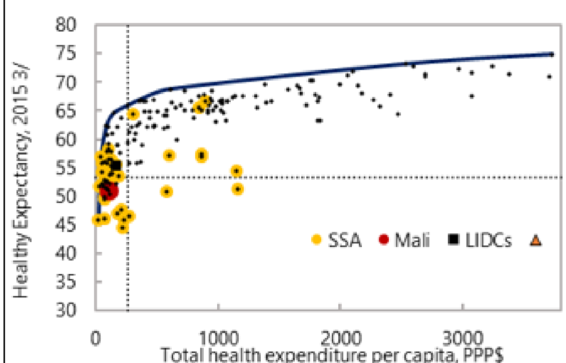
Spending growth is higher than comparator countries

Change in Total Spending (in percent of GDP), 2007 - 2016



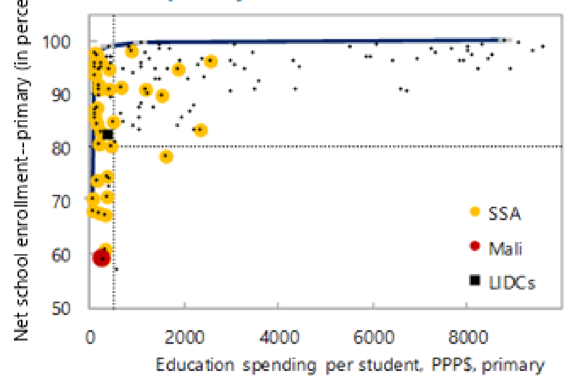
Health expenditure are relatively low

Health Efficiency Frontier, Latest Value Available 2/1



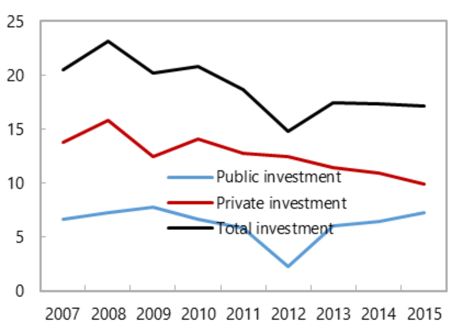
Education spending is much lower than SSA countries and further away from the efficiency frontier

Government Education Spending and Outcome, primary, Latest Value Available 2/



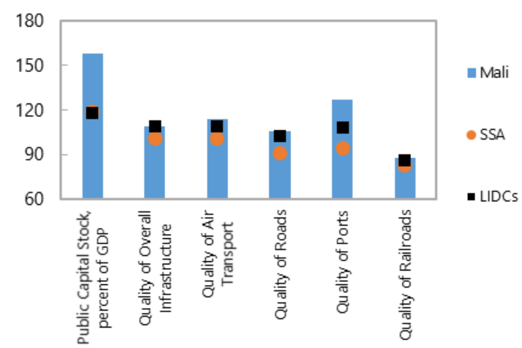
Private investment is declining

Mali -- Evolution of Investment (in percent of GDP)



And the quality of infrastructure is below other WAEMU countries

Capital Stock and Infrastructure Quality, Latest Value Available

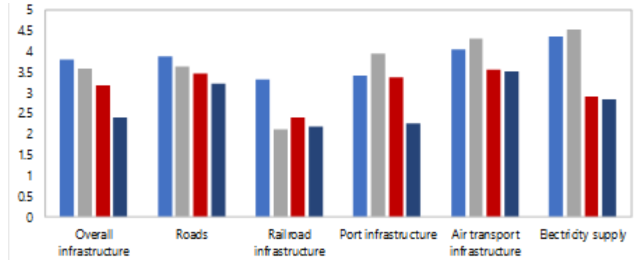


Ranking: 1 = best, 144 = worst

1/ Coverage refers to general government as per World Economic Outlook.
2/ Dashes are the averages of SSA.
3/ Healthy life expectancy (HALE) is a measure of health expectancy that applies disability weights to health states to compute the equivalent number of years of life expected to be lived in full health.
Sources: IMF FAD Expenditure Assessment Tool (EAT), World Economic Outlook, World Development Indicators, IMF Investment and Capital Stock Dataset, World Bank, World Health Organization, and World Economic Forum.

- Mali's infrastructure gap is large and constrains trade and growth. Mali lags SSA and other developing regions in virtually all dimensions of infrastructure performance (Text Figure 6). The government, with external support from donors, has increased capital spending notably in recent years. However, addressing Mali's public infrastructure needs will require sustained spending. The regulatory frameworks for procurement in public-private partnerships has been introduced in 2016 and has yet to demonstrate its ability to attract private investment for infrastructure projects. The impact of public investment on growth can be enhanced by implementing policies that foster the efficiency of public investment.

Text Figure 6. Mali: Selected Quality Indicators of Infrastructure, 2016[1]

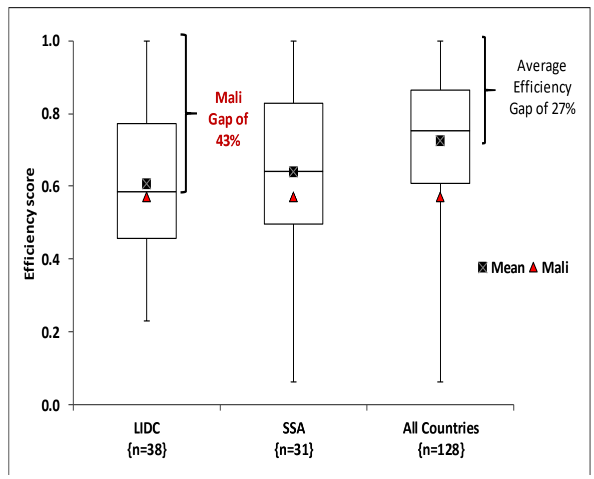


Sources: World Economic Forum, Global Competitiveness Index; and IMF staff estimates.

[1] 1-7(best).

- The June 2017 Fund mission on public investment management assessment (PIMA) assessed that the efficiency of public investment is comparatively low in Mali (Text Figure 7). The Public Investment Efficiency Index attributes Mali a rating of 0.57 on a scale of 0 to 1, below the average of sub-Saharan African countries (0.64) and emerging countries (0.73) - illustrating how far Mali is away from the efficiency frontier (Box 5). The efficiency gap reflects gaps in governance, ineffective oversight of infrastructure suppliers, inadequate processes for appraisal and selection of projects, poor cash management, and lack of maintenance for fixed assets (Selected Issues Paper on the PIMA Report). Staff encouraged the authorities to implement the recommendations of the PIMA mission, which call for improving administrative practices to produce more sustainable infrastructure, of better quality. Notably, an evaluation of all major projects prior to their submission for selection (including through a cost-benefit analysis) would help improve public financial management and public investment management systems. (MEFP Table 4)

Text Figure 7. Mali: Indicators of Efficiency of Public Investment



Source: IMF Staff calculations

Authorities' Views

21. The authorities are committed to improving the efficiency of public investment. They concurred with the findings and recommendations of the PIMA and have committed to implement an action plan to: (i) raise public investment managers' accountability and stewardship; (ii) strengthen the social-economic impact of investment spending; and (iii) accrue and maintain existing infrastructure in the long term. The authorities aim to reduce the efficiency gap identified in mission's report by reducing expenditures that do not directly contribute to fixed capital formation and improve improving project performance (MEFP, ¶38). These measures will build on the authorities' efforts to implement program based budgets and results-based management, in accordance with WAEMU harmonized public finance framework.

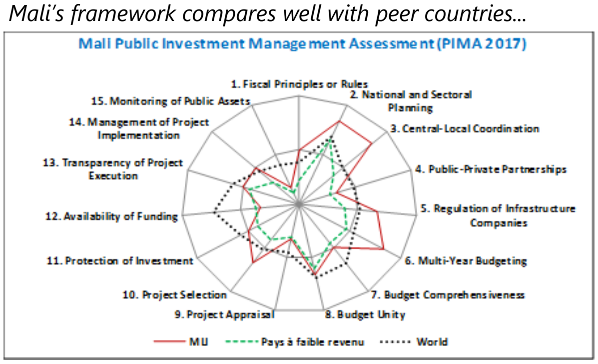
Box 5. The Efficiency of Public Investment

The Malian authorities have long sought to boost public investment in a bid to foster development. In the aftermath of the Algiers peace agreements, public investment has become a forefront objective to rebuild war-damaged infrastructures and reduce infrastructure gaps. To support the authorities' efforts, an IMF TA mission undertook in June 2017 an assessment of Public Investment Management (PIM). The PIMA report, which was published in April 2018, assesses the efficiency of public investment and provides a number of recommendations to guide future work to enhance it.

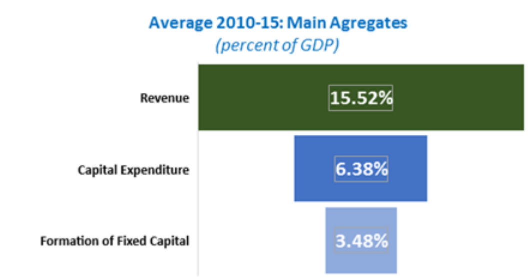
Mali's public investment management (PIM) presents a wide efficiency gap relative to peer comparators, although its framework appears strong. In 2015, despite years of strong, albeit volatile capital spending, Mali had one of the lowest capital stocks per capita ratio in the sub region. The quality of, and access to infrastructure was noticeably poor for health infrastructure (Text figure 4). Staff analysis show that in Mali, the framework for PIM is paradoxically strong (see figure below) compared with peer countries. However, this PIM system fails to deliver durable and quality fixed capital formation. On average, about 43 percent of the potential value of public investment in Mali is lost to inefficiencies in the investment process. This gap is composed of additional costs related with corruption and fraud, cost overruns, time delays, inadequate maintenance, and suppliers lack of capacity to deliver quality infrastructure. Closing this efficiency gap could substantially increase the economic dividends from public investment.

Looking ahead, there a need to focus on making some critical improvements, while preserving the PIM framework. The most urgent task will be to raise PIM's efficiency through better implementation, building staff capacity, and a results-oriented culture of management.

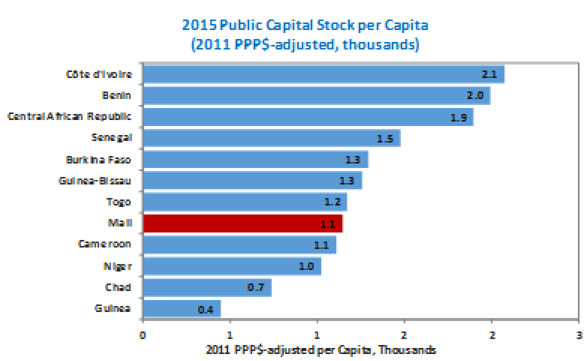
Mali's framework compares well with peer countries...



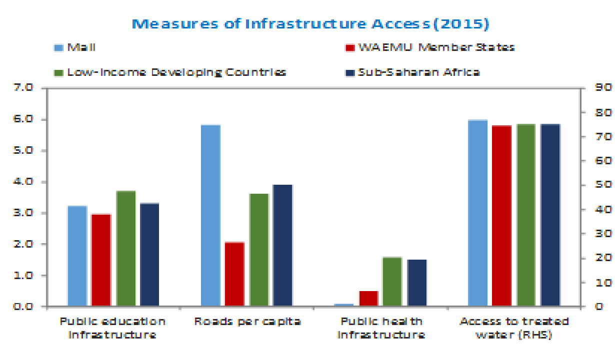
.... But capital spending yields limited fixed capital



Fixed capital per capita ratio is comparatively weak...



...and access to health infrastructure is limited

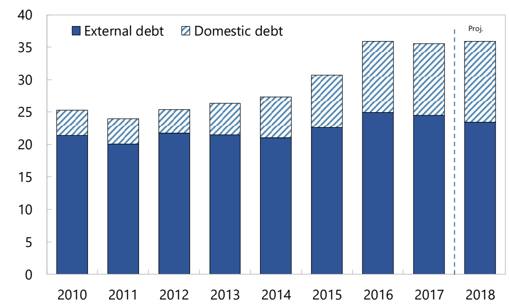


Sources: Mali PIMA 2017, Taiclet and al.

Preserving Debt Sustainability

22. The DSA shows that Mali remains at a moderate risk of debt distress (Annex I)**.** However, domestic public debt increased from about 2 percent of GDP to 11 percent of GDP between 2009 and 2016 (Text Figure 8). The rapid growth in domestic debt has narrowed the country's borrowing space. Given the authorities' commitment to adhere to the WAEMU targets, the medium-term fiscal consolidation path, anchored in generating a primary fiscal balance to stabilize the debt-to-GDP ratio below 50 percent in PV terms should support efforts to preserve long-term debt sustainability. The government's increased reliance on the regional market financing of the deficit has increased the present value of public debt to 26.5 percent of GDP 2017, from 23.5 percent of GDP in the June 2017 DSA (Country report EBS/17/209). While recognizing the need for domestic borrowing to offset the shortfall in external financing in 2018, staff stressed that the higher recourse to domestic borrowing must remain a short-lived strategy. Staff also advised against bond issuance by syndication as their cost is significantly higher than bond issuance by tender and they could undermine the regional agency UEMOA-Titres. It encouraged the authorities to step up efforts to secure more concessional external borrowing and strengthen debt management.

Text Figure 8. Mali: Total Public Sector Debt 2010—18
(in percent of GDP)



Sources: Malian authorities; and IMF staff estimates and projections.

Authorities' Views

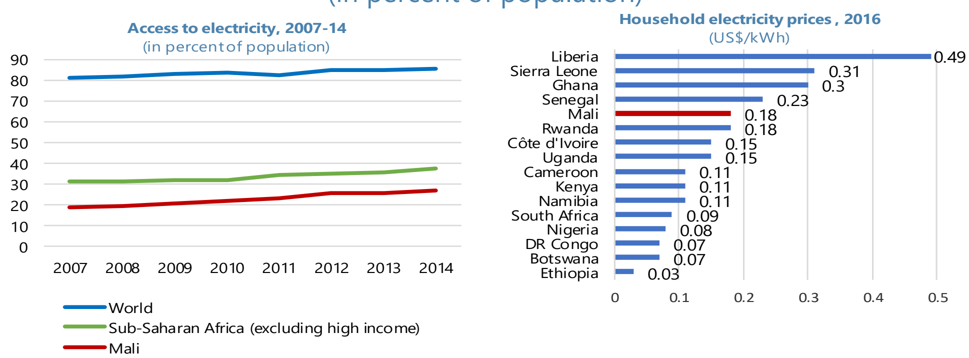
23. The authorities agreed with the staff assessment and the need for further strengthening of debt management. They agreed that the rising share of domestic debt, which includes regional borrowing with shorter maturities, will increase the cost of debt and weigh on public finances in subsequent years. To reduce such impact, they intend to step up efforts to secure more concessional external borrowing and strengthen debt management, including by favoring bond issuance by tender (MEFP, ¶58). Given the roll-over risks associated with the domestic debt, they will seek longer maturity obligations when tapping the regional financial market, consistent with Fund TA missions' recommendations. At the same time, they noted that they expanded the investors base by issuing a Sukuk in March 2018 for CFAF 150 billion that attracted investors from outside the WAEMU. The authorities are also taking steps to expedite the implementation of the single treasury account, improve the quality of cash flow management, and match short-term debt instruments with liquidity needs as recommended by Fund TA (MEFP, ¶¶41-44).

C. Medium-Term Challenge 2: Promoting Sustainable Growth and Competitiveness

24. Reducing the infrastructure gap is key to sustaining growth and reducing poverty. Promoting inclusive and sustainable growth is a key pillar of the government's development framework.[7] However, achieving strong economic growth and reducing poverty hinges on tackling critical social and infrastructure gaps. The existing capacity in roads, agricultural development, education, and health is insufficient. Access to electricity is low and its cost is high. Insufficient investment and modernization have led to high energy costs, which in turn increase the cost of doing business and reduce the attractivity of the country for the investors (Text Figure 9). The Malian public electricity company (EDM) is poorly managed and its performance indicators have deteriorated in recent years. To bridge the gap between its cost and revenues, EDM relies on government subsidies, which are poorly targeted and benefit mainly the wealthiest living in urban centers served by EDM (Box 6). The projected increase in oil prices is likely to widen the gap, requiring higher subsidies and weigh on the state budget. Progress has been slow in implementing reforms recommended by the World Bank. Staff urged the authorities to expedite the electricity sector reform (Box 6), following the World Bank advice, to increase the efficiency of EDM and ensure more reliable provision of electricity to businesses and households (MEFP, ¶65).

Text Figure 9. Mali: Access to Electricity

(in percent of population)



Sources: World Bank, Sustainable Energy for All database; World Energy Council; and IMF staff estimates.

25. Further measures to improve the business environment are needed to provide a favorable environment for strong private sector investment and contribution to growth. Mali's external sustainability assessment indicates that the exchange rate is broadly in line with fundamentals, but structural competitiveness problems remain, underscoring the need for improving the business environment (Box 2, Text Figure 10). At the current juncture, the security situation is likely to weaken the current business environment. Access to financing and corruption are among the most problematic factors perceived by market participants. Staff encouraged the authorities to improve competitiveness by removing structural bottlenecks, including by improving the business climate and developing human capital and improving the efficiency of public investment.

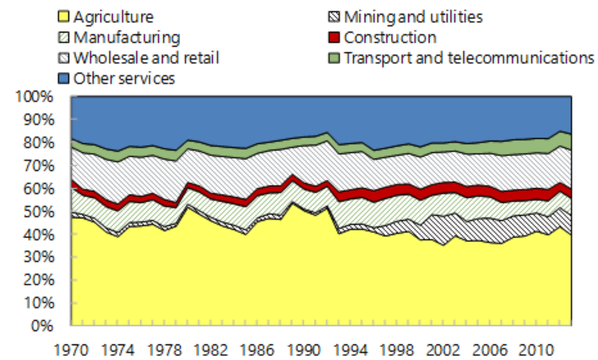
26. Economic diversification is essential to enhance the inclusiveness of growth. However, Mali's output structure has changed little over time and the country remains highly dependent on

[7] In their Framework for Economic Recovery and Sustainable Development of Mali (CREDD), 2016–18, the authorities committed to developing selected agricultural (including livestock and fisheries) supply chains and to promoting family farming. The focus is on food security, improved nutrition as well as developing infrastructure and diversifying the economy. Legal frameworks to promote investment were enhanced, including for mining.

cotton and gold for exports, which leaves it exposed to fluctuations in international commodity prices and to local weather events.

- There has been only modest change in Mali's output structure over time (Text Figure 10). In 2016, the agricultural and service sectors (including public services) each accounted for around 35 percent of economic activity, with the mining and manufacturing and construction sectors accounting for 8, 7, and 4 percent, respectively. The main changes in Mali's output structure since 1980 have been the emergence of the gold mining and telecommunications sectors and the modest declines in the shares of the agricultural and manufacturing sectors. The construction sector has also doubled its share of output over this period.

Text Figure 10. Mali: Output Structure
(percent of output)

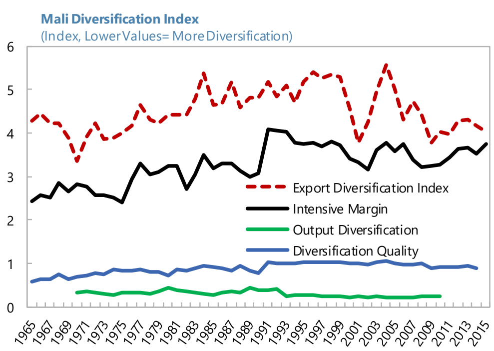


Sources: UN National Accounts

- With exception of some improvement since the mid-2000s, export diversification has stagnated, and export quality has been generally stable (Figure 4). In 2016, cotton and gold represented 80 percent of exports. Mali's export diversification indices have remained relatively low throughout the past five decades and are still lower than many other LICs, primary commodity producers, the SSA or the WAEMU averages. The export complexity (Text Figure 11), an index that measure the sophistication of a country's exported products, shows that Mali exports few products and that the exported products are not very sophisticated.

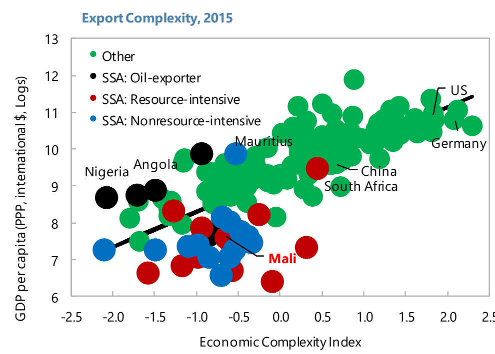
Text Figure 11. Mali: Diversification Trends

Export diversification and quality have broadly remained unchanged over the past five decades.



Sources: IMF Diversification Toolkit; and staff calculations.
Note: For Diversification quality, higher values indicate higher quality levels.

Export complexity remains low in Mali accompanied with low level of GDP per capita when compared to other countries in the world.



Sources: Observatory of Economic Complexity; and World Bank World Development Index.

Authorities' Views

27. **The authorities agreed with the need to improve competitiveness and boost growth by removing structural bottlenecks.** In this regard, they will undertake actions to further improve the business climate and develop human capital that could ease production constraints and support investment. To improve the investment framework and increase the attractiveness of FDI, the authorities have also enacted a PPP law in 2016 and created a PPP unit, with the technical and financial support from the World Bank.

Box 6. The Electricity Sector

The energy sector in Mali is inefficient and structurally unbalanced, which limits its ability to effectively support the development of a fast-growing country such as Mali. The performance indicators of the public utility company, EDM, have fallen sharply in recent years. While its average cost of production has risen sharply during 2009–15, the average tariff remained broadly unchanged during the same period. This creates a significant financial imbalance in the sector, which discourages private sector participation and forces the Malian Government to make large budget transfers to subsidize the sector. These transfers are likely to increase with the projected increase in oil prices, further straining public resources.

The deteriorating financial situation of EDM is most attributable to a widening gap between available supply and growing demand. The demand for power from domestic users and large industrial complexes-notably in the mining sector, has increased by close to 15 percent per year over the 2010–16 period. Over the same period, electricity deliveries increased by an average 10 percent per year and the number of customers also increased by an average 11 percent per year to 459,000. Following this trend, EDM's turnover is projected to double over the next five years, from 1.8 to 2.5 percent of GDP. Consequently, electricity production and investment costs are high and on an upward trend. Due to regulated prices, technical losses and poor payment discipline, EDM revenue cannot offset the rapidly rising expenses. In 2016, the cost of producing power averaged FCFA 110,6 per kilowatt-hour, reflecting an energy mix skewed in favor of more expensive thermal production (60 percent of total production), compared with regulated retail prices averaging FCFA 98 per kilowatt hour. This price gap between production costs and retail prices per kw/h is rapidly widening at the same pace as EDM operating losses. Technical and non-technical losses (mostly due to deteriorating and overloaded electricity grids and poor payment discipline) have further weakened EDM's revenue. In the absence of recapitalization, continued losses have depleted EDM's shareholder equity[1] while the enterprise was reaching out to creditors to replenish its cash supply. Consequently, EDM's nominal debt burden more than doubled over 2013–17. The equity/debt ratio has plummeted over the same period.

EDM losses impose an overwhelming burden on government finance and debt. The Government has constantly assisted the company to weather its losses, sustain investment and purchase combustible with a combination of transfers and tax exemptions. This long-standing policy of keeping nominal tariffs below cost burdens the government budget. Over 2015–17, budget transfers and tax expenditure to close EDM treasury shortfalls averaged CFAF 65 billion (about 43 percent of total electricity sales in Mali).

The implementation of the strategy developed in 2014 holds promise to improve the situation. In 2014, a task force, composed of the Ministry of Finance, the Ministry of Energy and Water, the regulatory agency and EDM, proposed a timetable, starting in 2014, for gradually aligning the tariff with the cost by 2018. The strategy also entailed cost-cutting measures, priority investments in hydroelectric power and solar energy, links to neighboring country electricity grids, and tariff adjustment averaging 3 percent annually. This strategy is yet to be implemented, starting with tariff adjustments on wealthier segments of consumers, differentiated during peak consumption hours to smoothen electricity consumption and reduce production costs for peak hours.

[1] Shareholders' equity measures the robustness of the company's balance (assets-liabilities). The equity/debt ratio is often used as a measurement of a company's ability to sustain its debt.

D. Medium-Term Challenge 3: Strengthening Financial Sector Development and its Contribution to Growth

28. Despite improvements in recent years, financial intermediation remains weak and access to financial services limited, undermining their potential contribution to economic growth and poverty reduction.

- Asset quality appears to be relatively weak (Text Figure 12). Gross nonperforming loans (NPL) and provisions to gross nonperforming loans stood at 17.3 percent and 57 percent respectively in June 2017. However, these ratios include a large volume of old claims that should no longer be included in banks' balance sheets.[8] Nonetheless, even without these old claims, it is estimated that NPLs would be about 12 percent and the coverage ratio would be about 60 percent. In addition, the high concentration of credits, whether sound or impaired, could lead to a high volatility in the NPL ratios as the largest banks typically have the same large borrowers. Moreover, banks continue to hold large amount of non-operating real estate assets acquired through the call-in of guarantees. High uncertainties about their valuation remain a source of risk. Staff encouraged the authorities to develop the overall strategy drawing on the recommendation of the 2017 IMF technical assistance mission to reduce NPLs and improve asset quality. In particular, staff stressed the importance of using a specialized entity to process non-operating fixed assets, including a review of their quality, and streamlining processes in the legal framework.

- Short-term credits largely dominate credits to the private sector. Short-term credits to the private sector account for about 75 percent of total credits, above the WAEMU average.[9] Sectoral shares in short-term credit remain stable overtime, reflecting to some extent credit rollover over a long period.[10] The uncertainty related to the availability of rollover credits increases risk and is a disincentive for long-term investments. Liquidity risk tied to long-term projects, difficulties in enforcing contracts, information asymmetry, and macroeconomic and political instability are major factors that make banks reluctant to provide firms with long-term credit. Staff encouraged the authorities to strengthen the new credit information bureau (BIC) to promote credits to the private sector.

- The level of financial inclusion in Mali is low relative to Sub-Saharan Africa and low-income countries (Text figure 13). The number of microfinance institutions (MFIs) has been growing rapidly in recent years (about 3 percent of total assets of the financial system), but their role as key players in providing financial services to the lower-income segment of the population, particularly in rural areas, has been compromised by fallouts from the financial distress of two

[8] A IMF technical assistance mission undertaken in May 2017 established that write-offs of the provisioned old loans are almost non-existent because of the legalistic justification requirements of the tax authorities. The transition to Basel II in 2018 will force the write-off of losses from old claims with a transition period until 2022.

[9] In WAEMU, medium and long-term credits account for 45.6 percent of total credits at end-2016.

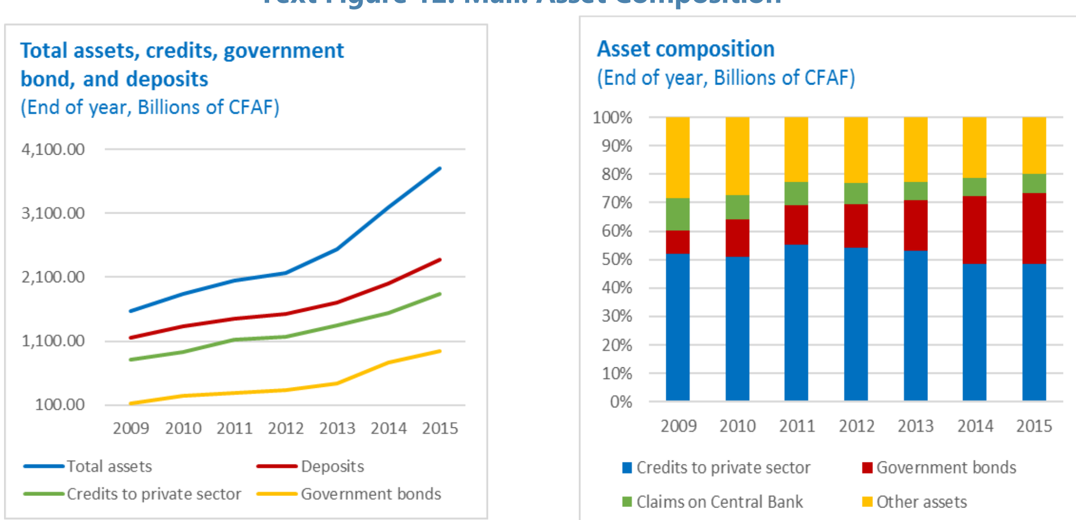
[10] To cope with a scarcity of long-term financing, Malian firms tend to use short-term loans to finance investments with longer maturities.

large MFIs in 2009. Staff urged the authorities to expedite the implementation of the national emergency plan adopted in March 2015, including further enhancing the regulatory framework for MFIs, building their capacity, and securing stable resources for them. This would help better manage risks through efficient credit assessment and stronger recovery mechanism. This would also improve confidence in basic financial services among low-income households, which in turn would improve financial inclusion. Mobile banking is picking up and commercial banks are in the process of extending their financial services. Staff encouraged the authorities to play a bigger role in the development of mobile banking, notably by consuming some of the basic mobile financial services (wage payment and other transfers to and from SMEs), which in turn could foster higher financial inclusion.

Authorities' Views

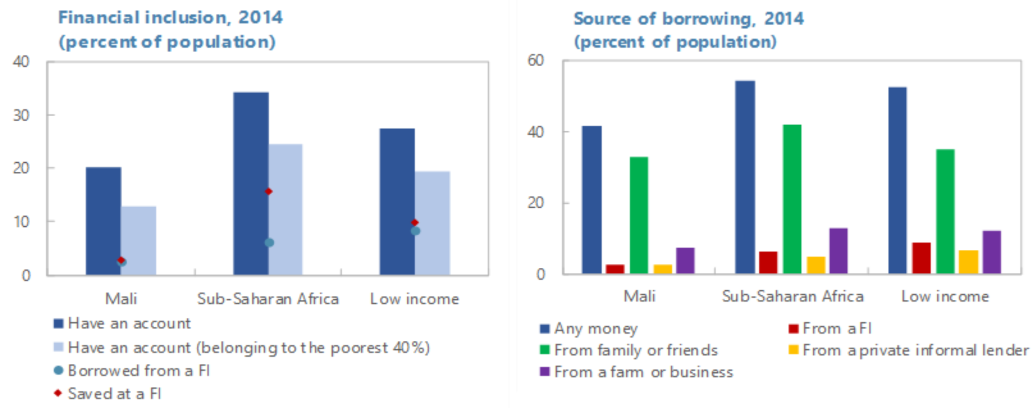
29. The authorities agreed to take actions to improve financial deepening and asset quality. They continue to strengthen the financial regulatory framework by supporting the development and full operation of the credit bureau set up in May 2015 (MEFP, ¶63). The authorities further considered that the Banking Commission's new bank resolution powers will permit addressing effectively the situation of ailing banks. They are in the process of developing a strategy to address NPLs (MEFP, ¶64). They also agreed on the need to enhance the regulatory framework for MFIs, build their capacity, and secure stable resources as defined in the action plan adopted in June 2016. They have also agreed to expedite liquidation of failing MFIs.

Text Figure 12. Mali: Asset Composition



Source: BCEAO

Text Figure 13. Mali: Financial Inclusion



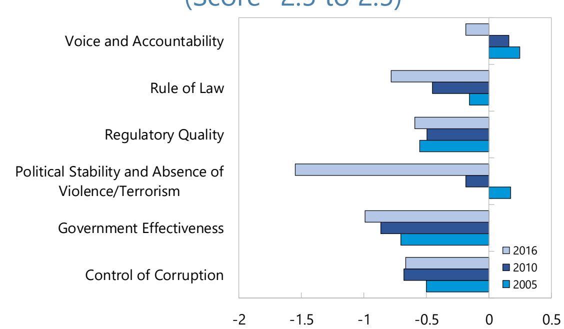
Sources: World Bank, FinStats database.

E. Medium-Term Challenge 4: Enhancing Economic Governance and Fighting Corruption

30. Governance and control of corruption remain challenging in Mali. According to the Worldwide Governance Indicators, most Mali's governance indicators have been on a declining trend in recent years (Text Figure 14). Mali's perceived public corruption score, as evaluated by Malian citizens is 32 out of 100 (with zero being the worst possible score).[11] There is also a strong perception that the justice system is corrupt, with laws and contracts enforced arbitrarily. Serious lapses in public financial management caused a delay in the ECF-supported program first review set for mid-2014. This has placed corruption at the center of public debate and the fight against corruption has been articulated as a key political objective.

Text Figure 14. Mali: Worldwide Governance Indicators

(Score -2.5 to 2.5)[1/]



Source: Worldwide Governance Indicators 2017.

1/ Score (ranges from -2.5-weak to 2.5-strong governance performance).

31. The authorities are working to strengthen the legal and institutional framework for governance, but implementation is slow. Laws to fight corruption and illicit enrichment were passed in 2013 and 2014, but without a noticeable increase in indictments or convictions. In its reports, the Office of the Auditor General (AG), an independent agency tasked to audit public spending, has uncovered several large cases of corruption, most of which have not resulted in

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[11] These indicators developed by Transparency International should be interpreted with caution owing to a limited number of respondents, a limited geographical coverage, and standardized assumptions on governance and information availability.

prosecutions. The implementation of the 2014 law against illicit enrichment stalled in late 2017 amidst disagreement with civil servant unions about the scope of asset declarations by government officials to the Supreme Court and the role of the newly created anti-corruption office. However, the Malian authorities succeeded in brokering a consensus among stakeholders to move this key governance reform forward and asset declaration resumed. Concerning the integrity of public financial management, the authorities, with Fund TA support, are bolstering transparency and controls in budgeting and procurement, as indicated in program benchmarks and commitments. Staff urged the authorities to expedite transmittal to the Supreme Court of declaration of assets by government officials subject to such requirement, while ensuring that the Central Office against Corruption starts monitoring the declaration process and analyzing declarations as they are received. Staff also encouraged the authorities to further strengthen the framework for combating corruption, improve transparency, and proceed with a coherent implementation of the legislative and regulatory framework for AML/CFT.

Authorities' Views

32. The authorities reiterated their unwavering determination to fight corruption and improve governance. They intend to expedite the implementation of the law against corruption and illicit enrichment, including the transmittal of asset declarations of senior government officials to the Supreme Court (MEFP, ¶¶11, 52-54). They agreed with key stakeholders that the law will be fully applied to the most senior officials who are explicitly mentioned therein. They reached 20 percent of declaration rate for those explicitly named by the law (some 1,479 civil servants) at end-February 2018. They are aiming to reach 35 percent by June 30, 2018 and 50 percent at end-October 2018. They will take appropriate administrative measures to ensure full compliance. The multi-stakeholders panel is also working on the more comprehensive list of those subject to asset declaration, which is expected to be finalized by end-August, 2018. The authorities are committed to sanctioning corrupt public officials and implementing the recommendations of the AG (MEFP, ¶55). The General Control of Public Services will publish the last available report on the implementation of the recommendations on the Government website before June 30, 2018. This report will be updated each year. The authorities will further strengthen the framework for combating corruption, improve transparency, and implement of the legislative and regulatory framework for AML/CFT (MEFP, ¶55).

PROGRAM ISSUES

33. Structural conditionality for 2018 continues to focus on the need to further increase tax revenue, improve the efficiency of spending, and strengthen governance. With this objective, the program includes several measures to strengthen tax and customs administration, supported by technical assistance from the Fund, as well as to progressively reduce tax exemptions (MEFP, ¶11 and Table 4). The program also incorporates measures to strengthen public procurement, budget practices and process, and transparency (MEFP, ¶¶ 25, 31-32, 37–39).

34. There are risks to the program, but the capacity to repay the Fund is adequate. In addition to the risks to the outlook described in paragraph 10, the program's key risks are: (i) tighter liquidity conditions could reduce bank financing to the government; (ii) the implementation of the new pricing mechanism for fuel products could stall, negatively affecting tax revenue; (iii) there could be resistance to the implementation of plans to reduce tax exemptions, which could also hurt revenue; (iv) fiscal decentralization poses a risk, although the gradual approach being pursued by the authorities and the adoption of other safeguards will help to limit it; and (v) political support for economic adjustment and reform could wane as the 2018 presidential elections approach. The authorities, however, see scope to increase tax collection by improving revenue administration to broaden the tax base and reduce evasion, reducing tax exemptions, as well as firmly implementing new pricing mechanism for fuel products. They are also prepared to lower non-priority spending in the event of revenue shortfalls, or in case there is a need to accommodate higher security. The capacity to repay the Fund is assessed to be adequate (Table 11). The program is fully financed, with financing needs for 2018 expected to be met by a combination of external borrowing, donor support and Fund financing.

35. Safeguards assessments: An updated safeguards assessment of the BCEAO, completed in April 2018, found that the central bank has maintained a strong control environment since the last assessment in 2013 and its governance arrangements are broadly appropriate. In addition, audit arrangements have been strengthened, International Financial Reporting Standards (IFRS) were adopted as the accounting framework beginning with the 2015 financial statements, and a 2016 external quality review of the internal audit function found broad conformity with international standards. The BCEAO's risk management framework established in 2014 is also progressing well with implementation of its work across the bank.

OTHER ISSUES

36. Exchange regime. Mali, a member of the WAEMU, accepted the obligations under Article VIII, Sections 2, 3 and 4 of the Fund's Articles of Agreement as of June 1, 1996, and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions. The WAEMU's exchange regime is a conventional peg to the euro.

37. The authorities and staff concurred on the need to build capacity for a successful implementation of Mali's economic program. The authorities noted that the technical assistance delivery in 2017 and their priorities for 2018 are consistent with those identified in the capacity development framework pilot project, in which they have been participating since 2017 (Annex I). Within this framework, the overarching policy priorities looking forward remain: (i) conduct prudent macroeconomic policies and maintaining fiscal discipline so as to preserve debt sustainability and avoid accumulation of payments arrears; (ii) increase domestic revenue by enlarging the tax base to meet growing demand for public goods and services, accommodate growing needs for security and peace consolidation, and over time substitute for declining donor support; improving the efficiency of public spending; (iii) enhance public financial management; (iv) address weaknesses in the banking sector to reduce risks to financial stability; and (v) address data weaknesses and gaps, especially in the areas of real sector and short term economic indicators.

STAFF APPRAISAL

38. **The economy has recovered from the 2012 contraction, and the outlook is broadly favorable.** This recovery was aided by the authorities' substantial strides in restoring macroeconomic stability and structural reforms set in motion during the ongoing ECF-supported program. Keeping the reform momentum will be critical to maintaining robust growth rates.

39. **However, the strong macroeconomic performance did not significantly reduce poverty and inequality.** The authorities' commendable efforts in increasing the amount of pro-poor spending should be supplemented by more emphasis on the effectiveness of these outlays. The ongoing decentralization of resources and powers to local governments and the strengthening of budget management at the local government level will help improve the execution of poverty-related spending. The authorities' ongoing efforts to address large infrastructure and skills gaps, enhance the efficiency of spending, foster economic diversification and private sector development, and improve governance and transparency need to be pushed on for greater inclusiveness.

40. **The 2018 budget is in line with program objectives and the WAEMU-wide targets while including adequate security and election-related spending during a challenging electoral year.** The fiscal projections provide adequately for priority spending, including security, election and decentralization, and are underpinned by realistic revenue increase from reducing exemptions and improving tax administration. Nevertheless, the authorities will need to remain vigilant to execute the budget as planned and resist temptation to relax the fiscal stance due to the electoral context.

41. **With limited fiscal space and a favorable growth outlook, fiscal policy efforts over the medium term should continue to focus on consolidation.** The authorities' commitment to reaching the WAEMU convergence criteria while adequately providing for security and decentralization related spending is welcome. This will also help them address debt-related vulnerabilities and reduce pressures on the current account deficit.

42. **Creating fiscal space hinges on fostering revenue mobilization and strengthening the efficiency of public spending.** Despite recent improvements, Mali's tax-to-GDP ratio remains well below the 20 percent WAEMU target, highlighting the existing potential for mobilizing additional tax revenues by broadening the tax base, a more efficient taxation of the mining sector and strengthening tax administration. At the same time, containing tax expenditures and improving the efficiency of public investment spending would also free resources to support growth and social spending.

43. **Recently adopted transfer pricing regulation could be further strengthened.** Malian protection against aggressive transfer pricing practices could benefit from implementing clear and easy-to-apply methods. The authorities are encouraged to issue administrative guidelines and develop relevant tax administration capacities over the medium-term.

44. **Financial sector reforms are needed to further strengthen the sector's resilience and**

enhance its contribution to growth. While the recent improvement in some financial soundness indicators is welcome, risks stemming from the concentration of bank credits on a few borrowers and economic activities need to be addressed. It is also important to implement an overall strategy to reduce the high NPL ratio and preempt issues related to real estate assets in banks' balance sheets. The authorities are encouraged to foster financial inclusion, including by expediting the implementation of their comprehensive plan to consolidate microfinance institutions and reform the microfinance sector, and supporting the development of a nascent mobile banking sector.

45. Further improvement to the business environment is key to attracting FDI, boosting structural competitiveness and promoting the private sector. While Mali has made progress in improving its business environment, efforts should continue to remove remaining barriers, including corruption, insufficient power supply and poor transport infrastructure, limited access to costly credit, and shortage of skilled labor. The external sector assessment, while indicating that Mali's external position is broadly in line with fundamentals, corroborates the need to boost structural competitiveness and to improve export diversification.

46. Staff welcomes the authorities' continued efforts to improve governance and stresses the need to strengthen implementation and enforcement going forward. The authorities have taken important steps to strengthen the legal and institutional framework to fight corruption. The asset declaration by government officials is a critical tool in improving transparency and accountability of the public sector. This measure should be supported by strong enforcement and continue to follow the implementation schedule as agreed under the program. Consolidating improvements in the PFM system's integrity and transparency are also important to the authorities' efforts.

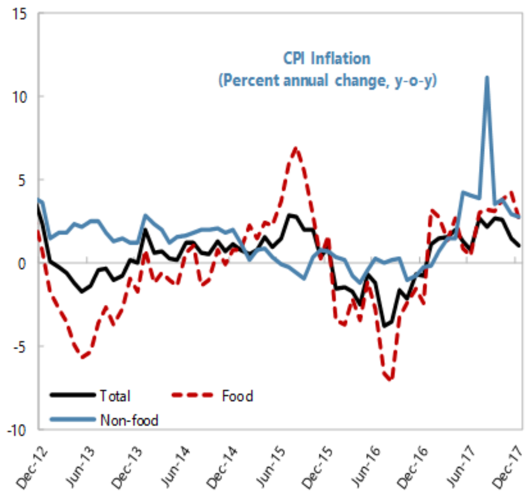
47. The Malian economy faces risks. Political tensions in the context of the 2018 national elections and fragile security conditions, coupled with an uncertain external environment pose important downside risks. In addition, Mali is vulnerable to adverse weather conditions and international commodity price shocks, owing to the economy's high dependence on agriculture and cotton and gold as the two main export products. In responding to the contingencies that could emanate from these risks, the authorities are encouraged to reallocate budgetary resources while safeguarding priority social spending. Strong policy commitments under the program will be needed to safeguard macroeconomic stability during this period.

48. Based on Mali's performance under the program and the authorities' recent efforts to move forward with structural reforms, staff supports the authorities' request for completion of the eighth and ninth reviews of the program supported by the ECF supported program. The attached Letter of Intent and Memorandum of Economic and Financial Policies set out appropriate policies to pursue the program's objectives. The capacity to repay the Fund is adequate, and risks to program implementation are manageable.

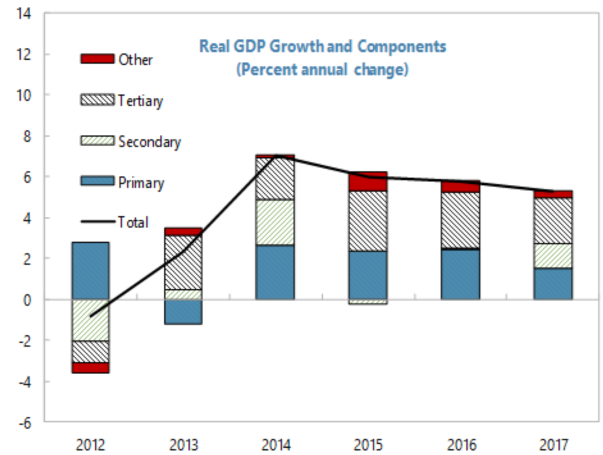
49. Staff recommends that the next Article IV consultation for Mali be held on the 24-month cycle.

Figure 2. Mali: Macroeconomic Developments, 2011–19

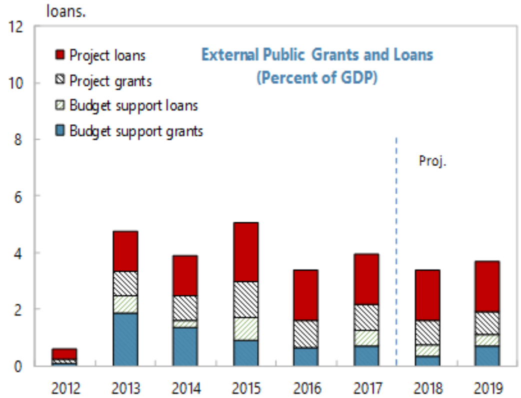
Inflation remains subdued, well below the WEAMU criterion.



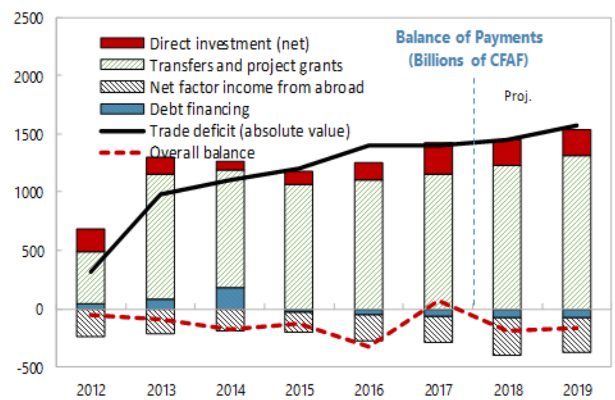
Growth is projected to decelerate to 5 percent in 2018, but would remain above historical trends over the medium term.



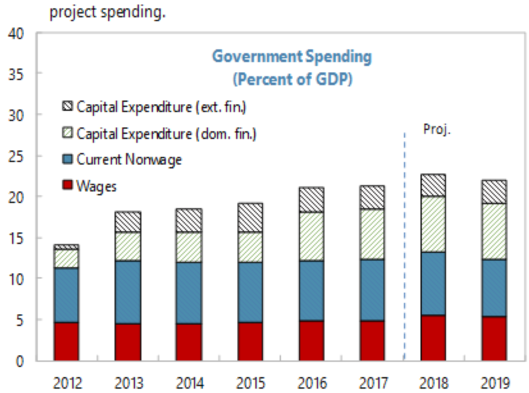
Efforts to address past governance lapses relating to public financial management helped unlock budget support grants and loans.



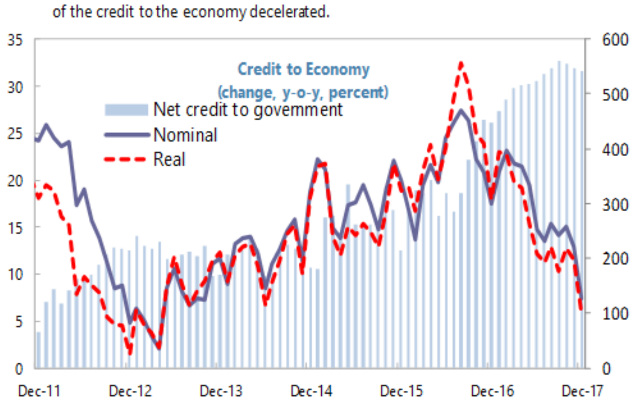
The trade balance is expected to widen further over the medium-term as terms of trade detriorate and gold exports decline.



Growth in public expenditure since 2012 has been driven by capital project spending.



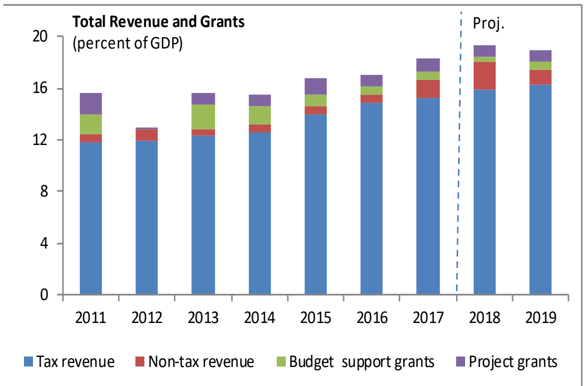
With the increase in credit to the government in recent months, growth of the credit to the economy decelerated.



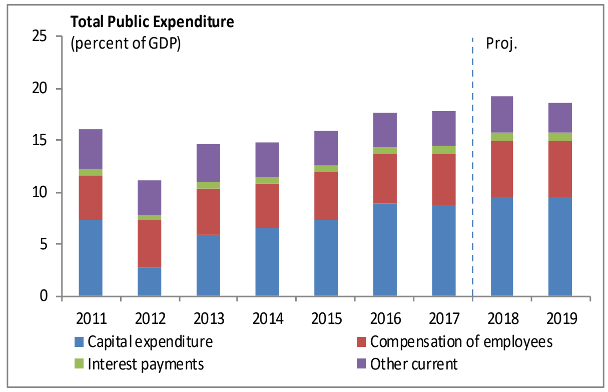
Sources: Malian authorities; and IMF staff estimates and projections.

Figure 3. Mali: Fiscal Developments, 2010–19

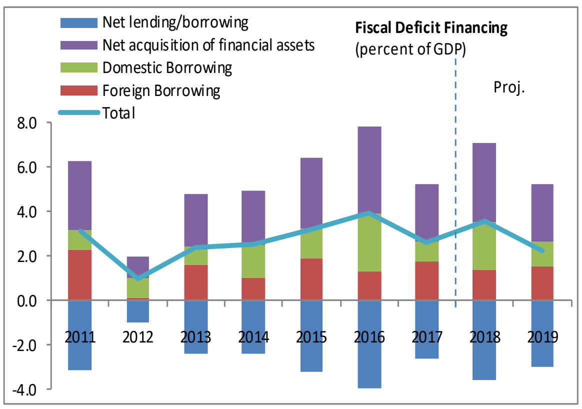
Since declining in 2012, both revenues and grants have increased...



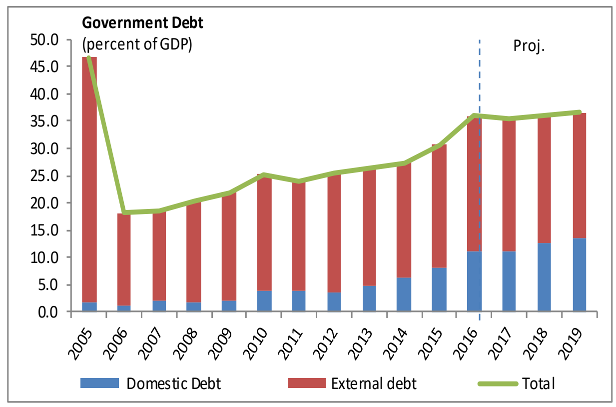
...supporting an increase in capital spending...



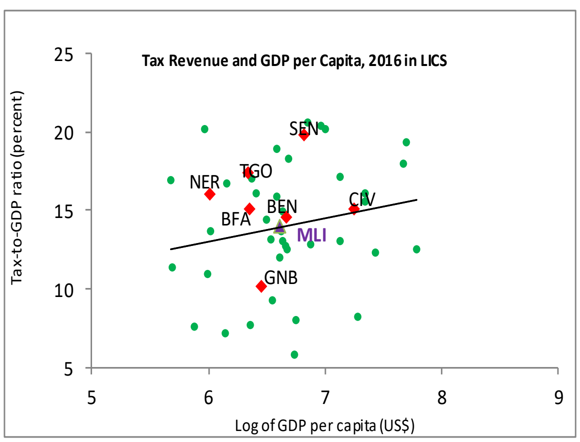
... and contributing to a sustainable fiscal position.



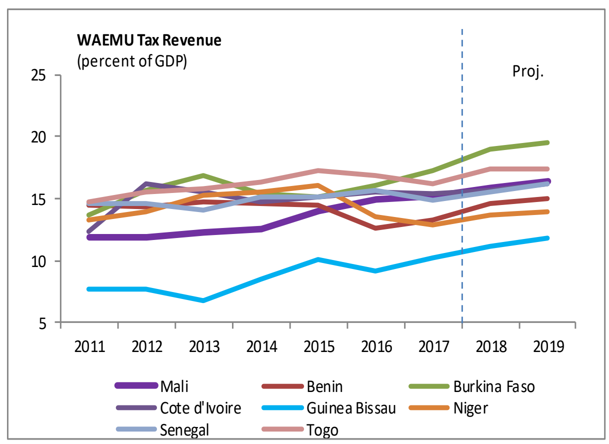
Debt relief in the last decade has provided some fiscal space.



More revenues can be mobilized...



... to reach the best performers in the region.

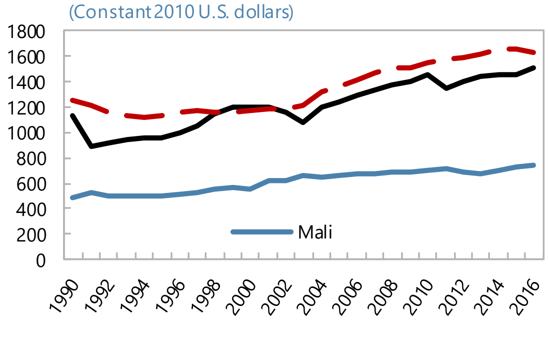


Sources: Country authorities; and IMF staff estimates and projections.

Figure 4. Mali: Social and Development Indicators

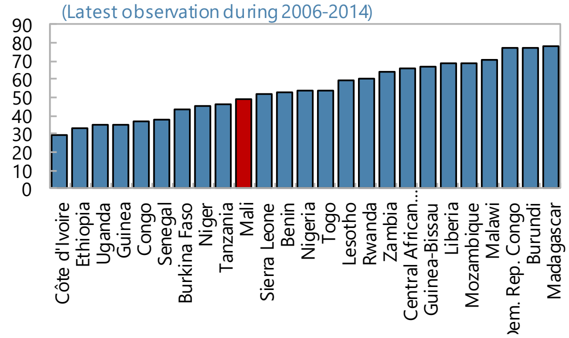
Per capita income has remained broadly unchanged over the last decades and …

Real GDP per Capita
(Constant 2010 U.S. dollars)



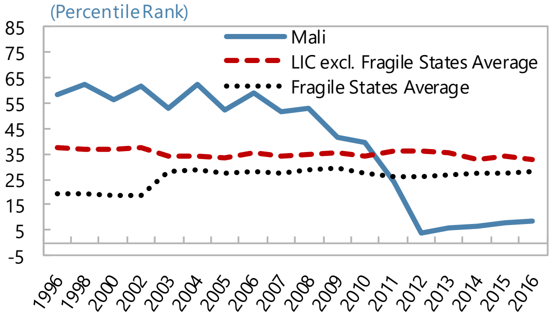
… almost half of the population live on US$1.90 or less per day.

Percentage of Population Living below $1.90/day
(Latest observation during 2006-2014)



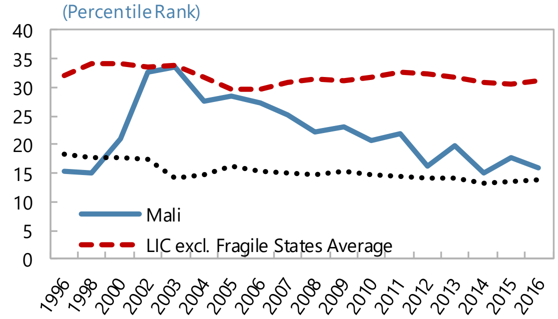
Political instability is increasing and …

Political Stability and Absence of Violence/Terrorism
(Percentile Rank)



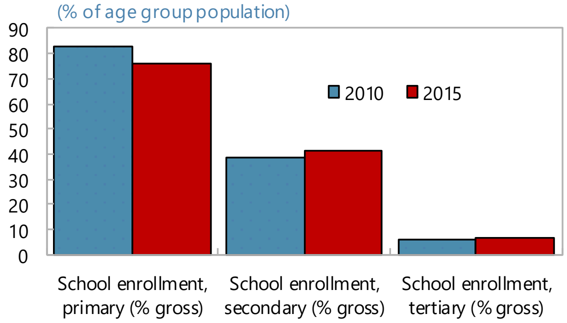
… government effectiveness is deteriorating .

Government Effectiveness
(Percentile Rank)



School enrollment rate has broadly declined and …

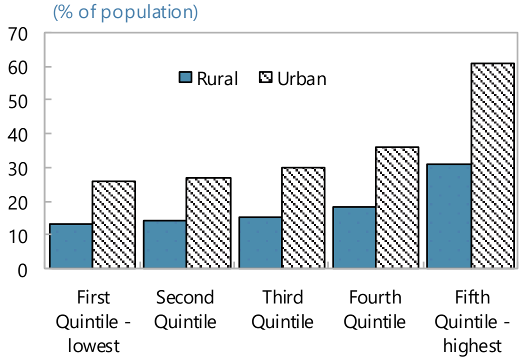
School enrollment
(% of age group population)



Note: Latest data for tertiary enrollment is 2012.

… there is limited access to improved sanitation facilities especially in the rural areas.

Access to improved sanitation facilities, 2012
(% of population)

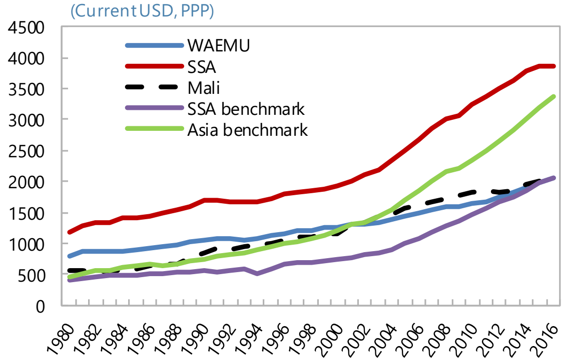


Source: World Bank, *World Development Indicators;* World Bank, *Education Statistics*; and World Bank, *Health Nutrition and Population Statistics.*

Figure 5. Mali: Growth Performance

Output growth per capita in Mali has been relatively weak over the past two decades.

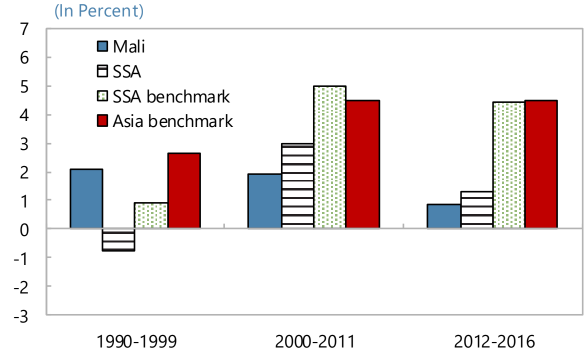
GDP per capita
(Current USD, PPP)



Sources: IMF, World Economic Outlook; and staff estimates.

Per capita growth was particularly weak in the 2000s relative to peers. The security crisis of 2011–12 also took a heavy toll on living standards.

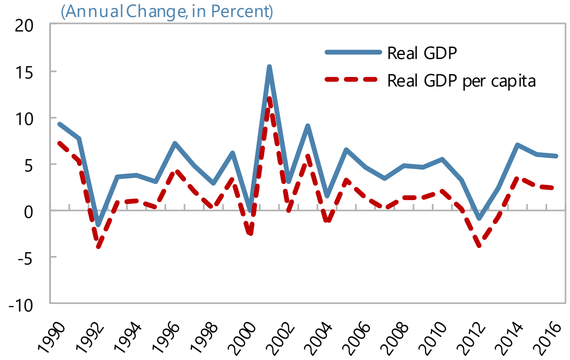
Real GDP per capita growth, 1990-2016
(In Percent)



Sources: IMF, World Economic Outlook; and staff estimates.

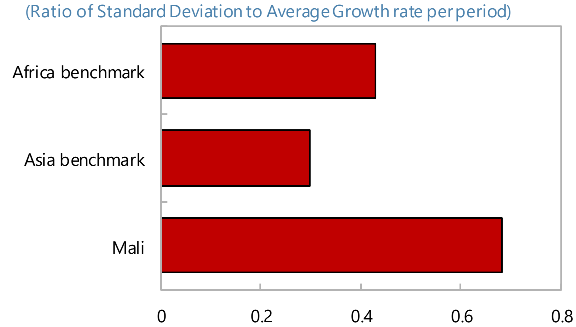
Growth has also been volatile...

Real GDP Growth, 1990-2016
(Annual Change, in Percent)



... and more so than in other benchmark countries.

Relative Volatility, 1994-2016
(Ratio of Standard Deviation to Average Growth rate per period)



Sources: IMF, World Economic Outlook; and staff estimates.
Benchmark: 1994-95 are excluded from Rwanda series due to excessive volatility caused by the Genocide.

Table 1. Mali: Selected Economic and Financial Indicators, 2013–23

	2013	2014	2015	2016	2017			2018	2019	2020	2021	2022	2023
				Est.	Prog.	Prog. [1] Rev.	Est.	Prop. Prog.	Projections				
	(Annual Change in percentage)												
National income and prices													
Real GDP	2.3	7.0	6.0	5.8	5.3	5.3	5.3	5.0	4.7	4.7	4.7	4.7	4.7
GDP deflator	0.7	1.6	2.8	1.5	1.7	1.2	1.6	1.4	1.4	1.8	2.0	2.0	2.2
Consumer price inflation (average)	-0.6	0.9	1.4	-1.8	0.8	0.2	1.8	1.4	1.7	1.9	2.1	2.2	2.2
Consumer price inflation (end of period)	0.0	1.2	1.0	-0.8	1.0	1.0	1.1	1.6	1.7	2.0	2.2	2.2	2.2
External sector (percent change)													
Terms of trade (deterioration -)	-16.6	5.5	18.6	15.5	4.5	-6.4	0.2	-2.6	0.9	1.2	0.5	-2.6	-2.6
Real effective exchange rate (depreciation -)	0.5	1.8	-3.6	-1.9	...	...	0.9	...	...	...	...	...	...
Money and credit (contribution to broad money growth)													
Credit to the government	-2.7	0.8	1.6	10.4	7.3	6.9	3.9	14.5	3.0	...	...	...	...
Credit to the economy	7.5	12.4	14.6	13.7	10.2	10.8	6.3	8.5	8.9	...	...	...	...
Broad money (M2)	7.4	7.1	13.2	7.3	14.4	7.8	7.9	16.2	8.0	...	...	...	...
	(Percent of GDP, unless otherwise indicated)												
Investment and saving													
Gross domestic investment	17.8	20.4	18.4	18.6	19.7	20.0	18.9	19.6	19.7	19.8	20.1	20.3	20.5
Of which: government	6.0	6.5	7.3	8.9	9.6	9.9	8.8	9.5	9.6	9.7	10.0	10.3	10.5
Gross national savings	14.9	15.7	13.0	11.4	12.8	11.8	12.8	13.0	13.4	13.7	14.1	14.1	14.1
Of which: government	0.2	0.4	2.1	1.8	2.1	3.1	3.5	3.1	3.5	3.6	3.9	4.0	4.1
Gross domestic savings	2.8	4.9	2.8	1.8	2.1	1.9	3.2	4.2	4.1	4.6	5.2	5.4	9.9
Central government finance													
Revenue	14.5	14.9	16.4	16.7	17.1	18.3	18.5	19.4	18.7	19.0	19.3	19.9	20.4
Grants	2.8	2.2	2.7	1.6	2.0	2.3	1.6	1.2	1.6	1.7	1.8	1.8	1.8
Total expenditure and net lending	19.7	20.0	20.9	22.2	23.1	24.0	23.0	23.9	23.3	23.7	24.1	24.6	25.2
Overall balance (payment order basis, including grants	-2.4	-2.9	-1.8	-3.9	-4.1	-3.5	-2.9	-3.3	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, including grants)	-2.4	-2.4	-3.2	-3.9	-4.1	-3.4	-2.6	-3.6	-3.0	-3.0	-2.8	-2.9	-2.9
Basic fiscal balance (WAEMU def.) [2]	-0.7	-1.2	0.5	-1.9	-1.6	-1.1	-0.9	-1.3	-1.1	-0.9	-0.8	-0.6	-0.5
External sector													
Current external balance, including official transfers	-2.9	-4.7	-5.3	-7.2	-6.8	-8.1	-6.0	-6.5	-6.3	-6.1	-6.0	-6.3	-6.4
Current external balance, excluding official transfers	-12.4	-12.7	-12.3	-14.6	-15.9	-16.6	-13.1	-13.6	-13.5	-13.0	-12.6	-12.5	-8.1
Exports of goods and services	24.9	22.5	24.0	23.4	22.1	23.1	23.2	22.7	21.1	20.6	20.1	19.7	19.3
Imports of goods and services	39.9	38.0	39.6	40.3	39.6	41.2	38.9	38.0	36.7	35.7	35.0	34.7	30.0
Debt service to exports of goods and services	2.3	3.5	5.8	3.8	5.2	4.8	4.1	5.3	4.7	5.7	5.8	6.2	5.8
External debt (end period)	21.5	21.0	22.6	24.9	23.0	25.3	24.5	23.4	23.2	23.4	23.6	24.1	24.4
Memorandum items:													
Nominal GDP (CFAF billions)	6,544	7,114	7,748	8,322	8,870	8,868	8,899	9,474	10,057	10,719	11,448	12,230	13,082
WAEMU gross official reserves (billions of US$)	13.6	13.2	12.4	10.4	...	...	13.0	...	...	...	...	...	...
(percent of broad money)	49.2	47.0	43.8	35.0	...	...	35.3	...	...	...	...	...	...
(months of WAEMU imports of GNFS)	4.5	4.7	5.0	4.0	...	...	4.2	...	...	...	...	...	...
Public Debt (Percent of GDP)	26.4	27.3	30.7	35.9	30.0	31.8	35.6	35.9	36.6	37.6	38.6	39.8	40.4
Domestic debt (end period) [3]	4.9	6.3	8.0	11.0	7.0	6.5	11.0	12.5	13.4	14.3	15.1	15.7	16.0
US$ exchange rate (end of period)	478.7	532.0	603.1	622.2	...	...	...	...	...	...	...	...	...
Gold Price (US$/fine ounce London fix)	1411	1266	1160	1248	1357	1254	1257	1340	1375	1421	1460	1492	1525
Petroleum price (crude spot)(US$/bbl)	104	96	51	43	51	55	53	62	58	56	54	55	56

Sources: Ministry of Finance; and IMF staff estimates and projections.

[1] IMF Country Report No. 17/209, Mali: Seventh Review Under the Extended Credit Facility Arrangement.

[2] Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending excluding foreign-financed capital spending.

[3] Includes BCEAO statutory advances, government bonds, treasury bills, and other debts.

Table 2. Mali: National Accounts, 2012–17

	2012	2013	2014 Est.	2015 Est.	2016 Est.	2017 Proj.
	(Annual growth rate, constant prices)					
Primary sector	9.3	-3.7	8.7	7.6	7.6	4.8
Crops	15.0	-9.9	15.3	12.1	12.4	6.1
Food crops	15.5	-11.6	13.8	16.1	9.9	6.0
Export crops	12.1	-0.8	22.6	-5.8	26.1	6.2
Livestock	4.6	0.8	5.0	4.4	4.1	3.7
Fishing and forestry	6.6	2.4	3.6	4.7	3.9	3.4
Quarrying	17.6	-10.1	3.9	4.1	6.1	6.6
Secondary sector	-9.3	2.1	10.9	-1.1	0.4	6.3
Gold (mining & processing)	5.6	-1.1	-2.2	-5.3	0.9	-0.4
Manufacturing	2.8	1.4	16.4	-5.7	-5.9	6.7
Agribusiness	-10.0	10.0	32.8	-11.0	-12.0	9.6
Textile	26.4	-10.9	27.2	62.8	3.8	11.6
Utilities	5.2	7.5	11.3	7.9	9.1	8.5
Construction and public works	-34.7	3.0	7.0	6.3	8.0	7.3
Tertiary sector	-2.6	7.0	5.2	7.4	6.9	5.6
Transportation and telecommunications	8.3	10.5	7.4	10.6	8.9	7.6
Trade	-7.7	5.9	3.4	4.3	6.6	4.4
Financial services	15.6	1.8	4.0	6.0	7.6	4.9
Other nonfinancial services	-1.0	6.6	4.6	6.4	4.8	4.3
Public administration	-7.2	0.7	6.2	10.4	7.0	6.1
Indirect taxes and Interior VAT	-5.3	4.4	1.0	10.7	6.1	4.6
GDP at market prices	-0.8	2.3	7.0	6.0	5.8	5.3
	(Percent of GDP, unless otherwise indicated)					
National accounts						
Gross domestic investment	17.2	17.8	20.4	18.4	18.6	20.0
Gross national savings	15.0	14.9	15.7	13.0	11.4	12.8
Current account balance (including official transfers)	-2.2	-2.9	-4.7	-5.3	-7.2	-7.1
Memorandum items:						
Nominal GDP (in CFAF billions)	6352	6544	7114	7748	8322	8868
GDP deflator (annual % change)	4.6	0.7	1.6	2.8	1.5	1.2

Sources: Malian authorities; and IMF staff estimates and projections.

Table 3. Mali: Consolidated Fiscal Transactions of the Government, 2013–23

(Billions of CFA francs)

	2013	2014	2015	2016	2017			2018	2019	2020	2021	2022	2023
					Prog.	Rev. Prog. [1]	Est.	Prop. Prog.	Projections				
Revenue and grants	1137.2	1215.1	1481.1	1522.2	1718.0	1823.1	1789.7	1948.9	2039.3	2220.0	2421.2	2650.1	2913.0
Total revenue	951.2	1057.6	1273.4	1389.7	1540.8	1620.4	1645.6	1834.4	1875.8	2038.1	2215.0	2429.7	2675.1
Budgetary revenue	842.7	940.8	1134.2	1284.7	1429.4	1509.0	1480.1	1711.2	1745.0	1898.7	2066.2	2270.7	2505.0
Tax revenue	804.5	890.5	1082.5	1239.3	1357.9	1357.5	1353.7	1498.9	1636.5	1785.2	1955.1	2152.1	2373.1
Direct taxes	258.1	324.0	330.8	367.7	425.8	424.6	419.4	459.6	529.9	575.6	629.5	685.0	751.8
Of wich: Gold sector	71.0	56.2	46.0	63.5	66.7	73.9	72.9	80.0	86.1	86.5	91.0	95.6	113.6
Indirect taxes	546.4	566.5	751.7	871.6	932.1	932.9	934.3	1039.3	1106.6	1209.6	1325.6	1467.0	1621.3
VAT	325.7	335.0	411.3	467.3	503.6	508.9	523.5	562.3	597.5	645.7	706.9	781.2	861.7
Excises on petroleum products	22.3	27.8	93.1	100.9	104.9	94.7	84.7	95.2	106.7	125.9	139.2	147.5	171.1
Import duties	111.8	115.5	141.8	157.4	173.4	176.1	180.1	192.3	200.3	215.1	233.5	257.9	283.8
Other indirect taxes	146.9	149.9	189.5	218.0	232.2	235.3	235.2	257.3	274.0	299.5	328.0	368.0	398.3
Of wich: Gold sector	55.3	51.9	55.5	65.4	70.5	68.1	65.6	70.9	70.5	74.5	78.6	93.4	95.5
Tax refund	-60.3	-61.7	-84.0	-72.1	-82.0	-82.1	-171.3	-67.8	-72.0	-76.7	-81.9	-87.6	-93.7
Nontax revenue	38.2	50.2	51.7	45.4	71.5	151.5	126.4	212.3	108.6	113.5	111.1	118.6	131.9
Of wich: Gold sector	17.4	7.2	0.0	0.0	8.3	8.3	8.4	0.0	0.0	0.0	0.0	0.0	0.0
Special funds and annexed budgets	108.5	116.8	139.2	105.0	111.4	111.4	165.5	123.2	130.8	139.4	148.8	159.0	170.1
Grants	186.0	157.5	207.7	132.5	177.2	202.7	144.1	114.6	163.5	181.9	206.2	220.4	237.9
Projects grants	56.6	61.6	98.1	78.6	96.5	96.5	81.4	81.0	94.2	100.4	107.2	114.6	124.8
Budgetary support	120.1	96.0	67.1	53.9	80.7	106.2	62.7	33.6	69.3	81.5	99.0	105.8	113.1
Of which: General	110.8	70.2	46.4	45.5	63.0	84.8	48.6	26.2	54.1	57.6	61.5	65.8	70.3
Of which: Sectoral	9.3	25.8	20.7	8.4	17.7	21.4	14.2	7.4	15.3	23.9	37.4	40.0	42.8
Total expenditure and net lending (payment orders basis)	1292.4	1419.9	1622.3	1850.1	2083.9	2130.2	2045.0	2261.3	2343.5	2541.6	2762.8	3013.7	3302.4
Budgetary expenditure	1190.1	1308.4	1488.0	1753.0	1976.0	2028.0	1889.5	2148.5	2212.7	2402.3	2613.9	2854.7	3132.3
Current expenditure	800.5	848.1	922.0	1013.0	1127.7	1150.8	1105.0	1251.0	1247.9	1361.7	1464.5	1598.3	1762.3
Wages and salaries	290.8	313.4	358.2	400.9	450.7	459.7	432.6	516.4	530.9	584.3	624.1	667.0	712.9
Goods and services	239.6	240.5	260.9	268.5	305.2	319.2	297.6	323.5	290.4	310.4	335.5	368.9	424.0
Transfers and subsidies	237.7	252.4	257.0	287.5	308.3	308.3	300.5	332.7	339.1	368.1	393.9	439.4	488.2
Interest	32.4	41.7	45.9	56.1	63.5	63.5	74.4	78.3	87.4	98.9	111.0	123.0	137.2
Of which: domestic	14.0	24.5	22.9	30.0	35.9	35.9	46.2	47.3	61.2	70.3	79.9	88.6	98.7
Capital expenditure	389.6	460.3	566.0	740.0	848.3	877.3	784.5	897.5	964.8	1040.6	1149.4	1256.4	1370.0
Externally financed	161.0	190.5	281.1	240.9	302.3	306.5	253.1	257.4	287.4	348.5	400.1	449.3	491.7
Domestically financed	228.6	269.8	284.9	499.0	545.9	570.7	531.4	640.1	677.5	692.1	749.3	807.1	878.3
Special funds and annexed budgets	108.5	116.8	139.2	105.0	111.4	111.4	165.5	123.2	130.8	139.4	148.8	159.0	170.1
Net lending	-6.2	-5.4	-4.9	-7.9	-3.5	-9.2	-10.0	-10.4	0.0	0.0	0.0	0.0	0.0
Overall fiscal balance (excl. grants)	-341.2	-362.3	-348.8	-460.4	-543.1	-509.9	-399.4	-426.9	-467.7	-503.5	-547.8	-584.0	-627.3
Overall fiscal balance (incl. grants)	-155.1	-204.7	-141.1	-327.9	-365.9	-307.2	-255.3	-312.3	-304.1	-321.6	-341.6	-363.6	-389.4
Variation of arrears	6.0	-50.4	-37.2	-8.2	-16.2	-23.6	-5.2	-12.8	-2.8	-2.8	0.0	0.0	0.0
Of which: Domestic	7.5	-50.4	-37.2	-8.2	-6.2	-23.6	-5.2	-12.8	-2.8	-2.8	0.0	0.0	0.0
Of which: External (Interest)	-1.5	0.0	0.0	0.0	-10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjustment to cash basis	-8.1	85.0	-69.8	9.9	17.4	29.9	28.1	-11.9	14.2	5.3	19.0	11.4	14.6
Overall balance (cash basis, incl. grants)	-157.2	-170.1	-248.1	-326.1	-364.7	-300.8	-232.4	-337.0	-302.7	-319.1	-322.6	-352.2	-374.8
Financing	157.3	175.6	248.7	326.9	364.8	300.8	232.4	337.0	262.7	276.6	287.5	317.2	339.8
External financing (net)	103.9	70.5	145.0	109.2	159.1	195.8	154.9	133.3	153.8	172.2	201.4	238.6	245.7
Loans	134.7	119.5	225.2	149.9	223.7	258.5	206.3	206.0	216.5	265.5	299.5	341.6	335.7
Project loans	95.1	103.1	160.5	149.9	188.1	188.6	156.5	169.0	177.9	224.2	255.4	294.6	324.1
Of which: non-concessional	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Budgetary loans	39.6	16.4	64.7	0.0	35.6	69.9	49.8	37.0	38.6	41.3	44.0	46.9	11.6
Amortization	-42.9	-52.0	-97.5	-58.4	-82.5	-80.5	-69.6	-91.7	-79.7	-93.4	-98.1	-102.9	-90.0
Debt relief	25.6	14.9	17.4	17.7	17.8	17.8	18.2	19.0	17.0	0.0	0.0	0.0	0.0
Variation of External Arrears (Principal)	-13.5	-11.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing (net)	53.4	105.1	103.7	217.6	205.7	105.0	77.5	203.7	108.9	104.5	86.1	78.6	94.2
Banking system	-23.1	61.6	58.9	165.2	194.1	166.8	161.3	374.2	98.9	104.5	86.1	78.6	94.2
Central bank	-75.5	-65.8	23.0	77.4	-34.1	37.7	57.0	66.3	-10.6	-11.6	-11.7	-16.5	-8.4
Commercial banks	29.4	80.3	7.9	105.3	228.2	129.1	29.1	308.0	99.4	116.0	97.8	95.1	102.5
Adjustment[2]	-23.0	47.1	-28.0	17.5	0.0	0.0	-60.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts	55.1	0.0	-11.4	-17.5	-10.0	-10.0	-10.2	-15.0	0.0	0.0	0.0	0.0	0.0
Non-bank financing	21.4	43.5	56.2	69.9	21.6	-51.9	-73.6	-155.5	10.0	0.0	0.0	0.0	0.0
Financing gap	0.0	-5.5	-0.6	-0.7	0.0	0.0	0.0	0.0	40.0	42.5	35.0	35.0	35.0
Memorandum items													
Basic fiscal balance[3]	-43.7	-86.7	38.5	-156.2	-160.0	-100.7	-79.5	-124.3	-109.2	-97.4	-86.1	-69.0	-65.3
Tax and non tax revenue from gold sector	143.6	115.4	101.5	128.8	0.0	150.3	146.8	150.8	156.6	161.0	169.6	189.0	209.0
Total official assistance (loans and grants)	320.7	277.0	432.9	282.4	400.9	461.2	350.4	320.6	380.0	447.4	505.7	562.0	573.5
Nominal GDP	6544	7114	7748	8322	8870	8868	8899	9474	10057	10719	11448	12230	13082

Sources: Ministry of Finance; and IMF staff estimates and projections.

[1] IMF Country Report No. 17/209, Mali: Seventh Review Under the Extended Credit Facility Arrangement.

[2] Adjustment to account for the difference between the definitions of the government in the fiscal table and the monetary situation.

[3] Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending excluding externally financed capital spending.

Table 4. Mali: Consolidated Fiscal Transactions of the Government, 2017
(Billions of CFA francs)

	Mar.		June		Sept.		Dec.	
	Prog.	Est.	Prog.	Est.	Prog.	Est.	Rev. Prog.	Est.
Revenue and grants	386.3	375.0	882.8	806.7	1324.6	1278.6	1823.1	1789.8
Total revenue	377.5	350.1	832.1	771.9	1217.9	350.1	1620.4	1645.7
Budgetary revenue	344.5	307.8	757.2	690.7	1136.0	1085.6	1509.0	1480.2
Tax revenue	322.9	302.1	665.3	660.7	1021.2	999.9	1357.5	1353.7
Direct taxes	96.8	86.5	212.3	225.1	325.0	319.7	424.6	419.4
Indirect taxes	226.1	215.6	453.0	435.6	696.2	680.3	933.0	934.3
VAT	116.3	119.3	244.3	249.6	377.1	383.9	508.9	523.5
Excises on petroleum products	28.2	21.3	44.5	45.8	68.2	61.7	94.7	84.7
Import duties	40.0	45.4	82.8	83.9	129.9	129.6	176.1	180.1
Other indirect taxes	50.4	42.5	107.4	95.0	154.4	150.2	235.3	235.2
Tax refund	-9.3	-12.8	-29.4	-38.8	-37.0	-45.2	-82.0	-89.1
Nontax revenue	21.7	5.7	91.9	30.0	114.7	85.7	151.4	126.4
Special funds and annexed budgets	33.0	42.2	74.9	81.2	81.9	124.4	111.4	165.5
Grants	8.7	24.9	50.7	34.7	106.8	68.5	202.7	144.1
Projects	6.1	7.1	41.0	23.0	49.1	56.8	96.5	81.4
Budgetary support	2.6	17.8	9.6	11.7	57.6	11.7	106.2	62.7
General	0.0	9.9	0.0	0.0	46.6	0.0	84.8	48.6
Sectoral	2.6	7.9	9.6	11.7	11.0	11.7	21.4	14.2
Total expenditure and net lending (payment orders basis)	548.1	363.5	1118.4	803.6	1580.5	1385.9	2130.2	2045.0
Budgetary expenditure	517.0	326.1	1049.1	728.2	1506.5	1269.5	2028.0	1889.5
Current expenditure	288.0	227.1	583.7	499.7	868.5	775.7	1150.8	1105.0
Wages and salaries	113.3	93.4	229.9	180.6	344.8	303.6	459.7	432.6
Goods and services	75.9	48.3	149.7	121.5	230.7	190.2	319.2	297.6
Transfers and subsidies	82.9	62.8	172.3	150.6	245.4	220.6	308.3	300.5
Interest	15.9	22.5	31.8	46.9	47.6	61.3	63.5	74.4
Of which: domestic	9.0	15.6	18.0	33.6	26.9	40.3	35.9	46.2
Capital expenditure	229.0	99.0	465.5	228.6	638.0	493.9	877.3	784.5
Externally financed	86.3	30.8	166.4	75.9	224.8	182.1	306.5	253.1
Domestically financed	142.7	68.2	299.0	152.7	413.2	311.8	570.7	531.4
Special funds and annexed budgets	32.9	42.2	74.9	81.2	81.0	124.4	111.4	165.5
Net lending	-1.8	-4.8	-5.6	-5.9	-7.1	-8.1	-9.2	-10.0
Overall fiscal balance (excl. grants)	-170.6	-13.4	-286.3	-31.7	-362.6	-175.9	-509.9	-399.4
Overall fiscal balance (incl. grants)	-161.9	11.5	-235.6	3.1	-255.9	-107.3	-307.2	-255.3
Variation of arrears	-4.4	-6.6	-11.8	-6.6	-19.2	-6.6	-23.6	-5.2
Adjustment to cash basis	-21.8	-26.9	-57.2	-22.9	-59.2	-16.4	29.9	28.1
Overall balance (cash basis, incl. grants)	-188.0	-22.0	-304.6	-26.5	-334.3	-123.8	-300.8	-232.4
Financing	138.7	22.0	318.5	26.4	380.5	123.7	300.8	232.4
External financing (net)	55.9	6.1	90.3	46.1	121.7	130.3	195.8	154.9
Loans	64.6	20.8	116.3	66.5	155.1	169.4	258.5	206.3
Project loans	47.2	20.8	84.9	49.0	113.2	119.6	188.6	156.5
Of which: non-concessional	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Budgetary loans	17.5	0.0	31.4	17.5	41.9	49.8	69.9	49.8
Amortization	-9.9	-16.2	-38.0	-33.5	-45.7	-53.6	-80.5	-69.6
Debt relief	1.2	1.5	12.1	13.1	12.3	14.5	17.8	18.2
Variation of External Arrears (Principal)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing (net)	82.8	15.9	228.2	-19.7	258.8	-6.5	105.0	77.5
Banking system	77.4	151.5	199.7	74.7	242.0	105.7	166.8	160.5
Central bank	10.4	27.0	20.9	-2.5	31.0	42.4	37.7	56.2
Commercial banks	67.1	124.5	178.9	77.2	211.0	63.3	129.1	29.1
Adjustment [1]	0.0	0.0	0.0	0.0	0.0	-43.0	0.0	-75.2
Privatization receipts	-1.5	-3.2	-5.1	-8.0	-5.1	-8.2	-10.0	-10.2
Non-bank financing	6.7	-132.4	33.5	-86.4	22.0	-61.1	-51.9	-72.8
Financing gap	49.3	0.0	-13.9	0.1	-46.2	0.0	0.0	0.0
Memorandum items								
Basic fiscal balance[2]	-83.1	28.8	-107.7	-111.0	-78.8	20.7	-100.7	-79.5
Government bank and market financing	84.2	0.0	233.3	89.3	263.9	164.6	154.1	176.6

Sources: Ministry of Finance; and IMF staff estimates and projections.

[1] Adjustment to account for the difference between the definitions of the government in the fiscal table and the monetary situation.

[2] Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending, excluding externally financed capital spending.

Table 5. Mali: Consolidated Fiscal Transactions of the Government, 2013–23

(Percent of GDP)

	2013	2014	2015	2016	2017			2018	2019	2020	2021	2022	2023
					Prog.	Rev. Prog. [1]	Est.	Prop. Prog.	Projections				
Revenue and grants	17.4	17.1	19.1	18.3	19.4	20.6	20.1	20.6	20.3	20.7	21.1	21.7	22.3
Total revenue	14.5	14.9	16.4	16.7	17.4	18.3	18.5	19.4	18.7	19.0	19.3	19.9	20.4
Budgetary revenue	12.9	13.2	14.6	15.4	16.1	17.0	16.6	18.1	17.4	17.7	18.0	18.6	19.1
Tax revenue	12.3	12.5	14.0	14.9	15.3	15.3	15.2	15.8	16.3	16.7	17.1	17.6	18.1
Direct taxes	3.9	4.6	4.3	4.4	4.8	4.8	4.7	4.9	5.3	5.4	5.5	5.6	5.7
Of wich: Gold sector	1.1	0.8	0.6	0.8	0.8	0.8	0.8	0.8	0.9	0.8	0.8	0.8	0.9
Indirect taxes	8.4	8.0	9.7	10.5	10.5	10.5	10.5	11.0	11.0	11.3	11.6	12.0	12.4
VAT	5.0	4.7	5.3	5.6	5.7	5.7	5.9	5.9	5.9	6.0	6.2	6.4	6.6
Excises on petroleum products	0.3	0.4	1.2	1.2	1.2	1.1	1.0	1.0	1.1	1.2	1.2	1.2	1.3
Import duties	1.7	1.6	1.8	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.1	2.2
Other indirect taxes	2.2	2.1	2.4	2.6	2.6	2.7	2.6	2.7	2.7	2.8	2.9	3.0	3.0
Of wich: Gold sector	0.8	0.7	0.7	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.8	0.7
Tax refund	-0.9	-0.9	-1.1	-0.9	-0.9	-0.9	-1.9	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
Nontax revenue	0.6	0.7	0.7	0.5	0.8	1.7	1.4	2.2	1.1	1.1	1.0	1.0	1.0
Of wich: Gold sector	0.3	0.1	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Special funds and annexed budgets	1.7	1.6	1.8	1.3	1.3	1.3	1.9	1.3	1.3	1.3	1.3	1.3	1.3
Grants	2.8	2.2	2.7	1.6	2.0	2.3	1.6	1.2	1.6	1.7	1.8	1.8	1.8
Projects grants	0.9	0.9	1.3	0.9	1.1	1.1	0.9	0.9	0.9	0.9	0.9	0.9	1.0
Budgetary support	1.8	1.3	0.9	0.6	0.9	1.2	0.7	0.4	0.7	0.8	0.9	0.9	0.9
Of which: General	1.7	1.0	0.6	0.5	0.7	1.0	0.5	0.3	0.5	0.5	0.5	0.5	0.5
Of which: Sectoral	0.1	0.4	0.3	0.1	0.2	0.2	0.2	0.1	0.2	0.2	0.3	0.3	0.3
Total expenditure and net lending (payment orders basis)	19.7	20.0	20.9	22.2	23.5	24.0	23.0	23.9	23.3	23.7	24.1	24.6	25.2
Budgetary expenditure	18.2	18.4	19.2	21.1	22.3	22.9	21.2	22.7	22.0	22.4	22.8	23.3	23.9
Current expenditure	12.2	11.9	11.9	12.2	12.7	13.0	12.4	13.2	12.4	12.7	12.8	13.1	13.5
Wages and salaries	4.4	4.4	4.6	4.8	5.1	5.2	4.9	5.5	5.3	5.5	5.5	5.5	5.4
Goods and services	3.7	3.4	3.4	3.2	3.4	3.6	3.3	3.4	2.9	2.9	2.9	3.0	3.2
Transfers and subsidies	3.6	3.5	3.3	3.5	3.5	3.5	3.4	3.5	3.4	3.4	3.4	3.6	3.7
Interest	0.5	0.6	0.6	0.7	0.7	0.7	0.8	0.8	0.9	0.9	1.0	1.0	1.0
Of which: domestic	0.2	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.6	0.7	0.7	0.7	0.8
Capital expenditure	6.0	6.5	7.3	8.9	9.6	9.9	8.8	9.5	9.6	9.7	10.0	10.3	10.5
Externally financed	2.5	2.7	3.6	2.9	3.4	3.5	2.8	2.7	2.9	3.3	3.5	3.7	3.8
Domestically financed	3.5	3.8	3.7	6.0	6.2	6.4	6.0	6.8	6.7	6.5	6.5	6.6	6.7
Special funds and annexed budgets	1.7	1.6	1.8	1.3	1.3	1.3	1.9	1.3	1.3	1.3	1.3	1.3	1.3
Net lending	-0.1	-0.1	-0.1	-0.1	0.0	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Overall fiscal balance (excl. grants)	-5.2	-5.1	-4.5	-5.5	-6.1	-5.7	-4.5	-4.5	-4.7	-4.7	-4.8	-4.8	-4.8
Overall fiscal balance (incl. grants)	-2.4	-2.9	-1.8	-3.9	-4.1	-3.5	-2.9	-3.3	-3.0	-3.0	-3.0	-3.0	-3.0
Variation of arrears	0.1	-0.7	-0.5	-0.1	-0.2	-0.3	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Of which: Domestic	0.1	-0.7	-0.5	-0.1	-0.1	-0.3	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Of which: External (Interest)	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjustment to cash basis	-0.1	1.2	-0.9	0.1	0.2	0.3	0.3	-0.1	0.1	0.0	0.2	0.1	0.1
Overall balance (cash basis, incl. grants)	-2.4	-2.4	-3.2	-3.9	-4.1	-3.4	-2.6	-3.6	-3.0	-3.0	-2.8	-2.9	-2.9
Financing	2.4	2.5	3.2	3.9	4.1	3.4	2.6	3.6	2.6	2.6	2.5	2.6	2.6
External financing (net)	1.6	1.0	1.9	1.3	1.8	2.2	1.7	1.4	1.5	1.6	1.8	2.0	1.9
Loans	2.1	1.7	2.9	1.8	2.5	2.9	2.3	2.2	2.2	2.5	2.6	2.8	2.6
Project loans	1.5	1.4	2.1	1.8	2.1	2.1	1.8	1.8	1.8	2.1	2.2	2.4	2.5
Of which: non-concessional	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Budgetary loans	0.6	0.2	0.8	0.0	0.4	0.8	0.6	0.4	0.4	0.4	0.4	0.4	0.1
Amortization	-0.7	-0.7	-1.3	-0.7	-0.9	-0.9	-0.8	-1.0	-0.8	-0.9	-0.9	-0.8	-0.7
Debt relief	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0
Variation of External Arrears (Principal)	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing (net)	0.8	1.5	1.3	2.6	2.3	1.2	0.9	2.2	1.1	1.0	0.8	0.6	0.7
Banking system	-0.4	0.9	0.8	2.0	2.2	1.9	1.8	4.0	1.0	1.0	0.8	0.6	0.7
Central bank	-1.2	-0.9	0.3	0.9	-0.4	0.4	0.6	0.7	-0.1	-0.1	-0.1	-0.1	-0.1
Commercial banks	0.4	1.1	0.1	1.3	2.6	1.5	0.3	3.3	1.0	1.1	0.9	0.8	0.8
Adjustment[2]	-0.4	0.7	-0.4	0.2	0.0	0.0	-0.7	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts	0.8	0.0	-0.1	-0.2	-0.1	-0.1	-0.1	-0.2	0.0	0.0	0.0	0.0	0.0
Non-bank financing	0.3	0.6	0.7	0.8	0.2	-0.6	-0.8	-1.6	0.1	0.0	0.0	0.0	0.0
Financing gap	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.4	0.3	0.3	0.3
Memorandum items													
Basic fiscal balance[3]	-0.7	-1.2	0.5	-1.9	-1.8	-1.1	-0.9	-1.3	-1.1	-0.9	-0.8	-0.6	-0.5
Tax and non tax revenue from gold sector	2.2	1.6	1.3	1.5	0.0	1.7	1.6	1.6	1.6	1.5	1.5	1.5	1.6
Total official assistance (loans and grants)	4.9	3.9	5.6	3.4	4.5	5.2	3.9	3.4	3.8	4.2	4.4	4.6	4.4
Nominal GDP (in billions of CFAF)	6544	7114	7748	8322	8870	8868	8899	9474	10057	10719	11448	12230	13082

Sources: Ministry of Finance; and IMF staff estimates and projections.

[1] IMF Country Report No. 17/209, Mali: Seventh Review Under the Extended Credit Facility Arrangement.

[2] Adjustment to account for the difference between the definitions of the government in the fiscal table and the monetary situation.

[3] Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending.

Table 6. Mali: Central Government Consolidated Financial Operations, 2018

(Billions of CFA franc)

	Mar	Jun	Sept	Dec.
	Prop. Prog.	Prop. Prog.	Prop. Prog.	Prop. Prog.
Revenue and grants	414.1	910.9	1358.8	1948.9
Total revenue	393.8	856.8	350.1	1834.4
Budgetary revenue	363.0	795.2	1172.9	1711.2
Tax revenue	345.0	741.1	1095.4	1498.9
Direct taxes	98.8	239.0	342.4	459.6
Indirect taxes	246.2	502.1	753.0	1039.3
VAT	136.7	275.2	411.9	562.3
Excises on petroleum products	22.8	47.6	71.9	95.2
Import duties	47.1	97.5	145.2	192.3
Other indirect taxes	57.3	115.6	174.9	257.3
Tax refund	-17.7	-33.8	-50.8	-67.8
Nontax revenue	18.0	54.1	77.5	212.3
Special funds and annexed budgets	30.8	61.6	92.4	123.2
Grants	20.2	54.0	93.5	114.6
Projects	20.2	40.1	59.9	81.0
Budgetary support	0.0	13.9	33.6	33.6
General	0.0	6.6	26.2	26.2
Sectoral	0.0	7.4	7.4	7.4
Total expenditure and net lending (payment orders basis)	541.9	1147.4	1691.5	2261.3
Budgetary expenditure	514.6	1091.0	1607.8	2148.5
Current expenditure	309.4	656.0	950.9	1251.0
Wages and salaries	129.1	258.2	387.3	516.4
Goods and services	80.9	161.8	242.7	323.5
Transfers and subsidies	82.9	187.0	256.0	332.7
Interest	16.5	49.1	65.0	78.3
Of which: domestic	8.6	33.7	42.0	47.3
Capital expenditure	205.2	435.0	656.8	897.5
Externally financed	45.2	115.0	176.7	257.4
Domestically financed	160.0	320.0	480.1	640.1
Special funds and annexed budgets	30.8	61.6	92.4	123.2
Net lending	-3.5	-5.2	-8.7	-10.4
Overall fiscal balance (excl. grants)	-148.1	-290.5	-426.2	-426.9
Overall fiscal balance (incl. grants)	-127.8	-236.5	-332.7	-312.4
Variation of arrears	-2.5	-5.0	-12.8	-12.8
Adjustment to cash basis	-10.5	-63.8	-63.8	-11.9
Overall balance (cash basis, incl. grants)	-140.8	-305.3	-409.2	-337.0
Financing	140.9	305.0	409.1	337.0
External financing (net)	9.3	38.1	86.4	133.3
Loans	25.0	72.4	137.2	206.0
Project loans	25.0	67.5	109.4	169.0
Of which: non-concessional	0.0	0.0	0.0	0.0
Budgetary loans	0.0	4.9	27.8	37.0
Amortization	-17.1	-47.8	-65.7	-91.7
Debt relief	1.4	13.5	14.9	19.0
Variation of External Arrears (Principal)	0.0	0.0	0.0	0.0
Domestic financing (net)	131.6	266.9	322.7	203.7
Banking system	146.1	298.6	360.0	374.2
Central bank	23.4	18.3	40.4	66.3
Commercial banks	122.7	280.3	319.6	308.0
Adjustment [1]	0.0	0.0	0.0	0.0
Privatization receipts	-3.8	-7.5	-7.5	-15.0
Non-bank financing	-10.7	-24.2	-29.8	-155.5
Financing gap	0.0	0.3	0.1	0.0
Memorandum items				
Basic fiscal balance [2]	-101.5	-155.5	-208.3	-124.3
Government bank and market financing	201.8	388.8	467.4	431.4

Sources: Ministry of Finance; and IMF staff estimates and projections.

[1] Adjustment to account for the difference between the definitions of the government in the fiscal table and the monetary situation.

[2] Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending, excluding externally financed capital spending.

Table 7. Mali: Balance of Payments, 2013–23

(Billions of CFA franc)

	2013	2014	2015	2016	2017			2018	2019	2020	2021	2022	2023
					Prog.	Rev. [1] Prog.	Est.	Prop. Prog.	Projections				
						(Billions of CFAF)							
Current account balance													
Excluding official transfers	-814.2	-903.7	-955.3	-1214.9	-1409.5	-1474.5	-1169.1	-1289.7	-1356.8	-1388.5	-1445.1	-1534.3	-1055.8
Including official transfers	-188.8	-333.9	-412.4	-601.9	-604.8	-721.6	-535.8	-619.3	-638.2	-657.6	-690.9	-767.1	-836.8
Trade balance	-126.5	-251.1	-281.3	-342.0	-405.0	-509.9	-340.7	-367.9	-445.0	-459.2	-495.8	-594.2	-686.2
Exports, f.o.b.	1419.5	1374.4	1606.8	1675.9	1708.0	1803.2	1781.0	1847.0	1795.8	1857.3	1926.4	2008.7	2099.6
Cotton fiber	176.8	166.7	183.1	187.6	206.9	249.2	229.8	258.4	247.9	254.0	270.4	315.2	351.1
Gold	964.5	917.7	1004.1	1120.4	1156.5	1199.1	1167.2	1182.4	1117.4	1146.5	1170.1	1195.3	1187.4
Other	278.2	290.0	419.6	368.0	344.6	354.9	384.0	406.1	430.5	456.8	485.8	498.2	561.0
Imports, f.o.b.	-1546.1	-1625.4	-1888.1	-2018.0	-2113.1	-2313.1	-2121.7	-2214.9	-2240.8	-2316.5	-2422.2	-2603.0	-2785.7
Petroleum products	-434.3	-434.8	-403.7	-425.8	-405.1	-582.1	-517.7	-607.5	-559.5	-548.3	-551.0	-584.0	-619.3
Foodstuffs	-231.6	-248.7	-324.3	-336.0	-420.9	-331.9	-336.2	-342.5	-359.3	-378.8	-398.3	-422.4	-449.3
Other	-880.1	-941.9	-1160.1	-1256.2	-1287.1	-1399.1	-1267.8	-1265.0	-1322.0	-1389.4	-1472.8	-1596.6	-1717.1
Services (net)	-854.1	-850.1	-923.6	-1061.0	-1149.3	-1089.1	-1057.5	-1084.3	-1124.7	-1166.8	-1215.9	-1237.4	-708.8
Credit	211.7	225.6	256.0	272.6	248.5	247.8	282.0	302.2	323.0	346.1	371.0	397.7	426.4
Debit [2]	-1065.9	-1075.7	-1179.7	-1333.6	-1397.9	-1336.9	-1339.5	-1386.5	-1447.7	-1513.0	-1586.9	-1635.1	-1135.2
Of which: freight and insurance	-319.7	-299.9	-348.4	-372.4	-402.5	-440.6	-389.9	-421.9	-426.8	-441.2	-461.4	-495.8	-530.6
Income (net)	-213.7	-190.0	-174.8	-222.1	-317.2	-319.0	-216.5	-312.0	-290.7	-299.4	-306.8	-315.2	-316.1
Of which: interest due on public debt	-18.4	-17.2	-23.0	-26.1	-27.6	-27.6	-28.2	-31.0	-26.2	-28.5	-31.1	-34.5	-38.6
Transfers (net)	1005.5	957.2	967.3	1023.2	1266.8	1196.4	1078.8	1144.9	1222.2	1267.8	1327.6	1379.8	874.2
Private transfers (net)	380.2	387.4	424.4	410.2	462.0	443.5	445.6	474.5	503.7	536.9	573.4	612.5	655.3
Official transfers (net) 2	625.4	569.8	542.9	613.0	804.8	752.9	633.2	670.4	718.5	730.9	754.2	767.2	218.9
Of which: budgetary grants	110.8	70.2	46.4	45.5	80.7	106.2	48.6	33.6	69.3	81.5	99.0	105.8	113.1
Capital and financial account	120.1	175.3	322.2	319.6	505.9	464.8	575.6	425.2	466.4	520.1	570.8	644.3	682.1
Capital account (net)	107.0	95.9	180.3	101.7	123.7	203.1	81.6	81.2	94.5	100.7	107.5	114.9	125.1
Debt forgiveness	25.5	14.9	59.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which:project grants	56.6	61.6	98.1	78.6	96.5	96.5	81.4	81.0	94.2	100.4	107.2	114.6	124.8
Financial account	13.2	79.4	141.8	217.8	382.2	261.8	494.0	344.0	371.9	419.4	463.3	529.4	557.0
Private (net)	-63.5	-63.7	-45.0	-8.7	150.5	17.3	341.2	205.6	211.1	223.1	236.1	263.3	282.0
Direct investment (net)	150.7	70.9	114.2	153.8	75.5	123.0	260.9	218.4	224.0	235.1	251.1	268.3	287.0
Portfolio investment private (net)	-1.0	-1.5	4.5	2.6	0.0	-1.0	2.4	2.2	2.1	3.0	0.0	0.0	0.0
Other private capital flows	-213.2	-133.1	-163.7	-165.0	75.0	-104.6	77.9	-15.0	-15.0	-15.0	-15.0	-5.0	-5.0
Official (net)	75.2	52.7	127.7	91.5	141.2	178.0	136.7	114.3	136.7	172.2	201.4	238.6	245.7
Disbursements	134.7	119.5	225.2	149.9	223.7	258.5	206.3	206.0	216.5	265.5	299.5	341.6	335.7
Budgetary	39.6	16.4	64.7	0.0	35.6	69.9	49.8	37.0	38.6	41.3	44.0	46.9	11.6
Project related	95.1	103.1	160.5	149.9	188.1	188.6	156.5	169.0	177.9	224.2	255.4	294.6	324.1
Amortization due on public debt	-42.9	-52.0	-97.5	-58.4	-82.5	-80.5	-69.6	-91.7	-79.7	-93.4	-98.1	-102.9	-90.0
Errors and omissions	-17.5	-15.9	-33.7	-42.3	0.0	0.0	26.5	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-86.2	-174.5	-124.0	-324.7	-98.8	-256.7	66.3	-194.1	-171.8	-137.6	-120.2	-122.8	-154.7
Financing	86.2	174.5	124.0	324.7	98.8	256.7	-66.3	194.1	171.8	137.6	120.2	122.8	154.7
Foreign assets (net)	60.6	159.6	107.2	307.0	81.0	238.8	-84.1	176.0	114.8	86.8	76.9	122.8	154.7
Of which: IMF (net)	18.8	4.3	1.9	24.6	21.5	44.0	21.8	63.3	-10.6	-11.6	-11.7	-12.9	-18.0
HIPC Initiative assistance	25.6	14.9	16.8	17.7	17.8	17.8	17.8	18.1	17.0	8.2	8.2	0.0	0.0
Financing gap	0.0	-5.5	0.0	0.0	0.0	0.0	0.0	0.0	40.0	42.5	35.0	35.0	35.0
						(in percent of GDP, unless otherwise indicated)							
Current account balance													
Excluding official transfers	-12.4	-12.7	-12.3	-14.6	-15.9	-16.6	-13.1	-13.6	-13.5	-13.0	-12.6	-12.5	-8.1
Including official transfers	-2.9	-4.7	-5.3	-7.2	-6.8	-8.1	-6.0	-6.5	-6.3	-6.1	-6.0	-6.3	-6.4
Trade Balance	-1.9	-3.5	-3.6	-4.1	-4.6	-5.8	-3.8	-3.9	-4.4	-4.3	-4.3	-4.9	-5.2
Overall Balance	-1.3	-2.5	-1.6	-3.9	-1.1	-2.9	0.7	-2.0	-1.7	-1.3	-1.0	-1.0	-1.2
						(annual percentage change)							
External trade													
Export volume index	7.1	-2.3	32.1	-4.0	5.0	4.7	5.1	7.0	-0.6	3.8	3.7	4.5	5.4
Import volume index	1.7	10.2	49.9	13.3	5.9	2.4	3.8	4.8	4.5	5.0	5.1	5.1	5.1
Export unit value	-14.3	-1.5	-8.0	9.0	4.6	3.6	1.5	-3.0	-2.3	-0.3	0.0	-0.4	-0.9
Import unit value	2.7	-6.6	-22.5	-5.7	0.2	10.6	1.3	-0.4	-3.2	-1.6	-0.5	2.3	1.8
Terms of trade	-16.6	5.5	18.6	15.5	4.5	-6.4	0.2	-2.6	0.9	1.2	0.5	-2.6	-2.6

Sources: Malian authorities; and IMF staff estimates and projections.

[1] IMF Country Report No. 17/209, Mali: Seventh Review Under the Extended Credit Facility Arrangement.

[2] Includes financing by the international community for imports of security services in relation to the foreign military intervention in the country.

Table 8. Mali: Monetary Survey, 2013–19

(Billions of CFA franc)

	2013	2014	2015	2016	2017 Prog.	2017 Rev.[1] Prog.	2017 Est.	2018 Prop. Prog.	2019 Proj.
					(Billions of CFAF)				
Net Foreign Assets	758	623	536	211	354	-14	108	-68	-182
BCEAO	482	322	215	-92	33	-331	-8	-184	-299
Commercial Banks	277	301	321	303	321	317	116	116	116
Net Domestic Assets	1087	1354	1702	2189	2690	2603	2481	3075	3431
Credit to the government (net)	-101	-86	-55	178	332	289	272	646	735
BCEAO	0	-66	-43	29	-52	67	85	152	141
Commercial banks, net	-101	-20	-12	149	385	222	187	495	594
Other	0	0	0	0	0	0	0	0	0
Credit to the economy	1228	1458	1747	2054	2402	2335	2205	2426	2692
Other items (net)	-41	-18	9	-44	-44	-21	3	3	3
Money supply (M2)	1845	1977	2237	2400	3045	2589	2589	3008	3248
Currency outside banks	509	443	407	444	554	479	555	645	696
Bank deposits	1337	1533	1830	1956	2490	2110	2034	2363	2552
Memorandum item:									
Base Money (M0)	742	715	750	698	1022	815	790	917	991
Gross international reserves BCEAO	613	465	369	87	167	-263	175	-60	-186
in percent of broad money	33.2	23.5	16.5	3.6	5.5	-10.2	6.7	-2.0	-5.7
					(in percentage of beginning of period broad money)				
Contribution to growth of broad money									
Money supply (M2)	7.4	7.1	13.2	7.3	14.4	7.8	7.9	16.2	8.0
Net foreign assets	3.6	-7.3	-4.4	-14.5	-3.0	-9.9	-4.3	-6.8	-3.8
BCEAO	-3.5	-8.6	-5.4	-13.7	-3.0	-9.9	3.5	-6.8	-3.8
Commercial banks	7.1	1.3	1.0	-0.8	0.0	0.0	-7.8	0.0	0.0
Net domestic assets	3.8	14.5	17.6	21.8	17.5	17.8	12.2	23.0	11.8
Credit to the central government	-2.7	0.8	1.6	10.4	7.3	6.9	3.9	14.5	3.0
Credit to the economy	7.5	12.4	14.6	13.7	10.2	10.8	6.3	8.5	8.9
Other items net	-1.0	1.2	1.4	-2.4	0.0	0.0	2.0	0.0	0.0
					(Annual growth rate)				
Memorandum items:									
Money supply (M2)	7.4	7.1	13.2	7.3	14.4	7.8	7.9	16.2	8.0
Base money (M0)	1.3	-3.7	5.0	-7.0	14.4	7.8	13.2	16.2	8.0
Credit to the economy	11.7	18.7	19.9	17.6	12.7	12.5	7.4	10.0	11.0
Velocity (GDP/M2)	3.5	3.6	3.5	3.5	2.9	3.4	3.4	3.2	3.1
Money Multiplier (M2/M0)	2.5	2.8	3.0	3.4	3.0	3.2	3.3	3.3	3.3
Currency outside banks / M2	27.6	22.4	18.2	18.5	18.2	18.5	21.4	21.4	21.4

Sources: BCEAO; and Fund staff estimates and projections.

[1] IMF Country Report No. 17/209, Mali: Seventh Review Under the Extended Credit Facility Arrangement.

Table 9. Mali: Financial Soundness Indicators for the Banking Sector, 2009–17

	2009	2010	2011	2012	2013	2014	2015	2016				2017			
								March	June	Sep.	Dec.	March	June	Sep.	Dec.
					(in percent)										
Capital															
Capital to risk-weighted assets	7.7	13.7	11.7	11.4	12.9	14.5	14.8	15.1	15.3	14.3	14.7	13.0	13.6	13.9	14.3
Tier 1 capital to risk-weighted assets	7.2	12.7	10.8	10.0	12.2	13.1	13.4	13.7	13.6	12.6	13.2	11.6	12.3	12.6	13.0
Capital (net worth) in percent of assets	4.6	7.5	8.3	7.7	7.9	7.1	7.4	7.8	7.9	7.5	7.3	7.2	7.2	7.6	7.3
Sectoral distribution of credit to the economy															
Agriculture and fishing	7.9	1.6	11.7	10.9	6.5	5.5	4.3	2.8	2.1	1.3	3.8	4.0	2.2	2.8	3.6
Minining sector	0.2	0.1	0.1	3.8	4.7	3.4	2.6	2.6	2.3	2.5	2.2	1.9	2.4	2.0	2.1
Manufacturing	5.9	7.3	8.0	9.6	11.1	12.7	12.1	12.8	13.2	12.4	13.2	13.5	13.9	13.1	13.6
Electricity, gas, and water	4.3	11.1	10.0	6.4	9.6	11.9	9.6	8.9	8.6	8.3	7.5	7.6	7.8	7.0	6.8
Building and construction	1.6	4.3	4.4	5.0	3.8	4.9	7.0	6.6	7.9	6.9	6.8	6.5	7.4	6.7	6.9
Wholesale and retail trade, hotels and restaurants	37.4	44.4	43.3	44.6	45.2	40.9	45.5	48.6	43.5	44.3	43.2	43.2	42.1	43.7	41.6
Transportation, warehouses, communications	11.3	8.8	7.1	5.6	9.3	10.1	8.8	7.7	10.6	11.1	9.6	9.3	10.3	10.7	11.9
Insurance, real estate, and services for enterprises	18.8	14.9	9.8	8.2	5.7	6.9	6.3	6.3	7.7	7.9	7.8	7.5	8.3	8.2	7.7
Collectives and social services	14.6	7.6	5.6	5.8	4.0	3.6	3.7	3.8	4.1	3.8	4.1	4.5	4.4	4.7	4.6
Asset quality															
Non-performing loans to total loans	25.4	22.1	18.0	21.0	19.3	15.9	14.5	16.5	15.8	16.2	15.4	16.6	17.3	17.6	16.7
Non-performing loans to total loans (net of provisioning)	11.6	8.5	6.5	8.7	8.3	5.6	5.4	6.5	6.1	6.5	7.2	7.9	8.2	8.6	7.8
Provisions to gross non-performing loans	59.5	64.0	69.3	65.0	62.0	68.6	66.5	64.5	65.4	64.3	57.7	56.9	57.0	55.8	58.0
Earnings and profitability															
Return on assets (ROA)	0.6	1.4	1.7	1.3	1.2	1.1	1.6	...	...	...	1.4	...	...	...	1.4
Return on equity (ROE)	6.8	8.6	14.9	12.5	14.1	16.0	21.5	...	...	...	19.8	...	...	...	19.3
Liquidity															
Liquid assets to total assets	33.8	32.7	36.7	34.8	34.4	51.8	51.7	49.1	49.9	49.4	50.0	51.7	51.5	49.8	49.2
Liquid assets to short term liabilities	61.2	92.9	89.4	90.0	98.0	95.6	87.9	88.6	88.2	88.8	86.2	69.2	69.0	69.6	67.3
Ratio of loans to deposits	72.2	82.6	88.0	88.5	89.7	87.8	86.7	83.6	84.7	85.8	95.8	97.3	95.4	97.3	99.3
Memorandum items [1]															
Deposit rate	1.9	1.9	1.8	1.9	1.8	1.8	1.8	...	...	...	2.2	...	...	...	2.7
Lending rate	9.7	9.4	9.3	8.9	9.5	8.2	7.8	...	...	...	7.5	...	...	...	8.0

Source: BCEAO, and IMF staff estimates.

[1] Average

Table 10. Mali: Schedule of Disbursements Under the ECF Arrangement, 2013–18

Amount	In percent of quota [1]	Available date	Conditions for disbursement
SDR 6 million	3.2	December 18, 2013	Executive Board approval of the three year ECF arrangement.
SDR 4 million	2.1	May 1, 2014	Observance of December 31, 2013 and continuous performance criteria, and completion of the first review under the arrangement.
SDR 4 million	2.1	November 1, 2014	Observance of June 30, 2014 and continuous performance criteria, and completion of the second review under the arrangement.
SDR 4 million	2.1	May 1, 2015	Observance of December 31, 2014 and continuous performance criteria, and completion of the third review under the arrangement.
SDR 4 million	2.1	November 1, 2015	Observance of June 30, 2015 and continuous performance criteria, and completion of the fourth review under the arrangement.
SDR 19 million	10.2	May 1, 2016	Observance of December 31, 2015 and continuous performance criteria, and completion of the fifth review under the arrangement.
SDR 19 million	10.2	November 1, 2016	Observance of June 30, 2016 and continuous performance criteria, and completion of the sixth review under the arrangement.
SDR 31.65 million	17.0	May 1, 2017	Observance of December 31, 2016 and continuous performance criteria, and completion of the seventh review under the arrangement.
SDR 31.65 million	17.0	November 1, 2017	Observance of June 30, 2017 and continuous performance criteria, and completion of the eighth review under the arrangement.
SDR 31.65 million	17.0	May 1, 2018	Observance of December 31, 2017 and continuous performance criteria, and completion of the ninth review under the arrangement.
SDR 31.65 million	17.0	November 1, 2018	Observance of June 30, 2018 and continuous performance criteria, and completion of the tenth review under the arrangement.
Total for ECF arrangement	100.0		

Sources: IMF staff estimates and projections.

[1] Using the new quota under the 14th General Review of Quotas (SDR 186.6 million).

Table 11. Mali: Indicators of Capacity to Repay the Fund, 2017–25[1]

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Fund obligations based on existing credit									
Principal	10.7	11.3	13.8	15.2	15.4	17.0	20.5	17.1	15.1
Charges and interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Fund obligations based on existing and prospective credit[2]									
Principal	10.7	11.3	13.8	15.2	15.4	17.0	26.9	36.1	34.1
Charges and interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total obligations based on existing and prospective credit									
In millions of SDRs	10.7	11.4	13.9	15.3	15.5	17.1	27.0	36.3	34.3
In billions of CFA francs	8.6	8.8	10.7	11.7	11.8	13.0	35.6	47.8	45.2
In percent of government revenue	0.5	0.5	0.6	0.6	0.5	0.5	1.3	1.6	1.4
In percent of exports of goods and services	0.4	0.4	0.5	0.5	0.5	0.5	1.4	1.8	1.6
In percent of debt service	6.0	5.2	6.4	6.1	5.6	5.7	15.7	19.9	17.8
In percent of GDP	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3
In percent of quota	11.5	12.2	14.9	16.4	16.6	18.4	28.9	38.9	36.7
Outstanding Fund credit[1]									
In millions of SDRs	145.3	227.5	213.7	198.5	183.1	166.1	139.2	103.1	69.0
In billions of CFA francs	117.0	175.1	163.6	151.0	138.8	125.9	105.6	78.2	52.3
In percent of government revenue	7.1	9.5	8.7	7.4	6.3	5.2	3.9	2.7	1.7
In percent of exports of goods and services	5.7	8.1	7.7	6.9	6.0	5.2	4.2	2.9	1.9
In percent of debt service	81.2	102.9	97.9	78.5	66.4	55.7	46.5	32.5	20.6
In percent of GDP	1.3	1.8	1.6	1.4	1.2	1.0	0.8	0.6	0.3
In percent of quota[3]	77.9	121.9	114.5	106.4	98.1	89.0	74.6	55.3	37.0
Disbursements and Repurchases	20.1	82.3	-13.8	-15.2	-15.4	-17.0	-26.9	-36.1	-34.1
Disbursements	31.7	95.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	11.6	12.7	13.8	15.2	15.4	17.0	26.9	36.1	34.1
Memorandum items:									
Nominal GDP	8,899	9,474	10,057	10,719	11,448	12,230	13,082	14,054	15,096
Exports of goods and services	2,063	2,149	2,119	2,203	2,297	2,406	2,526	2,651	2,745
Government revenue	1,646	1,834	1,876	2,038	2,215	2,430	2,675	2,909	3,161
Debt service	144	170	167	192	209	226	227	240	255

Sources: IMF staff estimates and projections.

[1] Total debt service includes IMF repurchases and repayments.

[2] Includes future disbursements proposed in Table 10.

[3] Using the new quota under the 14th General Review of Quotas (SDR 186.6 million).

Annex I. Capacity Building Framework Strategy

This note presents the understanding reached between the Mali country team and the Malian authorities on the capacity development strategy and expected objectives in support of the macroeconomic policy priorities for the period ahead. The note defines a set of milestones and outcomes related to the technical assistance (TA) program including actions to be undertaken by the authorities to achieve the agreed goals.

A. Policy Priorities

Mali is a country in a fragile situation, facing important security issues. There are weaknesses in administrative and institutional capacity. Within this context, the overarching policy priorities for Mali remain: (i) conducting prudent macroeconomic policies and maintaining fiscal discipline so as to preserve debt sustainability and avoid accumulation of payments arrears; (ii) increase domestic revenue by enlarging the tax base to meet growing demand for public goods and services, accommodate growing needs for security and peace consolidation, and over time substitute for declining donor support; and (iii) address weaknesses in the banking sector to reduce risks to financial stability. Mali also need to strengthen its real sector statistics to better inform policy making and private sector decisions.

B. Past Technical Assistance and Capacity Building

Mali is a high recipient of technical assistance from the Fund. It has an overall good implementation record and TA has made a positive contribution to capacity building. Recent TA support focused on (i) revenue administration; (ii) public financial management; (iii) improving fiscal accounting and reporting; (iv) fiscal aspects of decentralization; (v) management of natural resources; (vi) anti-money laundering; (vii) real sector statistics; and (viii) cash and debt management and financial markets. In most cases, TA objectives were largely achieved. TA on management of natural resources has been especially successful, reflecting a strong commitment by the Ministry of Mines. Although the tax base is being broadened, progress has been more difficult in modernizing tax administration and improving its quality, an area where advances have been hampered by issues related to human resource management and the system of incentives for tax and customs inspectors.

C. TA Priorities Going Forward

In support of the policy priorities, TA will focus more on developing capacities in human resource management in all areas, but especially in revenue (tax and customs) administration. This should include revamping the employment framework (recruitment, promotion, and training), and reforming the salary structures, and the incentive systems. TA will also aim at enhancing the authorities' capacity to address weaknesses in the financial sector. Support to improve real sector statistics will also be expanded. Donors are not providing TA in these various areas that the Fund plans to cover. The proposed strategy for IMF TA during FY2017 and beyond is as follows:

Revenue Administration (2016–18)

- Objective: Achieve more effective and efficient mobilization of domestic resources by: (i) increasing tax compliance and broadening the tax base; (ii) increasing the coverage and effectiveness of tax audits while reducing discretionary tax exemptions; (iii) improving HR management and reforming the system of incentives for tax and customs inspectors;
- Outcomes: (i) Filing compliance is better enforced, and audits are risk-based and their coverage is extended; (ii) customs risk management is operational and valuation capacity is strengthened; (iii) tax exemptions are significantly reduced; (iv) reform of the system of incentives starts in 2017; (v) Tax-to-GDP ratio increases to 15.7 percent of GDP by 2018.
- Milestones: (i) Further improve the effectiveness of tax audits and extend their coverage (2016–17); (ii) identification and costing of tax exemptions (2017); (ii) proposals to improve HR management and reform the system of incentives for tax and customs inspectors (2017).
- Input: HQ-led mission in FY17 (August 2016) to look at HR management at DGI/DGD and conduct study of the system of incentives; AFRITAC West TA missions in tax administration.
- Assumptions: (i) Improved customer services to facilitate taxpayer voluntary compliance; (ii) improved audit functions; (iii) strong commitment to implementing potentially difficult reforms (e.g., reform of the incentive system).

Public Finance Management (2016–18)

- Objective: (i) improving cash management and finalizing the establishment of the Treasury Single Account (TSA); (ii) strengthening budget processes (encompassing budget preparation, monitoring, and medium-term budget frameworks); (iii) improving investment projects planning, budgeting and execution; (iv) improving transparency and fiscal reporting by independent public agencies (Établissements Publics et Administratifs-EPA); (v) strengthening data management and the capacity to make debt service projections and debt-sustainability analysis (DSA); (ii) training on DSA and on issuance of government securities; and (iv) assisting in the implementation of the decentralization in a way that protects fiscal stability and expenditure efficiency and quality.
- Outcomes: Improved financial reporting and improved cash management (2016–18), fiscal decentralization starts (2016), full transition towards the TSA (2016), transition to program budgeting starts (2017–18), and transition to 2001 GFSM completed (2018).

- Milestones: (i) Draft budget appropriated by programs, and budget carry-forward procedure introduced in the government draft budget (2017); (ii) accounting software rolled out to central ledger office (2016); (iii) TSA with Core Treasury System implemented.
- Input: HQ-led TA mission (June 2016) to assist on program budgeting; HQ-led missions (2014–15) on decentralization; follow up TA from AFRITAC West on program budgeting; PIMA mission (Spring 2017); support from the long-term resident advisor on treasury operations; AFRITAC West support on 2001 GFSM implementation.
- Assumptions: (i) continued political support to PFM reforms; (ii) further enhancement of governance practices;

Financial Sector (2016–18)

- Objective: Improving financial sector stability, including through strengthening of the bank created through the merger of Mali Housing and Mali Solidarity banks, and reduction of overall NPLs in the banking system as a whole.
- Outcomes: The new bank balance sheet is strengthened and its NPLs are reduced (2016–17), making it more attractive to private investors; NPLs for the overall banking system are reduced to single digits (2016–18).
- Milestones: Recommendations to strengthen the new bank and to deal with high NPLs in the banking system (2016–17).
- Input: HQ-led TA missions to propose options for dealing with legacy NPLs both at the new bank and other banking sector institutions (2016–17)
- Assumption Strong commitment toward strengthening the new bank and fostering financial stability.

National Accounts and Prices (2016–18)

- Objective: Produce more frequent and timely indicators of economic activity, and more comprehensive price statistics.
- Outcomes: Improve economic policy making and inform private sector decisions.
- Milestones: Quarterly national accounts would be developed and *SNA 2008 implemented* (2017–18). Representative PPI index established (2016–17).
- Input: AFRITAC mission to provide TA on developing quarterly national accounts and a producer price index.
- Assumptions: (i) Human and financial resources are available; (ii) there is a good collaboration between national agencies involved in statistics.

Risk	*Probability*	*Impact*	*Mitigation Measures*
1. Persistent delicate and fluid security situation			
The situation in the northern regions remains fragile as evidenced by several instances of attacks on military personnel and kidnappings of humanitarian workers. A deterioration of security conditions could hinder timely delivery of TA in the field and reduce the authorities' focus on the key CD priorities.	***High***	***Medium***	These risks are well understood by the government. Improved domestic revenue mobilization will help the government better respond to the needs of its population. The ongoing support for stability and security in Mali through MINUSMA, UN agencies in Mali, as well as the Sahel Program, also help mitigate security risks. Also, the gradual implementation of decentralization will help consolidate the peace process and re-establish Mali's national integrity. If security conditions deteriorate, TA missions and hands-on training could take place outside Mali.
2. Weakening political commitment to reforms			
Weak institutional and human resources capacity could cause delays or hamper its implementation.	***Medium***	***High***	The Mali government is aware of the need to raise additional revenue and has embarked on initiatives to improve the system of tax administration with the continued support of the Fund and other development partners. Fund to also provide TA geared toward improving human-resource management, a

			constraint that the authorities are interested in addressing.
3. Implementation capacity constraints			
Weak institutional and human resources capacity could cause delays or hamper its implementation.	***Medium***	***High***	While by regional standards Mali's institutional and technical capacity may be considered adequate, the limited number of technical staff in several core ministries may hinder progress. Hand-on training and support from short/long term experts would help improve implementation capacity.
4. Financing risk			
Financing can be one factor that prevents proper implementation of TA recommendations and outcomes. For example, TA recommendations that require the purchase of equipment and/or the hiring of staff may be delayed if the necessary equipment and staff could not be procured and hired for budgetary reasons.	***Medium***	***High***	The authorities are improving their capacity to assess TA-related costs, and are committed to include such costs in their annual budgets.

D. Risks and Mitigation Measures

The implementation of the technical assistance program is subject to various risks. The table above summarizes these risks and lays out the measures to monitor and mitigate their impact during the TA implementation. This will be a live TA management tool that will be updated periodically as the TA program evolves. The authorities have committed to do their part in terms of supplying the necessary human and budgetary resources to absorb future TA and follow up on TA recommendations.

E. Authorities' Commitments

The Malian authorities are determined to continue to build capacity for a successful implementation of the ECF-supported program. They have reached understandings with the Fund on a comprehensive capacity building strategy in the context of the Capacity Building Framework (CBF) pilot project. They are committed to successfully implement this CBF and complementary TA from other donors by securing the necessary political support, staffing, and other resources. In doing so, they plan to provide adequate financial and human resources to sectors identified as priority sectors in the capacity building program, as well as budget resources to implement TA recommendations with financial implications. The authorities will strengthen the units tasked with monitoring the implementation of reforms by providing these units the resources to manage the overall capacity building program. They also intend to make greater efforts to ensure that sectoral capacity building plans are duly discussed with individuals and units responsible for the implementation of the recommendations.

Appendix I. Letter of Intent

Bamako, May 7, 2018

Ms. Christine Lagarde
Managing Director
International Monetary Fund (IMF)
Washington, D.C. 20431

Dear Managing Director:

1. On December 18, 2013, the Executive Board of the International Monetary Fund (IMF) approved a three-year Extended Credit Facility (ECF)-supported arrangement for Mali in an amount equivalent to SDR 30 million. Mali's access to IMF resources was increased twice- in June 2016 and July 2017, to 186.6 SDR million, when the ECF-supported arrangement was also extended to December 17, 2018. The arrangement aims at supporting the government's policies to maintain macroeconomic stability and revive growth, with broad-based support from technical and financial partners for the country's renewal following the 2012 security and political crisis. The implementation of the ECF-supported arrangement succeeded in stabilizing the macroeconomic environment despite a continued jihadist insurgency while building the foundation for sustainable and inclusive growth.

2. The attached Memorandum of Economic and Financial Policies (MEFP) discusses recent developments in Mali's economy and progress made in implementing our policies in 2017. As explained in the MEFP, all performance criteria and indicative targets at end-June and end-December 2017 were met as well as all continuous performance criteria. The budget outturn has exceeded the program's targets. The 2017 budget deficit was contained within 3 percent of GDP. An under-execution of spending and a higher than targeted revenue mobilization helped make up for a 0.8 percentage point of GDP shortfall in external support received. The 2018 budget is in line with the program targets and the goal of converging to the WAEMU's regional deficit norm of 3 percent of GDP by 2019.

3. Progress in implementing structural reforms in 2017 was slower than planned, in part due to a difficult socio-political context with recurrent strikes by trade unions. As a result, only two out of five program structural benchmarks were implemented as scheduled. Notwithstanding the above challenges, the authorities managed to advance some reforms. In a bid to build a sustainable consensus on a much-needed reform of domestic petroleum prices, the government completed in August 2017 a public information campaign to explain to all stakeholders the costs of current practices, the need for reform and the advantages of a more flexible pricing mechanism. The government started implementing a petroleum pricing mechanism to ensure that variations in international oil prices are reflected in domestic petroleum prices within a 3 percent margin.

Good progress was also made in implementing the treasury single account at the BCEAO and in streamlining tax exemptions. Despite initial difficulties, the government is making headways in implementing a key governance reform. The government brokered a consensus among civil servant unions and main stakeholders to limit the scope of asset declarations by governments officials to those senior officials who are explicitly mentioned in the law (some 1,479 officials). Senior officials will be informed about the obligation to declare their assets, and reminders then sanctions will be applied to those who fail to report by the official deadlines. A multi-stakeholders panel will keep working on how to move the reform forward.

4. This MEFP also outlines the other economic and financial policies that the Malian government undertakes to implement this year to maintain macroeconomic stability, consolidate economic recovery, step up the implementation of reforms with a view to improving public financial management, and facilitate private-sector development.

5. As a result, the government requests completion of the Eighth's and the Ninth reviews under the ECF-supported arrangement and the disbursement of SDR 63.3 million.

6. The Government believes that the policies set forth in the attached MEFP are adequate to achieve the objectives of the program, but will take any further measures that may become appropriate for this purpose. The Government will consult with the IMF on the adoption of these measures and in advance of the revisions to the policies contained in the MEFP in accordance with the IMF's policies on such consultation.

7. The government will continue to provide IMF staff with any relevant information referred to in the Technical Memorandum of Understanding (TMU) concerning progress made under the program.

8. The government intends to make public the content of the IMF staff report, including this letter, the MEFP and the TMU attached, the informational annex, and the debt sustainability analysis. It therefore authorizes the IMF to publish these documents on its website once the IMF Executive Board approves the conclusion of the eighth and ninth reviews of the ECF-supported arrangement.
Very truly yours,

/s/
Dr. Boubou Cissé
Minister of Economy and Finance

Attachments:
I. Memorandum of Economic and Financial Policies
II. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

A. Introduction

1. A three-year arrangement under the Extended Credit Facility (ECF) was approved for Mali by the IMF's Executive Board on December 18, 2013, with access equivalent to SDR 30 million. This amount was subsequently increased on two occasions (in 2016 and 2017) to SDR 186.6 million and the ECF arrangement was extended to December 17, 2018. This Memorandum of Economic and Financial Policies (MEFP) sets out the latest macroeconomic developments and Mali's performance against its economic and financial program implemented under the ECF arrangement.

2. The program of economic and financial policies is supported by the Strategic Framework for Economic Recovery and Sustainable Development (CREDD) for 2016–18, approved by the government on April 27, 2016. The overall objective of the CREDD is to promote inclusive and sustainable development so as to reduce poverty and inequality, in a united and peaceful Mali, building on its potential and resilience capacity to achieve the 2030 Sustainable Development Goals (SDGs).

3. The government intends to continue implementing its program which: (i) supports growth through a prudent fiscal policy while favoring economic recovery through basic infrastructure investments and priority spending for sustainable development; (ii) improves public finance management on both the revenue and expenditure sides, including reducing tax exemptions and improving the quality of spending; and (iii) modernizes the business environment to encourage private sector development and enhance competitiveness.

I. ECONOMIC DEVELOPMENTS AND IMPLEMENTATION OF THE ECONOMIC PROGRAM IN 2017 AND 2018

B. Economic Developments in 2017 and Prospects for 2018

4. Real GDP growth is estimated at 5.3 percent in 2017 (compared to 5.8 percent in 2016) and inflation remains moderate. The slowdown in growth is primarily due to slower growth in the agricultural sector, basically explained by a less favorable rainfall pattern than in 2016, and a slowdown in tertiary sector activities. In contrast, after two difficult years in the agri-food industry, secondary sector growth is on the rebound. Despite tighter financing conditions, real GDP growth is projected to remain strong at 5.0 percent in 2018. GDP growth is driven by the agriculture sector and services, and benefits from robust domestic demand.

5. Mali's external position remains weak despite a significant improvement in the overall balance of payments. Preliminary 2017 data show that the latter improved by about 4 ½ percentage points to +0.7 percent of GDP (compared to 3.9% of GDP in 2016). The current account deficit has improved by 1.2 percentage points to 6 percent of GDP (from 7.2% in 2016). The capital and financial account recorded a surplus of about 6.5 percent of GDP (compared to 3.8% of GDP in 2016), reflecting a reduction in private capital outflows, primarily associated with the gold mining companies, and lower than expected external supports (multilateral grants and loans). For 2018, the overall balance of payments is projected to deteriorate by about 2.7 percentage points compared to the surplus recorded in 2017. At the same time, the current account deficit should deteriorate, reaching 6.5 percent of GDP due to lower than expected deterioration in the terms of trade and reflecting a reduction in the budget deficit.

6. **In the banking sector, although the banks' capitalization has increased, the quality of their portfolios continues to deteriorate.** The ratio of regulatory required capital to risk-weighted assets was 13 percent at end-December 2017 compared to 13.6 percent in June 2017 and 14.2 percent at the end of 2016. The quality of the banks' portfolio continues to deteriorate. The gross non-performing loans ratio was 16.7 percent at end-December 2017, after being 17.3 percent at end-June 2017 and 16.4 percent at the end of 2016. Activity in the microfinance sector has regained momentum since the 2012 crisis. Non-performing loans are on a downward trend.

7. **With regard to public finances, the government continues to implement sustainable fiscal policies in line with its commitments in the context of WAEMU multilateral surveillance.** It will thus ensure that the overall balance of public finances (including grants) is consistent with the sustainability of the public debt and the objective of achieving the WAEMU convergence criterion on the overall fiscal balance of 3 percent of GDP by 2019.

- In this context, budget implementation in 2017 has been marked by the mobilization of revenues that "reached" their target at the end- June 2017 and control of spending, which fell below the levels programmed for the same period. The result has been a slightly positive basic budget balance (on a payment order-basis), well below the level programmed. However, as in the past, budget implementation accelerated in the second half of the year, making it possible to achieve the program's annual targets. Preliminary estimates show that the fiscal deficit in 2017 has been contained at 2.9 percent of GDP (compared to a program objective of 3.5 percent of GDP). Net tax revenue amounts to CFAF 1358 billion (15.3 percent of GDP), and only CFAF 144 billion (1.6 percent of GDP) in grants have been disbursed, while the initial objective was CFAF 202.7 billion (2.3 percent of GDP). Budgetary and project grants were respectively 0.5 percent of GDP and 0.9 percent of GDP, below the initial level envisaged for 2017.
- In response to lower grants disbursement, the authorities have curtailed spending, limiting the overall fiscal deficit (on a payment-order basis, including grants) to CFAF 254.8 billion (2.9 percent of GDP), with a basic fiscal deficit of CFAF 79 billion (0.9 percent of GDP). In reducing overall spending, the authorities were able to safeguard the budget appropriations for the elections (CFAF 18 billion) and capital expenditure for projects as well as implementation of the Internal Security Programming Law (LPSI) of CFAF 20 billion.
- For 2018, the government has proposed total revenues and grants in the amount of CFAF 1,948.9 billion (20.6 percent of GDP) in the 2018 budget passed by the Parliament (2018 PLF). Net tax revenue stands at CFAF 1,498.9 billion (15.9 percent of GDP), including CFAF 29.6 billion associated with the impact of the implementation of the law eliminating the granting of new discretionary exemptions of June 2017. Administrative measures designed

to improve custom and domestic revenues are expected to contribute CFAF 10 billion (0.1 percent of GDP) and CFAF 20 billion (0.2 percent of GDP), respectively. Expected disbursements from grants amounts to CFAF 114.6 billion (1.2 percent of GDP). The 2018 PLF provides sufficient space for refunds of VAT credits. Total expenditure and net loans are projected to be CFAF 2,261.3 billion (23.9 percent of GDP). Spending on domestic financing amounts to CFAF 1,891.1 billion (20 percent of GDP). The resulting overall budget deficit (based on authorizations, including grants) is CFAF 312.4 billion (3.3 percent of GDP), with a basic fiscal deficit of CFAF 124.4 billion (1.6 percent of GDP). The 2018 PLF also focuses, *inter alia*, on election spending for CFAF 45 billion (0.5 percent of GDP), development expenditures for the northern regions, and the implementation of the peace and national reconciliation agreement for CFAF 125.2 billion (1.3 percent of GDP), capital expenditure for the transport, energy, agriculture, and domestic food security sectors for CFAF 233.3 billion (2.5 percent of GDP).

- Continuing with the implementation of its decentralization policy, the 2018 budget increases decentralized spending to 19.8 percent of budget revenues and 25.3 percent of budget revenues, taking into account central government spending for local governments (devolved expenditure). As part of its decentralization implementation strategy, the government will continue to: (i) increase the budgetary share and responsibility devolved to local governments in 2018; (ii) strengthen the process of regionalization and deconcentration; (iii) implement State/regional and district performance contracts; and (iv) improve the contribution and mobilization of local taxation in financing local governments.

8. In 2018, the government intends to finance the deficit essentially by mobilizing domestic and regional resources. The principal donors' multi-year support programs expired in 2017 and their renewals are expected starting in 2019. In this context, the government intends to compensate by increasing CFAF financing on the national and regional market, bringing the domestic financing total to the equivalent of 2.6 percent of GDP in 2018.

C. Performance compared to ECF-supported policies

9. With respect to the eighth review, all performance benchmarks and indicators as of June 30, 2017 have been met (Table 1):

- The ceiling on net domestic financing from banks and the financial market to the government was achieved with a margin. Net domestic financing from banks and the financial market to the government amounted to CFAF 128 billion, compared to a program objective of CFAF 182 billion taking into account adjustors specified in the technical memorandum of understanding (TMU), about CFAF 54 billion below program ceiling.
- The zero ceiling on the cumulative increase in external payment arrears was observed.
- The government contracted a fully concessional total of CFAF 130 billion, bringing the net present value of external debt to CFAF 309 billion (cumulative starting from June 2015), well below the ceiling of 426 million dollars agreed to in the program.

- The floor on gross tax revenue was achieved. Gross tax revenue amounted to CFAF 717 billion, or CFAF 19 billion above the programmed level.
- The floor on the underlying budget balance was achieved. Considering the adjusters provided in the technical memorandum of understanding, this lower limit was met with a margin of CFAF 198 billion (2.2 percent of GDP).
- The floor on priority spending for poverty reduction, i.e., expenses for domestic financing of the basic, secondary, and higher education, scientific research, health, and social development sectors (excluding transfer to the Malian Social Security Fund) was met.

10. With respect to the ninth review, all performance benchmarks and indicators as of December 31, 2017 have been met (Table 1):

- The ceiling on net domestic financing from banks and the financial market to the government was achieved with a margin. Net domestic financing from banks and the financial market to the government amounted to CFAF 135.5 billion, compared to a program objective of CFAF 171 billion taking into account adjustors specified in the technical memorandum of understanding (TMU), about CFAF 35.5 billion below program ceiling.
- The zero ceiling on the cumulative increase in external payment arrears was observed.
- The government contracted a fully concessional total of CFAF 315 billion, bringing the net present value of external debt to CFAF 399 billion (cumulative starting from June 2015), well below the ceiling of 426 million dollars agreed to in the program.
- The floor on gross tax revenue was achieved. Gross tax revenue amounted to CFAF 1,443 billion, or CFAF 3 billion above the programmed level.
- The floor on the underlying budget balance was achieved. Considering the adjusters provided in the technical memorandum of understanding, this lower limit was met with a margin of CFAF 54 billion (0.6 percent of GDP).
- The floor on priority spending for poverty reduction, i.e., expenses for domestic financing of the basic, secondary, and higher education, scientific research, health, and social development sectors (excluding transfer to the Malian Social Security Fund) was met.

11. Implementation of the structural benchmarks during the second half of 2017 was slower than planned, with three of the five benchmarks planned for the eighth review implemented, including one with delay, one postponed to end-July 2018, and one reformulated for end-June 2018. In addition, a structural benchmark that was not met at the time of the seventh review under the ECF is being reformulated for end-June 2018.

- The benchmarks relative to implementing the second phase of the integrated debt management system and to conducting an awareness campaign on the new pricing mechanism for petroleum products were reached in August.
- To build sustainable consensus on the reform of the pricing of petroleum, a public information campaign (benchmark for August 31, 2017) to explain the costs of current

practices, the need for reform and the advantages of a more flexible petroleum pricing mechanism was undertaken as programmed).

- With regard to the benchmark on sending asset declarations to the Supreme Court, achieving a rate of 20 percent is facing legal challenges, particularly in terms of defining the government officials base and the scope of the assets to be declared. The government continues to collect asset declarations required by the 2014 law against unlawful enrichment, while maintaining social dialogue with the unions concerned. Certain categories of civil servants that are subject to this obligation are explicitly designated by the law and estimated at 1,479 individuals; other categories require legal interpretation. After various consultations with civil servant unions about the scope of asset declarations by government officials to the Supreme Court, the government and the main stakeholders agreed that the law would fully apply for those officials clearly designated by the law. Of those officials, about 25 percent (=365/1479) have submitted their declarations to the Supreme Court at end-March 2018. The government is targeting a reporting rate of 35 percent for officials defined by the law as of June 30 (structural benchmark for June 30, 2018) 2018 and 50 percent as of October 31, 2018 (structural benchmark for October 31, 2018).

- The implementation of the measure on raising the eligibility threshold for investments benefiting from tax exemptions from CFAF 12.5 million to CFAF 100 million has been delayed due to disagreement with the Ministry of Investment and private sector organizations, which consider the new threshold too high. Discussions underway between the Ministry of Finance and the Ministry of Investment are expected to be finalized by end-June 2018 allowing the reduction of the proposed threshold (CFAF 100 million) for small agricultural and artisanal enterprises.

12. **In addition, starting in September 2017, the government has been implementing a pricing mechanism that will ensure that changes in prices for imported petroleum products are passed on to pump prices within a margin of 3 percent.** It will continue the implementation of the formula (continuous structural benchmark) and will optimize its fiscal policy on oil, based on the report that will be finalized before end-May 2018, to ensure that its oil revenue targets can be met

13. **Notable progress has been made in completing the introduction of a single treasury account at the BCEAO.** Pursuant to government commitments on the subject made since 2013, in June 2016 the Ministry of Economy and Finance issued an order establishing the rules for opening, closing, and managing government bank accounts. The process to take a census of bank accounts as of December 31, 2016 was completed for 12 of the 14 commercial banks. The draft bipartite convention was validated during a meeting held on February 27, 2017 between the National Directorate of Treasury and Public Accounting (DNTCP) and the Professional Association of Banks and Financial Institutions (APBEF), providing for automatic leveling of accounts. The government is committed to signing the bipartite agreement on holding treasury single accounts (TSAs) by the end of the year as well as closing inactive government accounts by June 2018. Besides completing the account census phase, the next stages will consist of signing the bipartite convention on holding TSAs in the primary banks with respect to the Professional Association of Banks and Financial

Institutions (APBEF), launching STAR-UEMOA in the divisions of the DNTCP, and conducting a follow-up mission on deployment of SICA-UEMOA in the accounting headings. The requirement to deposit the funds of administrative public entities (EPAs) with the Treasury will be clearly reinstated and honored in accordance with the treasury unit and cash unit principle reiterated in the 2009 WAEMU guideline on the subject, with the exception of public hospital facilities, the Malian Social Security Fund (CMSS), the National Institute of Social Welfare (INPS), and the National Health Insurance Fund (CANAM), joint bodies over which the government has no direct control, and EPAs that are not subsidized by the government. In Circular Letter No. 00092/DNTCP-DN of August 22, 2017, the DNTCP informed 126 managers of national public institutions (at the central and deconcentrated levels) of the requirement to deposit their funds to the treasury single account. The correspondence reiterates:

- Legislative and regulatory provisions on depositing PAI funds with the Treasury;
- Preconditions for better handling of financial and accounting operations in government institutions;
- Steps to be taken to open deposit accounts with the Treasury and the return of their equity capital to the Treasury;
- Steps to be taken for appointment of statutory auditors in the context of certifying their management accounts.

14. In addition, a training session on cash management, for the finance and material directors (DFMs) in line ministries, program managers, and the 10 PAIs with significant own funds was held from August 24 to August 30, 2017 in the conference room at the DNTCP. This training falls within the framework of raising participants' awareness of the account. Parameters were set for the deposit accounts in the AICE application of the ACCT. The DNTCP will proceed with gradual transfer of EPAs own funds in the treasury single account.

15. The DNTCP is in the process of strengthening its supervision of EPAs.[1] A series of training events on accounting and reporting for accounting staff was conducted in 2017 within the framework of the Economic Governance Support Program (PAGE) and the Public Financial Management Reform Plan of Mali (PREM). Thus, in April 2017, 70 accounting officers from the EPAs were trained in "Management accounting by public accountants of national public institutions," 96 accounting officers were trained on the budgetary and accounting nomenclature of national public institutions and on the use of the accounting operations manual. In 2018, the DNTCP will continue to reinforce supervision of the EPAs with the purchase and deployment of software for handling their general accounting interfaced with the PRED 5 in 50 EPAs, as well as training on the software for accounting staff.

[1] Order No. 05-0053/MEF-SG of January 13, 2005 establishing the budget and accounting nomenclature of the EPAs was amended by Order No. 2016-0206/MEF-SG of February 23, 2016 to adapt it to the new government chart of accounts resulting from the incorporation of WAEMU directives. This order was disseminated to all national public institutions concerned to enable them to prepare their individual charts of accounts based on their specific needs. In addition, a guide to the operation of accounts under the new budget and accounting nomenclature was prepared in December 2016 to facilitate its application by users.

Tax Policy and Administration

16. The government intends to increase tax revenues by 0.6 percent of GDP in 2018 (performance criteria, Table 2). The government will intensify reforms undertaken by the Directorate of Taxes (DGI), the Directorate of Customs (DGD), the State Property and Land Registry Directorate (DNDC), primarily by implementing reforms intended to:

- Broaden the tax base and reduce exemptions particularly following the implementation of the law on eliminating discretionary exemptions;
- Intensify the compilation and utilization of information; strict enforcement of the Import Verification Program (PVI) allowing stricter control over import documents in order to combat fraud;
- Transform the culture within the entities responsible for the tax base and collection, particularly through ethics and results-based management; and
- Undertake, in conjunction with economic operators, a project to step up tax compliance. In particular, the authorities aim to implement the taxpayer compliance improvement plan being designed with Fund technical support (structural benchmark for October 31, 2018).

Strengthening Tax Administration and Legislation

17. The government has continued the gradual reduction of exemptions. To support this process, it has implemented a number of measures, including the conclusion of all domestic procurement contracts financed with domestic resources (government, EPAs, local government, special funds, subsidiary budgets, etc.) all taxes included, starting in January 2017, and has continued consultations with development partners so that procurements financed by external aid are concluded, inclusive of all taxes starting in 2017.

18. In addition, the government began the process of reviewing the other instruments (the Investment Code, the General Tax Code, the Customs Code, the Law on Associations and all other tax laws) and prepared a plan of action aimed at substantially limiting the scope of the beneficiaries of exemptions, the duration, the taxes and duties involved, as well as their rates, etc. The government intended to increase the exemptions threshold from CFAF12.5 million to CFAF 100 million by the end of August 2017 (structural benchmark, Table 4). The implementation of this threshold has been delayed. Discussions are under way with the Ministry of Private Sector Investment and Structures, which consider that the new threshold is too high. The government is committed to finalizing these discussions before the end of July 2018 to roll back the proposed threshold to another threshold for small agricultural or artisanal enterprises.

19. To preserve the tax revenues raised from petroleum products,[2] the government is

[2] Since 2005, tax revenues from petroleum products have fallen from 3 percent of GDP in 2005 to less than 1 percent of GDP in 2012. In 2014, they amounted to 1.5 percent of GDP. See IMF Report No. 14/31. Mali–Pricing mechanism for petroleum products; Technical Assistance Report; International Monetary Fund; Fiscal Affairs Department, Chart 6, p. 17.

continuing to strengthen the fight against fraud and to ensure strict application of the automatic mechanism for determining domestic prices for petroleum products. The government has also requested the services of an international consultant, the preliminary report of whom is being validated, to evaluate items in the petroleum price structure to update them and thus preserve the interests of all parties involved in supplying the country (government, consumers, petroleum operators). However, the projected increase in international oil prices, estimated at 25 percent, and the implementation of the mechanism with a 3 percent margin could reduce the TIPP by about CFAF 13 billion. In this context, the Directorate of Customs has initiated measures, for which the impact has been estimated at CFAF 28.5 billion, to meet the annual revenue target notably through (i) imposing a ten-day limit of customs duties' payment by petroleum suppliers; (ii) strengthening the control of exemptions granted to mines and EDM, in particular on petroleum products, and (iii) Intensification of the special on-site operation to fight fraud and smuggling.

20. The government is pursuing the simplification of tax legislation to reduce as much as possible the administrative burden of filing tax returns for operators and tax collection by the DGI. It will simplify in particular the real regime (normal, applied to large taxpayers or simplified applied to medium-sized taxpayers). It will improve the collection of local taxes by clarifying the role of those involved, amending the law on local and regional development tax (TDRL), intensifying census operations on taxable items, particularly for property taxes. The burden of mandatory levies on salaries (marginal rate of about 70%), taxes and social security contributions is very heavy for companies. Thus, it does not foster the development of salaried employment and formalization of the economy. The government is committed to simplifying and streamlining the existing tax schedules and reducing mandatory levels starting in 2019. To do so, the government will conduct a study on the measures to be adopted and their impact in 2018. In addition, in order to promote access to property titles and facilitate real estate transactions, the government is committed to reducing recording fees and other costs related to such operations starting in January 2019.

21. The DGI, DGD, DNDC and the Directorate General of State Property Administration (DGABE) will continue their efforts to improve tax, customs, and state administration with a view to broadening the tax base, increasing tax yields, and improving collections, particularly by encouraging large taxpayers to use bank transfers to pay taxes and levies and implementing remote processing and payment before the end of 2018. In addition, the management of tax disputes will be improved and strengthened. Moreover, the DGI will continue to reform its organization by creating and operating Medium-Sized Taxpayers Centers (CMEs) and verification brigades, and setting up a dedicated tax investigation structure. It also plans to put the computerized exemptions management module into operation.

22. In order to combat aggressive tax optimization and erosion of the tax bases, Mali proceeded in 2015 and 2017 to strengthen the legislative framework applicable to transfer prices. The objective is to strengthen the framework for applying the arm's length principle to transfer prices and to create a requirement to document transfer prices consistent with international standards. The government is committed to completing these regulations in 2018 by adopting a specific rule on under-capitalization taking into account capital intensive activities in Mali (determination of debt to equity and financing costs to gross operating surplus ratios). Some training sessions were also provided to develop audit staff's skills in this area. The ongoing strengthening of the DGI's capacities will be continued with the creation over the medium term of a dedicated team to effectively implement certain aspects of this transfer pricing legislation. Meanwhile, the authorities aim to complete an assessment of transfer pricing policy and its implementation, with a focus on the mining sector, and propose adequate transfer pricing rules (structural benchmark for September 30, 2018).

23. The government is continuing the project to update the mining code in order to strike a balance between the desire to attract the international investors needed to increase mining income and sufficient taxation on this income. After having promoted transparency in the mining sector by disseminating the operating companies' agreements and feasibility studies on-line, the objective is to remedy certain existing problems, particularly those related to various co-existing codes (versions from 1991, 1999, and 2012). The government is committed to:

- Strengthening the ring-fencing principle by limiting the number of mining exploration and/or operation permits held by a single company so as to reduce the risks of tax offsetting and evasion;
- Revising the stability clauses relating to the duration of operations based on feasibility studies. The current tax stability clauses are particularly generous given their duration (30 years) and their asymmetry (changes in taxation can only be favorable to the investor).
- Improving the progressivity of the mining tax regime.

24. The DGD will continue the deployment of advanced brigades to combat fraud. This mission is carried out as part of the implementation of the DGD's national anti-fraud plan. It is an ongoing mission that the DGD intends to pursue throughout the years 2017 and 2018.

25. In addition, the DGD is creating a one-stop shop within the framework of AYSCUDA World, a comprehensive platform connecting all players in the customs clearance chain. The one-stop shop will simplify procedures by allowing operators to handle several required formalities in the case of import, exports, or transit with a single transparent procedure that will become operational in September 2018.

26. The automatic selectivity project, in progress since 2005 with assistance from the International Monetary Fund through AFRITAC West, will be completed through two proposed litigation automation projects, namely the TAC (Automated Processing of Litigation) and the litigation system directly integrated into ASYCUDA World, which are now being developed.

27. In effect, there are two high-level missions. One is already in place in Bamako and the other is planned for May 7, 2018. These are, respectively, the mission of UNCTAD experts on launching the litigation system directly integrated into ASYCUDA World and the AFRITAC West mission on the automatic selectivity project (automatic processing of litigation phase).

28. As of now, the AFRITAC West missions have made it possible to:

- Define the architecture of the selectivity system;
- Apply new procedures (Directive No. 05 of 12/07/10) on merchandise scanning and Memorandum No. 05 on the processing of litigation files;
- Launch the transitory system on 11/28/2011 with criteria, guidance rules, and probabilities thresholds;
- Organize professional conferences (2011, 2012, 2013, and 2014) in order to raise awareness of visit leaders and auditors regarding the challenges of the project.

29. Looking ahead, the automatic selectivity project plans to:

- Improve the database on litigation;
- Deploy the TAC application in all offices;
- Use econometrics to improve the risk analysis and management system;
- Effectively implement the automatic system.
- Launch of the automatic selectivity project planned for December 31, 2018.

30. With regard to the government's commitment to strengthen human resources management, the Directorate of Customs, within the context of its efforts to reform and modernize its administration and at the request of its General Director, two experts from the World Customs Organization (WCO) conducted training in Bamako from November 21 to November 25, 2016 for a project team. For this purpose, this project team on skills-based modernization of human resources is responsible for the design and implementation of the project. The objective of this project is to create a jobs and skills template to increase the clarity of Directorate of Customs jobs and related skills requirements.

31. The DNDC will continue to implement the recommendations of the organizational audit commissioned by the Commission for Institutional Development, which mainly involve the modernization of its organization and the automation of tasks. To this end, the DNDC was reformed in early 2017, giving rise to two new entities, namely: (i) the Land Registry Department; and (ii) the State Property Directorate. Pending their start-up, the former DNDC is pursuing the measures necessary to increase the collection of capital gains taxes on the sale of real estate assets by individuals and to secure the land records. Thus, with the support of the PAMORI II, the DNDC has set up land record management software called Modonum. In 2016, 33,900 land titles were indexed against 134,336 titles that were dematerialized. In 2018, the DNDC will continue this dematerialization. In addition, the operationalization of the two entities will continue.

32. Modernization of the DGABE. The Ministry of Economy and Finance will modernize the DGABE with the introduction of modern management tools such as Results-Based Management (RBM), increased use of IT (use of stock accounting software in accounting units of ministries and public institutions), and the implementation of reforms to better monitor and value the government's portfolio through linkage between stock accounting and general government accounting.

VAT Performance

33. Priority will be given to implementing the reforms started in 2011 to sustainably improve the operation and performance of the VAT, which is the basis for about 40 percent of tax revenues. The DGI will continue the implementation of measures recommended by the various technical assistance missions. These are (i) intensifying continuous targeted control of taxpayers who, for a given period, declare VAT credits or no turnover; (ii) utilizing information related to deductible VAT from the Annex 1.1 of VAT submitted by taxpayers; (iii) using management indicators to monitor declaration requirements and assessment of declared amounts and inaccuracies; and (iv) ensuring regular reimbursement of VAT credits.

34. To increase the number of companies that actually pay a VAT,[3] the DGI is stepping up the campaign of selective audit of VAT credits starting with companies with activities that should not generate permanent VAT credits (particularly commercial activities and service companies). The DGI is also continuing to train staff assigned to research on targeted VAT checks and audits of VAT credits.

Improving Expenditure Management

35. The government will continue to improve public finance management, particularly by remedying the weaknesses highlighted by the 2016 PEFA assessment, evaluation of the second Government Action Plan for the Improvement and Modernization of Public Finance Management (PAGAM/GFP II), and technical assistance missions of the IMF's Fiscal Affairs Department, through implementation of the Mali Public Finance Reform Plan (PREM) 2017-2021.

36. The government will take steps to improve the regulatory framework for the management of public finances as well as the preparation, implementation, monitoring, and control of budget execution. It has transposed the harmonized legislative framework of the WAEMU directives and published all the regulatory instruments related to the 2009 guidelines. In addition, the government has transposed the legislative provisions of Directive 01/2011 on the financial regime of local governments in the new Law No. 2017-051 of October 2, 2017 on the Local Governments Code as well as in Law No. 2011-036 of July 15, 2011 on the tax resources of the communes, circles and region. This law has been amended to transpose the directive on entities charged with the collection of taxes and duties in local governments. The government has undertaken several reforms to take into account its commitments in the agreement on political and institutional issues related to decentralization. The implementation of these commitments has led to significant reforms in the basic texts on decentralization, particularly the Local Governments Code. After defining the areas of jurisdiction in the Local Governments Code, the government has already adopted various texts establishing the breakdown of jurisdictions in sixteen (16) areas. The exhaustive census of government staff that can be mobilized for local governments is in progress

[3] In 2014, 51 percent of large companies and 51 percent of medium-sized companies subject to the VAT actually paid the VAT compared, respectively, to 27 and 20 percent between January 2012 and May 2013, taking the high number of permanent VAT credits into account. See IMF Report No. 13/355. Mali: Technical Assistance Report. Continued Modernization of the Malian Tax System and Administration, para. 49.

(already done for four ministerial departments). Also, to be noted is the signing of six (06) State-Region Plan Contracts for Sikasso, Ségou, Tombouctou, Mopti, and Kidal and more recently Gao on the implementation of twelve (12) projects amounting to about CFAF 20.6 billion. In addition, actions to strengthen training for participants through the local governments' training center should be noted.

Improving Government Budget Preparation and Execution

37. To improve the presentation of the budget and facilitate the assessment of the efficiency of public expenditures, the government has implemented program budgets and results-based management, in accordance with the WAEMU harmonized public finances framework. The preliminary 2018 budget has thus been prepared and adopted in program mode. In August 2017, the government adopted a decree on organizing budget management in program-budget mode in order to deconcentrate budget management and improve managers' accountability.

- To facilitate the devolution of expenditure authorization, the government intends to adopt a gradual approach to the delegation of program managers' authorization powers based on financial management capacity. To this end, the General Directorate of the Budget developed assessment criteria on financial management capacity in March 2018.
- To improve managers' accountability, by the end of June 2018 the administration will develop performance contracts between program managers and 50 EPAs and will develop ministerial management charters in all the departments by the end of August 2018. These charters will define the roles and responsibilities of different players and specify the operational rules for programs.
- To ensure compliance of the expenditure management software (PRED) and financial and accounting information system (AICE) with the new budgeting and accounting processes, the authorities are in the process of implementing the recommendations of the assessment conducted in late 2017. A status note will be prepared at end-May (structural benchmark for May 28, 2018).

38. The government seeks to reduce the efficiency gap identified during the public investment management assessment (PIMA) in August 2017, reducing expenditures that do not directly contribute to fixed capital formation and improving project performance. To achieve this, it will adopt the following measures:

- To strengthen the culture of results in investment management, performance contracts for investment projects will gradually be put in place to create a project performance incentive system. This tool will be applied to new World Bank projects starting in June 2018.
- To improve the execution of investment projects, in June 2018 the National Directorate of Development Planning will update the public investment preparation and monitoring/evaluation manual to introduce regulatory developments related to public-

private partnerships (PPPs); and connect the planning and statistics units to the public investment database (SIGIP).

39. To streamline project costs, the government will prepare a methodology for elaborating a standard unit cost market price list for the implementation of road infrastructures, buildings, hydro-agricultural development and hydraulic structures (Structural benchmark for August 31, 2018). The government will seek technical assistance from the World Bank.

Improving Transparency of Public Finances

40. The table of government financial operations (TOFE) has been improved in accordance with the WAEMU directive on the TOFE. A monitoring committee has been set up to ensure the transition to the new TOFE. The 2016 TOFE was finalized in April 2017, its scope was expanded to nine national public institutions (EPNs) monitored in the cash flow plan. This exercise to expand the scope of the TOFE will be implemented gradually to cover the maximum number of EPNs by 2019. Starting in 2018, the DNTCP will produce the TOFE according to the 2009 nomenclature. However, and to facilitate monitoring of the program with the IMF, a transition table will make it possible to transcribe these data according to the old classification, prior to 2018, so as to allow for comparability. To facilitate monitoring of the current program, the old classification will be used for the tenth reviews.

Improving Cash Flow Management

41. In accordance with the treasury unit and cash unit principle reiterated in the 2009 WAEMU guideline on the subject, the DNTCP continues to improve cash flow management in two ways: (i) by ensuring the reliability of cash flow situations and forecasts; and (ii) by optimizing the management of public funds in the treasury single account (TSA).

42. The DNTCP prepared a monthly cash flow plan at the beginning of the fiscal year and updates it on a monthly basis to ensure regular execution of expenditures and timely payments throughout the year. It is also continuing efforts to improve its mastery of knowledge of the items of the Net Position of the Government (PNG) in the banking system.[4] The BCEAO will continue to provide the DNTCP with the PNG drawn from the monetary situation in order prepare the TOFE in accordance with WAEMU directives on the subject.

43. EPAs are required to deposit their funds in the TSA. Through a circular letter, the DNTCP

[4] As of end-2016, the net position of the government vis-à-vis the banks (PNG) was negative at CFAF 199.7 billion (2.4% of GDP) for the State in the broad sense of the Directive in the WAEMU TOFE, with a Net Cash Flow Position "PNT" of a negative CFAF 432.5 billion (5.2% of GDP) and a net credit of other public entities of CFAF 232.8 billion (2.8% of GDP). As of end-June 2017, based on provisional data issued by the FDS, the PNG ended at CFAF 276.8 billion (3.2% of GDP), with a PNT valued at CFAF 473.7 (5.4% of GDP) and a PNACP of minus 197.0 billion (2.2% of GDP). As of end-2016, the net position of the government vis-à-vis the banks (PNG) was negative at CFAF 183 billion (2% of GDP) for the State in the broad sense of the Directive in the WAEMU TOFE, with a net cash flow position (PNT) of a negative CFAF 165 billion (1.8% of GDP) and a net positive position of other public entities of CFAF 18 billion (0.2% of GDP).

informed 126 managers of national public institutions (at central and deconcentrated levels) regarding the requirement to deposit their funds in the treasury single account. However, this circular does not cover EPAs that are not subsidized by the government, public hospital facilities, and joint bodies over which the government has no direct control, including the Malian Social Security Fund (CMSS), the National Institute of Social Welfare (INPS), and the National Health Insurance Fund (CANAM). The objective of this reform is to reduce the amount of EPAs' funds deposited in commercial banks by the end of December 2017, transferring 50 percent to the BCEAO by late June 2018 (structural benchmark for June 30, 2018). A second transfer of 25 percent will be made in 2018, bringing the total to 75 percent.

44. Supervision of the EPAs is being strengthened.[5] The Ministry of Economy and Finance (MEF) has informed the EPAs that it will approve their budgets only after submission of their budget execution statements for the first half of the preceding year. This measure was effectively introduced in 2017 and will be continued in upcoming years.

Strengthening Internal and External Control

45. Internal and external control bodies have uncovered many administrative weaknesses in the management of public finances in Mali. The government intends to strengthen their role and the follow-up of their recommendations.

46. With respect to internal control, in August 2011 the government adopted a national internal control strategy, which was implemented during the period 2012-2016. Activities that could not be implemented during this period have been incorporated in the PREM. In the context of restructuring the National Directorate of Financial Control (DNCF) and in accordance with the WAEMU harmonized public finances framework, a Results Evaluation and Program Performance Division and an Internal Audit and Advisory Board were created. In the course of 2018, the DNCF plans to conduct performance evaluation missions covering twenty (20) programs in ten (10) ministerial departments; reports on the first half of the year will be available before August 31, 2018.

47. Pursuant to Decree No. 10-681/P-RM of December 30, 2010 on the regulation of stock accounting and Order No. 2011-4795/MEF-SG of November 25, 2011 establishing the methods for implementing that decree, the National Directorate of Financial Control exercises control regarding performance effectiveness with respect to expenditures for supplies, works, or services up to the amount of CFAF 10 million (10,000,000).

48. From 2013 to 2016, the annual rates of control of performance effectiveness, calculated on the basis of expenditures subject to this control are, respectively: 35.30 percent in 2013, 47.31 percent in 2014, 24.3 percent in 2015, and 44.19 percent in 2016. As of December 31,

[5] Order No. 05-0053/MEF-SG of January 13, 2005 establishing the budgetary and accounting nomenclature of the EPAs was revised by Order No. 2016-0206/MEF-SG of February 23, 2016 to adapt it to the new government Chart of Accounts based on the transposition of the WAEMU directive. This order was disseminated to all national public institutions concerned to allow them to develop their specific accounting plans taking their specific needs into account. In addition, a guide to the operation of accounts in the new budgetary and accounting nomenclature was prepared in December 2016 to facilitate their application by the users.

2017, the effectiveness control rate is 34.27 percent.

49. Reports on performance effectiveness control are produced regularly. The summary reports of various individual reports on the performance effectiveness control per section (Institution/Ministries/Public Institutions/Regional Directorate of Financial Control) centralized at the National Directorate of Financial Control are regularly produced, four times per year, in the 45 to 90 days following the trimester in question. The latest report, related to the fourth trimester of 2017, was produced on April 23, 2018.

50. In the context of implementing the budget in program mode, which will be effective as of January 2018, the government will conduct a study on adapting audit processes and tools in order to set up internal control, budgetary, and internal audit procedures to strengthen the quality and effectiveness of control, management tools, and the evaluation of program performance.

51. With regard to external control, the government is committed to publishing the supreme court reports as well as the general auditor's annual reports, in accordance with institutional requirements and to ensure the follow-up of their findings, alerts, and recommendations. The Ministry of Justice will publish a summary of judicial actions taken pursuant to fraud alerts from the general auditor.

Promoting Good Governance

52. Law No. 2014-015 of May 27, 2014 on the prevention and repression of unlawful enrichment represents significant progress. This law applies only to the future. In addition, the initial declarations serve as a benchmark and indicator for evaluating the subject's assets. Annual updates and changes recorded after the initial declarations are utilized and processed in terms of the subject's legitimate assets.

53. Establishing the list of persons subject to the law requires legal work to be complete. Part of this list is based on a direct reading of the law, but another part requires legal interpretation of the text of the law. In addition, pending the completion of this legal work, agreement has been reached to continue implementing this structural reform by targeting, initially, those subject to the law for whom no interpretation is needed, which amounts to 1,479 individuals.

54. The government is committed to vigorously suppressing unlawful enrichment by ensuring that those clearly defined as being subject to the law fulfill their obligation to declare their assets prior to June 30, 2018. After this date, those clearly defined as being subject to the law who have not submitted their asset declarations will be subject, after summons, to administrative actions as specified in the law. As for the list of civil servants subject to the law for whom legal interpretation is needed, the government, in accordance with its commitments, will proceed to evaluate implementation problems and weaknesses in Article 9, taking into account relevant recommendations from the 2015 IMF report. For this purpose, authorities established per Decision 2018-355/MTFP SG of February 23, 2018, a commission to identify and remedy gaps in the law 2014-015 of May 27, 2014 to fight corruption and illicit enrichment. This Commission involving various social partners is responsible for making the appropriate amendments to the law and proposing a refined and consensual document that will be submitted to the Cabinet for approval by December 31, 2018. The Government will provide a report on the implementation of the law, including the number of declarations received by the end of December 2018.

55. The government has duly noted the latest report of the Office of the Auditor General (BVG) identifying inadequacies in the management of government agencies as well as cases of fraud. It is committed to punishing dishonest public officials and to implementing the relevant recommendations of the BVG as well as other control entities. To this end, the Government will publish, starting on August 31, 2018, on the websites of the Ministry of Justice and the Ministry of Labor and Public Service the judiciary actions to address the economic and financial offenses identified in the reports of the BVG. Considerable progress has been made in the fight against money laundering and combatting terrorism financing (AML/CFT).

- In terms of strengthening the legal framework, evaluation of the action plan for the national AML/CFT strategy for the period 2013-2015 shows that many instruments have been adopted in this regard, specifically: (i) Law No. 2016-008 of March 17, 2016 on the uniform AML/CFT law, which made corrections to the many gaps in the earlier legislation. However, a request was sent to the WAEMU community authorities seeking a reinterpretation of the directive that led to the aforementioned law, in order to incorporate the relevant observations from the IMF; (ii) adoption of Law No. 039 of July 7, 2016 regarding the criminalization of corruption among foreign officials and officials of public international organizations; (iii) adoption of texts implementing the law on prevention and repression of illicit enrichment; (iv) the intervention of September 25, 2017 with respect to instructions from the Governor of the BCEAO establishing the threshold for declaring physical transborder transport of currency and bearer negotiable instruments, the threshold for paying a claim in currency or bearer negotiable instruments, the threshold for declaring currency transactions to the CENTIF.
- Pursuant to FATF Recommendation 1, Mali's national risk assessment is planned for January 2019; to this end, a draft decree was adopted by the government to appoint the competent authority to coordinate this assessment. A request for technical and financial support was sent to the IMF and the World Bank.
- Since the meeting of CENTIF and PDG and local bank directors, under the aegis of the Ministries of the Economy and Justice, these entities set up compliance units. This action led to a significant increase of suspicious transaction reports (STRs) sent to the CENTIF.
- Enhanced cooperation with the judiciary is reflected in accelerated processing of cases sent by the CENTIF to prosecutors of the Specialized Judicial Division, but also convictions with prison terms, substantial fines, and additional penalties involving the confiscation of funds for the benefit of the State.

Establishing financial equilibrium of the Malian Social Security Fund and the National Institute of Social Welfare

56. The government intends to take measures to ensure the financial equilibrium of the Malian Social Security Fund (CMSS), which manages the pension scheme for civil servants, and the National Institute of Social Welfare (INPS), which manages the pension scheme, workers' occupational safety and insurance as well as family benefits for private sector employees. The relevant recommendations of the study on the CMSS will be incorporated in a new code under discussion in the National Assembly with a view to its adoption, particularly increasing the State's share to make the CMSS more autonomous. For the INPS, the actuarial study, begun on March 2, 2017, is entrusted to the International Labor Office. The provisional report is expected by end-May 2018.

Conducting a Sustainable Debt Policy

57. The government will continue to conduct a debt policy that is consistent with maintaining debt sustainability. To this end, for 2018, the government plans to borrow CFAF 276 billion in new external loans (119 billion of which would be non-concessional), representing the equivalent of CFAF 158 billion in present value terms (Table 5). On this basis, the cumulative ceiling on external borrowing for 2015−18 remains in line with the program and amounts to CFAF 557 billion in present value terms (permanent performance criterion, Table 2).

58. For 2018, the government plans to issue 547 billion FCFA of securities. The government has already issued a SUKUK of 150 billion FCA in February 2018, of which about two-third acquired by investors outside the WAEMU zone. In order to reduce the cost of domestic debt and ensure the sustainability of the debt, the government undertakes, from 1 April 2018, to issue public securities through the regional agency "UMOA-Titres".

59. Moreover, to improve debt management, the government has implemented the second phase (Analysis) of the Integrated Debt System development project, by deploying the complementary modules for the calculation of net present values, the production of debt statistics and debt simulations (structural benchmark, Table 4).

Strengthening the Management of Domestic Debt

60. To strengthen the management of domestic debt and in line with the commitments made in the MPEF, the DGDP has prepared an inventory of the government's liabilities vis-à-vis banks and includes the maturities in the budget laws. The amount of CFAF 1.6 billion of the validated outstanding balance was paid in 2017 and the outstanding balance of CFAF 1.1 billion will be paid in 2018.

61. In January 2017, the Ministry of Economy and Finance decided to resume the processing of supplier debt files by entrusting their consideration to a committee set up for this purpose in order to identify the cases for which payment could be made. Following the recommendations of the Commission, an amount of CFAF 3.6 billion was paid in 2017.

Improving the Business Environment and Encouraging Development of the Private Sector

62. To improve the investment framework and increase the attractiveness of foreign direct investment, in 2016 the government adopted a law defining the legal and regulatory framework for public-private partnerships (PPPs), with technical and financial support from the World Bank. A PPP unit was also created with the assistance of the African Development Bank. The IMF's Fiscal Affairs Department commented on this law in order to improve the management of PPP contracts and further minimize budgetary risks for the government. The government will take into account the relevant comments of the IMF within the context of transposing the community directive now being prepared on PPPs.

Promoting Financial Sector Stability and Development

63. The government is addressing its most pressing issues to strengthen the sector's contribution to the economy. In particular, it has taken steps to ensure the security of bank branches that have reopened in the northern part of the country since August 2013, to strengthen the bank set up following the successful merger in March 2016 of the Malian Housing Bank (BHM) with the Malian Solidarity Bank (BMS), and to start the process to bringing a reference banking group into the shareholding of the new bank, to help, in support of actions carried out by the BCEAO, bolster the credibility of the credit bureau set up in May 2015, and to restore confidence in the microfinance sector by implementing an action plan adopted in June 2016 aimed at reforming the sector.

64. Revision of the rules and methods for accounting and making provision for non-performing loans, starting in January 2018, could significantly influence the profile of this aggregate, in relation to a new portfolio accounting classification adopted by the BCEAO. In addition, a strategy will be developed for improving the quality of bank portfolios based on the recommendations of IMF technical assistance of June 2017 (structural benchmark for June 30, 2018). This will focus on the reduction of nonperforming loans, the reduction of non-operating fixed assets acquired by the realization of guarantee, and the development of a plan to remove nonperforming loans managed on behalf of the State from the balance sheet of Malian Development Bank (BDM-SA).

Reforming the Electricity Sector

65. The financial situation of the Mali energy company (EDM) is still fragile, reflecting both inadequacies in the company's management and the application of rates lower than the costs of production. In the short run, the government is taking steps, with the technical and financial support of the World Bank, to strengthen EDM's financial position. In this context, the World Bank will provide the government with technical assistance to evaluate and analyze the EDM's debts in order to improve its financial position. Meanwhile, measures underway include increasing the subsidy by CFAF 15 billion to reach a total of CFAF 42 billion in 2018, increasing the billing rate, reducing operational costs, reducing technical and non-technical losses, using pre-payment meters, adopting accelerated monthly billing, improving the tracking of key customers to protect revenue, and where necessary, adjusting power pricing to reduce the gap between rates and costs. These measures would make it possible to control costs paid by the government in the form of subsidies and tax expenditures and would allow EDM to cover its financing needs and fully meet its obligations. To this end, the government will identify costs related to subsidies and tax exemptions granted to the company. In the medium and long term, the World Bank will support the Government in the revision of the investment plan for the electricity sector to implement interconnection projects (Guinea / Mali and Mali / Burkina / Ghana), the strengthening of existing power lines, renewable energy projects including the floating solar park on the Manantali dam. These investments will be needed to reverse energy mix in favor of the renewable sources to lower EDM's production costs and improve the overall financial position of the company.

Improving Statistical Data

66. The government, through INSTAT, will accelerate the finalization of national accounts (annual and quarterly) production as well as their dissemination, and undertake to prepare the new national accounts. In addition, the introduction of new indicators for monitoring the current situation will be completed by June 2018, along with the production of regional and national consumer price indices.

D. Technical assistance and capacity building

67. Technical assistance (TA) and training remain key to continued strengthening of our technical and institutional capacities in this regard, we confirm our participation in the IMF's Capacity Development Framework (CDC). Mali has received substantial technical assistance from the IMF in recent years and the overall track record for this TA is positive. It has made a significant and positive contribution to capacity building in the country and has facilitated the implementation of our economic programs. In addition, TA will be needed in the coming years to support our economic policy priorities. At this stage, we think that the areas in which the IMF TA under the CDC should focus during 2017–2018 would include human resources management, revenue administration, public finance management, improved debt management, and real sector statistics. Donors do not provide TA in specific areas that would be covered by the IMF TA. As a participant in the CDC initiative, we have agreed to a Memorandum of Understanding with IMF staff. We remain committed to improving our technical and institutional capacities and to making the best use of the TA to be provided by the IMF and other development partners. We are also committed to ensuring the availability of sufficient human and financial resources, and to ensuring good cooperation among the national institutions involved in the different areas of technical assistance.

E. Program Monitoring

68. The tenth review will be based on end-June 2018 and continuous performance criteria (Table 2) and structural benchmarks (Table 4). Indicative targets are also set for end-September 2018 (Table 2). The performance criteria and indicative targets are defined in the Technical Memorandum of Understanding, which also specifies the nature and frequency of the information to be provided for program monitoring. The conclusion of the tenth review is expected on or after November 1, 2018.

Table 1. Mali: Performance Criteria and Indicators for 2017 [1]
(in CFAF billions)

	2017															
	March (Indicative Targets)				June				September (Indicative targets)				December			
	Target	Adj. Target	Est.	Status	Target	Adj. Target	Est.	Status	Target	Adj. Target	Est.	Status	Target	Adj. Target	Est.	Status
Performance criteria																
Ceiling on net domestic bank and market financing of the government [2]	66	81	0	Met	197	162	89	Met	210	165	165	Met	156	171	136	Met
Cumulative increase in external payments arrears (ceiling) [3]	0		0	Met	0		0	Met	0		0	Met	0		0	Met
New external debt contracted or guaranteed by the government, in PV terms (cumulative ceiling from June 2015) [3,4,7]	426		265	Met	426		306	Met	426		357	Met	426		393	Met
Gross tax revenue (floor)	341		315	Not met	698		717	Met	1,077		1,045	Not met	1,440		1,443	Met
Indicative targets																
Basic fiscal balance (floor) [5]	-85	-39	29	Met	-141	-151	57	Met	-126	-159	21	Met	-101	-133	-79	Met
Priority poverty-reducing expenditure (floor)	62		60	Not met	158		162	Met	285		278	Not met	443		444	Met
Memorandum items:																
External budgetary support [6]	9		10		16		17		56		50		155		98	
General budgetary grant	0		10		0		0		35		0		85		49	
Net change in budgetary float (– = reduction)	-26		-27		-66		-23		-68		-16		30		28	
Tax refunds (–)	-9		-1		-29		-39		-37		-45		-82		-89	
Net change in arrears (– = reduction)	-3		-7		-8		-7		-14		-7		-24		-5	

Sources: Malian authorities; and IMF staff projections.

[1] Cumulative figures from the beginning of the year, unless otherwise indicated. See Technical memorandum of understanding (TMU) for definitions. The March and September test dates are for indicative targets, while the June and December test dates are for performance criteria.

[2] This performance criterion is subject to adjustment for external budget support, reduction of pending bills, tax refunds, and arrears payment. See TMU for more details.

[3] These performance criteria will be monitored on a continuous basis.

[4] Provided the average grant element of these loans is no less than 30 percent.

[5] This indicative target is subject to adjustment for budgetary grants and tax refunds. See TMU for more details.

[6] On a disbursements basis.

[7] On a contracting basis in accordance with the IMF's debt limits policy: http://www.imf.org/external/np/pp/eng/2014/111414.pdf.

Table 2. Mali: Proposed Performance Criteria and Indicators for 2018 [1]

(in CFAF billions)

	2018	
	June	September (Ind. targets)
	Prop. Prog.	Prop. Prog.
Performance criteria		
Ceiling on net domestic bank and market financing of the government [2]	389	467
Cumulative increase in external payments arrears (ceiling) [3]	0	0
New external debt contracted or guaranteed by the government, in PV terms (cumulative ceiling from June 2015) [3,4,7]	426	426
Gross tax revenue (floor)	775	1,146
Indicative targets		
Basic fiscal balance (floor) [5]	-155	-208
Priority poverty-reducing expenditure (floor)	142	341
Memorandum items:		
External budgetary support [6]	11	54
General budgetary grant	7	26
Net change in budgetary float (– = reduction)	-64	-64
Tax refunds (–)	-34	-51
Net change in arrears (– = reduction)	-5	-13

Sources: Malian authorities; and IMF staff projections.

[1] Cumulative figures from the beginning of the year, unless otherwise indicated. See Technical memorandum of understanding (TMU) for definitions. The March and September test dates are for indicative targets, while the June test date is for performance criteria.

[2] This performance criterion is subject to adjustment for external budget support, reduction of pending bills, tax refunds, and arrears payment. See TMU for more details.

[3] These performance criteria will be monitored on a continuous basis.

[4] Provided the average grant element of these loans is no less than 30 percent.

[5] This indicative target is subject to adjustment for budgetary grants and tax refunds. See TMU for more details.

[6] On a disbursements basis.

[7] On a contracting basis in accordance with the IMF's debt limits policy: http://www.imf.org/external/np/pp/eng/2014/111414.pdf.

Table 3. Mali: Structural Benchmarks for 2017

Measures	Implementation Deadline	Status	Macroeconomic Justification
Adopt and implement a law to stop granting new discretionary tax exemptions (paragraph 8, MEFP June 2017).	January 1	Not met. Implemented with delay (end-May)	Increase tax revenue.
Implement use of the Public Procurement Management Integrated System (SIGMAP) by all ministerial departments.	March 31	Met	Improve public financial management and increase the efficiency of public spending.
Implement the first phase (Administration or Management of Loans) of the project to develop the Integrated Debt Management System, through the development of modules for the registration and monitoring of the loan mobilization and debt service payment.	March 31	Met	Strengthen debt management.
Produce an inventory of tax exemptions by type of tax, legal or regulatory source, economic sector, and expiry date in respect of 2016 and the first quarter of 2017.	June 30	Met.	Monitor progress with reducing tax exemptions to increase revenue.
In consultation with Fund staff, design a strategy for reducing non-collateralized NPLs in the banking system.	June 30	Not met. Reprogrammed for June 30, 2018.	Strengthen the banking system.
Raise the eligibility threshold for investments benefiting from tax exemptions from CFAF 12.5 million to CFAF 100 million (paragraph 18, MEFP June 2017).	August 31	Not met. Reprogrammed for July 31, 2018.	Increase tax revenue.
Carry out the second phase (Analysis) of the Integrated Debt Management System project, by developing complementary modules for the calculation of debt ratios, the calculation of the present value, the production of debt statistics, and debt simulations.	August 31	Met	Strengthen debt management.
Complete the implementation a treasury single account (TSA) at the BCEAO, including by transferring EPA deposits to the TSA (paragraph 56, MEFP June 2017).	August 31	No met. Reformulated and reprogrammed for June 30, 2018.	Strengthen public financial management.
Conduct an outreach campaign on fuel price reforms and identify options to protect vulnerable groups (paragraph 19, MEFP June 2017).	August 31	Met	Adequately price oil products and protect revenue derived from their taxation.
Achieve a transmission rate of 20 percent of their asset declaration to the Supreme Court of the government officials subject to declaration by the law against illicit enrichment.	August 31	Not met. Implemented with delay (end February 2018).	Promote good governance

Table 4. Mali: Proposed Structural Benchmarks for 2018			
Measures	**Implementation Deadline**	**Status**	**Macroeconomic Justification**
Assess the implementation of recommendations of the 2017 report on compliance of the expenditure management software (PRED) and financial and accounting information system (AICE) with the new budgeting and accounting processes.	May 28	In progress.	Ensure the monitoring and evaluation of program performance starting in December 2018.
Continue the implementation of the oil product's pricing formula to ensure that changes in the cost of imported petroleum products are reflected in pump prices within a margin of 3 percent per month, in order to meet oil revenue targets.	Continuous		Adequately price oil products and protect revenue derived from their taxation.
Develop a strategy to reducing non-collateralized NPLs in the banking system, including reducing the non-operating fixed assets obtained through the realization of guarantees.	June 30		Strengthen the banking system.
Achieve a transmission rate of 35 percent of their asset declaration to the Supreme Court of the government officials explicitly mentioned in by the law against illicit enrichment.	June 30		Promote good governance
Reduce the amount of public institution of an administrative nature (EPAs)' funds are deposited in commercial banks by transferring 50 percent of these funds to the BCEAO relative to end-2017 deposits.	June 30		Strengthen public financial management.
Raise the eligibility threshold for investments benefiting from tax exemptions from CFAF 12.5 million to CFAF 100 million, except for small agricultural and artisanal enterprises (paragraph 11).	July 31		Increase tax revenue.
Prepare a methodology to establish a market cost list for road, building, hydroagricultural, and hydrolic infrastructures	August 31		Improve capital spending execution
Assess transfer pricing policy and its implementation, with a focus on the mining sector, and propose adequate transfer pricing rules.	September 30		Improve government revenue and increase fiscal space.
Implement taxpayer compliance improvement plan being designed with Fund TA support.	October 31		Foster taxpayer compliance.
Achieve a transmission rate of 50 percent of their asset declaration to the Supreme Court of the government officials explicitly mentioned in by the law against illicit enrichment.	October 31		Promote good governance

Table 5. Mali: Summary of External Borrowing Program 1/

(in CFAF billions)

	2015		2016				2017				2018	
	Actual	PV	Prog.	PV	Actual	PV	Prog.	PV	Actual	PV	Prog.	PV
Debt financing sources	**231**	**117**	**493**	**260**	**456**	**246**	**801**	**426**	**770**	**399**	**1046**	**557**
Concessional debt of which /2	231	117	460	239	423	221	720	365	738	374	894	443
Multilateral debt	206	104	389	197	345	177	612	303	641	320	790	384
Bilateral debt	25	13	71	42	78	44	108	62	97	54	104	59
Nonconcessional debt /3	0	0	33	21	33	24	81	61	33	24	152	114
Uses of borrowed funds	**231**	**117**	**493**	**260**	**456**	**246**	**801**	**426**	**770**	**399**	**1046**	**557**
Budgetary assistance	46	21	79	35	46	21	144	54	94	41	131	55
Infrastructure (roads, bridges, etc.)	27	15	144	79	132	73	140	78	226	124	381	229
Energy	34	21	53	32	53	33	179	102	130	68	151	74
Agriculture	50	25	50	25	68	33	127	69	87	43	123	59
Social (education, health)	58	28	147	79	58	28	58	28	58	28	75	40
Various	15	7	20	10	99	58	154	96	175	95	183	99

Source: Mali authorities.

1/ New borrowing arranged or guaranteed, cummulative since June 2015.

2/ Debt in which the grant component exceeds a floor of 35 percent.

3/ Debt comprising a grant component that is positive but does not comply with the established floor.

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) defines the performance criteria and indicative targets presented in Tables 1 and 2 of the Memorandum of Economic and Financial Policies (MEFP). It also determines the frequency and deadlines for reporting data to the staff of the International Monetary Fund (IMF) for program monitoring purposes.

A. Definitions

2. Unless otherwise indicated, the government is defined as the central government of the Republic of Mali and does not include the local authorities, the central bank, or any other public entity with autonomous legal status that is not included in the Government Financial Operations Table (TOFE). The National Directorate of the Treasury and Government Accounting (DNTCP) reports the scope of the TOFE in accordance with the account classification provided by the BCEAO and forwards it to the central bank and IMF staff.

B. Performance criteria

3. Except as noted, the following financial targets will serve as performance criteria at end-June 2018, and as indicative targets at end-September 2018.

I. Ceiling on Net Domestic Bank and Financial Market Financing of Government

4. **Net domestic bank and financial market financing of government** is defined as the sum of (i) the net position of the government in the narrow sense, as defined below; and (ii) financing of the government through the issuance (net of redemptions) of securities to individuals or legal entities outside the banking system or to nonresident banks domiciled in the West African Economic and Monetary Union (WAEMU).

5. The **net position of the government in the broad sense** is defined as the balance of the government's debts and claims vis-à-vis the central bank and the commercial banks. The scope of the government's net position is that used by the Central Bank of West African States (BCEAO) pursuant to Community provisions. It involves a definition of government that is broader than the definition given in paragraph 2 and includes the local authorities, certain projects, and some public administrative entities. The government's claims include CFAF cash balances, postal checking accounts, secured liabilities, and all deposits by government agencies with the BCEAO and the commercial banks, with the exception of government industrial and commercial agencies (EPIC) and state-owned corporations, which are excluded from the calculation. The government's debts to the banking system include all debts to these financial institutions. Cotton Stabilization Fund deposits and government securities held outside the Malian banking system are not included in the calculation of the government's net position. The broad net government position is calculated by the BCEAO.

6. The **net position of the government in the narrow sense** is defined as the difference between the government's debts and claims vis-à-vis the central bank and the commercial banks. The scope of the government's net position in the narrow sense is as defined in paragraph 2. The narrow net government position is calculated by the BCEAO.

Adjusters

7. The ceiling on net domestic bank and market financing of government will be adjusted upward if **external budgetary support** falls short of program projections. External budgetary support is defined as grants, loans, and debt relief operations (excluding project grants and loans, sectoral budgetary support, IMF resources, and HIPC debt relief, but including general budgetary support). The adjuster will be applied at a rate of 100 percent up to a threshold of CFAF 25 billion and at a rate of 0 percent for larger amounts.

8. The ceiling on net domestic bank and market financing of government will be adjusted upward (downward) if the **net reduction in the budgetary float (*instances de paiement*)** is higher (lower) than program amounts (MEFP, Tables 1 and 2). The budgetary float is defined as payment orders that have not been paid by the National Directorate of the Treasury and Public Accounting (DNTCP) in the context of budget execution or on miscellaneous correspondent or depositor accounts, irrespective of how long such payments have been outstanding.

9. Lastly, the ceiling on net bank and market financing to government will be adjusted upward (downward) for the **payment of VAT credits, other tax refunds, external arrears, and audited arrears from previous fiscal years,** which exceed (fall short of) program amounts (MEFP, Tables 1, and 2).

II. Ceiling on Accumulation of External Government Payments Arrears

10. External payments arrears are defined as the obligations resulting from the service of an external debt (repayment of principal and interest expense) payable or guaranteed by the government that were not paid on the due date as specified in the loan agreement, taking any applicable grace period into consideration. The definition of external debt given in paragraph 15 applies here. Arrears payable to official bilateral creditors are not covered by this definition if the government is attempting to negotiate a rescheduling of the debt, provided the government pays into an escrow account the amounts coming due on such loans, taking any applicable grace period into account, as specified in the loan agreement.

11. During the program, the government undertakes not to accumulate external payments arrears (except on debts that are being renegotiated or rescheduled). The performance criterion with respect to the non-accumulation of external payments arrears will be applied on a continuous basis throughout the program period.

III. Ceiling on Non-Concessional External Debt Contracted or Guaranteed by the Government and/or Public Enterprises

12. **Definition of the debt**. The definition of the debt is set out in point 8 of the attachment to

IMF Executive Board Decision Nº 15688:

(a) the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms; the primary ones being as follows:

i. loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

ii. suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

iii. leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

(b) Under the definition of debt set out in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

13. Guaranteed debt. The guarantee of a debt by the government is understood to be an explicit legal obligation to ensure that a debt is serviced in the event of nonpayment by the borrower (involving payments in cash or in kind).

14. Concessional debt. A debt is understood to be concessional if it includes a grant element of at least 35 percent;[1,2] the grant element is the difference between the nominal value of the loan and

[1] The reference to the IMF website below leads to a tool that can be used to calculate the grant element in a wide range of financial arrangements: https://www.imf.org/external/np/pdr/conc/calculator/

[2] Calculation of the grant element takes account of all the aspects of the loan contracts, including maturity, grace period, repayment schedule, origination fees, and management fees.

its present value, expressed as a percentage of its nominal value. The present value of the debt is calculated on the date on which it is contracted by discounting the future stream of payments of debt service due on this debt. The discount rate used for this purpose is five percent.

15. External debt. For the purposes of the relevant assessment criteria, external debt is defined as a debt denominated, or requiring payment, in a currency other than the CFA franc. This definition also applies to the debts contracted between WAEMU member countries.

16. Debt-related performance criteria. The performance criterion through December 2016 applies to new non-concessional debt contracted or guaranteed by the government, the Mali energy company (EDM), and the Malian textile company (CMDT), insofar as the government is the majority shareholder. The performance criteria shall apply to any debts or liabilities contracted or guaranteed for which value has not yet been received. They shall also apply to private debt for which official guarantees have been extended and which, therefore, constitute a contingent liability of the government. Starting in 2017, the performance criteria apply to total new debt contracted or guaranteed by the government, the Mali energy company (EDM), and the Malian textile company (CMDT), insofar as the government is the majority shareholder. The performance criteria are monitored on a continuous basis. No adjusters will be applied to these performance criteria.

17. Special provisions. The performance criteria shall not apply to: (i) debt rescheduling operations in existence at the time the arrangement is approved; (ii) import-related, short-term external loans (with maturities of less than one year); (iii) external loans contracted by the Malian Textile Company (CMDT) and guaranteed with cotton export revenue; and (iv) short-term external loans (at maturities of less than one year) contracted by the EDM to finance the purchase of petroleum products.

18. Reporting. The government shall immediately report to the IMF staff any new external loans it contracts or guarantees, stating the conditions of these loans.

IV. Floor on Gross Tax Revenue

19. The government's gross tax revenue is defined as the revenue appearing in the TOFE and includes all tax revenue in the national budget, before deducting the tax refunds generated during the year, in particular accumulated VAT credits.

C. Indicative Targets

20. The following will serve as indicative targets at end-June 2018, and end-September 2018.

V. Floor on the Basic Fiscal Balance

21. The basic fiscal balance is defined as the difference between net total revenue, plus budgetary grants (general budgetary support) and HIPC resources, and total authorized expenses plus net lending, excluding capital expenditure financed by creditors or donors, pursuant to the definition of the basic fiscal balance in the WAEMU texts (Additional Act N° 05/2009/CCEG/UEMOA of March 17, 2009, amending Act Nº04/1999 on the Convergence, Stability, Growth, and Solidarity Pact).

Adjuster

22. The floor on the basic fiscal balance is adjusted downward if **budgetary grants (general budgetary support)** fall short of program projections. The adjuster will be applied at the rate of 100 percent up to a threshold of CFAF 25 billion and at a rate of 0 percent for larger amounts.

23. Lastly, the floor on the basic fiscal balance will be adjusted downward (upward) for the **payment of VAT credits and other tax refunds** exceeding (under) the programmed amounts (MEFP, Tables 1 and 2).

VI. Floor on Priority Poverty-Reducing Expenditure

24. Priority poverty-reducing expenditure is defined as the sum of expenditure in the sectors of basic education, secondary and higher education, scientific research, health, and social development other than transfers to the Malian Social Security Fund (CMSS). It excludes project-related capital expenditure financed by foreign technical and financial partners.

D. Structural Benchmarks

25. Information concerning the implementation of measures constituting structural benchmarks will be reported to the IMF staff when the measures are implemented.

26. As of May 31, 2011, **changes** have been to the **Government Financial Operations Table (TOFE)** as described below. Income and expenses recorded in suspense accounts are reported above the line as income or expenses, with no breakdown. In cash basis adjustments, a distinction is made between operations charged to previous fiscal years and those charged to the current fiscal year and, as well as, in the latter case, a distinction between funds in transit (less than three months) and changes in arrears (more than three months) with respect to budgetary expenditures (including VAT credits and called guarantees and pledges). Under the heading "net domestic financing," bank financing is separated from privatization income and from other financing. Bank financing includes changes in the net position of the government vis-à-vis the central bank, the IMF, and the resident commercial banks. In showing operations with commercial banks, a distinction is made between the Treasury, the National Social Security Institute (INPS), and other government agencies. Other financing includes mainly changes in cash accounts (uncashed checks), advance tax installments received for the following year, adjustments to the installments received the previous year for the current year, operations with nonresident WAEMU creditors, and changes in deposits and consignments from Treasury correspondents.

27. As of June 30, 2014, the **available balances in current account opened for government accounting officers** included within the scope of the net government position, narrowly defined (¶6), also known as the net Treasury position (NTP), with the exception of those located in regions where the BCEAO is not present, will be **transferred to the Treasury single account at the BCEAO.** The available balances are all the amounts in such accounts except for:

- frozen Treasury accounts at the Malian Development Bank (BDM) in the amount of CFAF 19.5 billion pursuant to the provisions of the privatization agreement concerning that bank;
- blocked Treasury funds at the Banque Régionale de Solidarité (BRS) in the amount of CFAF 12 billion following the financial difficulties of the BRS; Orabank, which will acquire the BRS, has agreed to reimburse the Treasurer for this deposit at the rate of CFAF 500 million per month in 2014 and clear the remaining balance no later than end-2015;
- accounts corresponding to grants from Japan in the amount of CFAF 3 billion at the BDM pursuant to an agreement with Japan providing for mobilization of these funds; and
- an account at the Banque Malienne de Solidarité (BMS) used for cash collection operations, which is zeroed out every day and transferred to the Receiver account at the BCEAO;
- term deposits (DAT) with commercial banks where the DNTCP places any cash surpluses, so long as the interest rates on such term deposits are greater than the BCEAO deposit rates.

28. **Extrabudgetary expenditures** are defined as domestically funded expenditures made by central government entities that are not provided for in the finance law and are not executed in accordance with applicable budgetary rules and procedures. This definition applies to all transactions, commitments, acceptances of goods or services, or provisions of guarantees that could create an expense for the government that was not authorized in the budget law.

Additional Information for Program Monitoring

29. To facilitate program monitoring, the government will report the information (in Excel format for all quantitative data) indicated in the following summary table to the IMF staff.

Summary of Reporting Requirements

Sectors	Type of Data	Frequency	Reporting Deadline
Real Sector	National accounts	Yearly	Year-end + 9 months
	Revised national accounts	Variable	8 weeks after revision
	Consumer price index breakdowns	Monthly	Month-end + 2 weeks
Public Finance	Net position of the government vis-à-vis the banking system in the broad sense (including the survey of the accounts of other government agencies with the banking system); net position of the government vis-à-vis the banking system in the narrow sense; and breakdown of nonbank financing	Monthly	Month-end + 4 weeks (provisional); month-end + 6 weeks (final)
	Balance of SOTELMA privatization income account deposits with the BCEAO	Monthly	Month-end + 3 weeks
	Central government TOFE	Monthly	Month-end + 4 weeks (provisional); Month-end + 6 weeks (final)
	Budget execution throughout the expenditure chain, as recorded in the automated system	Monthly	Month-end + 2 weeks
	Breakdown of income and expenses recorded in the TOFE	Monthly	Month-end + 6 weeks
	Separately report HIPC resources	Monthly	Month-end + 6 weeks
	Investment budget execution	Quarterly	End of quarter + 8 weeks
	Tax revenue as recorded in the TOFE showing tax refunds (including VAT credits)	Monthly	Month-end + 6 weeks
	Wage bill as recorded in the TOFE	Monthly	Month-end + 6 weeks

Sectors	Type of Data	Frequency	Reporting Deadline
	Basic fiscal balance as recorded in the TOFE	Monthly	Month-end + 6 weeks
	Tax and customs exemptions	Monthly	Month-end + 4 weeks
	Order fixing petroleum prices, tax revenue from petroleum products, and total exemptions granted	Monthly	Month-end
	Imports of petroleum products broken down by type and by point of entry	Monthly	Month-end + 2 weeks
	Expenses authorized and not paid 90 days after validation by the financial comptroller	Monthly	Month-end + 1 week
	Report by the Minister of Economy and Finance on extra-budgetary spending	Six-Monthly	End-February and August
Monetary and Financial Data	Summary survey of the BCEAO, summary survey of the banks, survey of monetary institutions	Monthly	Month-end + 4 weeks (provisional); Month-end + 8 weeks (final)
	Foreign assets and liabilities and breakdown of other items net (OIN) of the BCEAO and the commercial banks	Monthly	Month-end + 8 weeks
	Lending and deposit interest rates, BCEAO policy rate, BCEAO reserve requirements	Monthly	Month-end + 4 weeks
	Bank prudential ratios	Monthly	Month-end + 6 weeks

Sectors	Type of Data	Frequency	Reporting Deadline
	Account statements showing the initial and final balances of the escrow account at the BCEAO in which the service coming due on the debt contracted from the Libyan Foreign Bank for construction of the Bamako Cité Administrative complex is deposited until an agreement is reached with the Libyan authorities to reschedule repayment of that debt.	Monthly	Month-and + 1 week
Balance of Payments	Balance of payments	Yearly	Year-end + 12 months
	Revised balance of payments	Variable	8 weeks after each revision
External Debt	Debt service with breakdown of principal, interest, relief obtained under the HIPC Initiative	Monthly	Month-end + 4 weeks
Budget Directorate	Priority poverty-reducing expenditure as defined in ¶24.	Quarterly	End of quarter + 4 weeks
EDM	Detailed financial statements showing EDM's total revenues, including subsidies received; total expenditures; the level of debts to banks; and the situation in terms of arrears.	Quarterly	Month-end + 4 weeks

MALI

May 7, 2018

STAFF REPORT FOR THE 2018 ARTICLE IV CONSULTATION AND EIGHTH AND NINTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT —DEBT SUSTAINABILITY ANALYSIS

Approved By
Roger Nord and Johannes Wiegand (IMF), and Paloma Anos Casero (IDA)

Prepared by staffs of the International Monetary Fund and the International Development Association

Risk of external debt distress:	*Moderate*
Augmented by significant risks stemming from domestic public debt?	*No*

This debt sustainability analysis (DSA) reflects updated information on the macroeconomic outlook and indicates that Mali stands at moderate risk of debt distress—unchanged from the previous analysis (7th ECF program review of July 2017 -Country report 17/209). Under the baseline scenario all external debt indicators and debt service ratios lie below the policy-dependent thresholds throughout the projection period. Under worst-case stress scenarios, only the debt-to-export ratio breaches its threshold (as in the July 2017 DSA). The country's external debt profile is vulnerable to changes in financing conditions, exchange rate depreciation, and shocks to export growth. The inclusion of domestic debt does not alter the assessment of Mali's debt sustainability.[1]

[1] MLI's 3-year average (2014-16) CPIA [3.37]- its 'performance classification' [medium] and resulting LIC-DSF thresholds (see following for example [select country]): http://www.imf.org/external/pubs/ft/dsa/lic.aspx

BACKGROUND

1. **At end-2017, Mali's stock of total public debt was composed mostly of external debt on concessional terms (Text figure 1 and 2, Text table 1).** External public and publicly guaranteed (PPG) debt amounted to CFAF 2,231 billion (25.1 percent of GDP), and was held mostly by multilateral creditors (CFAF 1802 billion). The stock of domestic debt increased rapidly in recent years reaching CFAF 982 billion (11.2 percent of GDP) at end-2017 resulting from the authorities stepping up their domestic debt issuance on the regional market. Debt was held mostly by commercial banks in treasury bills and bonds (Text figure 1 and 2, Text Table 2).

Text Table 1. Mali: External Debt Stock at Year-End, 2001–17
(billions of CFAF)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total	1,969	1,156	1,169	1,185	1,474	606	643	811	958	1,134	1,230	1,382	1,445	1,485	1,753	2,080	2,231
(percent of GDP)	*77.5*	*42.6*	*42.8*	*41.2*	*44.8*	*16.8*	*16.5*	*18.6*	*19.9*	*21.4*	*20.1*	*21.8*	*22.1*	*20.9*	*22.6*	*25.0*	*25.1*
Multilateral	1,506	824	741	878	1,199	357	448	616	767	896	1,006	1,105	1,160	1,202	1,383	1,632	1,802
IMF [1]	110	100	94	79	66	4	6	19	68	72	101	101	83	94	79	103	117
World Bank/IDA	343	106	176	268	384	84	216	263	313	414	494	578	586	597	728	823	908
African Development Bank	329	116	239	289	380	121	134	112	136	158	257	247	229	245	253	343	387
Islamic Development Bank	45	40	36	55	64	31	57	96	112	114	124	118	111	92	116	141	118
Others	678	462	195	187	306	117	34	126	138	139	30	62	151	174	208	222	272
Official Bilateral	456	327	423	302	270	247	193	192	188	236	222	276	284	282	370	447	429
Paris Club official debt	127	31	8	17	18	13	16	4	4	10	13	13	10	8	41	41	40
Non-Paris Club official debt	328	297	416	285	252	234	178	188	184	226	209	263	275	273	329	406	389
Other Creditors	7	4	4	4	6	2	3	3	3	3	2	2	1	1	0	0	0

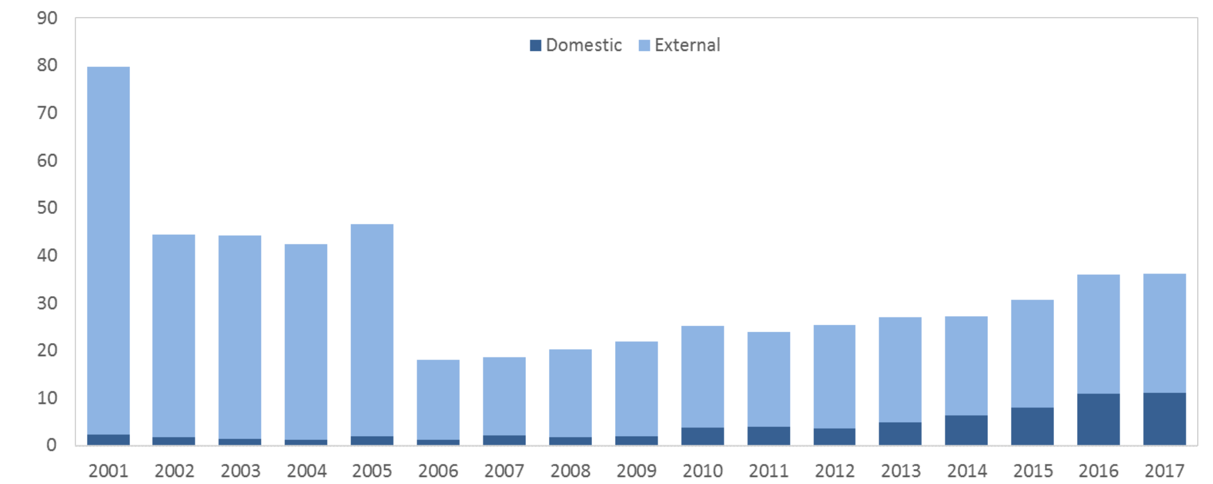
Source: Malian authorities, staff estimates
[1] Includes August 2009 SDR allocation.

Text Table 2. Mali: Public Domestic Debt Stock at Year-End, 2009–17
(billions of CFAF)

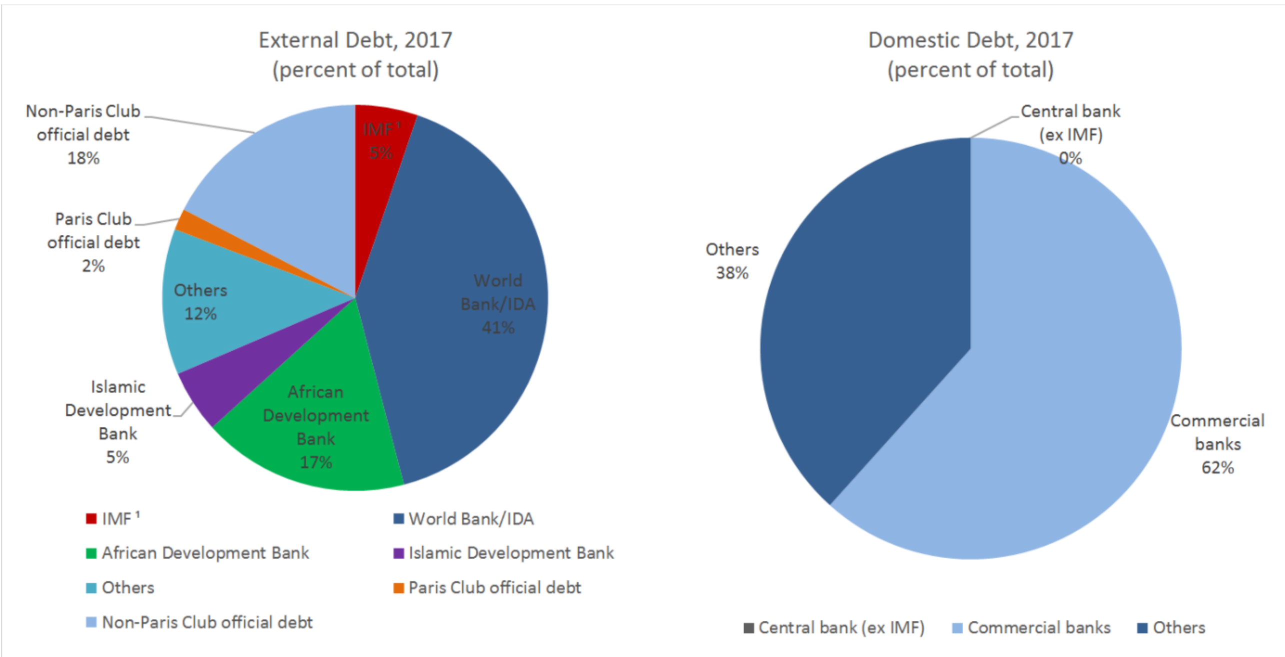
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total	97	203	238	231	318	445	622	913	982
(percent of GDP)	2	4	4	4	5	6	8	11	11
Short Term	33	52	120	143	187	336	243	236	88
Medium and Long term	63	152	119	88	132	109	379	676	894
Central bank (ex IMF)	8	6	3	1	0	0	0	0	0
Commercial banks	82	94	114	112	172	329	433	567	606
Other [1]	6	104	120	119	146	116	189	345	376

Source: Malian authorities, staff estimates
[1] Includes debt owed to non-banks and banks resident in WAEMU countries outside of Mali.

Text Figure 1. Public debt, 2001–17
(percent of GDP)



Text Figure 2. Holders of Mali's Public Debt, 2017



Sources: Malian authorities; and IMF staff calculations.

MACROECONOMIC OUTLOOK, 2018–38

2. This DSA is consistent with the macroeconomic framework underlying the Staff Report prepared for the 2018 Article IV and Eighth and Ninth Reviews of the ECF-Supported Program. Key macroeconomic assumptions are broadly in-line with those used in the previous DSA and are as follows:

- **Real GDP growth.** The outlook for growth remains positive. Real output gains are estimated at 5.3 percent in 2017 and projected at 5.0 percent in 2018, converging over the long term to 4.7 percent—Mali's long-term growth potential (Table 1).

- **Fiscal policy.** In 2018, despite steady spending pressures, the authorities are committed to containing the overall fiscal deficit (including grants) to 3.3 percent of GDP. This path would help them to achieve an overall fiscal balance of 3 percent of GDP by 2019, in line with the WAEMU convergence criterion.

- **External sector.** The current account deficit (including grants) is projected at 6.5 percent of GDP in 2018 (broadly unchanged from the 7th review) due to a deterioration in the terms of trade (higher oil prices), and solid import growth associated with public and private investment. Thereafter, the current account deficit is projected to narrow from 6.3 percent in 2019, before widening to about 6.4 percent by 2023. It would stabilize at about 6.6 percent of GDP over the longer term. This stabilization in the external position would be driven partly by supportive macroeconomic policies, gradual increase in other exports (including food, cotton, tourism and other minerals such as phosphate, uranium, bauxite, iron ore, copper, and nickel), and lower long-run oil prices. These factors should help to offset the expected steady decline in export earnings from gold[2]. The current account deficit continues to be financed mainly through foreign direct investment, public sector borrowing, and official grant flows.

3. Gross financing needs will be covered by a combination of external and domestic debt. For 2018 and the near term, the authorities plan to increase the issuance of domestic debt to offset a temporary shortfall in external financing. Over the medium term, as access to external financing sources is expected to gradually normalize, the composition of financing is expected to become again broadly similar to the previous DSA, with about 70 percent from external sources and 30 percent from regional and domestic sources.

4. The main differences in the medium-term macroeconomic assumptions with respect to the previous DSA are as follows (Table 1):

- The GDP deflator in U.S. dollar terms is projected to be higher during the projection period compared with the previous DSA.

- Official aid, defined as the sum of concessional grants and loans, is expected to be lower at

[2] Gold export volumes are expected to decline steadily over time, with the share of gold in total exports projected to fall from 67 percent in 2015 to about 20 percent in 2036.

3.4 percent of GDP in 2018 compared to 5.2 percent of GDP in the previous DSA. Most multi-year external support programs expired in 2017 and key donors reduced their budget support commitments in 2018. However, continued reform momentum should help expedite preparatory work for launching new external support programs. Consequently, official aid is expected to gradually converge to its long-term level at about 4.5 percent of GDP, as in the previous DSA.

- Gold prices are projected to be higher than in the previous DSA. Gold exports as a percentage of GDP is projected to be slightly lower than in the previous DSA.
- Oil prices are projected to be lower in 2017, but higher in 2018-19 than in the previous DSA.
- The DSA incorporates updated data on domestic debt for 2016 and 2017, according to the latest data provided by the authorities and the BCEAO in January 2018. These data show higher level of domestic debt than in the previous DSA.

5. **The DSA projects that public debt will grow from about 35.6 percent of GDP in 2017 to 51.1 percent in 2038.** Of this, external debt would increase from about 24.5 percent of GDP to 35.1 percent in 2038 (from about 25 percent of GDP to 36 percent, respectively, in the previous DSA). Domestic debt accumulation would be slightly higher than in the previous DSA as the authorities are assumed to increase reliance on domestic funding in 2018 to compensate for a temporary shortfall in external financing.

DEBT SUSTAINABILITY ANALYSIS

A. External DSA

6. **The results of the external DSA confirm that Mali's debt dynamics are sustainable under the baseline scenario**. Under the baseline scenario, all external debt ratios remain below their indicative thresholds, though one measure—the present value (PV) of PPG debt to exports ratio, as in the previous DSA, displays a distinct uptrend over the course of the forecast, rising some 87 percent over the coming 20 years, a note of concern, and in part the result of subdued export growth in the medium to longer term. (Figure 1a, panel c, and Table 2a) The ratio for the PV of PPG debt to GDP, calculated using a 5 percent discount rate, is projected to remain between 15 and 21 percent of GDP, well below the indicative threshold of 40 percent throughout the projection period (Figure 1a, panel b, and Table 2a). The PV of PPG debt-to-revenue ratio is also projected to remain broadly stable at around 86 percent, comfortably below the 250 percent threshold (Figure 1, panel d, and Table 2a).

7. **Almost all debt indicators remain below indicative thresholds even under the most extreme scenarios.** The present values of the debt-to-GDP ratio, debt-to-revenue ratio, and liquidity measures of debt service to exports and revenues (excluding grants) all remain under the debt distress thresholds under most extreme stress tests and alternative scenarios However, the present value of debt-to-exports ratio, shows a breach of threshold from 2030 to 2038 in line with the previous DSA, under an assumption of

tighter financing conditions for public debt, ('terms shock').[3] The breach averages 43 points, or 28 percentage points above threshold over the period, characterized as substantial and prolonged, and sufficient to assess Mali as standing at moderate risk of external debt distress. Going forward, however, the full implementation of the 2015 peace agreement and continued policy reforms should promote economic development, while increasing the overall flexibility and dynamism of the economy to cushion shocks. In particular, the ongoing scaling up and country-wide expansion of public sector investment in high-priority infrastructure augurs well for increasing overall economy-wide productivity growth and lead to the development of other sectors with export potential. These initiatives would help to make the economy more diversified and resilient to export shocks.

8. Mali's external debt sustainability is sensitive to an export-market growth shock, a reduction in transfers and FDI and, a combination shock, along with changes in borrowing terms. Under a bounds test that reduces export growth temporarily in 2018–19 with the effect of reducing exports levels permanently, the PV of the debt-to-exports ratio would breach its threshold in 2037 (Table 2b, Scenario B2). A bounds test that reduces FDI and official and private transfers in 2018–19, would cause the PV of the debt-to-exports ratio to start rising toward threshold, almost breaching it in 2038 (Table 2b, Scenario B4). A bounds test that combines shocks to growth, export values, the US dollar GDP deflator and FDI would cause the debt to exports ratio to almost breach its threshold in 2038 (Table 2b, Scenario B5). This highlights once more the need to diversify exports, reducing current vulnerabilities to (largely) external shocks.

B. Public DSA

9. The inclusion of domestic debt somewhat worsens the assessment of Mali's debt sustainability, contributing to a higher PV of total public debt-to-GDP ratio contrasted with the previous DSA. The projected shortfall of external financing in 2018, while assumed to be temporary, is offset by an increase in domestic debt in the short-term that deteriorates further the profile of overall debt sustainability. (Figure 2, Table 2a, Table 2b). The PV of public sector debt-to-GDP ratio increases to between 26.8 and 36.1 percent of GDP during the entire projection period compared to 23.5 and 28.5 percent of GDP, respectively, in the previous DSA. The PV of public sector debt-to-revenue ratio deteriorates to between 134 and 151 percent during the entire projection period compared to 107 and 123 percent, respectively, in the previous DSA. The recent rapid growth of the domestic debt stock needs to be monitored closely to maintain debt sustainability and financial stability going forward.

CONCLUSION

10. This updated DSA, as the previous one, suggests that Mali's risk of debt distress remains moderate. However, the projected shortfall in external financing in the near-term, while assumed temporary, puts additional moderate pressure on Mali' debt sustainability. Assuming an unchanged fiscal consolidation path from the previous DSA, the extent of the worsening in the debt profile will depend on

[3] In the previous DSA the most extreme shock was a combination shock, which is by design a temporary shock for two years.

the size and duration of the shift from external to domestic financing. As in the previous DSA, stress tests highlight a sustained breach of the threshold for the PV of PPG external debt-to-exports under the most extreme shock. Mali's debt sustainability is highly sensitive to a tightening of financing terms, and a combination shock. In addition to a financing shock (less favorable terms for external finance looking forward—which yields the breach noted above), Mali's debt sustainability is also vulnerable to a reduction in transfers and FDI, and an export shock owing to the export concentration in gold. And as highlighted in the previous DSA, it remains crucial that Mali maintain prudent macroeconomic policies, strengthen the effectiveness of public debt management, and continue to meet its external financing needs with grants and concessional loans, wherever possible. In addition, the country should ensure that underlying projects deliver a high return on investment, while continuing the implementation of structural reforms to improve the investment climate and export diversification, amid an expected decline in gold's export performance over the medium term. The Malian authorities broadly agreed with the conclusions of the DSA. They indicated that they considered their economy could grow faster than envisaged by staff over the medium to long term, but shared staff's overall assessment.

Table 1. Mali: Evolution of Selected Macroeconomic Indicators

	2015	2016 Est.	2017 Est.	2018 Projections	2019 Projections	Long term [1] Projections
Real GDP growth						
Current DSA	6.0	5.8	5.3	5.0	4.7	4.7
Previous DSA	6.0	5.8	5.3	5.0	4.7	4.7
GDP Deflator in US dollar terms						
Current DSA	1.2	3.6	11.3	2.5	3.0	2.2
Previous DSA	-14.2	1.3	-2.9	1.1	0.7	2.0
Overall fiscal deficit (excluding grants, percent of GDP)						
Current DSA	-4.5	-5.5	-4.5	-4.5	-4.7	-4.2
Previous DSA	-4.5	-5.5	-5.7	-5.5	-5.0	-4.2
Overall fiscal deficit (including grants, percent of GDP)						
Current DSA	-1.8	-3.9	-2.9	-3.3	-3.0	-3.0
Previous DSA	-1.8	-3.9	-3.5	-3.4	-3.0	-3.0
Current account deficit [2] (excluding grants, percent of GDP)						
Current DSA	-12.3	-14.6	-13.1	-13.6	-13.5	-7.6
Previous DSA	-12.3	-14.6	-16.7	-14.7	-14.0	-7.5
Current account deficit (including grants, percent of GDP)						
Current DSA	-5.3	-7.2	-6.0	-6.5	-6.3	-6.5
Previous DSA	-5.3	-7.1	-8.2	-6.6	-6.2	-6.3
Official aid [3] (percent of GDP)						
Current DSA	5.6	3.4	3.9	3.4	3.8	4.5
Previous DSA	5.6	3.4	5.2	5.2	5.5	4.6
Gold prices (US$/fine ounce London fix)						
Current DSA	1160	1248	1257	1340	1375	1481
Previous DSA	1160	1248	1254	1281	1311	1333
Gold exports (percent of GDP)						
Current DSA	13.0	13.5	13.1	12.5	11.1	5.4
Previous DSA	13.0	13.8	13.5	13.4	13.0	7.4
Oil prices (US$/barrel)[4]						
Current DSA	51	43	53	62	58	54
Previous DSA	51	43	55	55	54	55

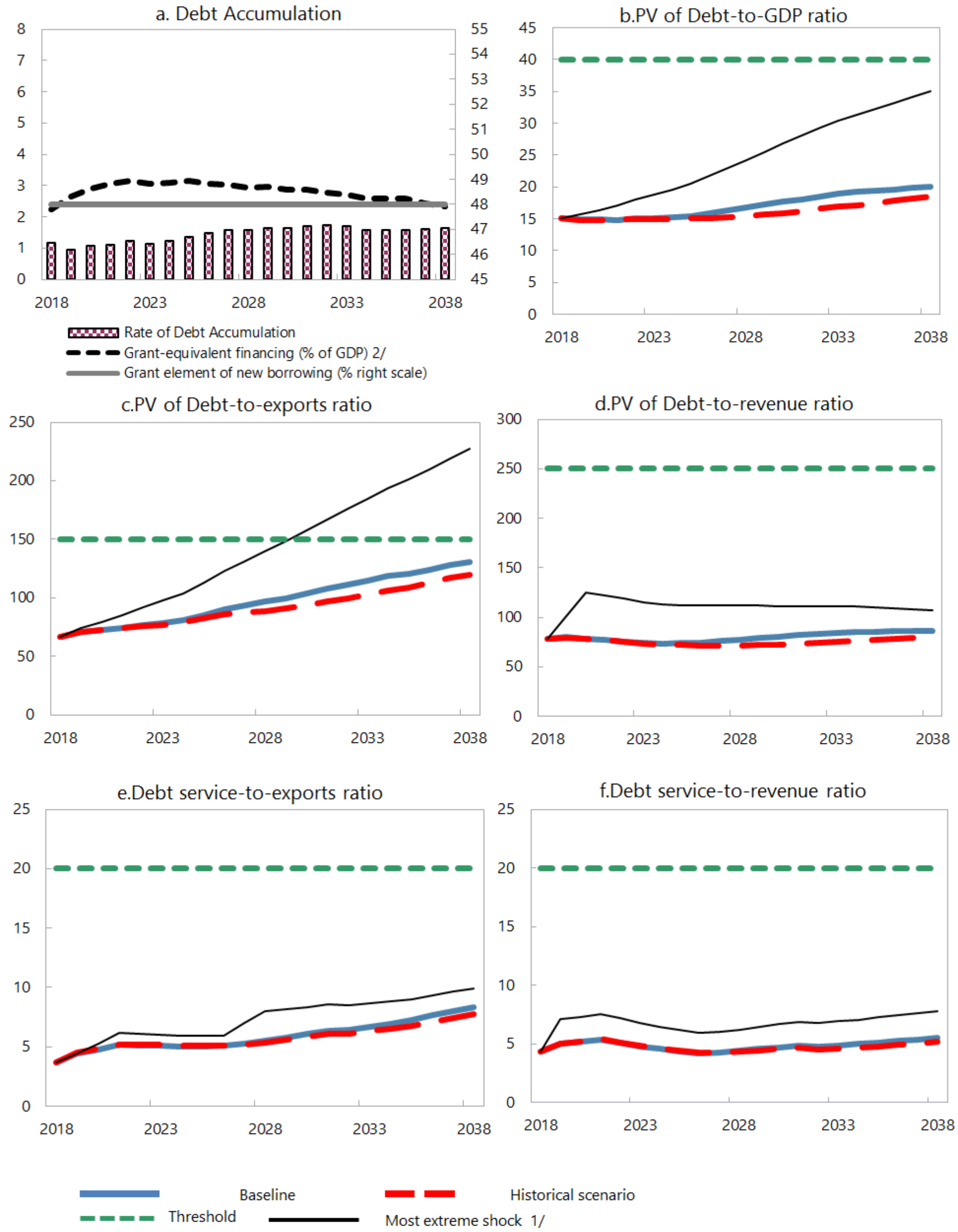
[1] Defined as the last 15 years of the projection period. For the current DSA, the long term covers the 2023-37 period as for the previous DSA.

[2] The large current account (excluding grants) deficit in 2015-19 reflects the international military assistance, which is assumed to continue into the medium term. It is registered as imports of security services financed by grants, which average 6% of GDP per annum.

[3] Defined as the sum of concessional grants and loans.

[4] Simple average of three spot prices; Dated Brent, West Texas Intermediate, and the Dubai Fateh.

Figure 1a. Mali: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2018–38

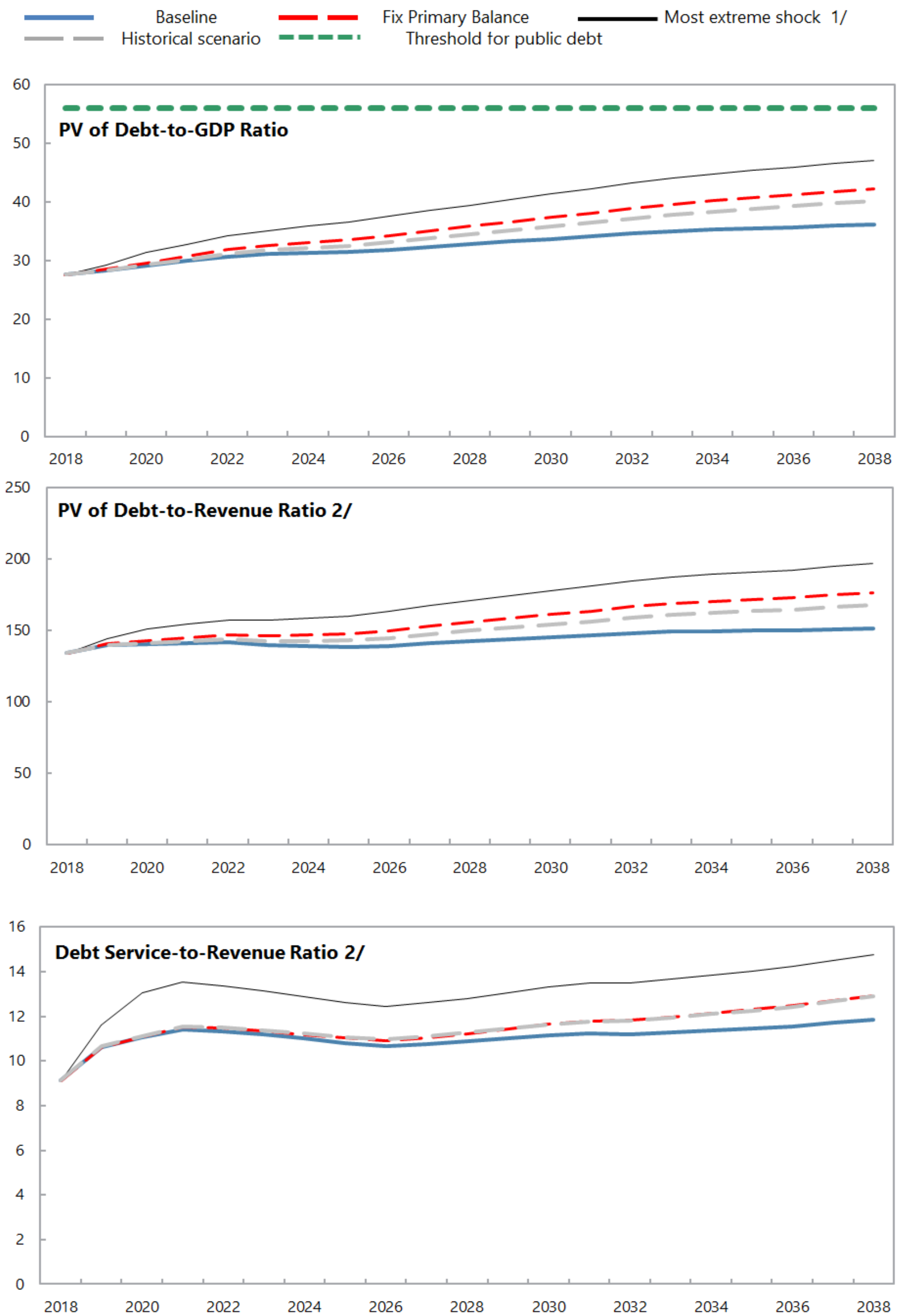


Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2028. In figure b. it corresponds to a B5. Combination of B1-B4 using one-half standard deviation shocks shock; in c. to a A2. New public sector loans on less favorable terms in 2018-2038 2 shock; in d. to a B4. Net non-debt creating flows at historical average minus one standard deviation in 2019-2020 4/ shock; in e. to a B4. Net non-debt creating flows at historical average minus one standard deviation in 2019-2020 4/ shock and in figure f. to a B6. One-time 30 percent nominal depreciation relative to the baseline in 2019 5/ shock

2/ The decline in grant-equivalent financing in 2016 reflects the return to more normal levels of concessional aid following the exceptionally high level of assistance related to the 2011-2012 crisis.

Figure 2. Mali: Indicators of Public Debt Under Alternative Scenarios, 2018-38



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio on or before 2028.
2/ Revenues are defined inclusive of grants.

Table 1a. Mali: External Debt Sustainability Framework, Baseline Scenario, 2018-2038 1/

(In percent of GDP, unless otherwise indicated)

(In percent of GDP, unless otherwise indicated)

	Actual			Historical 6/ Average	Standard 6/ Deviation	Projections									
												2018-2023			2024-2038
	2015	2016	2017			2018	2019	2020	2021	2022	2023	Average	2028	2038	Average
External debt (nominal) 1/	**22.6**	**24.9**	**24.5**			**23.4**	**23.2**	**23.4**	**23.6**	**24.1**	**24.4**		**28.0**	**35.1**	
of which: public and publicly guaranteed (PPG)	22.6	24.9	24.5			23.4	23.2	23.4	23.6	24.1	24.4		28.0	35.1	
Change in external debt	1.6	2.3	-0.4			-1.1	-0.2	0.1	0.2	0.6	0.3		0.9	0.5	
Identified net debt-creating flows	6.0	3.9	1.0			3.2	3.1	2.9	2.8	3.0	3.1		3.3	2.7	
Non-interest current account deficit	**5.0**	**6.9**	**5.7**	**6.6**	**3.7**	**6.3**	**6.1**	**5.9**	**5.8**	**6.0**	**6.1**		**6.3**	**5.9**	6.1
Deficit in balance of goods and services	15.6	16.9	15.7			15.3	15.6	15.2	15.0	15.0	10.7		11.3	10.9	
Exports	24.0	23.4	23.2			22.7	21.1	20.6	20.1	19.7	19.3		17.3	15.4	
Imports	39.6	40.3	38.9			38.0	36.7	35.7	35.0	34.7	30.0		28.6	26.3	
Net current transfers (negative = inflow)	-12.5	-12.3	-12.1	-9.6	3.9	-12.1	-12.2	-11.8	-11.6	-11.3	-6.7		-6.3	-5.5	-6.1
of which: official	-7.0	-7.4	-7.1			-7.1	-7.1	-6.8	-6.6	-6.3	-1.7		-1.3	-0.5	
Other current account flows (negative = net inflow)	2.0	2.4	2.1			3.1	2.6	2.5	2.4	2.3	2.1		1.3	0.5	
Net FDI (negative = inflow)	**-1.5**	**-1.8**	**-2.9**	**-3.0**	**1.8**	**-2.3**	**-2.2**	**-2.2**	**-2.2**	**-2.2**	**-2.2**		**-2.2**	**-2.2**	-2.2
Endogenous debt dynamics 2/	**2.4**	**-1.2**	**-1.7**			**-0.8**	**-0.8**	**-0.8**	**-0.8**	**-0.8**	**-0.8**		**-0.8**	**-1.0**	
Contribution from nominal interest rate	0.3	0.3	0.3			0.2	0.2	0.3	0.3	0.3	0.3		0.4	0.5	
Contribution from real GDP growth	-1.4	-1.2	-1.2			-1.0	-1.0	-1.0	-1.0	-1.0	-1.1		-1.2	-1.5	
Contribution from price and exchange rate changes	3.5	-0.3	-0.9			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**-4.3**	**-1.6**	**-1.4**			**-4.3**	**-3.3**	**-2.8**	**-2.6**	**-2.5**	**-2.8**		**-2.4**	**-2.1**	
of which: exceptional financing	-0.2	-0.2	-0.2			-0.2	-0.2	-0.1	-0.1	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	15.8			15.1	14.9	14.9	14.8	15.0	15.1		16.7	20.1	
In percent of exports	...	...	68.0			66.4	70.8	72.3	73.9	76.3	78.2		96.5	130.2	
PV of PPG external debt	**...**	**...**	**15.8**			**15.1**	**14.9**	**14.9**	**14.8**	**15.0**	**15.1**		**16.7**	**20.1**	
In percent of exports	**...**	**...**	**68.0**			**66.4**	**70.8**	**72.3**	**73.9**	**76.3**	**78.2**		**96.5**	**130.2**	
In percent of government revenues	**...**	**...**	**85.3**			**77.8**	**80.0**	**78.2**	**76.7**	**75.6**	**73.8**		**77.6**	**86.3**	
Debt service-to-exports ratio (in percent)	**6.5**	**4.3**	**4.7**			**3.7**	**4.5**	**4.8**	**5.1**	**5.1**	**5.1**		**5.5**	**8.4**	
PPG debt service-to-exports ratio (in percent)	**6.5**	**4.3**	**4.7**			**3.7**	**4.5**	**4.8**	**5.1**	**5.1**	**5.1**		**5.5**	**8.4**	
PPG debt service-to-revenue ratio (in percent)	**9.5**	**6.1**	**5.9**			**4.4**	**5.0**	**5.2**	**5.3**	**5.1**	**4.8**		**4.4**	**5.5**	
Total gross financing need (Billions of U.S. dollars)	0.7	0.9	0.6			0.9	0.9	1.0	1.0	1.1	1.2		1.8	3.5	
Non-interest current account deficit that stabilizes debt ratio	3.4	4.6	6.1			7.4	6.3	5.8	5.6	5.4	5.8		5.5	5.3	
Key macroeconomic assumptions															
Real GDP growth (in percent)	6.0	5.8	5.3	4.4	2.3	5.0	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
GDP deflator in US dollar terms (change in percent)	-14.2	1.2	3.6	2.4	8.9	11.3	2.5	3.0	2.7	2.0	2.2	4.0	2.0	2.2	2.2
Effective interest rate (percent) 5/	1.4	1.5	1.5	1.5	0.2	1.0	1.1	1.2	1.2	1.3	1.3	1.2	1.4	1.5	1.5
Growth of exports of G&S (US dollar terms, in percent)	-2.8	4.3	8.0	6.6	11.1	14.4	-0.3	5.2	5.0	4.7	5.0	5.7	6.0	6.0	5.4
Growth of imports of G&S (US dollar terms, in percent)	-5.2	9.0	5.4	9.6	18.7	14.2	3.6	5.0	5.4	5.7	-7.5	4.4	6.1	6.1	6.0
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0
Government revenues (excluding grants, in percent of GDP)	16.4	16.7	18.5			19.4	18.7	19.0	19.3	19.9	20.4		21.6	23.3	22.1
Aid flows (in Billions of US dollars) 7/	0.7	0.5	0.6			0.6	0.7	0.9	1.0	1.1	1.1		1.6	2.9	
of which: Grants	0.4	0.2	0.2			0.2	0.3	0.4	0.4	0.4	0.5		0.5	0.4	
of which: Concessional loans	0.4	0.3	0.4			0.4	0.4	0.5	0.6	0.7	0.7		1.2	2.5	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			2.3	2.7	2.9	3.1	3.1	3.1		2.9	2.3	2.8
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			66.6	70.4	69.1	69.2	68.4	69.6		63.8	55.4	61.9
Memorandum items:															
Nominal GDP (Billions of US dollars)	13.1	14.0	15.3			17.9	19.2	20.7	22.3	23.8	25.5		35.8	69.8	
Nominal dollar GDP growth	-9.1	7.1	9.1			16.9	7.4	7.8	7.6	6.8	7.0	8.9	6.8	7.1	7.0
PV of PPG external debt (in Billions of US dollars)			2.5			2.7	2.9	3.1	3.3	3.6	3.9		6.0	14.1	
(PVt-PVt-1)/GDPt-1 (in percent)						1.2	1.0	1.1	1.1	1.2	1.1	1.1	1.6	1.6	1.6
Gross workers' remittances (Billions of US dollars)	0.7	0.7	0.8			0.9	1.0	1.0	1.1	1.2	1.3		1.8	3.5	
PV of PPG external debt (in percent of GDP + remittances)	...	...	15.0			14.4	14.2	14.2	14.1	14.3	14.4		15.9	19.1	
PV of PPG external debt (in percent of exports + remittances)	...	...	56.0			54.4	57.2	58.1	59.2	60.9	62.1		74.9	98.3	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	3.9			3.0	3.6	3.9	4.1	4.1	4.0		4.3	6.3	

Sources: Country authorities; and staff estimates and projections.

1/ Public sector external debt only.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); project grants, changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes. The calculation of the residual assumes the capital account is a debt-creating flow, which is inappropriate in Mali's case since the capital account consists primarily of project grants (around 2% of GDP).

4/ Assumes that PV of private sector debt is equivalent to its face value.

5/ Current-year interest payments divided by previous period debt stock.

6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

7/ Defined as grants, concessional loans, and debt relief.

8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Table 1b. Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2018–38

(In percent of GDP, unless otherwise indicated)

						Projections						
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2038
PV of Debt-to-GDP ratio												
Baseline	15	15	15	15	15	15	15	15	16	16	17	20
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2018-2038 1/	15	15	15	15	15	15	15	15	15	15	15	18
A2. New public sector loans on less favorable terms in 2018-2038 2	15	16	16	17	18	19	20	21	22	23	24	35
B. Bound Tests												
B1. Real GDP growth at historical average minus one standard deviation in 2019-2020	15	15	16	16	16	16	16	16	17	17	18	21
B2. Export value growth at historical average minus one standard deviation in 2019-2020 3/	15	16	17	17	17	17	17	17	18	18	18	21
B3. US dollar GDP deflator at historical average minus one standard deviation in 2019-2020	15	16	18	18	18	18	18	19	19	20	20	24
B4. Net non-debt creating flows at historical average minus one standard deviation in 2019-2020 4/	15	19	23	23	23	23	23	23	23	23	23	23
B5. Combination of B1-B4 using one-half standard deviation shocks	15	19	24	24	24	23	23	23	24	24	24	25
B6. One-time 30 percent nominal depreciation relative to the baseline in 2019 5/	15	21	21	21	21	21	22	22	22	23	24	28
PV of Debt-to-exports ratio												
Baseline	66	71	72	74	76	78	81	85	90	93	96	130
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2018-2038 1/	66	70	72	74	76	77	79	83	86	87	89	120
A2. New public sector loans on less favorable terms in 2018-2038 2	66	74	79	85	91	97	104	113	123	131	140	227
B. Bound Tests												
B1. Real GDP growth at historical average minus one standard deviation in 2019-2020	66	71	73	74	77	78	81	85	90	94	97	131
B2. Export value growth at historical average minus one standard deviation in 2019-2020 3/	66	77	95	96	99	101	104	109	114	118	121	155
B3. US dollar GDP deflator at historical average minus one standard deviation in 2019-2020	66	71	73	74	77	78	81	85	90	94	97	131
B4. Net non-debt creating flows at historical average minus one standard deviation in 2019-2020 4/	66	92	113	114	116	117	119	124	129	131	132	147
B5. Combination of B1-B4 using one-half standard deviation shocks	66	83	105	106	109	110	112	117	122	125	126	147
B6. One-time 30 percent nominal depreciation relative to the baseline in 2019 5/	66	71	73	74	77	78	81	85	90	94	97	131
PV of Debt-to-revenue ratio												
Baseline	78	80	78	77	76	74	73	74	74	76	78	86
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2018-2038 1/	78	79	78	77	75	73	72	72	71	71	71	79
A2. New public sector loans on less favorable terms in 2018-2038 2	78	84	86	88	91	92	95	98	102	107	112	150
B. Bound Tests												
B1. Real GDP growth at historical average minus one standard deviation in 2019-2020	78	82	82	81	80	78	78	78	79	80	82	91
B2. Export value growth at historical average minus one standard deviation in 2019-2020 3/	78	83	89	87	85	83	82	82	83	84	85	89
B3. US dollar GDP deflator at historical average minus one standard deviation in 2019-2020	78	88	95	93	92	89	89	89	90	92	94	105
B4. Net non-debt creating flows at historical average minus one standard deviation in 2019-2020 4/	78	103	122	118	115	111	109	108	107	107	106	98
B5. Combination of B1-B4 using one-half standard deviation shocks	78	101	125	122	119	115	113	112	112	112	112	107
B6. One-time 30 percent nominal depreciation relative to the baseline in 2019 5/	78	114	111	109	107	105	104	104	106	108	110	122

Table 1b. Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2018-2038 (continued)

(In percent of GDP, unless otherwise indicated)

	Projections											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2037
Debt service-to-exports ratio												
Baseline	4	4	5	5	5	5	5	5	5	5	5	8
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2018-2038 1/	4	4	5	5	5	5	5	5	5	5	5	8
A2. New public sector loans on less favorable terms in 2018-2038 2	4	4	5	5	6	6	6	6	7	7	8	13
B. Bound Tests												
B1. Real GDP growth at historical average minus one standard deviation in 2019-2020	4	4	5	5	5	5	5	5	5	5	5	8
B2. Export value growth at historical average minus one standard deviation in 2019-2020 3/	4	5	6	6	6	6	6	6	6	6	7	10
B3. US dollar GDP deflator at historical average minus one standard deviation in 2019-2020	4	4	5	5	5	5	5	5	5	5	5	8
B4. Net non-debt creating flows at historical average minus one standard deviation in 2019-2020 4/	4	4	5	6	6	6	6	6	6	7	8	10
B5. Combination of B1-B4 using one-half standard deviation shocks	4	4	5	6	6	6	6	6	6	7	8	10
B6. One-time 30 percent nominal depreciation relative to the baseline in 2019 5/	4	4	5	5	5	5	5	5	5	5	5	8
Debt service-to-revenue ratio												
Baseline	4	5	5	5	5	5	5	4	4	4	4	6
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2018-2038 1/	4	5	5	5	5	5	5	4	4	4	4	5
A2. New public sector loans on less favorable terms in 2018-2038 2	4	5	5	6	5	5	5	5	5	6	6	9
B. Bound Tests												
B1. Real GDP growth at historical average minus one standard deviation in 2019-2020	4	5	5	6	5	5	5	5	4	5	5	6
B2. Export value growth at historical average minus one standard deviation in 2019-2020 3/	4	5	5	6	5	5	5	5	4	5	5	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2019-2020	4	6	6	6	6	6	6	5	5	5	5	7
B4. Net non-debt creating flows at historical average minus one standard deviation in 2019-2020 4/	4	5	6	6	6	6	5	5	5	6	6	7
B5. Combination of B1-B4 using one-half standard deviation shocks	4	5	6	7	7	6	6	6	5	6	7	7
B6. One-time 30 percent nominal depreciation relative to the baseline in 2019 5/	4	7	7	8	7	7	6	6	6	6	6	8
Memorandum item:												
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	43	43	43	43	43	43	43	43	43	43	43	43

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 2a. Mali: Public Sector Debt Sustainability Framework, Baseline Scenario, 2018–38

(In percent of GDP, unless otherwise indicated)

	Actual				Projections									
	2016	2017	Average 5/	Standard Deviation 5/	2018	2019	2020	2021	2022	2023	2018-23 Average	2028	2038	2024-38 Average
Public sector debt 1/	35.9	35.6			35.9	36.6	37.6	38.6	39.8	40.4		44.0	51.1	
of which: foreign-currency denominated	24.9	24.5			23.4	23.2	23.4	23.6	24.1	24.4		28.0	35.1	
Change in public sector debt	5.2	-0.3			0.3	0.7	1.0	1.0	1.2	0.6		0.9	0.5	
Identified debt-creating flows	2.5	-2.1			-0.1	0.5	0.5	0.4	0.5	0.4		0.3	-0.3	
Primary deficit	3.3	2.0	2.1	0.9	2.6	2.2	2.1	2.0	2.0	1.9	2.1	1.9	1.7	1.8
Revenue and grants	18.3	20.1			20.6	20.3	20.7	21.1	21.7	22.3		23.0	23.9	
of which: grants	1.6	1.6			1.2	1.6	1.7	1.8	1.8	1.8		1.4	0.6	
Primary (noninterest) expenditure	21.6	22.1			23.1	22.4	22.8	23.2	23.6	24.2		24.9	25.6	
Automatic debt dynamics	-0.8	-4.1			-2.6	-1.5	-1.5	-1.6	-1.5	-1.5		-1.6	-2.1	
Contribution from interest rate/growth differential	-1.4	-1.5			-1.7	-1.5	-1.4	-1.4	-1.4	-1.5		-1.1	-1.3	
of which: contribution from average real interest rate	0.3	0.3			0.0	0.2	0.3	0.3	0.3	0.3		0.8	0.9	
of which: contribution from real GDP growth	-1.7	-1.8			-1.7	-1.6	-1.6	-1.7	-1.7	-1.8		-1.9	-2.3	
Contribution from real exchange rate depreciation	0.6	-2.5			-0.9	0.0	-0.1	-0.2	0.0	-0.1		...	...	
Other identified debt-creating flows	0.0	-0.1			0.0	-0.2	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.2	0.1			0.2	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	-0.2	-0.2			-0.2	-0.2	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	2.7	1.8			0.4	0.2	0.5	0.6	0.7	0.2		0.6	0.9	
Other Sustainability Indicators														
PV of public sector debt	...	26.8			27.6	28.3	29.1	29.9	30.7	31.1		32.8	36.1	
of which: foreign-currency denominated	...	15.8			15.1	14.9	14.9	14.8	15.0	15.1		16.7	20.1	
of which: external	...	15.8			15.1	14.9	14.9	14.8	15.0	15.1		16.7	20.1	
Gross financing need 2/	7.9	6.8			5.4	5.4	5.5	5.6	5.7	5.7		5.8	6.0	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	133.3			134.0	139.4	140.6	141.4	141.7	139.6		142.7	151.4	
PV of public sector debt-to-revenue ratio (in percent)	...	145.0			142.4	151.6	153.2	154.5	154.5	152.0		151.9	155.3	
of which: external 3/	...	85.3			77.8	80.0	78.2	76.7	75.6	73.8		77.6	86.3	
Debt service-to-revenue and grants ratio (in percent) 4/	9.6	10.7			9.1	10.6	11.0	11.4	11.3	11.2		10.9	11.9	
Debt service-to-revenue ratio (in percent) 4/	10.5	11.6			9.7	11.5	12.0	12.5	12.4	12.2		11.6	12.2	
Primary deficit that stabilizes the debt-to-GDP ratio	-2.0	2.4			2.2	1.5	1.1	1.0	0.8	1.3		1.0	1.2	
Key macroeconomic and fiscal assumptions														
Real GDP growth (in percent)	5.8	5.3	4.4	2.3	5.0	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Average nominal interest rate on forex debt (in percent)	1.5	1.5	1.5	0.2	1.0	1.1	1.2	1.2	1.3	1.3	1.2	1.4	1.5	1.5
Average real interest rate on domestic debt (in percent)	3.3	3.5	1.8	3.5	3.4	3.7	3.4	3.2	3.0	2.9	3.3	3.0	2.8	2.9
Real exchange rate depreciation (in percent, + indicates depreciation)	2.9	-10.7	0.0	8.5	-3.9	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	1.5	1.6	4.1	3.4	1.4	1.4	1.8	2.0	2.0	2.2	1.8	2.0	2.2	2.2
Growth of real primary spending (deflated by GDP deflator, in percent)	12.1	8.2	3.2	5.2	9.8	1.5	6.3	6.4	6.8	7.2	6.3	4.9	4.8	5.1
Grant element of new external borrowing (in percent)	...	...	...	...	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0

Sources: Country authorities; and staff estimates and projections.

1/ Gross debt of central government

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability. The historical average for the primary deficit, however, excludes 2006 (the year of MDRI debt relief and hence an unusually large primary surplus).

Table 2b. Mali: Sensitivity Analysis for Key Indicators of Public Debt, 2018–38

	Projections							
	2018	2019	2020	2021	2022	2023	2028	2038
PV of Debt-to-GDP Ratio								
Baseline	28	28	29	30	31	31	33	36
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	28	28	29	30	31	32	34	40
A2. Primary balance is unchanged from 2018	28	29	30	31	32	33	36	42
A3. Permanently lower GDP growth 1/	28	28	30	31	32	33	37	51
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2019-2020	28	29	31	33	34	35	39	47
B2. Primary balance is at historical average minus one standard deviations in 2019-2020	28	29	30	31	32	32	34	37
B3. Combination of B1-B2 using one half standard deviation shocks	28	29	30	32	33	33	37	42
B4. One-time 30 percent real depreciation in 2019	28	34	34	34	34	34	33	33
B5. 10 percent of GDP increase in other debt-creating flows in 2019	28	34	35	35	36	36	37	39
PV of Debt-to-Revenue Ratio 2/								
Baseline	134	139	141	141	142	140	143	151
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	134	140	141	143	144	142	150	168
A2. Primary balance is unchanged from 2018	134	141	143	145	147	146	156	177
A3. Permanently lower GDP growth 1/	134	140	143	145	147	146	162	212
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2019-2020	134	144	151	154	157	157	171	197
B2. Primary balance is at historical average minus one standard deviations in 2019-2020	134	142	146	146	146	144	146	153
B3. Combination of B1-B2 using one half standard deviation shocks	134	142	147	149	150	149	159	177
B4. One-time 30 percent real depreciation in 2019	134	168	165	161	158	152	144	137
B5. 10 percent of GDP increase in other debt-creating flows in 2019	134	167	167	166	165	162	161	162
Debt Service-to-Revenue Ratio 2/								
Baseline	9	11	11	11	11	11	11	12
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	9	11	11	12	11	11	11	13
A2. Primary balance is unchanged from 2018	9	11	11	12	11	11	11	13
A3. Permanently lower GDP growth 1/	9	11	11	12	12	12	12	15
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2019-2020	9	11	12	12	12	12	12	14
B2. Primary balance is at historical average minus one standard deviations in 2019-2020	9	11	11	12	11	11	11	12
B3. Combination of B1-B2 using one half standard deviation shocks	9	11	11	12	12	12	11	13
B4. One-time 30 percent real depreciation in 2019	9	12	13	14	13	13	13	15
B5. 10 percent of GDP increase in other debt-creating flows in 2019	9	11	12	12	12	12	12	13

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.

MALI

May 7, 2018

STAFF REPORT FOR THE 2018 ARTICLE IV CONSULTATION AND EIGHTH AND NINTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—INFORMATIONAL ANNEX

Prepared By The African Department (In Consultation with Other Departments)

CONTENTS

RELATIONS WITH THE FUND

(As of March 31, 2018)

Membership Status: Joined: September 27, 1963. Article VIII

General Resources Account:	**SDR Million**	**%Quota**
Quota	186.60	100.00
Fund holdings of currency	153.28	82.14
Reserve Tranche Position	33.33	17.86

SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	89.36	100.00
Holdings	74.73	83.63

Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
RCF loans	22.00	11.79
ECF Arrangements	121.85	65.30

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Dec 18, 2013	Dec 17, 2018	186.60	91.65
ECF	Dec 27, 2011	Jan 10, 2013	30.00	6.00
ECF [1/]	May 28, 2008	Dec 22, 2011	52.99	52.99

	2018	2019	2020	2021	2022
Principal	11.30	13.80	15.20	15.40	17.00
Charges/Interest	0.09	0.13	0.13	0.13	0.13
Total	11.39	13.93	15.33	15.53	17.13

Implementation of HIPC Initiative:

	Original Framework	Enhanced Framework	Total
I. Commitment of HIPC assistance			
Decision point date	Sep 1998	Sep 2000	
Assistance committed			
by all creditors (US$ Million) [1/]	121.00	417.00	
Of which: IMF assistance (US$ million)	14.00	45.21	
(SDR equivalent in millions)	10.80	34.74	
Completion point date	Sep 2000	Mar 2003	
II. Disbursement of IMF assistance (SDR Million)			
Assistance disbursed to the member	10.80	34.74	45.54
Interim assistance	--	9.08	9.08
Completion point balance	10.80	25.66	36.46
Additional disbursement of interest income [2/]	--	3.73	3.73
Total disbursements	10.80	38.47	49.27

[1/] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

[2/] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

Implementation of Multilateral Debt Relief Initiative (MDRI):

I. MDRI-eligible debt (SDR Million) [1/]	75.07
Financed by: MDRI Trust	62.44
Remaining HIPC resources	12.63

II. Debt Relief by Facility (SDR Million)

	Eligible Debt		
Delivery Date	**GRA**	**PRGT**	**Total**
January 2006	N/A	75.07	75.07

[1/] The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end–2004 that remains outstanding at the time the member qualifies for such debt relief.

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable
As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

Decision Point:
Point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decides on the amount of assistance to be committed.

Interim Assistance:
Amount disbursed to a country during the period between decision and completion points, up to 20 percent annually and 60 percent in total of the assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances).

Completion Point:
Point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 2 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

Safeguards Assessments: Safeguards assessments: An updated assessment of the BCEAO conducted in 2018 is substantially complete. The assessment found that the bank continues to have a strong control environment and governance framework. Following previous assessments recommendations, the bank adopted International Financial Reporting Standards (IFRS) in 2015 and the selection criteria for the external auditors was strengthened. The audited financial statements in the period since the last assessment in 2013 have had unmodified (clean) audit opinions and are published on a timely basis.

Exchange Rate Arrangements:
Mali is a member of the West African Economic and Monetary Union (WAEMU). The union's common currency, the CFA franc, was pegged to the French franc at the rate of CFAF 50 = FF 1 from 1948 until early 1994. Effective January 12, 1994, the CFA franc was devalued, and the new parity set at CFAF 100 = FF 1. Effective January 1, 1999, the CFA franc was pegged to the Euro at a rate of CFAF 655.96 = EUR 1.

Mali accepted the obligations of Article VIII, Sections 2, 3, and 4 on June 1, 1996. Mali's exchange system has no restrictions on making payments or transfers for current international transactions and the country does not engage in multiple currency practices.

Sharing a common trade policy with other members of WAEMU, Mali has shifted key trade policy-making to the sub-regional level. The common external tariff (CET) was adopted in January 2000. Mali complies with the union's tariff rate structure and has effectively dismantled internal tariffs. Between 1997 and 2003, WAEMU tariff reform reduced the simple average custom duty from

22 percent to 15 percent; the maximum rate is currently 20 percent. Imports to Mali are not subject to quantitative restrictions.

Mali's exports to the European Union generally enjoy non-reciprocal preferential treatment in the form of exemption from import duties under the Everything but Arms initiative. Malian goods enjoy nonreciprocal preferential access to the markets of developed countries other than the European Union under the Generalized System of Preferences. Mali is also eligible to benefit from the United States' African Growth and Opportunity Act. Mali imposes no de jure restrictions on exports.

Article IV Consultations:
Mali is on a 24-month consultation cycle. The Executive Board completed the last Article IV consultation (Country Report No. 15/339) on December 2, 2015.

Technical Assistance[1]

Department	Type of Assistance	Time of Delivery	Purpose
FAD	Expert	March 2018	Strengthening support functions
FAD	IMF staff/Expert	February 2018	Tax administration
AFRITAC	Expert	February 2018	National accounts
AFRITAC/MCM	Expert	February 2018	Medium-Term Debt Management
AFRITAC	Expert	February 2018	Public Financial Management
FAD	IMF staff/Expert	January 2018	Tax administration
FAD	Expert	December 2018	Mining code
AFRITAC	Expert	November 2017	Public Financial Management
AFRITAC	Expert	November 2017	Tax administration
AFRITAC	Expert	November 2017	Customs administration
STA	Expert	November 2017	Balance of Payments
AFRITAC	Expert	October 2017	Public Financial Management
FAD	Expert	September 2017	Strengthening compliance risk management
AFRITAC	Expert	July 2017	Public Financial Management
AFRITAC	Expert	June 2017	Customs administration
FAD	IMF staff/Expert	June 2017	Public Expenditure Management Assessment (PIMA)
MCM	Expert	May 2017	Nonperforming loan strategy
AFRITAC	Expert	May 2017	Tax administration
FAD	Expert	April 2017	Program budgeting
AFRITAC	Expert	April 2017	Public Financial Management

[1] Since previous Article IV.

Department	Type of Assistance	Time of Delivery	Purpose
AFRITAC	Expert	April 2017	Tax administration
FAD	Expert	April 2017	Computerized Accounting System
AFRITAC	Expert	March 2017	Public Financial Management
FAD	Expert	February 2017	Revenue Administration
FAD	Long-term expert	January 2017	Advisor Malian Treasury
AFRITAC	Expert	January 2017	Public Finance Statistics
AFRITAC	Expert	January 2017	National accounts
AFRITAC	Expert	December 216	Public Financial Management
AFRITAC	Expert	November 216	Public Financial Management
FAD	IMF staff/Expert	August 2016	Tax policy
FAD	Expert	August 2016	Public accounting, Treasury function, cash management
FAD	IMF staff/Expert	June 2016	Program budgeting
FAD	Long-term expert	January 2016	Advisor Malian Treasury
FAD	Expert	December 2015	Preparation of Quality Assurance Plan
FAD	IMF staff/Expert	November 2015	Tax administration
AFRITAC	Expert	November 2015	Public Financial Management
AFRITAC	Expert	November 2015	Customs administration
AFRITAC	Expert	October 2015	Government Finance Statistics
AFRITAC	Expert	October 2015	Tax administration
LEG	IMF staff	September 2015	AML/CFT
AFRITAC	Expert	August 2015	Debt Management
AFRITAC	Expert	July 2015	National accounts

Department	Type of Assistance	Time of Delivery	Purpose
FAD	Expert	June 2015	Training on the FARI model
FAD	IMF staff/Expert	June 2015	Local taxation and decentralization

Resident Representative

Mr. Abdoulaye Tall has been the Fund Resident Representative in Bamako since May 2016.

JOINT MANAGEMENT ACTION PLAN IMPLEMENTATION

Title	Products	Provisional Timing of Missions	Provisional Delivery Dates
A. Mutual Information on Relevant Work Programs			
World Bank Work Program in the next 12 months			
Fund Work Program in the next 12 months	Tenth ECF review	November 2018	January 2019
B. Requests for Work Program Inputs			
Bank Request to the Fund	Regular updates of medium-term macro projections		
Fund Request to the Bank	Regular updates on energy projects		
	Regular updates on agricultural projects		
	Updates of Poverty DPO		2017
C. Agreement on Joint Products			
Joint product	Joint Bank-Fund Debt Sustainability Analysis		

STATISTICAL ISSUES

Mali—Statistical Issues Appendix (As of April 4, 2018)
I. Assessment of Data Adequacy for Surveillance
General: Data provision has some shortcomings, but is broadly adequate for surveillance.
National Accounts: Annual data are compiled with an outdated base year (1999). No quarterly data are available. With support from AFRITAC West efforts are under way to rebase GDP to 2015 and develop quarterly estimates. These data are expected to be released in 2019.
Price Statistics: In concert with the other member countries of the West African Economic and Monetary Union (WAEMU), the authorities have been compiling and timely publishing a harmonized consumer price index (CPI) for Bamako on a monthly basis since early 1998. The harmonized CPI has an outdated base year (2008).
Government Finance Statistics: Broadly adequate. As part of the process of economic integration among the member countries of the WAEMU, the country has made significant progress in bringing its fiscal data in line with the common framework that has been developed with IMF technical assistance (the harmonized table of government financial operations – TOFE based on the *Government Finance Statistics Manual 1986 (GFSM 1986*). However, further efforts are needed to improve the timeliness and coverage of the TOFE and to progressively migrate towards *GFSM 2001/2014* as required by the WAEMU 10/2009 TOFE Directive. Work is progressing with the assistance of STA, AFRITAC West and AFRISTAT to expand the coverage of the TOFE to public agencies and local governments, as well as to strengthen coverage of domestic financing items. Quarterly budget execution reports are posted on the Ministry of Finance website on a timely basis. Annual data for the budgetary central government are sent to STA for the Government Finance Statistics Yearbook.
Monetary and Financial Statistics: MFS are broadly adequate and their institutional coverage is comprehensive. The dissemination of monthly monetary data from the Central Bank of West African States (BCEAO) takes four to six weeks consistent with e-GDDS recommendations. In August 2016, the BCEAO completed the migration of Mali's MFS to the standardized report forms (SRFs) for the central bank and other depository corporations.
Financial Sector Surveillance: The BCEAO recently finalized the development of FSIs for deposit takers for Mali. Regular reporting to the IMF's Statistics Department STA is expected to begin by December 2018.
External Sector Statistics: Since 2011, the balance of payments and international investment positions (IIP) statistics are compiled in conformity with the *Balance of Payments and International Investment Position Manual*, Sixth Edition (BPM6). The national directorate of the BCEAO is responsible for compiling and disseminating these statistics, and the BCEAO headquarters for delineating the methodology and calculating the international reserves managed on behalf of the participating countries. Balance of payments and IIP statistics are published with a lag of less than

a year—the latest data published on the website of the BCEAO are for 2016. Mali has been participating in the Coordinated Direct Investment Survey (CDIS) since 2011.	
II. Data Standards and Quality	
Mali has been participating in the General Data Dissemination System (GDDS) (and its successor e-GDDS) since September 2001.	No data ROSC mission has been done in Mali.

Mali: Common Indicators Required for Surveillance

(as of April 3, 2018)

	Date of latest observation	Date received	Frequency of data	Frequency of reporting	Frequency of publication
Exchange Rates	Current	Current	D	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	January 2018	March 2018	M	M	M
Reserve/Base Money	January 2018	March 2018	M	M	M
Broad Money	January 2018	March 2018	M	M	M
Central Bank Balance Sheet	February 2018	March 2018	M	M	M
Consolidated Balance Sheet of the Banking System	January 2018	March 2018	M	M	M
Interest Rates[2]	September	Current	I	W	M
Consumer Price Index	February 2018	March 2018	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	December 2017	February 2018	M	Q	A
Stocks of Central Government and Central Government-Guaranteed Debt[5]	December 2017	February 2018	M	I	A
External Current Account Balance	2016	January 2018	A	A	A
Exports and Imports of Goods and Services	2016	January 2018	A	A	A
GDP/GNP	2016	December 2017	A	A	Semi-A
Gross External Debt	December 2017	February 2018	A	A	A
International Investment Position[6]	2016	November 2017	A	A	A

[1] Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Includes external gross financial asset and liability position vis-à-vis nonresidents.
Note: Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).

Statement by Mr. Daouda Sembene and Mr. Oumar Diakite on Mali
May 23, 2018

We would like to express our appreciation for the Fund's continued support to the Malian authorities' efforts to safeguard macroeconomic stability and foster sustainable and inclusive growth. The authorities value the constructive dialogue held with staff during the 2018 Article IV consultation and the eighth and ninth reviews under the Extended Credit Facility (ECF).

The policy discussions focused notably on ways to increase available fiscal space, foster inclusive growth, and promote financial sector development. The authorities broadly concur with staff on policies needed to consolidate fiscal sustainability, achieve strong and inclusive growth, and make progress toward meeting the sustainable development goals (SDGs). Reflecting their strong commitment to program objectives, they have endeavored to make inroads in implementing these policies, notwithstanding a challenging domestic and regional environment.

In this light, the staff report and the Selected Issues paper appropriately highlight issues related to the country's fragility and security challenges. Indeed, persistent insecurity in some parts of the country following the 2012 crisis has adversely impacted economic activity and the country's fiscal position, notably by hindering investment and growth and crowding out priority spending. The authorities are determined to continue their efforts to overcome fragility along with their regional peers and in this process, they look forward to continued support of the country's partners, including the Fund.

Performance under the ECF-Supported Program

Program implementation under the ECF continues to be broadly satisfactory, despite the difficult socio-political and security conditions. On the quantitative front, all performance criteria and indicative targets at end- June and end-December 2017 were met.

Progress on structural benchmarks was slower than expected during the second half of 2017, partly because of social tensions, including recurrent strikes carried out by trade unions. Still, the authorities managed to advance some reforms, notably the transmission of a sizable number of assets declarations to the Supreme Court. Going forward, the authorities remain committed to promoting good governance and fighting corruption and illicit enrichment.

In particular, the authorities continued to implement fiscal policies with a view to preserving debt sustainability and meeting their commitments under the WAEMU convergence framework. Revenue mobilization was strong in line with the end-June 2017 target, while expenditures were contained below programmed levels. As a result, the overall fiscal deficit is estimated to be about 2.9 percent of GDP in 2017, thus exceeding program expectations. This performance is particularly commendable at a time when military and security spending has consumed an increasing share of public spending as reported by staff.

Medium term outlook and economic and financial policies

Despite tighter financing conditions, real GDP growth for 2018 is projected to remain strong at around 5 percent driven mainly by the agriculture and services sectors. At the same time, the current account deficit is expected to widen to 6.5 percent of GDP amid the deterioration in the terms of trade and the increase in the fiscal deficit. In view of staff's analysis of the impact of insecurity on the Malian economy, sustained improvement in security conditions will likely be associated with significant payoffs in terms of economic performance and outlook.

Over the medium term, the authorities are mindful that expanding the fiscal space will be critical, particularly in view of increasing resource needs generated notably by the security situation, the implementation of the decentralization process, and infrastructure investments. To this end, the reforms undertaken to enhance revenue mobilization and improve effectiveness of public expenditures will be pursued.

On the revenue side, the analyses carried out during the Article IV consultations showed that while Mali has achieved strong tax revenue collection relative to its peers, there is still significant room for improvement, including through a combination of fiscal policy and administration reforms. In this regard, the authorities intend to accelerate reforms undertaken by the administrations in charge of tax, customs, and State property and land registry with the aim to broaden the tax base, reduce exemptions and better control and verify imports to reduce fraud. Moreover, the authorities will continue their efforts to implement a results-based management framework in the revenue administration and promote tax compliance.

The authorities have also stated their commitment to continue implementing the pricing formula for petroleum products, notably with a view to containing fiscal risks.

The efforts to streamline tax legislation will be pursued with the aim of reducing the administrative burden on taxpayers and simplifying tax collection. In this regard, the authorities will endeavor to clarify the role of concerned stakeholders, reform the law on regional and local development taxes, and expand the tax base. Creating a strong legal framework that is business-friendly, while protecting the tax base remains a priority of the Malian authorities. In this connection, they will continue to develop their capacity to address aggressive tax optimization practices by strengthening the legal framework for transfer pricing and enforcing transfer pricing regulations in compliance with international standards.

On the expenditure side, strengthening the regulatory framework for public financial management has continued to rank high on the authorities' agenda. In this connection, progress was made in ensuring the transposition of many regional directives and regulations into Malian laws. Furthermore, similar steps were also recently taken with regard to the financial regime of local governments and their entities in charge of collecting taxes.

The authorities will also pursue their efforts to improve the process of preparation, execution and control of the budget. In this regard, they have implemented program budgeting and results based management in the 2018 budget, which will also facilitate the review of the effectiveness of public expenditures. Other areas targeted for improvement include cash management and the implementation of the Single Treasury Account (STA), and strengthening the control of public finances.

Despite noticeable progress in recent years, the Malian authorities see scope for further improving the efficiency of public investments. The Article IV discussions and the recent public investment management assessment (PIMA) show that the efficiency of public expenditures is weak, notably in the health and education sectors. Moreover, while the institutional framework for the management of public investments is strong in comparison to peer countries, per capita stock of fixed capital per capita remains among the weakest in the region as noted by staff. The authorities will strive to improve the socioeconomic impact of projects, consolidate the investment efforts and maintain infrastructure over time.

The authorities will continue to implement structural reforms needed to overcome constraints to private sector development. In this connection, the authorities are mindful that the provision of adequate and reliable electricity is critical for private sector development and economic growth and diversification. In this regard, they will pursue their efforts to reform the electricity sector with the assistance of the World Bank notably to adjust tariffs, reduce operational costs and technical and non-technical losses. This should help reduce the need for subsidies from the Government and put EDM on a sustainable financial footing. In parallel, they will explore ways to further improve the management and financial situation of the electricity company (EDM).

The Article IV consultations highlighted that financial deepening is also a challenge that the authorities must confront. In view of the low ratio of private sector credit to GDP, they are taking steps, in collaboration with regional authorities, to address financial sector vulnerabilities, including by revising the accounting methods for provisioning nonperforming loans and strengthening the new bank resulting from the merger of the Housing Bank (BHM) and the Malian Solidarity Bank (BMS). Improving the effectiveness of the microfinance sector and developing mobile banking are also key priorities in the authorities' plans to foster financial inclusion. In the process of promoting financial development and inclusion, the authorities will give due consideration to staff's recommendation, including strengthening the leasing market to bridge the gap experienced by small and medium enterprises (SMEs).

Conclusion

The Malian authorities are determined to fulfil their commitments under the ECF-supported program. They will continue their efforts to implement strong macroeconomic policies, improve public financial management and achieve strong and inclusive growth. In view of Mali's satisfactory progress under the ECF arrangement, we would appreciate Directors' support for the completion of the eighth and ninth reviews of the Fund-supported program.