



# MALI

January 2020

## FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION AND MODIFICATION OF PERFORMANCE CRITERIA—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR MALI

In the context of the First Review Under the Extended Credit Facility Arrangement, Request for a Waiver of Nonobservance of a Performance Criterion and Modification of Performance Criteria, 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 January 10, 2020, following discussions that ended on November 29, 2019, 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 December 23, 2019.
- 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\*

\* 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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### **IMF Executive Board Completes First Review Under Mali's Extended Credit Facility Arrangement and Approves US\$27.63 Million Disbursement**

- The Extended Credit Facility (ECF)-supported program aims to maintain macroeconomic stability and to foster higher, more inclusive, and durable growth.
- Growth is estimated to stabilize at 5 percent over the medium-term, but downside risks are high, given the security challenges the country is facing.
- This review enables Mali to draw the equivalent of about SDR 20 million, (about US 27.63 million), bringing total disbursements under the arrangement to SDR 40 million (about US \$ 55.26 million).

The Executive Board of the International Monetary Fund (IMF) today completed the first review of Mali's performance under its program supported by a three-year arrangement under the Extended Credit Facility (ECF). Completion of the review enables Mali to draw the equivalent of SDR 20 million, (about US\$27.63 million), bringing total disbursements under the arrangement to SDR 40 million (about US\$55.26 million).

In completing the review, the Executive Board also approved the authorities' request for a waiver for the nonobservance of the quantitative performance criterion on the non-accumulation of domestic arrears.

The three-year arrangement was approved on August 28, 2019 for SDR 140 million (about US\$193.5 million), equivalent of 75 percent of Mali's quota in the IMF, to support the country's economic and financial reforms. The authorities' ECF-supported program aims to maintain macroeconomic stability and to foster higher, more inclusive, and durable growth.

## **Executive Board Assessment<sup>1</sup>**

Following the Executive Board meeting, Mr. Tao Zhang, Deputy Managing Director and Acting Chair, stated:

“Mali has made important progress in implementing the Fund-supported program despite daunting security challenges. Economic growth has remained solid and the authorities have steadfastly implemented their revenue mobilization program and structural reforms are underway. Continued commitment to sound policies and reforms will be critical to achieving the program’s objectives.

“Mali’s immediate priority is to safeguard social and developmental spending in the face of pressures from security outlays. The fiscal framework for 2020 strikes an appropriate balance between spending needs and available resources, through the relaxation of the overall deficit target. Fiscal space for priority spending is also being created through ambitious but realistic revenue targets.

“Reforms to strengthen revenue mobilization remain critical to support growth-enhancing spending going forward. Efforts in the near term will focus on reducing opportunities for tax fraud, strengthening capacity of tax and customs administration, and improved compliance in medium and large taxpayer segments. These reforms are an integral part of plans to strengthen fiscal governance.

“Stronger public financial management will be critical going forward. The main priorities in the near term include putting the state electricity company on a sound financial footing to reduce fiscal pressures and secure an adequate supply of electricity, improving cash management to prevent reoccurrence of arrears and strengthening debt management. The upcoming review by the World Bank to secure transparent and efficient security spending will also be critical.

“The authorities’ commitment to improve governance and fight corruption is commendable. Strong implementation will be needed to achieve governance reform objectives in the fiscal, anti-money laundering and the overall anti-corruption framework areas. The forthcoming governance assessment is welcome and will inform future reform priorities.”

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<sup>1</sup> 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>.



# MALI

December 23, 2019

## FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION AND MODIFICATION OF PERFORMANCE CRITERIA

### EXECUTIVE SUMMARY

**Context:** Security and social conditions in Mali have steadily deteriorated in recent years, especially in the central and northern regions. Implementation of the 2015 peace agreement is challenging, rendering the return of effective state control to these regions difficult. Rising security spending is putting pressure on priority social and development spending. Notwithstanding the difficult security situation, the Malian economy, largely concentrated in the South, has performed fairly well. A new three-year ECF arrangement in support of the authorities' medium-term development strategy (CREDD 2019–23) was approved on August 28, 2019.

**Program performance:** Program implementation was broadly satisfactory through end-September 2019. Five of six quantitative performance criteria (QPCs) were met. However, the QPC on domestic arrears accumulation was not observed because of liquidity constraints, also driven by delayed budget support. The indicative target (IT) on priority social spending was missed by a small margin. Four of seven structural benchmarks (SBs) for 2019 have been met and the three remaining benchmarks for end-December are well on track to be met.

**Program focus:** The agreed fiscal framework reflects the impact of the difficult security situation on public finances. The overall fiscal deficit for 2020 has been increased to 3.5 percent of GDP, from the previously agreed 3 percent of GDP, to prevent crowding out of social and development spending. The primary focus of the program remains on increasing revenue mobilization, strengthening cash management, improving governance, and pursuing the financial restructuring of the state electricity company (EDM). The mission paved the way for a governance assessment mission in early 2020.

**Staff views:** Staff supports the authorities' request for the completion of the first review under the ECF arrangement, a waiver for the non-observance of the performance criterion on the non-accumulation of domestic arrears, modification of performance criteria, and the release of the second disbursement in the amount of SDR 20 million (10.7 percent of quota).

Approved By  
**Annalisa Fedelino**  
**(AFR) and Ashvin**  
**Ahuja (SPR)**

Discussions for the first review under the ECF arrangement took place in Bamako during November 19–21, 2019. The IMF mission comprised Ms. Borianna Yontcheva (head), Messrs. Birgir Arnason, Alexandre Nguyen-Duong (all AFR), David Bartolini (FAD), and Modeste Some (SPR), and was assisted by Messrs. Rene Tapsoba (resident representative) and Bakary Traore (local economist). Aliona Cebotari (the incoming mission chief, AFR) joined the mission. Oumar Diakite (OED) attended some of the discussions. The team met with the Prime Minister and Minister of Economy and Finance, Dr. Boubou Cissé, the Deputy Minister in Charge of Budget, Mrs. Aoua Sylla Barry, the National Director of the Central Bank of West African States, Mr. Konzo Traoré, other senior officials, and development partners.

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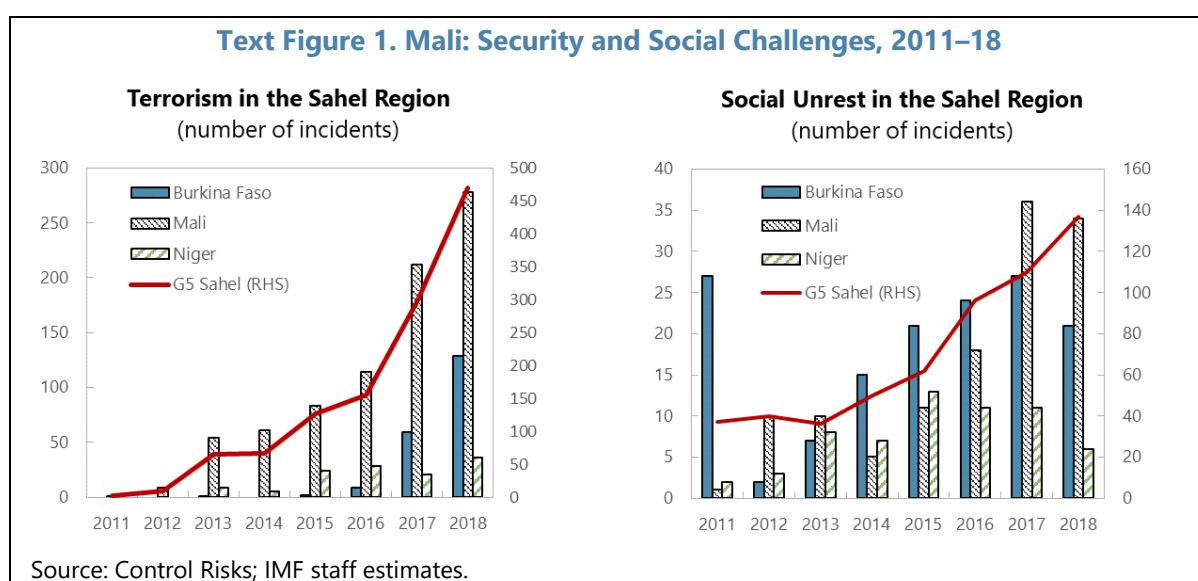
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## BACKGROUND

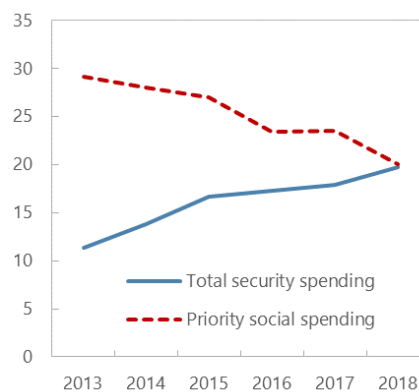
**1. The difficult security situation, which impacts millions of Malians and the broader Sahel region, weighs on economic activity and development prospects, and constrains the scope for policy implementation (Text Figure 1).** Implementation of the 2015 peace agreement, including the related revisions of the Constitution, the disarming of rebel groups, and the restoration of state authority to the whole country, is challenging (Box 1). The security situation remains volatile in northern Mali and continues to deteriorate in central Mali causing significant population displacement, undermining the delivery of health care, education and social services and giving way to rampant banditry, including drug and human trafficking. However, with most economic activity concentrated in the relatively unscathed South, annual economic growth has remained solid at around 5 percent.



**2. Rising security spending has been crowding out priority social and development spending.** In response to the deteriorating security situation, military and other security-related spending has been taking up an increasing share of public spending (Text Figure 2), at the cost of much needed social spending.

**3. The three-year ECF arrangement approved in August 2019 supports the authorities' new medium-term development strategy (CREDD 2019–23).** In the short term, the primary focus of the Fund-supported program is to (i) significantly

**Text Figure 2. Mali: Security and Priority Social Spending, 2013–18**  
(Percent of budgetary expenditure)



Source: Malian authorities; IMF staff calculations

improve fiscal governance on the revenue side through tax administration and customs reforms, (ii) increase revenue collections and reverse the revenue 2018 shortfall, (iii) create fiscal space for priority security, social, and development spending, (iv) address the unsustainable financial situation of the state-owned electricity company (EDM), and (v) strengthen the business environment.

## RECENT ECONOMIC DEVELOPMENTS, OUTLOOK, AND RISKS

### 4. Despite the persistence of the difficult security situation, economic developments have been broadly favorable and in line with program expectations in 2019:

- Real GDP is expected to grow by 5.1 percent, driven by generous harvests and strong activity in the mining, construction, and tertiary sectors (Text Table 1, Figures 1 and 2, Tables 1 and 2). Inflation has recently turned negative, reflecting high levels of food production, notably of grains, as well as low euro-area inflation.
- The growth of private credit has accelerated from its subdued level in 2018 driven by the growth in the non-agricultural economy (Table 3).
- The current account deficit is expected to remain essentially flat at 4.8 percent of GDP with the rise in import volume being offset by an improvement in the terms of trade (Figure 3 and Table 4).
- The banking sector continues to be broadly stable and financial soundness indicators improved in the first half of 2019, the latest period for which data is available (Table 5).

**Text Table 1. Mali: Key Economic Indicators, 2017–24**

	2017	2018	2019		2020	2021	2022	2023	2024
	Est.	Est.	Prog. <sup>1</sup>	Rev. Prog.	Prog.	Projections			
	(Annual percentage change)								
Real GDP	5.3	4.7	5.0	5.1	5.0	5.0	5.0	5.0	5.0
Consumer price inflation (average)	1.8	1.7	0.4	-0.4	0.6	2.0	2.3	2.3	2.3
Consumer price inflation (end of period)	1.1	1.0	1.8	-0.8	1.7	2.3	2.3	2.3	2.3
	(Percent of GDP)								
Revenue	18.4	14.3	19.9	19.5	20.5	20.7	20.9	21.3	21.7
<i>of which: Tax revenue</i>	15.2	11.9	14.5	14.6	15.5	15.7	15.9	16.2	16.6
Grants	1.6	1.2	2.3	2.4	2.4	2.0	2.0	2.1	2.0
Total expenditure and net lending	22.9	20.3	25.2	24.8	26.4	25.9	26.0	26.3	26.7
Overall balance (commitment basis)	-2.9	-4.7	-3.0	-2.9	-3.5	-3.3	-3.0	-3.0	-3.0
Overall balance (cash basis)	-2.6	-3.9	-3.7	-3.6	-3.6	-3.2	-2.9	-2.9	-2.9
Total public debt	36.0	37.5	37.4	38.3	39.0	39.5	39.7	39.7	39.7
Current account balance (including official transfers)	-7.3	-4.9	-5.6	-4.8	-4.4	-4.6	-5.2	-5.8	-6.5
Overall balance of payments	-0.5	1.1	-0.2	1.3	0.1	-0.2	-0.5	-0.7	-1.3

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

<sup>1</sup> IMF Country Report No. 19/289, Mali : Request for Three-Year Arrangement Under the Extended Credit Facility



**5. Near- and medium-term prospects continue to be subject to downside risks.**<sup>1</sup> Real GDP growth is projected to remain at about 5 percent in 2020 and over the medium term, in line with long-term trends, and inflation should continue to be well below the WAEMU ceiling. The current account deficit is projected to gradually widen to around 6.5 percent of GDP over the medium term, reflecting a steady increase in imports and a slowdown in the growth of cotton and gold exports, highlighting the need to diversify the economy. The most immediate and critical risk remains a further deterioration of the security conditions. Agricultural output also remains vulnerable to adverse weather conditions, while high dependence on gold and cotton exports and fuel imports leaves Mali vulnerable to terms of trade shocks. Other external risks arise from possible future reductions in external support.

## PERFORMANCE UNDER THE PROGRAM

**6. The authorities have taken a variety of corrective measures to restore revenue performance.** At end-September, they had collected 73 percent of the tax revenue target for 2019 (Text Table 2), with tax administration meeting its target and therefore partially offsetting the remaining shortfall in custom collection. The tax and custom administrations have made significant progress in implementing actions and strategic measures devised with the support of the IMF's technical assistance program. Notably, the tax administration (DGI) has: (i) strengthened the collection of tax arrears; (ii) increased audit coverage, as well as VAT and PIT taxpayers' monitoring; and (iii) launched the project for the implementation of online payment of taxes. As a result, the stock of tax arrears decreased by 20 percent between November 2018 and July 2019, and the share of issue-oriented audits now represents 25 percent of the audit program. The customs administration (DGD) has also recorded some achievements. It reduced the number of transit documents (T1) not validated or not registered in the customs data recording system<sup>2</sup> (*structural benchmark for end-September 2019, MEFP ¶15*). Some progress has also been made in modernizing the organization and operating procedures of the DGD, though with room for more improvement. Finally, a formal coordination framework was devised to allow a seamless sharing of information between the tax administration and customs databases (*end-December 2019 structural benchmark, met at end-November*). The non-tax revenue at end-September fell short due to delays in the sale of the fourth telecommunications operating license.

<sup>1</sup> See IMF Country Report No. 19/289 for the risk assessment matrix.  
<https://www.imf.org/en/Publications/CR/Issues/2019/09/05/Mali-Request-for-Three-Year-Arrangement-Under-the-Extended-Credit-Facility-Press-Release-48656>

<sup>2</sup> Automated System for Customs Data (ASYCUDA).

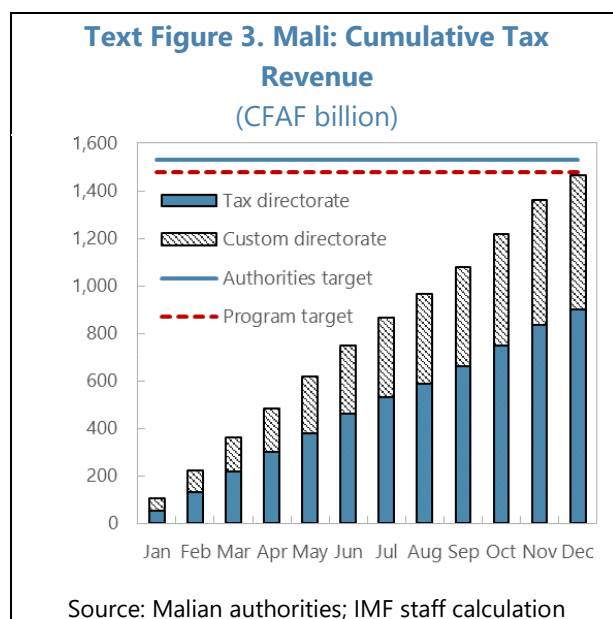
<b>Text Table 2. Mali: Revenue Performance at End-September 2019</b> (CFAF billion, unless otherwise specified)					
	September			December	
	Proj.	Actual	Ratio Actual to Proj. <sup>1</sup> (percent)	Prog.	Ratio Actual to Prog. <sup>2</sup> (percent)
<b>Revenue</b>	<b>1,184</b>	<b>1,138</b>	<b>96</b>	<b>1,634</b>	<b>70</b>
Tax revenue	1,073	1,076	100	1,480	73
Direct taxes	324	365	113	447	82
Indirect taxes	749	711	95	1,034	69
VAT	424	371	88	585	64
Excises on petroleum products	54	40	73	74	53
Import duties	119	143	120	164	87
Other indirect tax	205	219	106	283	77
Tax refund	-52	-61	117	-72	85
Nontax revenue	111	62	56	153	41
Source: Malian authorities; IMF staff calculations.					
<sup>1</sup> Ratio of actual as of end-September 2019 to seasonally adjusted					
<sup>2</sup> Ratio of actual as of end-September 2019 to program targets at end-December 2019.					

**7. Budget implementation through the first three quarters was marked by severe liquidity constraints.** The need to clear the large float accrued in 2018 (about 2 percent of GDP) and delays in disbursement of budget support<sup>3</sup> hampered the implementation of spending, particularly domestically-financed capital spending, and domestic arrears in the amount of CFAF 36.9 billion (0.4 percent of GDP) were accrued in the third quarter.

**8. Program implementation was broadly satisfactory through end-September.** Five of six quantitative performance criteria (QPC) for end-September were met (MEFP Table 1). The continuous zero-ceiling on the accumulation of domestic arrears was breached, as noted in ¶7. Clearance of these arrears is a prior action for the completion of the first review under the ECF arrangement. Moreover, the authorities are pursuing efforts to strengthen the implementation of the single treasury account (TSA) and cash management (*new structural benchmark for end-March 2020*) The indicative target (IT) for priority social spending for end-September 2019 was missed by a small margin but is expected to be met by end-December. The structural benchmarks (SB) on improving customs administration, finalizing specifications for online payment of taxes and levies, and completing EDM's performance contract were met, and the benchmark on operationalizing cooperation between tax and customs administrations was met ahead of schedule, as noted above (MEFP Table 2). The implementation of the remaining SBs for December 2019 is also on track.

<sup>3</sup> The supplementary budget for 2019 relies on exceptionally high external budget support including a US\$250 million budget support allocation from the World Bank and a near-concessional loan from the Abu Dhabi Fund for Development in the same amount. However, the bulk of this support had not yet been disbursed by end September 2019.

**9. The program is expected to be on track for end-December 2019.** Based on the continued satisfactory revenue performance in October and historical seasonality, tax revenue collections are on target to reach 14.6 percent of GDP for 2019, 0.1 percentage point higher than the program target (Text Figure 3). The sale of the fourth telecommunications license has been delayed to 2020 but this shortfall will be offset by the small overperformance of tax revenue and somewhat lower current spending than budgeted. The 2019 overall fiscal deficit on an accrual basis is projected to comply with the WAEMU ceiling of 3 percent of GDP (Text Table 3, Figure 4, Table 6). The authorities anticipate that both the World Bank's budget support and the Abu Dhabi loan will be fully disbursed by year-end.



## POLICY DISCUSSIONS

*The discussions focused on setting up a sound fiscal framework for 2020 based on an ambitious but realistic domestic revenue mobilization target and an overall fiscal deficit that would allow a moderate increase in social and development spending. Other issues that were discussed included how to strengthen governance and reduce vulnerabilities to corruption, improve the business environment, progress with the financial restructuring of EDM, and advance inclusiveness.*

### A. The 2020 Fiscal Framework

**10. The fiscal framework for the program seeks to strike a balance between spending needs and available resources.** Mali faces large spending needs, including to improve the delivery of social services and close wide infrastructure gaps. As the difficult security situation in the country is likely to persist, increased security spending risks further crowding out development expenditures. Amid these challenges, the government's primary focus is on increasing domestic revenue mobilization and seeking external support. The authorities have approached the WAEMU Council of Ministers to request a relaxation of the convergence criterion for the fiscal deficit. The Council will consider this request in early 2020 in the context of an overall evaluation of the economic impact of the security situation in the Sahel. Against this background, the authorities requested that the 2020 program ceiling on the overall fiscal deficit be set at 3.5 percent of GDP (Text Table 3). Staff underlined the importance of seeking grants and other concessional financing, while the part of the additional deficit could be financed regionally as its impact on the external sustainability of the WAEMU would be manageable.

**Text Table 3. Mali: Fiscal Framework for 2020**  
(Percent of GDP)

	2019	2020		
	Proj.	Proposed Budget <sup>1</sup>	Prog. <sup>2</sup>	Rev. Prog.
<b>Revenue and grants</b>	<b>18.0</b>	<b>18.7</b>	<b>18.7</b>	<b>19.3</b>
Tax revenue	14.6	15.7	15.8	15.5
<i>Direct tax</i>	4.4	4.8	4.8	4.8
<i>Indirect tax</i>	10.2	10.9	11.0	10.7
Non-tax revenue	1.0	0.9	0.9	1.3
Grants	2.4	2.1	2.0	2.4
<b>Total Expenditure and net lending (commitment basis)</b>	<b>20.9</b>	<b>21.7</b>	<b>21.7</b>	<b>22.8</b>
Current expenditure	12.9	13.1	13.1	13.5
Capital expenditure	8.1	8.7	8.7	9.3
Net lending	-0.1	-0.1	-0.1	-0.1
<b>Overall fiscal balance (commitment basis, incl. grants)</b>	<b>-2.9</b>	<b>-3.0</b>	<b>-3.0</b>	<b>-3.5</b>
Adjustment to cash basis	-0.7	-0.2	-0.2	-0.1
Overall fiscal balance (cash basis, incl. grants)	-3.6	-3.1	-3.2	-3.6
<b>Financing</b>	<b>3.6</b>	<b>3.1</b>	<b>3.2</b>	<b>3.6</b>
External financing (net)	2.8	1.0	1.0	1.2
Domestic financing (net)	0.8	2.1	2.2	2.4
<b>Memorandum item:</b>				
Public debt	38.3	39.0	38.0	39.0

Source: Malian authorities; IMF staff calculations

<sup>1</sup> Budget Law submitted to the Malian parliament.

<sup>2</sup> IMF Country Report No. 19/289, Mali : Request for Three-Year Arrangement Under the Extended Credit Facility

**11. The proposed fiscal framework for 2020 sets an ambitious but realistic revenue target of 15.5 percent of GDP.** Staff assessed that the increase in the tax revenue-to-GDP ratio from 14.6 percent of GDP in 2019 to 15.5 percent in 2020 was achievable based on tangible measures to strengthen revenue administration (structural benchmarks focusing on improving the performance of the custom administration) and proposed tax policy measures (the limitation of tax exemptions and the taxation of non-profit entities that engage in normal business activities, Text Table 4). Continued strengthening in revenue administration in subsequent years should result in a similar revenue yield. The authorities indicated that they would pass a supplementary budget in the first quarter of 2020 to reflect this fiscal framework. Staff and the authorities agreed to closely monitor the impact of a pre-program agreement with the private sector to reduce the VAT rate on selected products and firms, which came into effect in

October 2019 (MEFP ¶13).<sup>4</sup> If revenue were to underperform, the government has the authority to cancel or freeze any approved spending according to Article 29 of the 2020 budget law. Should recourse to this article become necessary to preserve adherence to the fiscal deficit target, the government will seek to protect priority social and capital spending.

**Text Table 4. Mali: Expected Yields from Revenue Measures, 2020–23**  
(Percent of GDP)

	2020		Rev. Prog.	2021	2022	2023
	Proposed Budget Law <sup>1</sup>	Prog. <sup>2</sup>				
Tax revenue	1.1	1.2	0.9	0.2	0.2	0.2
Direct taxes	0.4	0.4	0.4	0.1	0.1	0.1
Indirect taxes	0.7	0.8	0.6	0.0	0.1	0.1
VAT	0.4	0.5	0.4	0.1	0.1	0.1
Other indirect taxes	0.3	0.4	0.2	-0.1	0.0	0.0

Sources: Malian authorities; IMF staff estimates

<sup>1</sup> Budget Law submitted to the Malian parliament.

<sup>2</sup> IMF Country Report No. 19/289, Mali : Request for Three-Year Arrangement Under the

**12. The fiscal space created by the proposed higher deficit target would be allocated to social and development spending under the program.** This includes spending to support food security and the restoration of health and education services in conflict areas, as well as address significant and immediate road maintenance needs. The scope of priority social and development spending targeted under the program has been broadened to include priority road projects to allow connectivity to underserved areas (Text Table 5, and Technical Memorandum of Understanding (TMU)). For monitoring priority social and development spending, the authorities will provide the data from Text Table 5 (in CFAF terms) on a quarterly basis. In light of the increasing fiscal space taken by the security spending operations and the need to ensure they are efficient and subjected to adequate procurement arrangements, the authorities are committed to ensure that such operations will be subject to proper and transparent procedures. They requested the World Bank's assistance for a public expenditure review of security spending (expected for 2020) and are committed to set up a software to improve the human resources management in the army.

<sup>4</sup> The initial estimate by the authorities suggests the impact is limited but staff underscored the importance to identify offsetting measures if needed

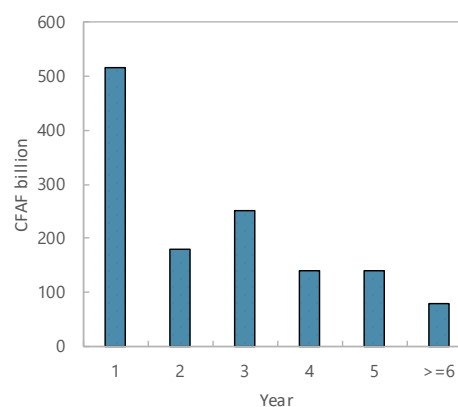
**Text Table 5. Mali: Priority Social and Development Spending, 2019–20**  
(Percent of GDP)

	2019	2020			
	Dec.	Mar.	Jun.	Sep.	Dec.
	Est.	Projections			
<b>Priority social and development spending</b>	<b>5.6</b>	<b>0.9</b>	<b>1.7</b>	<b>3.4</b>	<b>6.0</b>
Education	3.4	0.5	1.0	2.1	3.5
Health	1.1	0.2	0.4	0.7	1.2
Roads	0.5	0.1	0.1	0.3	0.6
Other	0.6	0.1	0.2	0.4	0.7

Sources: Ministry of Finance; and IMF staff estimates

**13. The authorities expressed concern over the short overall maturity of domestic debt and the related rollover risks** (Text Figure 4). The previously envisaged World Bank policy-based guarantee<sup>5</sup> operation to refinance short-term domestic debt is no longer available, but the authorities are discussing additional funding on top of the 2020 IDA budget support allocation with the World Bank to address these vulnerabilities. Staff encouraged the authorities to tap the regional market and concessional budget support loans to address rollover risk. More generally the authorities remain committed to prudent debt management that prioritizes concessional borrowing and debt sustainability (MEFP ¶23). Their external borrowing plan for 2020 is in line with these objectives (MEFP ¶24).

**Text Figure 4. Mali: Maturity Profile of Domestic Debt Issued, End-September 2019**



Source: UEMOA-Titres; IMF staff calculation

**14. The authorities acknowledged the need to strengthen liquidity forecasting and cash management.** They recognized that improved cash management was essential to avoid the recurrence of domestic arrears. They are pursuing a program of significantly expanding the scope of the Treasury Single Account (TSA) and better link spending commitments to available and forecast resources. To facilitate the operation of the expanded TSA, the government will strengthen their information management system (AICE2, *new structural benchmark for end-March 2020*; MEFP ¶22).

## B. Enhancing Revenue Mobilization

**15. Notwithstanding the progress made by tax administration and customs, the authorities acknowledged that there is still significant room for further improvements.**

<sup>5</sup> See IMF Country Report No.19/289. <https://www.imf.org/en/Publications/CR/Issues/2019/09/05/Mali-Request-for-Three-Year-Arrangement-Under-the-Extended-Credit-Facility-Press-Release-48656>

They indicated their commitment to implement measures to boost tax and customs revenue collection, such as improving large and medium-sized taxpayers' compliance, increasing capacity in the core functions of taxpayer registration, collection, and audit, and revamping the personnel incentive system, based on recent IMF TA recommendations. They are in the process of digitalizing procedures in DGI and DGD. The authorities are planning to implement measures aiming at enhancing customs administration and reducing opportunities for fraud, including by (i) strictly limiting the application of special regimes to urgent and perishable goods, and only those coming through the airport, which automatically fully excludes petroleum products from this procedure (D24) (*a new structural benchmark for April 2020*), (ii) applying the transaction value throughout the national territory (*new structural benchmark for end-March 2020*), in line with TA recommendations. The authorities are also moving ahead with the deployment of e-filing and payment of taxes online or via mobile banking (*the latter is a new structural benchmark for end-June 2020*). They recognized the importance of improving cargo traceability and conducting effective and systematic follow-up and control of companies receiving tax exemptions (MEFP ¶7-9). Finally, with the formal coordination framework between the tax and custom administrations already in place (*end-December 2019 structural benchmark*), efforts will focus on implementing the effective sharing of information between the DGI and DGD. Staff welcomed the authorities' efforts to strengthen tax administration and customs and urged the authorities to avoid any discriminatory practices in the implementation of tax policy and administration.

**16. The authorities recognized that lack of regulation and poor control procedures for imported petroleum products has led to severe revenue losses.** A Fund TA mission in September 2019 noted the absence of physical and accounting controls in petroleum warehouses and that two-thirds of fuel products were granted clearance with no follow-up, thus generating tax arrears that were often underestimated and went frequently uncollected. Moreover, the Fund TA experts noted that the petroleum tax structure was poorly implemented and did not reflect actual import volumes nor comply with the WAEMU framework.<sup>6</sup> The authorities concurred with the need to strictly limit the possibility of importers to clear merchandise without payments of tax and custom duties; and introduce traceability for petroleum products to control exemptions. Staff underlined that the performance of petroleum taxes warrants close monitoring and possible structural measures in future reviews should the underperformance persist.

**17. A tax administration diagnostic assessment tool (TADAT) mission took place in November 2019.** Its aim was to provide a comprehensive assessment of tax administration that could inform future policy reform and program design. The authorities welcomed a clear structure for future capacity development work related to revenue mobilization, including for a more integrated tax law framework and intend to base future reforms (MEFP ¶7), and the opportunity to develop a Medium-Term Revenue Strategy (MTRS) as a successor to the Revenue Mobilization Thematic Fund (RMTF) program that will expire in April 2020.

<sup>6</sup> WAEMU Directive 06/2011CM/UEMOA which aims to harmonize the taxation framework for petroleum products.

## C. Supporting Inclusive Growth through Strengthened Governance and Business Environment

**18. Mali’s governance challenges adversely impact sustainable economic growth and development.** Businesses face challenging obstacles, including governance problems and corruption, poor contract enforcement, tax disputes, lack of basic infrastructure, poor access to banking services, and competition from the informal economy. Some positive steps have been taken in recent years to close infrastructure gaps and improve the business environment. The authorities are seeking to implement the findings and recommendations of the 2017 Public Investment Management Assessment, including by strengthening administrative procedures to improve infrastructure quality. They are also seeking to: (i) continue to strengthen the framework for public-private partnerships (PPPs) following the forthcoming adoption of the WAEMU framework; (ii) implement the new legal framework for tax disputes; and (iii) accelerate the development of mobile banking, including for the provision of public services (MEFP ¶128-32).

**19. The authorities are committed to improving governance and controlling corruption.** The law against illicit enrichment has been enacted in 2014.<sup>7</sup> The authorities plan to expand the list of civil servants subject to asset declarations (*new structural benchmark for end-March 2020, MEFP ¶137 bullet 1*). Staff and the authorities also agreed on the importance of further strengthening the Law’s implementation including the verification process, and the sanctions for failure to disclose and false disclosure. Important gaps remain in the anti-corruption and rule of law framework (contract enforcements and property rights). A governance assessment is tentatively planned for 2020 alongside the next Article IV consultation, which should inform the authorities’ subsequent efforts to strengthen the governance framework. With reference to AML/CFT, in November 2019 the Groupe Intergouvernemental d’Action contre le Blanchiment d’Argent en Afrique de l’Ouest (GIABA) adopted the evaluation report for Mali, indicating low level of effectiveness of its AML/CFT regime and calling for fundamental improvements. The authorities indicated that they intended to prepare an action plan for addressing the weaknesses in their AML/CFT framework identified by the GIABA report. Such efforts will reduce reputational risks for the financial sector and prevent pressure on correspondent banking relationships and “de-risking” of the remittances sector. (MEFP ¶140).

**20. Progress is being made in improving the provision of electricity and strengthening the finances of the state-owned electricity company (EDM-SA).** The authorities have taken measures to improve the operation and financial situation of the company, including by replacing its management, increasing supervision, increasing tariffs to industrial customers and signing of the performance contract between the government and EDM-SA (*the latter a*

<sup>7</sup> Its implementation 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 (OCLEI). The authorities succeeded in brokering a consensus among stakeholders to move this key governance reform forward and asset declaration resumed. As per Decision 2018-355/MTFP SG of February 23, 2018, a commission involving social partners to identify and remedy gaps in the law to fight corruption and illicit enrichment was tasked with making the appropriate amendments to the law and proposing a revised document that would be submitted to the Cabinet.



*structural benchmark for end-November 2019*). They also made progress in securing lower-cost electricity imports from the region. The implementation of the World Bank's 2019–20 development program is broadly on track. The authorities intend to use part of the proceeds of the recently signed Loan from the Abu Dhabi Fund for Development (ADFD) to help EDM-SA restructure its short-term financial debt, on which they are seeking a haircut from commercial banks (0.9 percent of GDP, Box 2). Staff encouraged the authorities to expedite reforms as defined and agreed with the World Bank.

**21. Rural poverty remains widespread.** Agriculture is the backbone of the Malian economy, accounting for about one-third of GDP and four-fifths of employment, both levels considerably higher than regional averages. Agricultural growth in Mali has traditionally relied on extension strategies. With climate change (to which the Sahel region is highly susceptible), rapid population growth, and declining soil fertility, it is likely that it will be increasingly difficult to continue to rely on these strategies to drive agricultural growth and meet the needs of the Malian population. Moreover, a holistic approach to reducing gender inequality, increasing resilience against adverse weather conditions, improving literacy, and developing secondary and tertiary sectors with direct links to agricultural outputs would promote inclusive growth and contribute to the diversification of the economy. Policies and investments that promote off-farm food economy segments could have a particularly large impact on the economic activity of women. The authorities are promoting agricultural sector reforms, including rationalizing subsidies for inputs such as seeds and fertilizer, in cooperation with the World Bank, to promote inclusive growth and private sector development. Targeted and timely government support for farmers, including female shea butter farmers, to increase agricultural yields and reduce the gender gap would be critical (MEFP ¶33).

## PROGRAM MODALITIES

**22. Modified quantitative performance criteria (QPCs) and indicative target (IT) for end-June 2020 and new targets for end-December 2020 have been proposed** in line with the revised macroeconomic framework of the program (MEFP Table 1). Structural benchmarks have been proposed for 2020 (MEFP Table 3). The clearance of the domestic arrears incurred during the third quarter of 2019 (CFAF 36.9 billion) has been set as a prior action for the completion of the first review. With the projected support from development partners and the Fund, the program is fully financed (Table 7). The next test dates for the program are end-December 2019 and end-June 2020.

**23. Completion of the review will release a disbursement of SDR 20 million (10.7 percent of quota)** (Table 8). Following this disbursement, Mali's capacity to repay the Fund would remain adequate (Table 9). Obligations to the Fund would peak in 2027 at 1.6 percent of government revenue or 0.4 percent of GDP. Mali has a long track record of Fund borrowing and repayments that is a testament to its ability and willingness to repay any Fund lending on time. Moreover, Mali has unrestricted access to the pooled reserves of the BCEAO, further bolstering the safety of IMF lending to the country.

**24. The authorities' commitment to program engagement with the Fund along with its design mitigate risks to the program.** The main fiscal risks pertain to the possibility of underperformance of domestic revenue collections. Other risks relate to a potential further deterioration in the security environment, adverse weather conditions, and terms of trade shocks.

**25. Capacity building is focused on improving revenue administration as well as cash management.** Mali has received extensive TA for tax administration and customs, following the contraction of revenue collections in 2018, as well as in public financial management. TA efforts will continue in these areas in the coming period.

**26. Safeguards assessments.** The last safeguards assessment of the BCEAO completed in 2018 found that the central bank had maintained a strong control environment, audit arrangements were in broad conformity with international standards, and the financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). The BCEAO enhanced the oversight role of its audit committee and is making progress to strengthen its risk management function in line with the recommendations of the assessment. The central bank's financial statements continue to be published on a timely basis.

## STAFF APPRAISAL

**27. The security situation in Mali remains highly challenging.** Continuous attacks by rebel groups in the North and Center regions have compounded fragile conditions in these areas, where establishing the presence of the state through delivering public services remains critical.

**28. Nonetheless, performance under the IMF-supported program has been broadly satisfactory, for which the authorities deserve credit.** Five of six QPCs for end-September 2019 were met, while the breach of the zero-ceiling on the accumulation of domestic arrears at end-September 2019 is expected to be temporary as these arrears should be cleared prior to the Board meeting, with corrective steps taken to ensure that domestic arrears do not recur. The IT on priority social spending was temporarily missed by a small margin but is expected to be met for the full year. Four of seven SBs for 2019 have been met and good progress has already been made on the remaining three end-December 2019 SBs.

**29. The economic outlook for Mali remains broadly positive but subject to downside risks.** The growth rate is estimated at about 5 percent per year and inflation is expected to continue to remain below the WAEMU ceiling. The stable current account deficit is expected to be fully financed by official and private inflows. However, downside risks relate to the possible further deterioration of the security situation, potential shocks to the terms of trade (the price of gold, cotton, and fuels), and adverse weather conditions.

**30. In staff's view, the proposed fiscal framework strikes an appropriate balance between spending needs and available resources.** The small relaxation of the overall deficit target for 2020 from 3 to 3.5 percent of GDP is justified by the need to increase priority social

and development spending in the context of the precarious security situation and its increasing costs. The wider deficit can be financed without adverse repercussions for regional financial stability, while the authorities need to be mindful of addressing short-term rollover risks and lengthening the maturity of the debt.

**31. The 2020 budget is based on an ambitious but realistic revenue target.** Significant progress has already been made in restoring revenue collections in 2019 and further progress is expected in 2020. Staff urges the authorities to continue to pursue revenue administration reform in line with TA recommendations and the outcome of the TADAT review. Staff also encourages the authorities to adopt a medium-term revenue strategy.

**32. Staff concurs with the authorities that greater spending efficiency is needed in the context of limited domestic and external resources.** Staff welcomes the authorities' intentions to rationalize subsidies, strengthen project selection and execution, and improve overall cash management to avoid the recurrence of domestic arrears. Cooperation with the World Bank on securing transparent and efficient security spending will also be critical.

**33. Staff supports the authorities' reform strategy for the state-owned electricity company.** Putting EDM-SA on a sound financial footing is instrumental to reducing fiscal pressures and securing an adequate supply of electricity. The increase in tariffs to industrial customers and the finalization of the performance contract between the government and EDM-SA are welcome, and efforts should continue to lower costs through changes to the energy mix and financial restructuring.

**34. Staff welcomes the authorities' continued efforts to create conditions for a stronger private sector.** Well-designed and implemented PPPs can play a role in closing infrastructure gaps, while mobile banking has the potential to foster inclusive economic growth and expand the formal economy. Agriculture is a mainstay of the Malian economy but is faced with the potentially adverse impact of climate change. Targeted and timely government support for farmers to increase agricultural yields is critical for raising output and reducing the gender gap.

**35. The authorities' commitment to improving governance and fighting against corruption is commendable.** The planned governance assessment will inform plans for future reforms in this area. In the meantime, the authorities have agreed to upgrade the law against illicit enrichment. Staff urges the authorities to expeditiously implement their forthcoming action plan to address AML/CFT deficiencies identified by the recent GIABA assessment. Reforms to improve fiscal governance in the areas of revenue administration, tax policy, and cash management will also play a critical role in improving transparency and reducing vulnerabilities to corruption.

**36. Staff supports the Malian authorities request for the completion of the first review under the ECF arrangement,** including a waiver for the non-observance of the performance criterion on non-accumulation of domestic arrears, and the release of the second disbursement under the arrangement in the amount of SDR 20 million (10.7 percent of quota).

### Box 1. Implementation of the 2015 Peace Agreement

**An agreement for peace and reconciliation in Mali (APRM) was signed in May 2015**, between the government and some rebel groups from the North, to restore peace, social cohesion and stability. Progress in the implementation of the APRM has been uneven.

- Political and administrative reforms.** A new electoral code was adopted in 2016, along with a revised Local Authorities Act (LAA) in 2017, which should pave the way to regional assemblies' elections by direct universal suffrage. But the spiral of insecurity, coupled with divergences of understanding on the legal requirements for holding these elections, have prevented their organization so far. The installation of interim authorities in the regions is also facing significant delays. A general amnesty law was also enacted in July 2019. The creation of a second chamber in Parliament as well as of a Court of Accounts (in line with WAEMU's directives) are pending a Constitutional review.
- Defense and security.** A decree clarifying the modalities for setting former rebels' grades was recently adopted, which should help accelerate the integration of about 1,840 former rebels into a unified and inclusive army, through the ongoing demobilization, disarmament and reinsertion process (DDR), along with the formation of mixed patrol units in some regions (Timbuktu and Gao). But such mixed patrol units are not present in Kidal yet. The law creating the territorial police has not yet been adopted.
- Socio-economic development.** The 2018-008 Act, creating the sustainable development fund (FDD) for the financing of development projects and programs in the Northern regions, was adopted in February 2018. Its implementation texts were adopted in June 2018, while its manual of administrative, financial and accounting procedures is under preparation. Resources should accrue to the FDD through various taxes (on tobacco, airline tickets, tourism vehicles, and exit duties on cotton). Pending the operationalization of the FDD, emergency projects were executed in 2017 and 2018 in the North with advance payments from the budget (0.1 percent of GDP). Fiscal decentralization is also proceeding, with technical assistance from the IMF and the World Bank, including for strengthening budget execution capacities and audit and control mechanisms in the regions. The principle of local authorities' ability to set the rates of some taxes, fees, and levies and introduce new taxes was enacted in the revised LAA, but may need to be asserted in the Constitution, for consistency purposes. The same applies to the provision requesting the allocation of a share of natural resources revenue to regions. The government started transferring resources to regions, though not yet up to the 30 percent set in the APRM (19.7 percent in 2018 and 21.7 percent in 2019). A decree clarifying the responsibilities to be transferred to the regions, including education and health services, was enacted in March 2018.



Financial position of the FDD (CFAF billion)			
	2015-17	2018	2019
Taxes (cumulatively)	16	16	40
Investment spending	0	0	0

### Box 2. The Financial Situation of EDM-SA

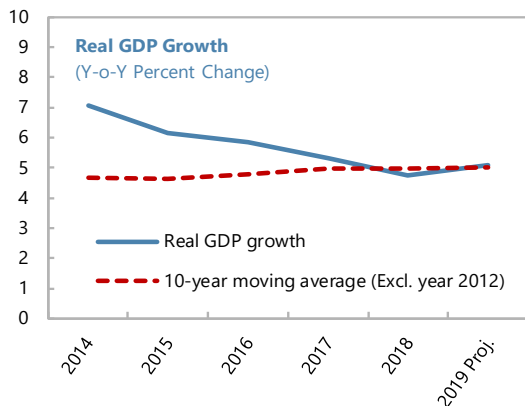
**The Malian electricity company (EDM-SA) is facing insolvency.** EDM-SA's revenues are insufficient to cover its operating expenses, financing costs, and investment needs. This situation results mainly from insufficient investment, poor management, and the long-standing practice of charging electricity prices well below the cost of generation. Inadequate revenue and subsidies have forced the company to borrow from suppliers and banks. EDM-SA's debt (including arrears) was estimated at CFAF 319 billion (3.1 percent of GDP) at end-June 2019.

**The government is implementing a two-pronged strategy to strengthen EDM-SA's financial position, efficiency, and investment, with technical and financial support of the World Bank.** In the short run, the strategy involves streamlining tariffs, reducing operational costs as well as addressing EDM-SA's short-term debt and arrears. In the long run, the World Bank is supporting the investment plan for the electricity sector with a view to lowering EDM-SA production and procurement costs by favoring solar generation and electricity imports over the use of expensive hydrocarbon fuels in electricity generation.

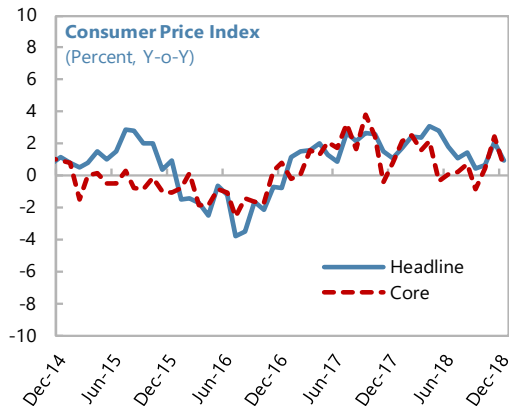
**EDM-SA's short-term debt to commercial banks urgently needs to be restructured to prevent default.** This debt amounted to an estimated CFAF 85 billion at end-October 2019. The government has decided to use CFAF 50 billion from the Abu Dhabi loan and a further CFAF 35 billion budget allocation in 2020 to retire this debt. The part of this operation financed from the Abu Dhabi loan is an on-lending operation recorded below the line in the fiscal accounts as EDM-SA will be expected to repay this amount, albeit on favorable terms. In the meantime, negotiations continue with the commercial banks on improved terms on their loans to EDM.

**Figure 1. Mali: Recent Economic Developments**

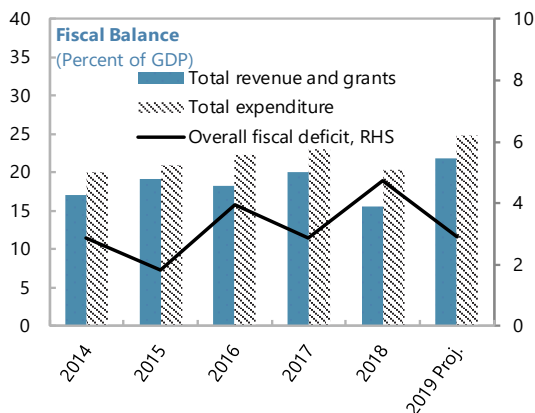
*Recent GDP growth has reverted to trend.*



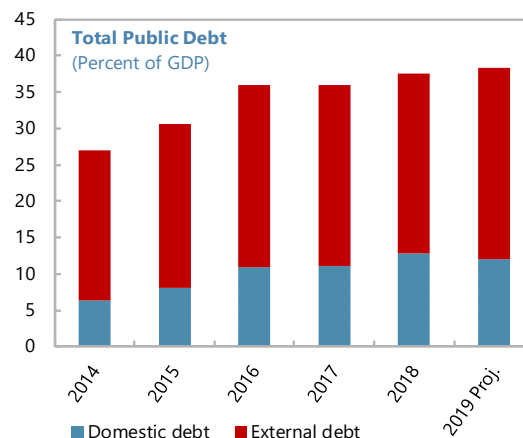
*Inflation has remained contained.*



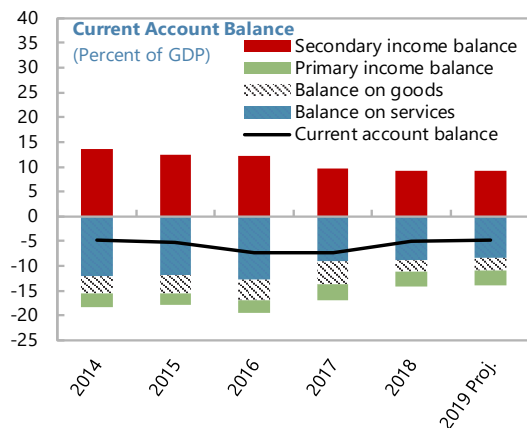
*The overall fiscal deficit in 2019 is projected to observe the WAEMU criterion.*



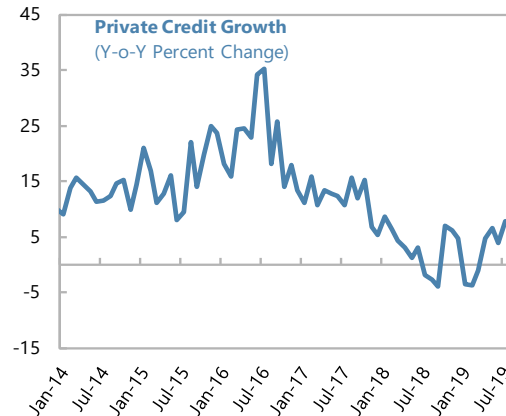
*Total public debt has remained stable in recent years.*



*The current deficit has narrowed over the last two years.*



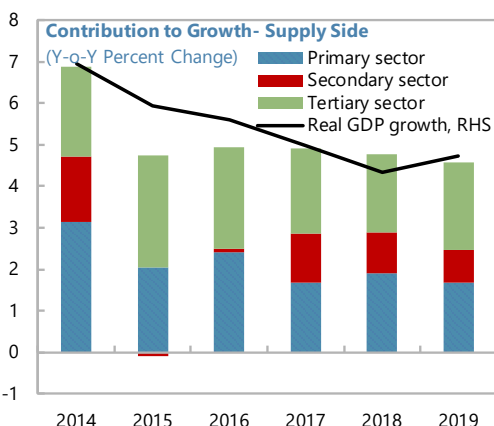
*Private credit growth has recently decelerated.*



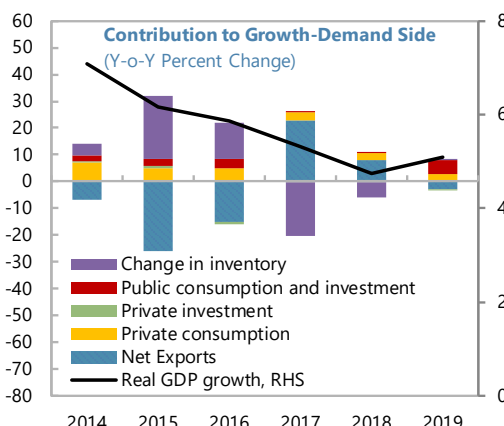
Sources: Malian authorities; and IMF staff estimates and projections.

**Figure 2. Mali: Real Sector Developments**

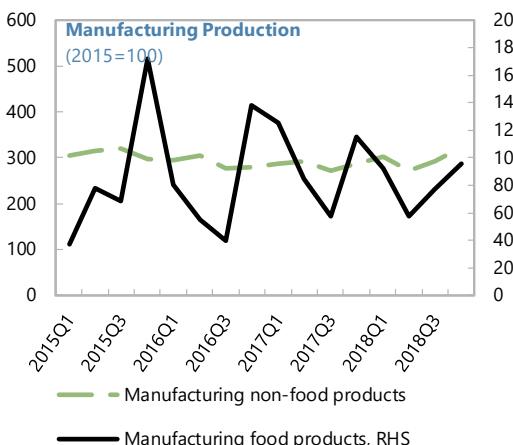
The contribution of the secondary sector (including mining) to growth has been volatile.



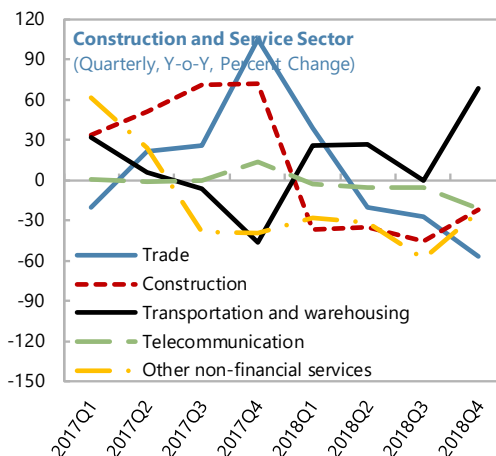
Developments on the demand side have fluctuated.



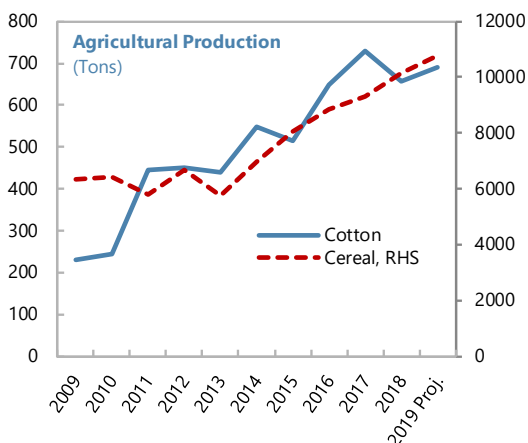
Manufacturing has been broadly stagnant, while food-related manufacturing has fluctuated.



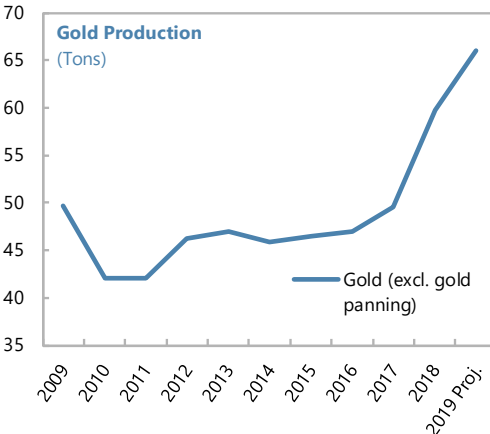
The construction and service sectors have shown relative weakness.



Agricultural production has been on the rise owing to good harvests.



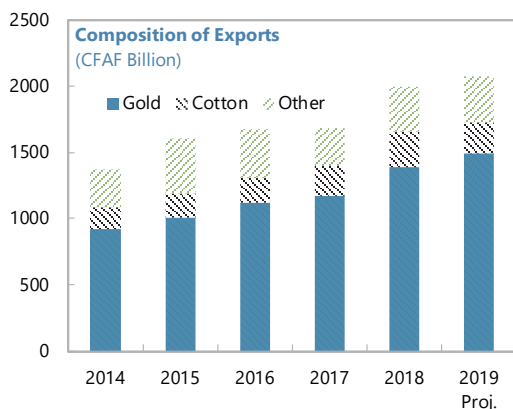
Gold production has been rising with new mines coming on stream.



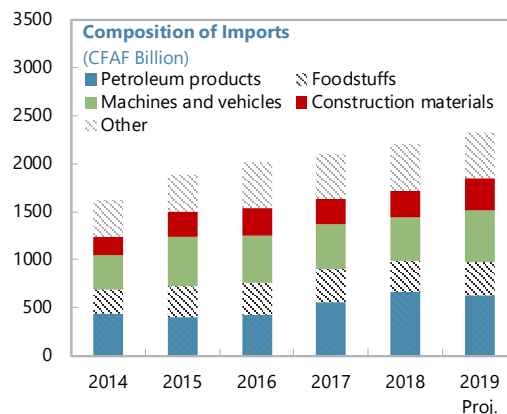
Sources: Malian authorities; and IMF staff estimates and projections.

**Figure 3. Mali: External Sector**

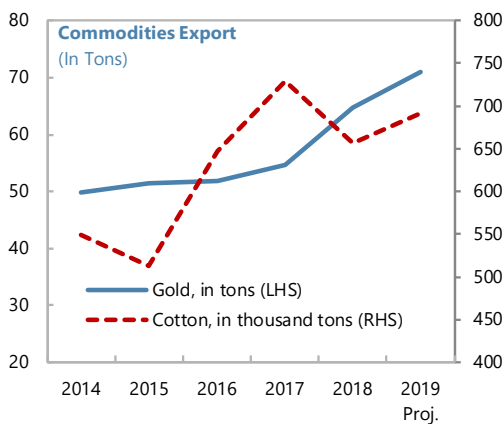
*Exports are largely driven by gold production.*



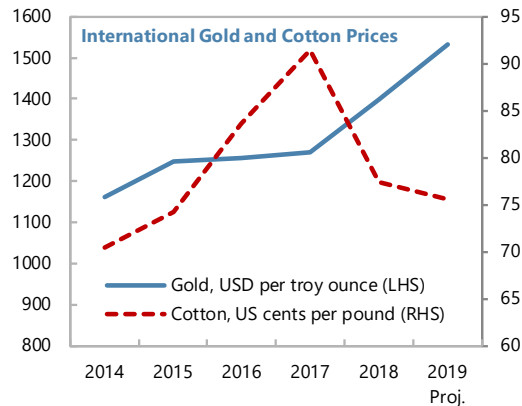
*While the composition of imports remain stable.*



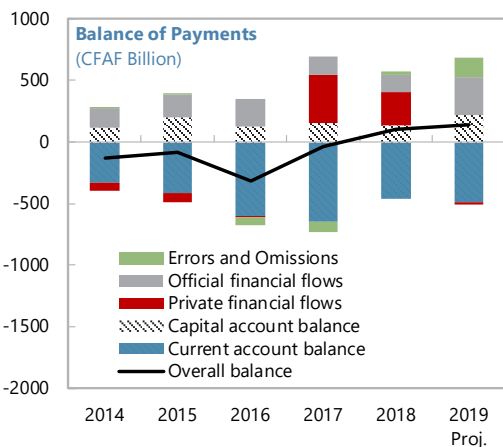
*Both cotton and gold production has significantly increased in the past five years.*



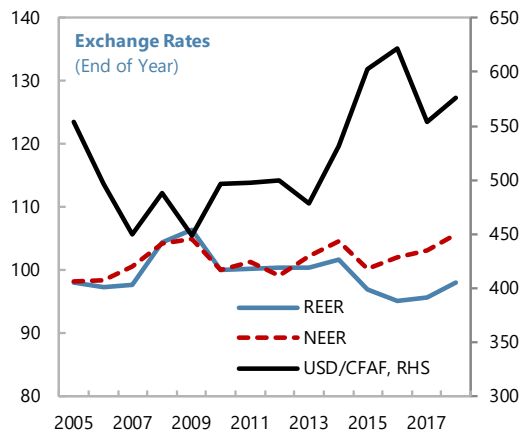
*While cotton prices remained volatile, gold prices steadily increased in the past five years.*



*The overall balance of paiement has become positive due to gold exports.*



*The REER and NEER have diverged slightly in recent years.*

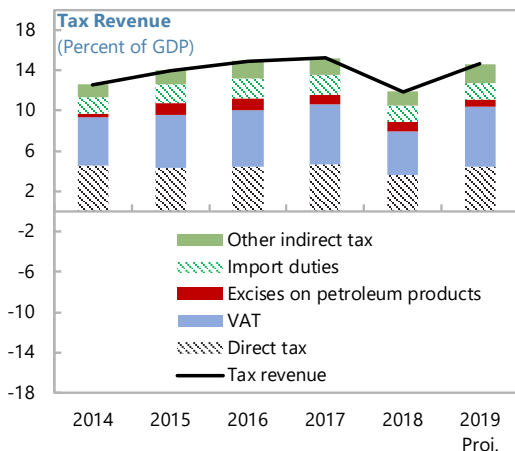


Sources: Malian authorities; and IMF staff estimates and projections.

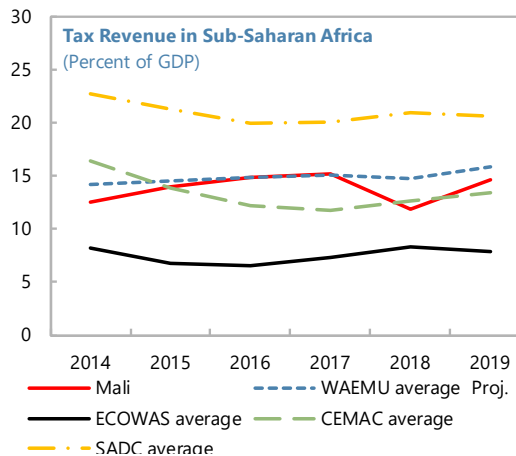


**Figure 4. Mali: Fiscal Developments**

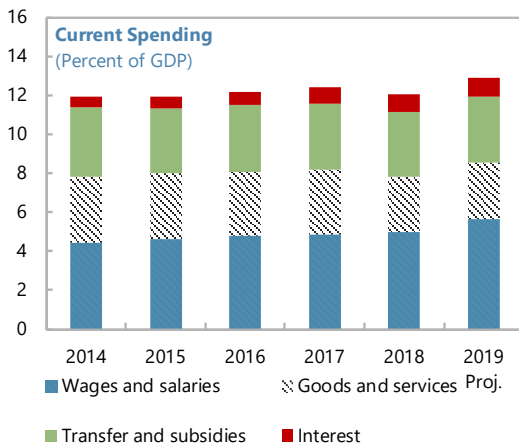
*Tax revenue is recovering following the shortfall in 2018.*



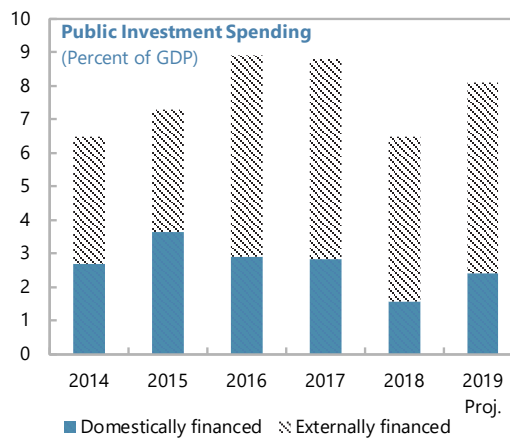
*Tax revenue performance remains below the WAEMU average.*



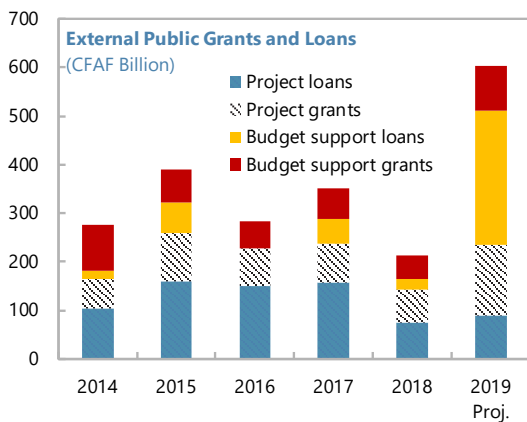
*The composition of spending by economic category has remained fairly stable.*



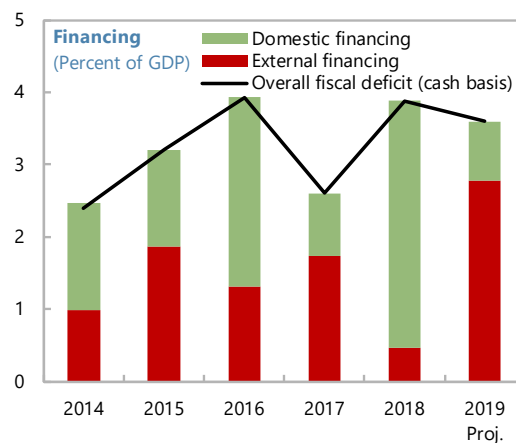
*Both domestically and externally-financed investment spending have fluctuated.*



*External budget support is projected to be exceptionally high in 2019.*



*The composition of deficit financing has varied.*



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

Table 1. Mali: Selected Economic and Financial Indicators, 2017–24

	2017	2018	2019		2020	2021	2022	2023	2024
	Estimates		Prog. <sup>1</sup>	Rev. Prog.	Rev. Prog.	Projections			
<b>National income and prices</b>									
(Annual percentage change)									
Real GDP	5.3	4.7	5.0	5.1	5.0	5.0	5.0	5.0	5.0
Real non-agriculture GDP	5.4	4.2	4.8	5.1	...	...	...	...	...
GDP deflator	1.9	1.5	1.8	2.5	1.8	2.3	2.3	2.3	2.3
Consumer price inflation (average)	1.8	1.7	0.4	-0.4	0.6	2.0	2.3	2.3	2.3
Consumer price inflation (end of period)	1.1	1.0	1.8	-0.8	1.7	2.3	2.3	2.3	2.3
<b>External sector</b>									
Terms of trade (deterioration -)	-25.0	0.3	0.5	2.2	4.8	0.2	-1.5	-2.1	-1.9
Real effective exchange rate (depreciation -)	0.6	2.6	...	...	...	...	...	...	...
<b>Money and credit</b>									
Credit to the government	55.7	64.1	5.0	27.7	20.2	...	...	...	...
Credit to the economy	5.4	4.8	10.3	6.1	6.0	...	...	...	...
Broad money (M2)	4.3	14.2	5.8	10.0	11.2	...	...	...	...
<b>Central government finance</b>									
(Percent of GDP, unless otherwise indicated)									
Revenue	18.4	14.3	19.9	19.5	20.5	20.7	20.9	21.3	21.7
of which: Tax revenue	15.2	11.9	14.5	14.6	15.5	15.7	15.9	16.2	16.6
Grants	1.6	1.2	2.3	2.4	2.4	2.0	2.0	2.1	2.0
Total expenditure and net lending	22.9	20.3	25.2	24.8	26.4	25.9	26.0	26.3	26.7
Overall balance (commitment basis, including grants)	-2.9	-4.7	-3.0	-2.9	-3.5	-3.3	-3.0	-3.0	-3.0
Overall balance (cash basis, including grants)	-2.6	-3.9	-3.7	-3.6	-3.6	-3.2	-2.9	-2.9	-2.9
<b>External sector</b>									
Current account balance, including official transfers	-7.3	-4.9	-5.6	-4.8	-4.4	-4.6	-5.2	-5.8	-6.5
Current account balance, excluding official transfers	-12.1	-9.3	-10.0	-9.4	-8.5	-8.5	-8.8	-9.2	-9.9
Exports of goods and services	22.2	24.5	22.8	23.6	24.0	23.0	21.9	20.9	19.9
Imports of goods and services	35.9	35.6	35.2	34.6	34.0	32.9	32.1	31.5	31.1
Overall balance of payments	0.8	1.2	-0.2	-0.3	0.1	-0.2	-0.5	-0.7	-1.3
<b>Public debt (end period)</b>									
External and Domestic public debt	36.0	37.5	37.4	38.3	39.0	39.5	39.7	39.7	39.7
External public debt	25.0	24.7	25.5	26.3	26.1	25.7	25.4	24.8	24.3
Domestic public debt <sup>2</sup>	11.0	12.7	11.9	12.0	12.9	13.8	14.3	14.9	15.4
External debt service to exports of goods and services ratio	4.5	4.0	4.1	4.0	4.6	4.7	4.7	5.2	5.5
Debt service	6.3	5.2	4.8	4.8	5.6	5.9	6.0	6.4	6.5
<b>Memorandum items:</b>									
Nominal GDP (CFAF billions)	8,922	9,482	10,199	10,214	10,917	11,732	12,602	13,537	14,541
Nominal GDP (US\$ billions)	16.1	16.5	...	...	...	...	...	...	...
Overall balance of payments (US\$ millions)	-71.1	188.9	...	...	...	...	...	...	...
US\$ exchange rate (end of period)	554.2	576.2	...	...	...	...	...	...	...
Gold Price (US\$/fine ounce London fix)	1257	1269	1321	1400	1531	1558	1580	1599	1636
Gold Price (CFAF billion/ton)	21.1	20.8	21.6	20.9	23.0	23.2	23.3	23.5	23.7
Petroleum price (crude spot)(US\$/bbl)	53	68	59	62	58	55	55	55	56

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

<sup>1</sup> IMF Country Report No. 19/289, Mali : Request for Three-Year Arrangement Under the Extended Credit Facility

<sup>2</sup> Includes BCEAO statutory advances, government bonds, treasury bills, and other debts.

Table 2. Mali: National Accounts, 2017–24

	2017	2018	2019	2020	2021	2022	2023	2024
	Estimates		Projections					
	(Annual percentage change)							
<b>Primary sector</b>	5.2	5.9	5.1	4.6	5.0	5.0	5.0	5.0
Crops	6.3	6.7	5.9	5.6				
Food crops	4.9	10.2	6.0	5.6				
Export crops	12.5	-9.1	5.3	5.5				
Livestock	4.4	5.8	4.8	4.1				
Fishing and forestry	3.6	4.4	3.2	2.6				
Quarrying	6.9	0.2	5.5	7.2				
<b>Secondary sector</b>	6.8	5.5	4.4	4.8	5.0	5.0	5.0	5.0
Gold (mining & processing)	5.7	21.7	6.6	0.0				
Manufacturing	6.0	3.9	1.9	4.5				
Agribusiness	10.5	-0.6	7.0	6.5				
Textile	12.7	13.0	-0.2	3.9				
Utilities	8.6	6.9	8.0	7.1				
Construction and public works	7.6	0.2	5.5	6.7				
<b>Tertiary sector</b>	5.2	4.8	5.3	5.4	5.0	5.0	5.0	5.0
Transportation and telecommunications	8.0	7.4	7.6	7.6				
Trade	3.5	3.3	4.3	3.9				
Financial services	5.4	3.9	4.9	4.1				
Other nonfinancial services	4.3	4.1	4.0	4.2				
Public administration	4.8	3.7	4.5	5.7				
<b>GDP at market prices</b>	5.3	4.7	5.1	5.0	5.0	5.0	5.0	5.0
<b>National accounts</b>	(Percent of GDP, unless otherwise indicated)							
Gross domestic investment	21.6	21.0	21.2	22.4	21.9	21.9	22.1	22.2
Gross national savings	14.3	16.1	16.4	18.0	17.3	16.7	16.7	16.9
Current account balance (including official transfers)	-7.3	-4.9	-4.8	-4.4	-4.6	-5.2	-5.4	-5.4
<b>Memorandum items:</b>								
Nominal GDP (in CFAF billions)	8922	9482	10214	10917	11732	12602	13537	14541
GDP deflator (annual % change)	1.9	1.5	2.5	1.8	2.3	2.3	2.3	2.3

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

Table 3. Mali: Monetary Survey, 2016–20

	2016	2017		2018		2019		2020
			Estimates		Prog. <sup>1</sup>	Proj.	Proj.	
	(CFAF billion)							
<b>Net Foreign Assets</b>	243	214	314	323	486	533		
BCEAO	-85	-3	108	116	279	327		
Commercial Banks	329	217	207	207	207	207		
<b>Net Domestic Assets</b>	1858	1998	2245	2629	2541	2831		
Credit to the government (net)	208	323	530	668	677	814		
BCEAO	36	93	135	140	110	180		
Commercial banks, net	-247	-170	122	528	330	302		
Other	418	400	273	0	237	332		
Credit to the economy	2197	2315	2426	2675	2574	2728		
Other items (net)	-344	-377	-376	-379	-376	-376		
<b>Money supply (M2)</b>	2311	2410	2752	2952	3026	3364		
Currency outside banks	451	466	517	555	569	633		
Bank deposits	1859	1944	2235	2397	2457	2732		
<b>Memorandum item:</b>								
Base Money (M0)	763	714	845	779	906	982		
<b>Contribution to growth of broad money</b>	(In percent of beginning of period broad money)							
Money supply (M2)	10.7	4.3	14.2	7.2	10.0	11.2		
Net foreign assets	-15.8	-1.3	4.1	0.3	6.2	1.6		
BCEAO	-14.7	3.6	4.6	0.3	6.2	1.6		
Commercial banks	-1.2	-4.8	-0.4	0.0	0.0	0.0		
Net domestic assets	25.0	6.1	10.3	14.0	10.7	9.6		
Credit to the central government	11.3	5.0	8.6	5.0	5.3	4.5		
Credit to the economy	12.5	5.1	4.6	9.0	5.4	5.1		
Other items net	1.9	-1.4	0.0	0.0	0.0	0.0		
<b>Memorandum items:</b>	(Annual percent growth rate)							
Money supply (M2)	10.7	4.3	14.2	7.2	10.0	11.2		
Base money (M0)	0.5	-6.4	18.5	-7.9	7.2	8.4		
Credit to the economy	13.4	5.4	4.8	10.3	6.1	6.0		
Velocity (GDP/M2)	3.6	3.7	3.4	3.5	3.4	3.2		
Money Multiplier (M2/M0)	3.0	3.4	3.3	3.8	3.3	3.4		
Currency outside banks / M2	19.5	19.3	18.8	18.8	18.8	18.8		

Sources: BCEAO; and Fund staff estimates and projections.

<sup>1</sup> IMF Country Report No. 19/289, Mali : Request for Three-Year Arrangement Under the Extended Credit Facility

**Table 4. Mali: Balance of Payments, 2017–24**  
(CFAF billion, unless otherwise indicated)

	2017	2018	2019	2020	2021	2022	2023	2024
	Estimates		Projections					
<b>Current account balance</b>								
Excluding official transfers	-1078.4	-879.1	-958.1	-930.0	-994.1	-1103.5	-1248.1	-1437.2
Including official transfers	-649.6	-465.0	-489.8	-483.7	-543.9	-649.3	-789.3	-945.4
Trade balance	-415.4	-212.6	-256.0	-204.4	-267.9	-369.2	-497.9	-656.5
Exports, f.o.b.	1685.9	1991.4	2072.6	2258.1	2315.7	2364.1	2402.6	2451.5
Cotton fiber	223.4	270.8	231.4	250.6	271.4	281.3	288.9	301.5
Gold	1175.7	1388.4	1492.3	1636.5	1649.4	1644.9	1639.8	1644.2
Other	286.8	332.3	348.9	371.0	394.8	437.9	473.9	505.8
Imports, f.o.b.	-2101.4	-2204.1	-2328.6	-2462.6	-2583.5	-2733.3	-2900.6	-3108.0
Petroleum products	-551.9	-658.6	-625.9	-617.8	-613.1	-630.9	-660.2	-709.1
Foodstuffs	-348.7	-322.7	-350.1	-375.3	-395.3	-415.9	-435.6	-457.6
Other	-1200.8	-1222.8	-1352.6	-1469.5	-1575.1	-1686.6	-1804.8	-1941.3
Services (net)	-807.5	-839.9	-864.3	-889.5	-900.5	-917.1	-937.3	-965.1
Credit	296.1	333.8	339.2	359.3	379.4	400.5	422.7	446.2
Debit <sup>2</sup>	-1103.5	-1173.7	-1203.5	-1248.8	-1279.9	-1317.6	-1360.0	-1411.3
<i>Of which: freight and insurance</i>	-386.7	-406.7	-429.7	-469.1	-492.1	-520.6	-552.5	-592.0
Income (net)	-290.8	-283.7	-309.4	-314.4	-319.0	-323.3	-327.7	-331.8
<i>Of which: interest due on public debt</i>	-28.2	-29.0	-34.1	-38.0	-27.6	-29.5	-31.7	-34.4
Transfers (net)	864.1	871.3	939.9	924.7	943.5	960.4	973.6	1008.0
Private transfers (net)	435.3	457.2	471.6	478.4	493.3	506.1	514.9	516.2
Official transfers (net) <sup>1</sup>	428.7	414.1	468.3	446.3	450.2	454.3	458.7	491.8
<i>Of which: budgetary grants</i>	48.6	42.5	93.7	111.3	116.0	124.1	131.7	141.2
<b>Capital and financial account</b>	694.7	546.7	512.4	489.9	520.0	587.9	696.6	751.9
Capital account (net)	150.1	135.6	220.8	204.2	172.6	187.1	208.1	213.7
<i>Of which: debt forgiveness</i>	18.2	19.0	17.8	0.0	0.0	0.0	0.0	0.0
<i>Of which: project grants</i>	95.7	74.5	157.5	155.6	120.3	130.9	147.8	149.0
Financial account	544.5	411.1	291.6	285.7	347.4	400.8	488.4	538.2
Private (net)	391.8	266.7	-15.1	115.7	140.0	176.2	258.1	296.0
Direct investment (net)	318.3	259.4	180.7	268.2	304.2	326.8	351.0	377.0
Portfolio investment private (net)	0.6	-0.8	-0.8	0.0	0.0	0.0	0.0	0.0
Other private capital flows	72.9	8.1	-195.0	-152.5	-164.2	-150.6	-92.9	-81.0
Official (net)	152.7	144.4	306.7	170.0	207.4	224.6	230.4	242.2
Portfolio investment public (net)	16.1	119.4	41.4	44.3	47.6	51.1	54.9	58.9
Disbursements	206.3	97.3	363.8	247.9	258.9	274.4	291.0	308.9
Budgetary	49.8	23.3	274.5	53.5	50.0	50.0	50.0	50.0
Project related	156.5	74.0	89.3	194.4	208.9	224.4	241.0	258.9
Amortization due on public debt	-69.6	-72.3	-98.5	-122.2	-99.1	-100.8	-115.6	-125.7
Errors and omissions	-86.3	23.2	115.0	0.0	0.0	0.0	0.0	0.0
<b>Overall balance</b>	-41.3	104.9	137.6	6.2	-23.9	-61.4	-92.8	-193.5
Financing	41.0	-104.9	-137.6	-38.5	-8.2	29.3	92.8	193.5
Foreign assets (net)	22.8	-123.9	-171.6	-47.5	-17.1	29.3	92.8	193.5
<i>Of which: IMF based on existing drawing (net)</i>	16.1	64.6	5.0	-12.3	-12.4	-13.6	-21.5	-28.9
HIPC Initiative assistance	18.2	19.0	17.8	9.0	9.0	0.0	0.0	0.0
<b>Financing gap</b>	-0.3	0.0	0.0	-32.3	-32.1	-32.0	0.0	0.0
IMF financing based on prospective drawing (net)				32.3	32.1	32.0	0.0	0.0
<b>Current account balance</b>								
					(Percent of GDP)			
Excluding official transfers	-12.1	-9.3	-9.4	-8.5	-8.5	-8.8	-9.2	-9.9
Including official transfers	-7.3	-4.9	-4.8	-4.4	-4.6	-5.2	-5.8	-6.5
Trade Balance	-4.7	-2.2	-2.5	-1.9	-2.3	-2.9	-3.7	-4.5
Overall Balance	-0.5	1.1	1.3	0.1	-0.2	-0.5	-0.7	-1.3
<b>External trade</b>								
					(Annual percentage change)			
Export volume index	11.4	-0.1	2.3	3.9	2.4	3.1	2.6	1.7
Import volume index	-14.2	-12.1	5.9	5.7	5.0	5.3	5.0	4.9
Export unit value	-9.0	19.6	1.9	4.9	0.1	-1.0	-1.0	0.3
Import unit value	21.3	19.3	-0.3	0.1	-0.1	0.5	1.1	2.2
Terms of trade	-25.0	0.3	2.2	4.8	0.2	-1.5	-2.1	-1.9

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

<sup>1</sup> Includes financing by the international community for imports of security services in relation to the foreign military intervention in the country.

**Table 5. Mali: Financial Soundness Indicators for the Banking Sector, 2015–19**  
(Percent)

	2015	2016	2017		2018 <sup>2</sup>		2019 <sup>2</sup>
			Jun.	Dec.	Jun.	Dec.	Jun.
<b>Capital</b>							
Capital to risk-weighted assets	14.8	14.7	13.6	14.7	12.5	12.5	13.5
Tier 1 capital to risk-weighted assets	13.4	13.2	12.3	13.4	11.6	11.6	12.6
Capital (net worth) in percent of assets	7.4	7.3	7.2	7.1	8.3	8.5	9.2
<b>Sectoral distribution of credit to the economy</b>							
Agriculture and fishing	4.3	3.8	2.2	3.6	3.4	4.1	3.0
Mining sector	2.6	2.2	2.4	2.1	2.1	3.3	2.5
Manufacturing	12.1	13.2	13.9	13.6	15.0	14.5	14.8
Electricity, gas, and water	9.6	7.5	7.8	6.8	6.1	5.2	6.8
Building and construction	7.0	6.8	7.4	6.9	6.9	6.6	7.4
Wholesale and retail trade, hotels and restaurants	45.5	43.2	42.1	41.6	41.9	42.6	39.7
Transportation, warehouses, communications	8.8	9.6	10.3	11.9	11.9	11.8	12.4
Insurance, real estate, and services for enterprises	6.3	7.8	8.3	7.7	7.2	6.4	8.6
Other activities	3.9	6.0 #	5.7	5.7	5.5	5.6	5.0
<b>Asset quality</b>							
Non-performing loans to total loans	16.1	16.4	17.3	18.2	16.4	13.5	11.6
Non-performing loans to total loans (net of provisioning)	6.3	7.7	8.2	8.9	7.5	7.2	6.4
Provisions to gross non-performing loans	65.0	70.1	57.0	56.0	58.8	50.5	49.3
Non-performing loans net of provisions to Tier I capital	44.2	60.9	65.9	64.9	49.4	51.3	41.8
<b>Earnings and profitability</b>							
Return on assets (ROA)	1.1	1.1	...	1.0	...	1.4	...
Return on equity (ROE)	14.9	14.8	...	14.6	...	15.2	...
<b>Liquidity</b>							
Liquid assets to total assets	51.7	50.9	51.5	45.6	62.0	63.8	64.7
Liquid assets to short-term deposits	87.9	86.9	69.0	82.6	95.6	98.4	101.9
Ratio of deposits to liabilities	63.0	58.1	60.9	59.4	61.1	60.2	62.8
Ratio of loans to deposits	83.1	95.5	95.4	99.6	99.4	95.8	97.1
<b>Memorandum items<sup>1</sup></b>							
Deposit rate	1.8	2.2	...	2.7	...	2.5	...
Lending rate	7.8	7.5	...	8.0	...	7.7	...

Source: BCEAO

<sup>1</sup> Average

<sup>2</sup> New prudential framework (Basel II/III)

**Table 6a. Mali: Consolidated Fiscal Transactions of the Government, 2017–24**  
(Billions of CFAF)

	2017		2018		2019			2020			2021	2022	2023	2024
	Estimates		Proposed Suppl. Budget	Prog. <sup>1</sup>	Rev. Prog.	Proposed Budget Law	Prog. <sup>1</sup>	Rev. Prog.	Projections					
<b>Revenue and grants</b>	1789.7	1475.9	2313.8	2264.3	2234.9	2448.0	2169.3	2501.0	2660.1	2893.5	3143.6	3404.2		
Total revenue	1645.6	1358.8	2079.8	2030.3	1994.3	2213.1	1948.3	2234.0	2423.8	2638.4	2864.0	3114.0		
Budgetary revenue	1480.1	1181.6	1683.0	1633.5	1597.5	1816.3	1816.1	1837.2	1997.4	2180.4	2372.0	2585.5		
Tax revenue	1353.7	1125.8	1529.8	1480.3	1494.3	1723.0	1722.8	1693.9	1840.1	2007.8	2182.5	2376.9		
Direct taxes	419.4	340.0	454.0	446.9	454.0	531.1	525.5	525.0	580.7	639.1	703.0	774.6		
Indirect taxes	934.3	785.8	1075.8	1033.4	1040.3	1191.9	1197.3	1168.9	1259.4	1368.7	1479.5	1602.3		
VAT	523.5	415.2	616.7	584.5	605.3	675.6	677.8	662.6	717.8	783.5	849.7	922.1		
Excises on petroleum products	84.7	87.8	60.3	74.4	74.4	60.6	84.6	64.5	65.6	69.2	73.0	77.7		
Import duties	180.1	149.7	211.8	163.6	163.6	247.4	188.4	205.4	220.4	239.1	256.3	274.5		
Other indirect taxes	235.2	198.0	259.4	283.4	269.4	285.9	324.1	314.0	339.1	366.4	396.7	431.4		
Tax refund	-89.2	-64.7	-72.4	-72.4	-72.4	-77.6	-77.6	-77.6	-83.4	-89.6	-96.2	-103.4		
Nontax revenue	126.4	55.8	153.2	153.2	103.2	93.3	93.3	143.3	157.3	172.6	189.5	208.6		
Special funds and annexed budgets	165.5	177.3	396.8	396.8	396.8	396.8	132.2	396.8	426.4	458.0	492.0	528.5		
Grants	144.1	117.1	234.0	234.0	240.5	234.9	221.0	266.9	236.3	255.1	279.6	290.2		
Projects grants	81.4	68.4	146.8	146.8	146.8	155.6	155.6	155.6	120.3	130.9	147.8	149.0		
Budgetary support	62.7	48.7	87.1	87.1	93.7	79.3	65.4	111.3	116.0	124.1	131.7	141.2		
Of which: General	48.6	42.5	76.4	76.4	83.0	70.5	56.6	102.5	106.9	114.0	121.7	130.8		
Of which: Sectoral	14.2	6.1	10.7	10.7	10.7	8.8	8.8	8.8	9.1	10.2	10.0	10.5		
<b>Total expenditure and net lending<sup>2</sup></b>	2045.0	1925.5	2571.3	2571.3	2531.4	2776.1	2501.6	2883.1	3041.4	3271.6	3549.7	3840.4		
Budgetary expenditure	1889.5	1755.2	2184.1	2184.1	2144.2	2385.3	2379.0	2492.3	2615.0	2813.5	3057.7	3311.9		
Current expenditure	1105.0	1140.5	1358.3	1358.3	1318.3	1433.8	1430.1	1478.9	1585.6	1710.8	1842.7	1984.6		
Wages and salaries	432.6	471.1	595.6	595.6	575.6	636.3	633.8	636.3	683.8	734.5	789.0	847.5		
Goods and services	297.6	272.4	319.8	319.8	299.9	361.0	358.3	361.1	388.1	416.8	447.7	480.9		
Transfers and subsidies	300.5	313.0	341.8	341.8	341.8	316.1	317.8	361.1	388.1	416.8	447.7	480.9		
Interest	74.4	84.0	101.1	101.1	101.1	120.4	120.2	120.4	125.7	142.7	158.3	175.3		
Capital expenditure	784.5	614.7	825.8	825.8	825.8	951.5	948.9	1013.3	1029.4	1102.7	1215.0	1327.3		
Externally financed	253.1	146.7	246.8	246.8	246.8	358.8	358.8	358.8	338.4	365.5	398.9	418.4		
Domestically financed	531.4	468.0	579.0	579.0	579.0	592.7	590.1	654.5	691.1	737.2	816.1	908.9		
Special funds and annexed budgets	165.5	177.3	396.8	396.8	396.8	396.8	132.2	396.8	426.4	458.0	492.0	528.5		
Net lending	-10.0	-6.9	-9.6	-9.6	-9.6	-6.0	-9.6	-6.0	0.0	0.0	0.0	0.0		
Overall fiscal balance (excl. grants)	-399.4	-566.7	-491.5	-541.0	-537.0	-563.0	-553.3	-649.0	-617.6	-633.1	-685.7	-726.4		
Overall fiscal balance (incl. grants)	-255.3	-449.6	-257.5	-307.0	-296.5	-328.1	-332.3	-382.1	-381.3	-378.1	-406.1	-436.2		
Adjustment to cash basis	22.9	81.4	-70.8	-70.8	-71.0	-7.0	-17.0	-14.0	9.7	10.4	11.1	12.0		
Overall balance (cash basis, incl. grants)	-232.4	-368.2	-328.3	-377.8	-367.5	-335.1	-349.3	-396.1	-371.6	-367.7	-395.0	-424.3		
<b>Financing</b>	232.4	368.2	328.3	377.8	367.5	335.1	349.3	396.1	371.6	367.7	395.0	424.3		
External financing (net)	154.9	44.0	254.4	254.4	283.1	109.9	109.9	134.7	168.8	173.6	175.5	183.3		
Loans	206.3	97.3	335.1	335.1	363.8	223.1	223.1	247.9	258.9	274.4	291.0	308.9		
Project loans	156.5	74.0	89.3	89.3	89.3	194.4	194.4	194.4	208.9	224.4	241.0	258.9		
Budgetary loans	49.8	23.3	245.8	245.8	274.5	28.7	28.7	53.5	50.0	50.0	50.0	50.0		
Amortization	-69.6	-72.3	-98.5	-98.5	-98.5	-122.2	-122.2	-122.2	-99.1	-100.8	-115.6	-125.7		
Debt relief	18.2	19.0	17.8	17.8	17.8	9.0	9.0	9.0	9.0	0.0	0.0	0.0		
Variation of External Arrears (Principal)	0.0	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)	77.6	324.2	73.9	123.5	84.3	225.2	239.4	261.4	202.8	194.1	219.5	241.0		
Banking system	161.2	184.1	41.8	86.9	140.2	209.8	259.4	136.8	179.2	168.2	189.8	208.6		
Central bank	57.0	41.5	5.0	5.0	-24.8	12.5	19.8	70.0	19.7	18.4	-21.5	-28.9		
Of which: IMF (net)	9.7	58.2	5.0	5.0	-13.5	19.8	19.8	20.0	19.7	18.4	-21.5	-28.9		
Commercial banks	29.1	211.2	36.8	81.9	171.8	197.3	239.6	66.8	159.4	149.8	211.3	237.5		
Adjustment <sup>3</sup>	-60.0	68.7	0.0	0.0	6.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Privatization receipts	-10.2	-8.4	30.0	30.0	-20.0	-20.0	-20.0	30.0	0.0	0.0	0.0	0.0		
Other financing	-73.5	148.6	2.1	6.6	-35.9	35.3	0.0	94.6	23.6	25.9	29.7	32.4		
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
<b>Memorandum items:</b>														
Nominal GDP	8922	9482	10214	10199	10214	10917	10905	10917	11732	12602	13537	14541		
Priority social spending	444	351	506	506	506	...	...	575	600	644	692	744		

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

<sup>1</sup> IMF Country Report No. 19/289, Mali: Request for Three-Year Arrangement Under the Extended Credit Facility

<sup>2</sup> Commitment basis

<sup>3</sup> Adjustment to account for the difference between the definitions of the government in the fiscal table and the monetary situation.

**Table 6b. Mali: Consolidated Fiscal Transactions of the Government, 2017–24**  
(Percent of GDP)

	2017	2018	2019		2020		2021	2022	2023	2024		
	Estimates	Estimates	Proposed Suppl. Budget	Prog. <sup>1</sup>	Rev. Prog.	Proposed Budget Law	Prog. <sup>1</sup>	Rev. Prog.	Projections			
<b>Revenue and grants</b>	20.1	15.6	22.7	22.2	21.9	22.4	19.9	22.9	22.7	23.0	23.2	23.4
Total revenue	18.4	14.3	20.4	19.9	19.5	20.3	17.9	20.5	20.7	20.9	21.2	21.4
Budgetary revenue	16.6	12.5	16.5	16.0	15.6	16.6	16.7	16.8	17.0	17.3	17.5	17.8
Tax revenue	15.2	11.9	15.0	14.5	14.6	15.8	15.8	15.5	15.7	15.9	16.1	16.3
Direct taxes	4.7	3.6	4.4	4.4	4.4	4.9	4.8	4.8	4.9	5.1	5.2	5.3
Indirect taxes	10.5	8.3	10.5	10.1	10.2	10.9	11.0	10.7	10.7	10.9	10.9	11.0
VAT	5.9	4.4	6.0	5.7	5.9	6.2	6.2	6.1	6.1	6.2	6.3	6.3
Excises on petroleum products	0.9	0.9	0.6	0.7	0.7	0.6	0.8	0.6	0.6	0.5	0.5	0.5
Import duties	2.0	1.6	2.1	1.6	1.6	2.3	1.7	1.9	1.9	1.9	1.9	1.9
Other indirect taxes	2.6	2.1	2.5	2.8	2.6	2.6	3.0	2.9	2.9	2.9	2.9	3.0
Tax refund	-1.0	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
Nontax revenue	1.4	0.6	1.5	1.5	1.0	0.9	0.9	1.3	1.3	1.4	1.4	1.4
Special funds and annexed budgets	1.9	1.9	3.9	3.9	3.9	3.6	1.2	3.6	3.6	3.6	3.6	3.6
Grants	1.6	1.2	2.3	2.3	2.4	2.2	2.0	2.4	2.0	2.0	2.1	2.0
Projects grants	0.9	0.7	1.4	1.4	1.4	1.4	1.4	1.4	1.0	1.0	1.1	1.0
Budgetary support	0.7	0.5	0.9	0.9	0.9	0.7	0.6	1.0	1.0	1.0	1.0	1.0
Of which: General	0.5	0.4	0.7	0.7	0.8	0.6	0.5	0.9	0.9	0.9	0.9	0.9
Of which: Sectoral	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
<b>Total expenditure and net lending<sup>2</sup></b>	22.9	20.3	25.2	25.2	24.8	25.4	22.9	26.4	25.9	26.0	26.2	26.4
Budgetary expenditure	21.2	18.5	21.4	21.4	21.0	21.8	21.8	22.8	22.3	22.3	22.6	22.8
Current expenditure	12.4	12.0	13.3	13.3	12.9	13.1	13.1	13.5	13.5	13.6	13.6	13.6
Wages and salaries	4.8	5.0	5.8	5.8	5.6	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Goods and services	3.3	2.9	3.1	3.1	2.9	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Transfers and subsidies	3.4	3.3	3.3	3.4	3.3	2.9	2.9	3.3	3.3	3.3	3.3	3.3
Interest	0.8	0.9	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.2	1.2
Capital expenditure	8.8	6.5	8.1	8.1	8.1	8.7	8.7	9.3	8.8	8.7	9.0	9.1
Externally financed	2.8	1.5	2.4	2.4	2.4	3.3	3.3	3.3	2.9	2.9	2.9	2.9
Domestically financed	6.0	4.9	5.7	5.7	5.7	5.4	5.4	6.0	5.9	5.8	6.0	6.3
Special funds and annexed budgets	1.9	1.9	3.9	3.9	3.9	3.6	1.2	3.6	3.6	3.6	3.6	3.6
Net lending	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0
Overall fiscal balance (excl. grants)	-4.5	-6.0	-4.8	-5.3	-5.3	-5.2	-5.1	-5.9	-5.3	-5.0	-5.1	-5.0
Overall fiscal balance (incl. grants)	-2.9	-4.7	-2.5	-3.0	-2.9	-3.0	-3.0	-3.5	-3.3	-3.0	-3.0	-3.0
Adjustment to cash basis	0.3	0.9	-0.7	-0.7	-0.7	-0.1	-0.2	-0.1	0.1	0.1	0.1	0.1
Overall balance (cash basis, incl. grants)	-2.6	-3.9	-3.2	-3.7	-3.6	-3.1	-3.2	-3.6	-3.2	-2.9	-2.9	-2.9
<b>Financing</b>	2.6	3.9	3.2	3.7	3.6	3.1	3.2	3.6	3.2	2.9	2.9	2.9
External financing (net)	1.7	0.5	2.5	2.5	2.8	1.0	1.0	1.2	1.4	1.4	1.3	1.3
Loans	2.3	1.0	3.3	3.3	3.6	2.0	2.0	2.3	2.2	2.2	2.2	2.1
Project loans	1.8	0.8	0.9	0.9	0.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Budgetary loans	0.6	0.2	2.4	2.4	2.7	0.3	0.3	0.5	0.4	0.4	0.4	0.3
Amortization	-0.8	-0.8	-1.0	-1.0	-1.0	-1.1	-1.1	-1.1	-0.8	-0.8	-0.9	-0.9
Debt relief	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Variation of External Arrears (Principal)	0.0	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)	0.9	3.4	0.7	1.2	0.8	2.1	2.2	2.4	1.7	1.5	1.6	1.7
Banking system	1.8	1.9	0.4	0.9	1.4	1.9	2.4	1.3	1.5	1.3	1.4	1.4
Central bank	0.6	0.4	0.0	0.0	-0.2	0.1	0.2	0.6	0.2	0.1	-0.2	-0.2
Of which: IMF (net)	0.1	0.6	0.0	0.0	-0.1	0.2	0.2	0.2	0.2	0.1	-0.2	-0.2
Commercial banks	0.3	2.2	0.4	0.8	1.7	1.8	2.2	0.6	1.4	1.2	1.6	1.6
Adjustment <sup>3</sup>	-0.7	0.7	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts	-0.1	-0.1	0.3	0.3	-0.2	-0.2	-0.2	0.3	0.0	0.0	0.0	0.0
Other financing	-0.8	1.6	0.0	0.1	-0.4	0.3	0.0	0.9	0.2	0.2	0.2	0.2
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Memorandum items:</b>												
Nominal GDP (CFAF billions)	8922	9482	10214	10199	10214	10917	10905	10917	11732	12602	13537	14541
Priority social spending (CFAF billions)	443.9	351.0	506.0	506.0	505.8	...	...	575.0	600.0	644.5	692.3	743.6

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

<sup>1</sup> IMF Country Report No. 19/289, Mali: Request for Three-Year Arrangement Under the Extended Credit Facility

<sup>2</sup> Commitment basis

<sup>3</sup> Adjustment to account for the difference between the definitions of the government in the fiscal table and the monetary situation.



**Table 6c. Mali: Central Government Consolidated Financial Operations, 2019–20**  
(Billions of CFAF)

	2019		2020	
	Sep.	Dec.	Jun.	Dec.
	Est.	Rev. Prog.	Rev. Prog.	
<b>Revenue and grants</b>	1495.8	2234.9	1083.9	2501.0
Total revenue	1419.9	1994.3	1030.5	2234.0
Budgetary revenue	1125.4	1597.5	832.1	1837.2
Tax revenue	1063.3	1494.3	774.8	1693.9
Direct taxes	350.2	454.0	315.0	525.0
Indirect taxes	713.1	1040.3	459.8	1168.9
VAT	371.2	605.3	265.0	662.6
Excises on petroleum products	39.6	74.4	25.8	64.5
Import duties	142.9	163.6	82.2	205.4
Other indirect taxes	220.5	269.4	125.6	314.0
Tax refund	-61.1	-72.4	-38.8	-77.6
Nontax revenue	54.9	88.8	50.0	124.9
Capital revenue	7.2	14.4	7.4	18.4
Special funds and annexed budgets	294.5	396.8	198.4	396.8
Grants	75.9	240.5	53.4	266.9
Projects grants	58.7	146.8	31.1	155.6
Budgetary support	17.2	93.7	22.3	111.3
<b>Total expenditure and net lending (commitment basis)</b>	1507.4	2531.4	1204.9	2883.1
Budgetary expenditure	1216.9	2144.2	1008.9	2492.3
Current expenditure	920.2	1318.3	603.6	1478.9
Wages and salaries	359.7	575.6	254.5	636.3
Goods and services	206.8	299.9	144.4	361.1
Transfers and subsidies	272.0	341.8	144.4	361.1
Interest	81.7	101.1	60.2	120.4
Capital expenditure	296.7	825.8	405.3	1013.3
Externally financed	97.1	246.8	143.5	358.8
Domestically financed	199.6	579.0	261.8	654.5
Special funds and annexed budgets	294.5	396.8	198.4	396.8
Net lending	-4.0	-9.6	-2.4	-6.0
<b>Overall fiscal balance (commitment basis, incl. grants)</b>	-11.7	-296.5	-152.1	-382.1
Arrears	-36.9	0.0	0.0	0.0
Adjustment to cash basis	-35.1	-71.0	-5.6	-14.0
Overall balance (cash basis, incl. grants)	-83.7	-367.5	-157.7	-396.1
<b>Financing</b>	83.7	367.5	157.7	396.1
External financing (net)	31.5	283.1	17.8	134.7
Loans	84.8	363.8	74.4	247.9
Project loans	35.7	89.3	58.3	194.4
Budgetary loans	49.1	274.5	16.1	53.5
Amortization	-67.8	-98.5	-61.1	-122.2
Debt relief	14.6	17.8	4.5	9.0
Variation of External Arrears (Principal)	0.0	0.0	0.0	0.0
Domestic financing (net)	52.2	84.3	139.9	261.4
Banking system	-21.7	140.2	77.6	136.8
Central bank	-66.7	-24.8	35.0	70.0
Commercial banks	84.9	171.8	42.6	66.8
Adjustment <sup>1</sup>	39.9	6.8	0.0	0.0
Privatization receipts	-8.2	-20.0	15.0	30.0
Other domestic financing	82.2	-35.9	47.3	94.6
Financing gap	0.0	0.0	0.0	0.0

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

<sup>1</sup> Adjustment to account for the difference between the definitions of the government in the fiscal table and the monetary situation.

**Table 7. Mali: External Financing Requirements, 2018–23**  
(Billions of CFAF)

	2018	2019	2020	2021	2022	2023
	Est.		Projections			
<b>Financing need</b>	<b>643</b>	<b>1026</b>	<b>888</b>	<b>901</b>	<b>972</b>	<b>1049</b>
Current account balance (excl. official transfers)	879	958	930	994	1104	1192
Private capital and financial flows	-309	-30	-164	-192	-232	-258
Amortization of public loans (excl. IMF)	72	99	122	99	101	116
<b>Financing</b>	<b>619</b>	<b>895</b>	<b>856</b>	<b>869</b>	<b>940</b>	<b>1049</b>
Official loans	97	364	248	259	274	291
Project loans	74	89	194	209	224	241
Budgetary loans	23	275	54	50	50	50
Official transfers	508	644	602	571	585	607
Project grants	75	158	156	120	131	148
Budget grants	43	94	111	116	124	132
Other <sup>1</sup>	391	392	335	334	330	327
Portfolio investment public, net	119	41	44	48	51	55
NFA central bank (excl. IMF)	-124	-172	-47	-17	29	97
HIPC Initiative assistance	19	18	9	9	0	0
IMF transactions	65	5	20	20	18	-21
<b>Residual Gap</b>	<b>23</b>	<b>0</b>	<b>32</b>	<b>32</b>	<b>32</b>	<b>0</b>
IMF ECF-Financing based on prospective drawing		0	32	32	32	0

Sources: Malian authorities; IMF staff estimates and projections

<sup>1</sup> Financing by the international community for imports of security services in relation to the foreign military intervention in the country and debt forgiveness.

**Table 8. Mali: Schedule of Disbursements Under Three-year ECF Arrangement, 2019–22**

<b>Amount</b>	<b>In percent of quota<sup>1</sup></b>	<b>Availability date</b>	<b>Conditions for disbursement<sup>2</sup></b>
SDR 20 million	10.7	August 28, 2019	Executive Board Approval of a new arrangement under the Extended Credit Facility.
SDR 20 million	10.7	December 15, 2019	Observance of continuous and end-September 2019 performance criteria, and completion of the first review under the arrangement.
SDR 20 million	10.7	June 15, 2020	Observance of continuous and end-December 2019 performance criteria, and completion of the second review under the arrangement.
SDR 20 million	10.7	December 15, 2020	Observance of continuous and end-June 2020 performance criteria, and completion of the third review under the arrangement.
SDR 20 million	10.7	June 15, 2021	Observance of continuous and end-December 2020 performance criteria, and completion of the fourth review under the arrangement.
SDR 20 million	10.7	December 15, 2021	Observance of continuous and end-June 2021 performance criteria, and completion of the fifth review under the arrangement.
SDR 19.95 million	10.7	June 15, 2022	Observance of continuous and end-December 2021 performance criteria, and completion of the sixth review under the arrangement.
SDR 139.95 million	75.0	Total amount of the arrangement	

Sources: IMF staff estimates and projections.

<sup>1</sup> Using the new quota under the 14th General Review of Quotas (SDR 186.6 million)

<sup>2</sup> In addition to the generally applicable conditions under the Extended Credit Facility.

**Table 9. Mali: Indicators of Capacity to Repay the Fund,  
2019–33**

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Fund obligations based on existing credit</b>															
Principal	4.3	15.2	15.4	17.0	26.9	36.1	38.1	35.0	29.3	16.7	4.0	0.0	0.0	0.0	0.0
Charges and interest	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	0.0	0.0
<b>Fund obligations based on existing and prospective credit 2/</b>															
Principal	4.3	15.2	15.4	17.0	26.9	36.1	44.1	49.0	51.3	40.7	28.0	18.0	10.0	2.0	0.0
Charges and interest	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	0.0	0.0
<b>Total obligations based on existing and prospective credit</b>															
In millions of SDRs	4.3	15.2	15.4	17.0	26.9	36.1	44.1	49.0	51.3	40.7	28.0	18.0	10.0	2.0	0.0
In billions of CFA francs	3.5	12.3	12.4	13.6	33.6	45.2	55.2	61.3	64.2	50.8	35.0	22.5	12.5	2.5	0.0
In percent of government revenue	0.2	0.5	0.5	0.5	1.2	1.4	1.6	1.6	1.6	1.2	0.7	0.4	0.2	0.0	0.0
In percent of exports of goods and services	0.1	0.5	0.5	0.5	1.2	1.6	1.8	2.0	2.0	1.5	1.0	0.6	0.3	0.1	0.0
In percent of debt service	1.7	5.1	5.5	5.6	12.3	15.0	17.2	17.8	17.3	12.8	8.2	4.9	2.5	0.5	0.0
In percent of GDP	0.0	0.1	0.1	0.1	0.2	0.3	0.4	0.4	0.4	0.3	0.2	0.1	0.1	0.0	0.0
In percent of quota	2.3	8.1	8.3	9.1	14.4	19.4	23.6	26.3	27.5	21.8	15.0	9.6	5.4	1.1	0.0
<b>Outstanding Fund credit 1/</b>															
In millions of SDRs	253.7	278.5	303.1	306.1	279.2	243.1	199.0	149.9	98.6	58.0	30.0	12.0	2.0	0.0	0.0
In billions of CFA francs	204.8	224.6	243.3	245.0	223.2	194.3	159.1	119.9	78.9	46.3	24.0	9.6	1.6	0.0	0.0
In percent of government revenue	10.3	10.1	10.0	9.3	7.8	6.2	4.6	3.2	2.0	1.1	0.5	0.2	0.0	0.0	0.0
In percent of exports of goods and services	8.5	8.6	9.0	8.9	7.9	6.7	5.3	3.9	2.4	1.4	0.7	0.3	0.0	0.0	0.0
In percent of debt service	102.6	92.6	108.3	100.6	81.5	64.6	49.5	34.8	21.3	11.6	5.6	2.1	0.3	0.0	0.0
In percent of GDP	2.0	2.1	2.1	1.9	1.6	1.3	1.0	0.7	0.4	0.2	0.1	0.0	0.0	0.0	0.0
In percent of quota 3/	136.0	149.2	162.4	164.0	149.6	130.3	106.6	80.3	52.9	31.1	16.1	6.4	1.1	0.0	0.0
<b>Disbursements and Repurchases</b>															
Disbursements	26.2	24.8	24.6	3.0	-26.9	-36.1	-44.1	-49.0	-51.3	-40.7	-28.0	-18.0	-10.0	-2.0	0.0
Repayments and Repurchases	40.0	40.0	40.0	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	13.8	15.2	15.4	17.0	26.9	36.1	44.1	49.0	51.3	40.7	28.0	18.0	10.0	2.0	0.0
<i>Memorandum items:</i>															
Nominal GDP	10,214.1	10,917.3	11,732.3	12,602.3	13,536.8	14,540.6	15,618.9	16,777.0	18,021.1	19,357.5	20,792.9	22,334.8	23,991.0	25,770.0	27,680.9
Exports of goods and services	2,411.8	2,617.4	2,695.0	2,764.6	2,825.3	2,897.7	3,009.3	3,106.5	3,222.8	3,346.4	3,477.3	3,617.0	3,766.1	3,925.7	4,096.9
Government revenue	1,994.3	2,234.0	2,423.8	2,638.4	2,877.5	3,154.9	3,432.3	3,726.1	4,025.1	4,344.1	4,690.1	5,065.2	5,472.2	5,913.7	6,392.9
Debt service	199.6	242.6	224.7	243.5	273.8	300.9	321.1	344.9	370.5	398.0	427.5	459.2	493.2	529.8	569.1
Quota (SDR millions)	186.6	186.6	186.6	186.6	186.6	186.6	186.6	186.6	186.6	186.6	186.6	186.6	186.6	186.6	186.6

Sources: IMF staff estimates and projections.

1 Total debt service includes IMF repurchases and repayments.

2 Includes future disbursements proposed in Table 6.

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

## Appendix I. Letter of Intent

Bamako, December 20, 2019

Ms. Kristalina Georgieva,  
Managing Director,  
International Monetary Fund, (IMF)  
Washington, D.C., 20431

Dear Ms. Georgieva:

My government greatly appreciates the consistent support that the IMF has provided to Mali in terms of policy advice, technical assistance, and financing over a prolonged period. This support has been essential to enable us to maintain a record of strong economic performance in very challenging circumstances.

As you know, Mali has faced an unprecedented security crisis in recent years. In response, the government has been forced to allocate steadily increasing budget resources to military and security spending at the expense, unfortunately, of social and development spending.

Since the approval of the ECF arrangement in August 2019, the security situation has taken a decisive turn for the worse. Terrorist attacks on our military bases along the border with Burkina Faso and Niger have become a weekly occurrence with significant loss of life. We will, therefore, again be forced to devote significant resources to security spending in the face of steadily expanding jihadist terrorist activity.

We have made important progress in restoring revenue collections in 2019 with the extensive assistance of IMF technical experts. The performance of tax administration has been particularly impressive while customs has lagged somewhat, partly on account of difficulties in collecting taxes on petroleum products. Our latest tax revenue projections for 2020, agreed with IMF staff as the basis for the program next year, suggest that collections will be about 0.3 percent of GDP lower than in the proposed 2020 budget. However, this shortfall will be more than offset by the revenue from the issuance of the fourth telecommunications license 0.5 percent of GDP.

In these circumstances of higher security spending needs and our strong commitment to address urgent social and development needs, we are requesting a relaxation of the ceiling on the overall fiscal deficit in the program for 2020 from 3 percent of GDP to 3.5 percent so as to be able to increase overall spending for 2020 including on our efforts to enhance development spending and reinforce the presence of the State in the Center and North of the country, where fragility stemming from the lack of security is pronounced. We have engaged extensively with

our WAEMU peers and the WAEMU Commission to request the adjustment of the WAEMU convergence criterion.

As to performance under the program thus far, all but one of the quantitative performance criteria (QPC) for end-September 2019 were met. The zero-ceiling on the non-accumulation of domestic arrears was breached by CFAF 36.9 billion (0.4 percent of GDP) in the third quarter owing to a very tight liquidity situation resulting from a very high float carried over from 2018 and the delayed release of external budget support loans. We recognize that clearing these arrears is a prior action for the completion of the first review under the Extended Credit Facility (ECF) arrangement. We are also taking measures to ensure that domestic arrears are not incurred again, including strengthening liquidity forecasting and cash management. The indicative target (IT) for priority social spending was missed by a small margin. Four of seven structural benchmarks (SB) for 2019 have been met in a timely fashion.

The Government continues to pursue efforts to strengthen the country's electricity company, *Energie du Mali (EDM)*, as part of our efforts to strengthen the business environment in support of private sector development. We are working closely with the World Bank and the IMF on these reforms. The Government is also acting to reduce the country's gender gap, including the women's empowerment program for shea butter production.

The Government is acutely aware of the need to further improve governance and battle corruption. Measures to improve revenue performance and the transparency and efficiency of spending operations are a part of our efforts to this end. We are also taking action to enhance the implementation of the United Nations Convention Against Corruption, as well as to strengthen the substance and implementation of the law on the prevention of illicit enrichment. We are looking forward to the IMF's governance assessment scheduled for early 2020 and the recommendations arising from it.

In view of Mali's track record of satisfactory performance under IMF-supported programs and the corrective actions that have been taken, we request a waiver for the non-observance of the QPC for domestic arrears and modification of QPCs for end-June 2020. Moreover, we request the completion of the first review under the ECF arrangement and the second disbursement thereunder in the amount of SDR 20 million (10.7 percent of quota).

The attached Memorandum of Economic and Financial Policies (MEFP) presents the policies that the Government intends to carry out in the remainder of 2019 and in 2020. The program aims to preserve macroeconomic stability, including debt sustainability, and consolidate the foundations for accelerated, sustainable, and inclusive growth and job creation, consistent with our development strategy, *Cadre Stratégique pour la Relance Économique et le Développement Durable 2019–23 (CREDD)*.

The Government believes that the measures presented in the MEFP will serve to achieve the economic and social objectives of its program. Nevertheless, we remain committed to taking any further measures that may prove necessary to this end. The Government will consult with the

IMF prior to the adoption of any such measures, and in advance of revisions to the policies contained in the MEFP, in accordance with applicable IMF policies.

The Government will also communicate to the IMF any information concerning implementation of the agreed measures and program execution, as specified in the attached Technical Memorandum of Understanding (TMU), or as the IMF may request.

As in the past, the Government authorizes the IMF to publish this letter, the attachments hereto, and the related IMF staff report upon approval by the IMF Executive Board.

Sincerely,

/s/

Dr. Boubou Cissé  
Prime Minister, Head of Government,  
Minister of Economy and Finance

Attachments: Memorandum of Economic and Financial Policies  
Technical Memorandum of Understanding

## Attachment I. Memorandum of Economic and Financial Policies

**1. The principal aim of the program supported by the Extended Credit Facility (ECF) is to preserve macroeconomic stability** through a credible fiscal policy and to strengthen the foundations for sustained and inclusive growth in line with the objectives outlined in the Strategic Framework for Economic Recovery and Sustainable Development (CREDD) for 2019-2023. In order to achieve this, the government is planning to: (i) improve the effectiveness of tax and customs administration; (ii) contain the overall budget deficit, while protecting priority expenditures and improving the efficiency and execution of public spending; (iii) pursue a sustainable debt policy; (iv) strengthen the financial position of the Malian energy company (EDM-SA); (v) improve the business climate and economic diversification; and (vi) promote good governance.

### A. Economic Outlook for 2019 and 2020

**2. For 2019, real GDP is projected to grow at 5.1 percent and inflation should decrease to turn slightly negative.** The higher projected growth in GDP is driven by the recovery of the tertiary sector (projected at 5.3 percent in 2019 compared to 4.8 percent in 2018) and the construction sector (projected at 5.5 percent in 2019 compared to 0.2 percent in 2018), which indicates a return to the previous growth trajectory. Inflation should be slightly negative due to significant food price deflation. Budget execution is expected to be marked by higher tax revenue mobilization (14.6 percent of GDP expected in 2019 compared to 11.9 percent in 2018). The strengthening and implementation of operational measures, as well as efforts under way within the tax administration and customs, should allow for a full recovery of tax and customs revenues by 2021. The overall fiscal balance is projected at 2.9 percent of GDP (commitment basis) in 2019. The overall balance of payments is expected to remain positive as a result of strong growth in exports and capital and financial accounts. The increase in budget support from the World Bank (\$250 million) and the Abu Dhabi Fund for Development (\$250 million) in 2019 will support the budget execution and should provide opportunities for the restructuring of the short-term commercial bank debt of EDM-SA, thus facilitating a comprehensive reform of the energy sector.

**3. In 2020, real GDP growth is projected at 5 percent and inflation is expected to remain very low.** Budget execution should be marked by an increase in tax revenue (15.5 percent of GDP) through the implementation of structural reforms in the General Directorate of Taxation (DGI) and the General Directorate of Customs (DGD). The overall budget balance is forecast at 3.5% of GDP (commitment basis). The overall balance of payments should remain slightly positive driven by a strong increase in gold exports.

### B. Program Performance

**4. All the performance criteria were met at end-September 2019, with one exception** (Table 1). The ceiling on domestic arrears was exceeded by CFAF 36.9 billion. The indicative



target on priority social spending was missed by CFAF 14 billion.

**5. Four of seven structural benchmarks for 2019 have been met (Table 2).** These are structural benchmarks on the reduction of the number of transit documents that have not been validated and/or recorded in the DGD's Automated System for Customs Data (ASYCUDA) (the reduction rate is estimated at 62.5%), finalization of the specifications for the implementation of online payment of taxes and duties, finalization of the performance contract between the government and EDM-SA, and finalization and operationalization of the formal framework for collaboration and information-sharing among the DGI, the DGD, the Treasury, the General Directorate of the Budget (DGB), the General Directorate for Public Procurement and Public Service Delegation (DGMP-DSP), the General Directorate for Trade, Consumer Affairs, and Competition (DGCC), the National Social Security Institute (INPS), and the Support Unit for the Computerization of Tax and Financial Services (CAISFF). The other three structural benchmarks for 2019 are expected to be met within the timeframe initially established.

## C. More Effective Tax and Customs Policies and Administration

### Administrative Measures

**6. One of the government's top priorities is to address the underperformance of the tax and customs administrations.** The sharp decline in revenues in 2018 highlighted weaknesses and bottlenecks in the collection of direct and indirect taxes. Corrective measures are being implemented based on the IMF technical assistance recommendations and internal audits of Ministry of Economy and Finance departments.

### *General Directorate of Taxation (DGI)*

**7. The government is committed to the implementation of the following major reforms:**

- **Immediate audits** in response to the 2018 revenue shortfall. The government will be performing extended audits of all of the businesses that have signed up for flat-rate tax declarations, in particular with regard to the handling of wages (taxes on wages and salaries, or ITS). It also intends to establish extended auditing of all businesses operating at a loss or those that have declared lower corporate taxes in spite of an increase in their turnover. As of November 23, 2019, staff identified 574 taxpayers based on targeted inspections; 316 of these taxpayers received notifications totaling CFAF 1.8 billion, CFAF 586 million of which was confirmed following responses to the notifications received and processed.
- **Improved monitoring.** Going forward, the government plans to strengthen the monitoring of tax declarations with regard to the handling of wages (ITS) and VAT and to perform targeted audits of businesses affected by identified risks. Particular attention will also be paid to cross-checking wages and social contributions information from the INPS, the continued use of flat-rate tax declarations despite adjustments made following previous audits, the

maintenance of management indicators, the recovery of failing businesses, monitoring of VAT deductions according to Annex 1.1 (including efforts to strengthen legislation), close monitoring of installment payments of corporate taxes and the tax on business profits (IBIC) by all entities, and close monitoring of the use of cross-checked information from the DGD, the Directorate General of Public Procurement and Delegation of Public Services (DGMP), the Malian Fund for Social Security (CMSS), and the INPS.

- **Improved audits.** Tax declarations with a credit or zero balance, flat-rate declarations for ITS and payroll taxes, and personnel placement firms will be subject to spot and targeted audits. The government is committed to increasing the proportion of spot audits for VAT and ITS. It will also ensure that the officials performing the audits follow the spot audit procedure (Article 562 of the Tax Procedure Handbook of the General Tax Code) that is best suited to the handling of frequent cases of failure to comply with tax discipline. For cases involving regressive tax declarations, a thorough audit of the accounting will be performed, in particular where mining companies and industrial entities are concerned. The ratio of spot audits in the execution of the tax audit program is 53 percent (the number of taxpayers scheduled for tax audits is 1,814, of whom 574 are subject to spot audits and 1,241 to document-based audits (CSP) and general audits of accounting (VGC)). The tax audit performance target calls for 598 taxpayers, of whom 316 are subject to spot audits and 282 to CSP and VGC. For 2020, the ratio of spot audits is expected to be at least 50 percent of the tax audit program.
- **Collection and settlement of tax arrears.** The government plans to establish a central structure for the management of collection actions consisting of a special unit responsible for the collection of tax arrears from distressed taxpayers. This will also include the implementation of rigorous collection methods with the support of enforcement agents, in particular seizure sale, seizure of property by customs, the establishment of various timetables for payment guarantees, and the creation of tracking units within all revenue structures. The establishment of the central structure for the management of collection actions is expected by December 31, 2019. The government also intends to provide for the widespread use of the collection module available as part of the Standard Integrated Government Tax Administration System (SIGTAS) software by end-2019 with the aim of improving the monitoring of outstanding balances. The government will establish and operationalize a commission to implement the procedure for writing off irrecoverable claims by end-December 2020.
- **Information systems and data quality.** The government will continue to streamline and upgrade the taxpayer database by deactivating inactive or dormant Tax Identification Numbers (TINs) and tax accounts, and by making the SIGTAS system the only reference source for the tax population accessible by all of the departments under the Ministry of Economy and Finance. The government also plans to promote the regular use of the verification, in dispute, and tracking of exemptions modules in SIGTAS. The acquisition of the software dedicated to the production of performance indicators is expected by end-June 2020.

- Remote electronic procedures.** The government is committed to providing for the widespread use of electronic procedures (online filing and online payments) for all businesses subject to the VAT. While online filing is already available to taxpayers, specifications for the operational implementation of online payments were approved in October 2019. The government is committed to modifying the provisions of the Tax Procedure Handbook to make the use of online services mandatory for companies subject to the VAT (April 2020 session of the National Assembly). The implementation of the new provisions will start with the taxpayers managed by the Directorate for Large Businesses (DGE) in 2020 and those managed by tax centers for medium-sized businesses (CIME) from January 2021.
- Strengthening of tax discipline.** The government plans to step up its efforts to finalize the new plan to strengthen tax discipline, with implementation scheduled by end-2019. This plan will be supported by indicators drawn automatically from SIGTAS (the indicator tables were produced for the months of June to September 2019) and it will be focused on strengthening the management of taxpayer records and management of the default rate related to tax obligations. The promotion of tax compliance will also be part of this plan (Box 1). It will include actions aimed at making significant improvements in the quality of taxpayer services, among other things.

<b>Box 1. Main measures to strengthen tax compliance</b>
Draft a protocol with the Ministry of Education to provide training to promote a culture of tax compliance and good citizenship (comics, posters, and meetings). This protocol is being drafted.
Produce flyers and a packet of short documents to inform all taxpayers who are registered and those who are being registered for the first time. The packet will be delivered to them at the same time as their TIN card.
Create a "New Business" menu online to indicate the procedures to be followed (Done).
Update the taxpayer satisfaction evaluation.
Publish tax collection results on the DGI website.
Make the various tax consultations anonymous and publish them online.
Complete the updated DGI list of active taxpayers (specifying taxpayers subject to the VAT and those covered by the synthetic tax system) and post them online.
Publish an online calendar indicating the deadlines for filing and payment of taxes and duties.

- Tax administration-customs cooperation.** The government finalized and operationalized, in July 2019, the formal and expanded framework for collaboration among the DGI, the DGD, the Treasury, the DGMP-DSP, the General Directorate of Trade, Consumption, and Competition (DGCCC), the DGB, the INPS, and the CAISFF, which will facilitate data sharing.

This makes it possible to streamline the use of TINs and to revitalize the actions of the joint tax-customs team through the quantitative and qualitative strengthening of staff and more decisive implementation of controls. A detailed report on the use of information and data collected within the context of this collaboration will be made available by November 30, 2019.

**8. The government intends to carry out reforms of the DGI that are necessary for its modernization and for the strengthening of its performance.** This effort will be focused on the following key areas:

- **Human resources management.** It is committed to adapting staff to the new organization of the DGI, streamlining and clarifying the individual and collective personnel objectives, and increasing the number of personnel through the recruitment and redeployment of administrative staff. Assignments to the DGE (15) and the Directorate for Medium-Sized Businesses DME (12) already took place in 2019. The 2019 training plan has been developed and approved. To date, the implementation of the training plan has trained 602 agents. The 2020 training plan is being prepared.
- **Improvement of the incentive system.** The government intends to develop the incentive system based on performance evaluations of structures and personnel according to quantitative and qualitative criteria, such as the quality of services provided to users, productivity, effectiveness, and efficiency. A study has been initiated and conclusions are expected by December 31, 2019.
- **Results-based management.** The government is also committed to promoting results-based management and to implementing participatory management based on delegation (hierarchical control) and the strengthening of internal control (quality control). Strategic and work plans have been developed and the internal control reports for the first and second quarters of 2019 have been approved.
- **Research activity.** The government intends to restructure the research unit with the aim of enhancing and evaluating the information collected. The manual cross-checking of company invoices requires the deployment of a large number of agents. This method must be abandoned and replaced with the automated use of supplier and customer electronic records in a format that allows for their integration into the database. For this purpose, the Tax Procedure Handbook will be amended accordingly (session of the National Assembly of April 2020).
- **Operationalization of new structures.** Tax centers for medium-sized businesses will be established in Bamako (two centers) by June 2020 and in Kati (one center) by 2021 within the context of the revision of the texts on the organization and methods of operation of the DGI and Regional and Subregional Directorates (draft texts to be submitted for the approval of the Council of Ministers) and the operationalization by end-2019 of the Joint Pre-Litigation Commission for Tax Conciliation (inter-ministerial meeting held on June 14, 2019).

**General Directorate of Customs (DGD)**

**9. The government is planning to strengthen the organizational and functional structure of customs, and also to rectify deficient procedures.** With this aim, it intends to implement an action plan, the principal measures of which are as follows:

- **New Customs Code.** The government has drafted and submitted to the National Assembly a Customs Code Act, which is expected to be adopted by June 30, 2020, to take into account international best practices, improve the efficiency of the administration, and modernize its procedures. It intends to implement all the regulations resulting from the new Customs Code (decrees, orders, instructions) by end-September 2020.
- **Organizational and functional structure.** The government intends to complete the review of decrees establishing the organization and functional procedures of the DGD (2012-146/P-RM) and defining the organic framework of the DGD (2012-148/P-RM), allowing for a reduction in the fragmentation and duplication of activities among departments and for the recruitment of personnel specialized in planning, information technology, and auditing. The adoption of new decrees is planned for end-2019 with operationalization expected in the first quarter of 2020.
- **Interconnection of the Interconnected System of Goods Management in Transit (SIGMAT).** Mali started the installation work in September 2019, in accordance with the Economic Community of West African States (ECOWAS) timetable, with the integration of the SIGMAT transit module into its ASYCUDA WORLD system. The interconnection with Senegal will be effective at end-March 2020, followed by Côte d'Ivoire and other countries (Benin, Burkina Faso, Guinea, Niger, and Togo).
- **Transaction value.** The government intends to deploy the necessary actions (structural, technical and IT) for a strictly rule-based application of the transaction value throughout the country as of March 31, 2020, through an action plan developed for this purpose. The operationalization of the *Value* module of ASYCUDA WORLD is scheduled for March 31, 2020.
- **Strengthening the monitoring of commitments** through a systematic cessation of the issuing of duties and fees at the end of the calendar month and cessation of collections after a period of five (5) business days from the cessation of issues.
- **Consolidation of the processing of direct collections** by restricting the use of the procedure to a number of goods exclusively listed in the regulation. Direct collections will be authorized only at the Airport Office from April 1, 2020. A new order will be issued to operationalize this. The blocking of operations of operators who have not cleared their D24 has been effective since November 11, 2019. A report on the monitoring of direct collections by product is compiled quarterly.

- **The automation of procedures for the control of suspensive regimes** is scheduled for December 31, 2019.
- **The electronic acceptance of air waybills (AWB)** in ASYCUDA WORLD is scheduled for December 31, 2019.
- **Strengthening of customs controls based on risk assessment.** The government has implemented a risk-based approach to customs control for cargo and exemption requests.
- **Automated risk management for all of the operational departments.** Work is currently underway to improve its reliability, particularly through the computerization of litigation. The staff of the Intelligence and Risk Analysis Division (DRAR) were strengthened in the second half of 2019 (five IT staff).
- **Strengthening the physical control of goods.** The implementation and use of scanners at certain strategic locations now allow agents to scan goods. Those declared suspect are subject to escort and mandatory physical checks.
- **Implementation of the provisions of the new Import Inspection Program (PVI)** by making the Technical Assessment Center (CET) operational before December 31, 2019, and by expanding the training activities already under way to include all of the DGD personnel, with an emphasis on the training of a critical mass of inspectors. Assignment of officers to the CET is expected by December 31.
- **Marking of exempt petroleum products.** The government intends to introduce the marking of exempt petroleum products. A detailed action plan for the implementation of this measure is planned for the second half of 2020 with a view to subsequent operationalization.
- **Price structure of petroleum products.** The government is committed to conducting a simulation of the changeover of valuation from weight to volume of petroleum products by December 31, 2019.
- **Continued deployment of base camps** to combat fraud, in particular smuggling. Four base camps have been operational since November 2019 for a period of four months. The four localities are Siensou, Diema, Bancoumana, and Kadiolo.
- **Common external tariff (CET).** The government is committed to justifying or remedying, if necessary, the discrepancies found from the analysis of the list of goods whose tariffs do not appear to correspond to the West African Economic and Monetary Union (WAEMU) CET by December 31, 2019.

## Fiscal Policy Measures

10. **The government intends to abolish the VAT withholding practice as soon as possible.** In order to do this, it will carry out transitional measures such as the launching of a

public information campaign aimed at taxpayers who are subject to the VAT, the mandatory use of remote electronic services by all taxpayers subject to the VAT to enable the automatic use of the VAT Annex 1.1 (a statement that describes the purchase transactions of a company indicating the names of the suppliers of goods and services, TINs, amounts exclusive of VAT, VAT amounts, transaction amounts with all duties included).

**11. The government is committed to improving fuel tax revenues** by implementing a more systematic application of the automatic mechanism for setting fuel prices at the pump within the margin of 3 percent. In the event of particularly steep increases in international fuel prices, the government will put in place compensatory measures to reduce the impact on total revenues, including spending cuts, with the exception of priority spending (education and health). The government recognizes the need for an overall strategy for the energy sector that re-examines fuel margins and streamlines tax exemptions, including those granted to mining companies in order to improve the mobilization of fuel-based revenues.

**12. New Mining Code.** The government has taken into consideration the recommendations of IMF experts regarding the mining sector. In particular, the new Code, which is currently being discussed by the National Assembly, will make it possible to rationalize the exemptions while specifying their beneficiaries. Specifically, it will limit tax benefits to suppliers whose activities are directly related to mining activities. The government is committed to adopting the relevant implementing texts as soon as the new Code is passed by the National Assembly.

**13. The government intends to take new measures to expand the tax base:**

- **Property taxation.** The government plans to develop property taxation by introducing a new tax on developed and undeveloped land, which would replace the current property tax by 2021. In addition, it is committed to making significant improvements in the recording of property and real estate titles in the database of the Information System for Property and Real Estate Titles (SITFI) that is currently being developed by the National Property Directorate (DND). This database will be accessible by DGI staff.
- **Mobile banking services.** The government expects to make the payment of certain taxes through mobile banking services available by end-2020 with a view to simplifying the procedures for taxpayers and encouraging tax compliance. This could make it possible to add potential taxpayers from the informal sector to the tax base. To that end, an action plan is expected by end-June 2020.
- **Nongovernmental associations and organizations.** The government plans to revise certain provisions of the General Tax Code with a view to taxing the income of so-called “non-profit” associations and non-governmental organizations that provide services or perform work under the same conditions as for-profit businesses. Some provisions have already been included in the fiscal annex of the 2020 Budget Law.

- **Selected VAT measures.** A pre-program agreement with the private sector has entered effect on October 1, 2019 to reduce the VAT rate on selected products and enterprises from 18 percent to 9 percent. Initial estimates by the authorities suggest that the revenue impact will be negligible, but the government will provide data on the sale of and VAT on the targeted products as required under the agreement with the private sector by mid-January 2020. Based on the final loss estimates to be agreed with staff, the government commits to identifying the needed measures to offset the potential impact of these measures. Going forward, the government also commits to refraining from any discriminatory practices in the implementation of tax policy and administration.

## D. Control the Overall Budget Balance while Protecting Priority Spending and Improving the Management of Expenditures

**14. The government has submitted to the National Assembly a supplementary budget law for the year 2019** that meets the performance criteria and the level of spending defined in the macroeconomic framework linked to the new three-year arrangement under the ECF. This supplemental budget law was adopted by the Parliament on October 5, 2019.

**15. The government has submitted to the National Assembly a 2020 budget law** that complies with program parameters under the three-year arrangement under the ECF on September 26, 2019. This budget law will be adopted no later than December 31, 2019, or in accordance with Article 57 of Law No. 2013–28.<sup>1</sup>

**16. The government is committed to maintaining its original targets in terms of investment and priority expenditures**, in particular in the education and health sectors. It will ensure that an emergency budget plan and prioritization of expenditure items accompanies the 2020 budget law in order to guarantee compliance with the WAEMU convergence criteria. The level of social spending and priority development (health, education, social development, decentralization/FNACT<sup>2</sup>, roads) for 2020 is set at about CFAF 651 billion (6 percent of GDP).

**17. Regulatory measures.** The government plans to pursue regulatory measures in the event of underperformance in revenue collection. To this end, it will take steps to freeze and/or cancel budget appropriations in accordance with Article 29 of the 2020 budget law, while preserving the social and priority expenditures, in particular investments. In the event of overperformance in revenue collection, the government is committed to consulting with the IMF on the utilization of the resources available.

**18. The government plans to streamline budget transfers and grants.** It will seek to improve transparency and visibility over the medium term, including through efforts to improve

<sup>1</sup> Article 57 of the Law No. 2013-28 on the Budget Law stipulates that if the draft Budget Law could not be voted on before the beginning of the financial year, the government is authorized to continue to collect taxes and to perform expenditures under the previous year's budget in provisional twelfths.

<sup>2</sup> National Fund for Support to Territorial Communities.



predictability for all of the recipients of budget transfers and grants, in particular in the agricultural sector.

**19. The government intends to strengthen the selection and implementation of investment projects**, in particular by following the recommendations of the 2017 Public Investment Management Assessment (PIMA), so as to maximize fiscal efficiency and the impact on the real economy, the business environment, and potential output growth. This also means an improvement in the systematic assessment of projects ex ante, the regular technical review of project assessments, and strengthening of the legal framework governing public private partnerships (PPPs) with the aim of mitigating the risk of accumulation of contingent liabilities by the government. In addition, on the basis of existing studies, the government is committed to preparing a market price list of standard costs for transportation infrastructure, public works, and agricultural irrigation facilities for implementation by end-September 2020.

**20. The government has cleared all payment arrears accrued in 2018.**

**21. The government is committed to no longer resorting to the accumulation of domestic payments arrears**, especially by strengthening cash management, the commitment control system, and revenue collection. In addition, it is committed to not exceeding the mechanical ceiling on the float.<sup>3</sup>

**22. Cash management.** The authorities continue to improve cash management and strengthen budget execution controls in order to control the level of the float and avoid the recurrence of arrears. They continue to consolidate the Treasury Single Account (TSA) for more efficient cash management. An AICE2 computer accounting system module will be developed and interconnected with the WAEMU banking system to automate expenditure and revenue transactions. The implementation is planned for end-March 2020. In addition, the TSA coverage will also be expanded to include deposits of 50 national public institutions by end-2020, with the remaining institutions being integrated in subsequent years. Ex ante controls on expenditure commitments will be strengthened through commitment plans aligned with cash flow forecasts to manage expenditures based on available cash. These commitment plans will be introduced in the 10 largest ministries, in collaboration with IMF technical assistance, during the implementation of the 2021 budget and extended to the rest of the government the following year.

## E. Conducting a Sustainable Debt Policy

**23. Debt sustainability.** The government will continue to conduct a debt policy that is consistent with maintaining debt sustainability.

**24. External borrowing contracted or guaranteed by the government.** For 2019, the government is committed to not exceeding the ceiling for external borrowing contracted or

<sup>3</sup> The mechanical ceiling on the float is the monthly average of total budget outlays less current staff costs and externally financed expenditures.

guaranteed by the government, which is equal to CFAF 329 billion in present value terms. For 2020, the ceiling is set at CFAF 526 billion in present value terms (Table 4).

**25. Reducing refinancing risk of domestic debt.** The government is committed to reducing the risk of refinancing by favoring long-term concessional external loans and accelerating the implementation of the short- and medium-term debt management strategy.

## F. Strengthening the Financial Position of the EDM-SA

**26. Financial viability.** The government is pursuing the implementation of a restructuring and reorganization plan supported by the World Bank. The execution of this plan should allow EDM-SA to find a financial balance by 2025. This includes the elimination of the annual subsidy from the state, with the exception of transfers necessary to maintain the social tariff to preserve the most vulnerable layers of the population.

**27. Restructuring of the financial debt portfolio,** of which the short-term debt vis-à-vis local commercial banks is estimated at around CFAF 85 billion as of October 31, 2019. The government plans to assist EDM in restructuring its short-term debt, in particular vis-à-vis Malian commercial banks. The financial operation is expected by end-December 2019.

- **Renegotiation of terms.** It intends to enter into discussions with commercial banks on renegotiating the terms of bank debt with short-term maturity and on the refinancing conditions.
- **Refinancing.** It is committed to assisting EDM-SA in gaining access to loans under more advantageous terms than those available in the local market. This assistance is backed by a performance contract, signed on November 18, 2019, between the government and EDM-SA with the aim of limiting the risk of moral hazard and ensuring the viability of the financial operation over time. The performance contract will spell out the terms, conditions, and reciprocal commitments for the government's assistance in the financial recovery of EDM-SA, in particular the takeover and renegotiation of the bank debt, as well as a gradual reduction in the implicit subsidy for petroleum products, the EDM-SA cash plan, and priority investments.

## G. Strengthening the Business Environment

**28. Investment Code.** The draft of the new Investment Code has been submitted to stakeholders and consultations are underway for adoption by June 2020. The new Code will promote private sector development while ensuring continued streamlining efforts of tax and customs exemptions.

**29. Special Economic Zones (SEZ).** The government is continuing consultations on a draft law on SEZs in order to make its industry more competitive and to promote the development of certain strategic sectors, while ensuring that efforts to rationalize tax and customs exemptions

continue. The adoption of this law by the Council of Ministers will take place in the first quarter of 2020.

**30. Public-private partnerships.** The government intends to improve the investment framework and to enhance the attractiveness of foreign direct investment by improving PPPs.

- **Revision of the law on PPPs.** The government is committed to revising the current PPP law, in consultation with IMF staff, as soon as the WAEMU Council of Ministers adopts the strategy for the management of PPPs and the methods for the implementation of the strategy for the management of PPPs within the WAEMU in 2020. The revised PPP law is expected to be adopted in 2021.
- **Strengthening the implementation of the revised PPP framework.** The Project to Support the Competitiveness of the Malian Economy (PACEM) provides assistance in the implementation of the revised law on PPPs in Mali through activities to support the operationalization of the PPP Unit and to support the performance of PPP activities.

**31. Non-operating fixed assets.** The government plans to provide assistance to the financial system in the process of removing non-operating assets from banks' balance sheets with the aim of ensuring compliance with the prudential policy in effect within the Union. Within this context, it could consider the establishment of a system of shares in the form of transferable securities that do not give the bearer, in this case banks, the right to vote or to a stake in the capital of the property company that would be created. To this end, a study was launched on October 21, 2019, with the final report expected by end-December 2019.

**32. Development of the mobile banking sector.** The government plans to capitalize on the rapid development of mobile banking in Mali to offer administrative services, such as the payment of certain taxes. This will make it possible to enhance access to basic banking services for segments of the population that have been excluded from the banking system, reduce the risk of fraud, shrink the informal sector, and promote the development of payment systems, especially for small and medium-sized businesses. Consultations with stakeholders are currently ongoing.

**33. Reducing gender inequality.** The government plans to boost its efforts aimed at reducing gender inequality. In particular, it intends to enhance women's income and economic autonomy in the shea butter sector. This would allow for the creation and formal organization of 400 women's cooperatives, as well as capacity building in cooperative and financial management for 50,000 beneficiaries. It also plans to launch a large-scale project with the support of the World Bank to improve women's access to the labor market.

## H. Promoting Good Governance

**34. Public financial management.** The government is committed to strengthening efforts aimed at ensuring integrity and transparency in public financial management within the context

of the implementation of the Public Finance Reform Plan (PREM) for 2017-2021. Self-assessments based on the methodology set forth in the 2016 Public Expenditure and Financial Accountability (PEFA) framework will also be performed every two years by the Public Financial Management Self-Assessment team established for this purpose pursuant to decision No. 2018-0065/MEF-SG.

- **Self-assessments based** on the 2016 PEFA Framework methodology will be conducted every two years by the GFP Self-Assessment Team set up for this purpose in accordance with Decision No. 2018-0065/MEF-SG. The first self-assessment began in July 2019 for finalization by end-December 2019.
- **Program Budget.** All the tools required for budget-program management are operational, including those related to monitoring and evaluation.
- **Risk mapping** will now cover 31 departments, with 4 planned by end-2019.
- **Accrual-based accounting.** The steering committee has been set up. Since 2018, a certain number of accounting units (Kayes, Sikasso, Mopti) have produced their financial statements. The preparation of the opening balance sheet is ongoing through the commissions set up for this purpose (inventory, valuation, and valuation of state property).
- **Evaluation of the public procurement system** based on the Procurement System Assessment Methodology (MAPS). The terms of reference were shared with the various technical and financial partners and the comments were forwarded to the Public Procurement Regulatory Authority for processing. The start of the evaluation is planned for the first quarter of 2020, with finalization expected by June 30, 2020.
- **Reform of the Finance Inspectorate.** The draft texts were transmitted to the General Secretariat of the government in November 2019.

### **35. Revision of the Procedural Manuals of the Accounts Section of the Supreme Court.**

The four volumes of the procedural manual for judicial and non-judicial judgments harmonized at the Community level have been validated by the Steering Committee set up by the WAEMU Court of Accounts. Final validation by the conference of Heads of State and Government of WAEMU member countries is expected by end-December 2019.

**36. Public-private partnerships.** In the context of revising the PPP law, the government plans to establish an incentive system for the performance of projects and to strengthen the institutional framework, allowing for the assessment and management of fiscal risks associated with PPPs.

### **37. Prevention and suppression of corruption.**

- **Upgrading the legal framework to fight corruption.** The government is committed to speeding up the legal work on the review of the Criminal Code with the aim of taking the necessary corrective measures to criminalize corruption offences in line with the

requirements of the United Nations Convention against Corruption (UNCAC). The authorities also aim to address deficiencies arising from or identified in the implementation of the Law on the Prevention and Suppression of Illicit Enrichment (Law No. 2014-015). To this end, it will ensure that the Commission for the Identification and Correction of Difficulties and Deficiencies of Law No. 2014-015 of May 27, 2014, on the Prevention and Suppression of Illicit Enrichment, submits its final report no later than December 31, 2019, for a government approval of the Law by March 2020.

- **Strengthening the asset declaration system.** The government is committed to ensuring compliance of public officials subject to mandatory reporting to declare their assets and update their declaration of assets within the deadline. Ministers will ensure that persons under their purview file their asset declarations and/or update them within the required deadline. Subject to the confidentiality of the declarations, failure to declare will be reported to the Prime Minister. Public information campaigns and announcements will be arranged to ensure better compliance with the asset declaration process. A website will provide information on the procedure of asset declarations, statistics on number of declarations, proposed sanctions, and any information concerning the persons subject to reporting.

**38. Promoting coordination among auditing, inspection, and control bodies.** In order to conduct a more effective campaign against corruption, the government is committed to aligning the actions of control, auditing, and inspection bodies. In this respect, it has set up two frameworks for consultation between:

- The Ministry of Justice and control, auditing, and inspection bodies;
- The Ministry of Justice and the Central Office for Combating Illicit Enrichment (OCLEI), the Office of the Auditor General (BVG), and the Economic Center.

**39. The government is committed to improving the administration and dispensing of justice with regard to economic and financial offenses.**

- **It is committed to introducing direct referrals to the Prosecutor General** by audit authorities (including general oversight by staff and the Office of the Auditor General), as well as control and inspection bodies, and incorporating a systematic procedure for the referral of cases by prosecutors to investigative magistrates in the code of criminal procedure by end-2020.
- **It intends to create a specialized economic and financial prosecution service** with national jurisdiction operating under the Bamako Court of Appeals.

**40. Anti-Money Laundering and Terrorist Financing (AML/CFT).** The government is finalizing its National Risk Assessment (ENR) for money laundering and terrorist financing, which began in October 2018 with support from the World Bank. It also carried out the Peer Review (Mutual Evaluation) of its AML/CFT system, for which the final report was approved by the 21st

meeting of the Ministerial Committee of the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) held in Senegal on November 16, 2019. It is committed to developing a national AML/CFT strategy and its implementation plan during the first quarter of 2020. This action plan will address the shortcomings identified by the ENR and the peer review.

**41. Diagnostic mission.** The government takes note of the IMF mission planned for 2020 for the purpose of performing a detailed diagnostic analysis of governance problems, including those in the public finance sector and in the area of anti-money laundering and combating the financing of terrorism. As customary, it anticipates the publication of a final report and notes that this exercise will help sequence and prioritize measures in this area of the program.

## I. Improving Statistical Data

**42. Rebasing of national accounts, quarterly accounts, and short-term indicators.** The government is committed to completing the work necessary for changing the base year of national accounts no later than end-2019 for the first current year of 2020. In addition, it will begin the dissemination of quarterly accounts at the end of 2019 and new short-term indicators will be introduced no later than the end of the first quarter of 2020.

## J. Program Monitoring

**43. The second, third, and fourth reviews will be based on end-December 2019, end-June 2020, and end-December 2020 performance criteria and indicative targets (Table 1) and prior actions and structural benchmarks (Tables 2 and 3).** The performance criteria and indicative targets are defined in the Technical Memorandum of Understanding (TMU), which also specifies the nature and frequency of the information and data to be provided for program monitoring.

**Table 1. Mali: Performance Criteria and Indicative Target for 2019 and 2020<sup>1</sup>**  
(in CFAF billions)

	2019				2020				
	September			Status	December		June		December
	Prog.	Adjusted	Actual		Prog.	Rev. Prog.	Prog.	Rev. Prog.	Prog.
<b>Performance criteria</b>									
Ceiling on net domestic financing <sup>2</sup>	96	157	52	Met	123	123	127	140	261
Ceiling on external payments arrears <sup>3</sup>	0	0	0	Met	0	0	0	0	0
Ceiling on domestic payments arrears <sup>3</sup>	0	0	37	Not met	0	0	0	0	0
Ceiling on new external debt contracted or guaranteed by the government <sup>3,4</sup>	329	329	229	Met	329	329	444	526	526
Ceiling on the overall fiscal deficit (commitment basis) <sup>5</sup>	173	207	12	Met	307	307	162	152	382
Floor on net tax revenue <sup>6</sup>	954	970	1063	Met	1480	1480	658	775	1694
<b>Indicative target</b>									
Floor on priority social and development spending <sup>7</sup>	313	313	299	Not met	506	506	270	188	651
<b>Memorandum items</b>									
Budget support loans	138		49		246	275	11	16	54
Budget support grants	51		17		87	94	26	22	111
Net change in budgetary float (– = reduction)	-66		-66		-61	-61	-3	-3	-7
Payment of tax refunds	-46		-61		-72	-72	-31	-39	-78

Sources: Malian authorities; and IMF staff projections.

<sup>1</sup> Cumulative figures from the beginning of the year, unless otherwise indicated. See Technical Memorandum of Understanding (TMU) for definitions.

<sup>2</sup> This performance criterion is subject to adjustment for budget support loans, net change in budgetary float, and payment of tax refunds.

<sup>3</sup> These performance criteria will be monitored on a continuous basis.

<sup>4</sup> In PV terms, cumulative from the start of the program. The 2020 ceiling applies continuously from the beginning of the year.

<sup>5</sup> This performance criterion is subject to adjustment for budget support.

<sup>6</sup> The floor on net tax revenue will be adjusted downward (upward) to the extent that tax refunds exceed (fall short of) the projected amount.

<sup>7</sup> The definition of priority social spending as of 2020 is different from before as specified in the TMU.

**Table 2. Mali: Prior Actions and Structural Benchmarks for 2019**

<b>Measures</b>	<b>Macroeconomic Justification</b>	<b>Status</b>	<b>Implementation Deadline</b>
<b>Prior Actions</b>			
Clear domestic arrears in the amount of CFAF 36.9 billion accumulated as of end-September 2019.	Improve public financial management and the business environment.		
<b>Structural Benchmarks</b>			
Reduce by 60 percent the number of transit documents (T1) that have not been validated and/or registered in the DGD's ASYCUDA system. The baseline is the number of T1 documents not validated and/or registered as of December 31, 2018.	Increase revenues and promote good governance.	Met	September 30, 2019
Finalize the specifications for the implementation of online payment of taxes and duties.	Increase revenues and promote good governance.	Met	October 31, 2019
Finalize the drafting of the performance contract between the government and EDM-SA with the aim of defining the terms, conditions, and reciprocal commitments for the government's assistance in the financial recovery of EDM-SA, in particular the takeover and renegotiation of the bank debt, as well as a gradual reduction in the implicit subsidy for petroleum products, the EDM-SA cash plan, and priority investments.	Improve the financial stability of EDM-SA, enhance the quality of expenditures, and create fiscal space.	Met	November 30, 2019
Approval by the Parliament of a 2020 budget law that complies with program parameters arising from the ECF arrangement.	Ensure that the budget execution is based on a realistic macroeconomic framework.		December 31, 2019
Finalize and operationalize the formal framework for collaboration and information-sharing among the DGI, the DGD, the Treasury, the DGB, the DGMP-DSP, the DGCC, the INPS, and the CAISFF.	Increase revenues and promote good governance	Met	December 31, 2019
Introduce the electronic acceptance of air waybills in ASYCUDA WORLD and eliminate non-electronic acceptance.	Increase revenues and promote good governance		December 31, 2019
Introduce the automation of procedures for the control of suspensive regimes.	Increase revenues and promote good governance		December 31, 2019



**Table 3. Mali: Proposed Structural Benchmarks for 2020**

<b>Measures</b>	<b>Macroeconomic Justification</b>	<b>Implementation Deadline</b>
Deploy the necessary actions (structural, technical and IT) for a strictly regulatory application of the transaction value throughout the national territory.	Increase revenue and promote good governance by combating fraud	March 31, 2020
Implement the functionality of the STAR module (Automated Transfer and Settlement System) and the WAEMU Interbank Clearing System (SICA), dedicated to the integrated application of public accounting (AICE2).	Improve cash management	March 31, 2020
Provide for government approval of the revised draft Law on the Prevention and Suppression of Illicit Enrichment (Law No. 2014-015) to clarify and extend the scope of those subject to asset declaration.	Promote good governance and combat corruption	March 31, 2020
Reserve the direct collection procedure (emergency procedure), covered by D24 declarations, for the airport office only and for a short list of goods (medicines, perishable goods, newspapers, urgent spare parts).	Increase revenue and promote good governance by combating fraud	April 1, 2020
Prepare an action plan to identify and introduce the payment of certain taxes through mobile banking.	Improve transparency, broaden the tax base, and streamline processes	June 30, 2020
Establish and operationalize two new tax centers for medium-sized businesses (CIME) in Bamako.	Increase revenue	June 30, 2020

**Table 4. Mali: Summary of the External Borrowing Program<sup>1</sup>**  
(in CFAF billions)

	2019						2020	
	Program		September (Actual)		December (Projection)		December (Program)	
	Nominal	PV	Nominal	PV	Nominal	PV	Nominal	PV
<b>Debt financing sources</b>	<b>563</b>	<b>329</b>	<b>369</b>	<b>231</b>	<b>571</b>	<b>327</b>	<b>938</b>	<b>526</b>
Concessional debt of which <sup>2</sup>	376	199	195	112	381	195	719	373
Multilateral debt	284	145	163	91	342	172	551	272
<i>Of which: World Bank</i>	<i>220</i>	<i>118</i>	<i>139</i>	<i>80</i>	<i>260</i>	<i>136</i>	<i>381</i>	<i>193</i>
Bilateral debt	92	54	33	21	39	24	168	101
Nonconcessional debt <sup>3</sup>	187	130	173	119	190	131	219	152
<b>Uses of borrowed funds</b>	<b>563</b>	<b>329</b>	<b>369</b>	<b>231</b>	<b>571</b>	<b>327</b>	<b>938</b>	<b>526</b>
Budgetary assistance	252	146	144	95	275	156	309	172
Infrastructure (roads, bridges, etc.)	25	10	0	0	26	11	92	47
Energy	164	98	139	80	139	80	223	136
Agriculture	27	11	4	2	27	11	53	23
Social (education, health)	66	40	52	30	75	45	217	117
Telecommunication	29	24	29	24	29	24	44	31
Various	0	0	0	0	0	0	0	0

Source: Malian authorities; IMF staff estimates

<sup>1</sup> Indicative objective for new borrowing arranged or guaranteed

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

<sup>3</sup> 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 Table 1 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.

### DEFINITION OF GOVERNMENT

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.

### PERFORMANCE CRITERIA

3. Except as noted, the following financial targets will serve as performance criteria at end-September 2019, end-December 2019, end-June 2020, and end-December 2020.

#### A. Ceiling on Net Domestic Financing

4. **Net domestic financing of government**, as defined in paragraph 2, is defined as the sum of (i) the change in the net position (difference between the government's claims and debts) vis-à-vis the central bank and the commercial banks 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).

#### Adjusters

5. The ceilings on net domestic financing of government will be adjusted upward if **external budget support** falls short of program projections (MEFP, Table 1) up to a maximum of CFAF 144 billion. External budget support is defined as grants, loans, and debt relief operations (excluding project grants and loans, sectoral budget support, IMF resources, and HIPC debt relief, but including general budget support).

6. The ceiling on net domestic 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, Table 1) as recorded in the TOFE.

7. The ceiling on net domestic financing will be adjusted upward (downward) for the

**payment of VAT credits, other tax refunds, and audited arrears from previous fiscal years,** which exceed (fall short of) program amounts (MEFP, Table 1).

## **B. Ceiling on Accumulation of Government External Payments Arrears**

**8. External payment arrears** are defined as external debt obligations of the government that have not been paid when due in accordance with the relevant contractual terms (taking into account any contractual grace periods). Under the program, the government agrees not to accumulate external payment arrears on its debt, except arrears arising from external payment obligations being renegotiated with creditors, including bilateral non-Paris Club creditors. Non-accumulation of new external arrears by the government is a performance criterion to be observed continuously. 'External' is defined by the residency of the creditor.

## **C. Ceiling on Accumulation of Government Domestic Payment Arrears**

**9. Domestic payment arrears** are defined as undisputed overdue payment obligations for which the payment date exceeds 90 days, unless terms and conditions for settlement specify a longer grace period; arrears on the debt service refer to debt service obligations for which the payment date exceeds 30 days. Under the program, the government agrees not to accumulate new domestic payment arrears. Non-accumulation of new domestic payment arrears by the government is a continuous performance criterion. 'Domestic' is defined by the residency of the creditor.

## **D. Ceiling on the External Debt Contracted or Guaranteed by the Government**

**10. Definition of the debt.** The definition of debt is set out in IMF Executive Board Decision No. 15688-(14/107), Point 8, as published on the IMF website. The term "debt" will be understood to mean all current, i.e. not contingent, liabilities, 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 various 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 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 these guidelines, 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.

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 a contractual obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

**11. Guaranteed debt.** A government debt guarantee means an explicit legal obligation to service a debt in the event of nonpayment by the borrower (through payment in cash or in kind)

**12. Concessional debt and present value of debt.** A debt is considered concessional if it includes a grant element of at least 35 percent.<sup>1,2</sup> 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 using a discount rate of five percent.

**13. 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.

**14. External debt performance criterion.** The ceiling on the contracting or guaranteeing of new external debt (MEFP, Table 1) applies to present value of all new external debt.

**15. Special provision.** The performance criterion shall not apply to import-related, short-term external loans (with maturities of less than one year).

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

### ***Adjuster***

<sup>1</sup> 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/>

<sup>2</sup> 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.

## E. Ceiling on the Overall Fiscal Deficit

17. The **overall fiscal deficit (commitment basis)** is the difference between total budgetary resources and total spending and net lending as recorded in the TOFE.

### *Adjuster*

18. The ceiling on the **overall fiscal deficit (commitment basis)** will be adjusted upward to the extent that **budget support grants** fall short of program projections (MEFP, Table 1) up to a maximum of CFAF 45 billion.

## F. Floor on Net Tax Revenue

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

### *Adjuster*

20. The floor on net tax revenue will be adjusted downward (upward) to the extent that tax refunds exceed (fall short of) the projected amount (MEFP, Table1).

## Indicative Target

21. The following serves as an indicative target at end-September 2019 and end-December 2019.

## G. Floor on Priority Social Spending

22. Priority social spending for 2019 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. For 2020 and thereafter, priority social spending also includes priority development spending, such as on-roads.

## Structural Benchmarks

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

## Additional Information for Program Monitoring

24. 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
Basic fiscal balance as recorded in the TOFE	Monthly	Month-end + 6 weeks	

Summary of Reporting Requirements (continued)			
	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
	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-end + 1 week
Balance of Payments	Balance of payments	Yearly	Year-end + 12 months



<b>Summary of Reporting Requirements (concluded)</b>			
	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

**Statement by Mr. Mohamed-Lemine Raghani, Executive Director  
and Mr. Oumar Diakite, Advisor on Mali  
January 8, 2020**

**Introduction**

1. On behalf of the Malian authorities, we would like to thank the Executive Board, Management, and staff for the continued Fund support which has helped Mali in its efforts to maintain macroeconomic stability and advance reforms despite a deteriorating security environment. The authorities are making every effort to implement the measures envisaged under the ECF-supported program and make significant strides in their development agenda. The first review of the program has shown that progress is being made on several fronts, including the revenue performance which was notable in 2019.

2. However, the increase in terrorist attacks claim heavy casualties and take a toll on development and social expenditures. While the authorities remain focused on implementing a sustainable fiscal policy compatible with debt sustainability and the West African Economic and Monetary Union's (WAEMU) convergence criteria, an increase of the fiscal deficit ceiling for 2020 under the program from 3 percent to 3.5 percent of GDP is needed. This will enable to raise social and development expenditures particularly in the regions of the country where fragility is heightened by insecurity. The authorities' request is being made in the context of on-going discussions within the WAEMU to adjust the convergence criterion on the fiscal deficit to help address the needs of member countries facing security risks like Mali.

**II. Recent economic Developments and outlook**

3. Economic growth is projected to reach 5.1 percent in 2019 up from 4.7 percent in 2018 and inflation is expected to be somewhat negative due mainly to domestic supply conditions. Increased budget support from development partners in 2019 helped budget execution. The overall fiscal balance should stand at -2.9 percent of GDP in 2019. The overall balance of payments would remain positive owing to a sharp increase in exports, and the capital and financial accounts.

4. In the medium term, the economic outlook is favorable despite the downside risks related to insecurity, climate change and exogenous shocks. In 2020 real GDP growth is projected at 5 percent and inflation should be kept very low at 0.6 percent.

### III. Performance under the ECF program

5. **Performance under the ECF-supported program is broadly satisfactory.** All performance criteria at end-September 2019 were met except the criterion on the ceiling on domestic arrears. This criterion has been exceeded in the third quarter due to cash flow constraints resulting from the settlement of the very high amount of arrears generated in 2018, and delays in the disbursement of external budgetary loans. Accordingly, the authorities request a waiver for the nonobservance of this criterion.

6. Regarding structural benchmarks, four out of seven have been met. The other three structural benchmarks linked to the next review of the program are expected to be implemented within the timeframe initially established.

### IV. Medium term policies and structural reforms

#### *Fiscal Policy*

7. **Improving efficiency and modernizing procedures in the tax and customs administration remains a priority in the authorities' reform agenda.** The mobilization of tax revenues which stood at 14.6 percent of GDP in 2019 against 11.9 percent of GDP in 2018 was remarkable. Despite this achievement, the authorities are mindful of the need to further increase their efforts in mobilizing domestic resources to finance social and development spending. A comprehensive plan will be implemented to address tax noncompliance which will include controls, crosschecking of information with customs, Treasury and other agencies, and setting up a central management entity for collection activities. The Government also intends to generalize the use of online procedures (e-filing and e-payment) to all companies subject to the VAT. Furthermore, a new customs code taking into account international best practices was submitted to the National Assembly and is expected to be adopted in the first semester of 2020. The interconnection of data systems to manage goods in transit with Senegal customs will be effective at the end of March 2020, followed by Côte d'Ivoire and other countries (Benin, Burkina Faso, Guinea, Niger and Togo). Furthermore, the Government plans to adopt the necessary measures (structural, technical and IT) for a rigorous application of transaction valuation throughout the country as of March 31, 2020 through an action plan developed to this effect.

8. **On tax policy,** key actions will include preserving fiscal revenue on petroleum products by rigorously implementing the domestic pricing mechanism for petroleum products. The authorities will step up their efforts to broaden the tax base including by instituting a new property tax on developed and undeveloped land by 2021. Moreover, the registration of land and property titles in the database of Information System on Land and Real Estate Titles (SITFI) will be significantly improved. The Government also plans to review certain provisions of the General Tax Code in order to tax the income of non-

governmental organizations which provide services or carry out works under the same conditions as for-profit companies. The payment of certain taxes through mobile banking services will be promoted by the end of 2020 and this measure is expected to add many taxpayers from the informal sector to the tax base.

9. **The authorities recognize that improving the efficiency of expenditures also contributes to increasing fiscal space for addressing development needs.** In this regard, they will continue to improve expenditure management while protecting social and priority spending, including investments envisaged in the 2019 supplementary budget and the 2020 budget. Furthermore, they will improve medium- term transparency and predictability of budget transfers and grants, particularly in the agriculture sector. Furthermore, The Government will continue to strengthen the selection and execution of investment projects, based on the recommendations of the 2017 PIMA, in order to maximize fiscal efficiency, and economic returns. In this regard, it will improve the systematic ex-ante evaluation of projects, ensure regular technical review of project evaluations, and strengthen the legal framework governing Public-Private Partnerships (PPPs) to mitigate fiscal risks.

10. **The authorities will continue to improve cash management and control of budget execution.** As all payment arrears from 2018 have been cleared, they are committed to control the level of “float” and avoid the recurrence of arrears. The consolidation of the Treasury Single Account (TSA) will be pursued and its coverage will also be expanded to include deposits from 50 national public institutions by the end of 2020, with the remaining institutions being integrated in subsequent years.

## **V. Financial Sector**

11. **The authorities are committed to further deepen the financial sector.** In this regard, they intend to capitalize on the rapid development of mobile banking to offer administrative services such as the payment of certain taxes. This will promote access to basic banking services for people excluded from the banking system, and change payment systems, especially for small and medium-sized enterprises. To further strengthen financial sector stability, the authorities will support the process of removing non-operating fixed assets from banks’ balance sheets in order to ensure compliance with the prudential norms enforced in the WAEMU.

## **VI. Structural Reforms and Governance**

12. **The Government is pursuing the implementation of the restructuring plan of *Energie du Mali* (EDM-SA) with support from the World Bank.** The plan which aims at stabilizing the financial situation of the company by 2025 includes the restructuring and refinancing on more favorable terms of the company’s debt owed to banks. These actions should help the government to gradually eliminate subsidies to EDM-SA in the medium term, with the exception of transfers necessary to maintain the social tariff to preserve the most vulnerable

segments of the population.

13. **Efforts are also underway to draft a new Investment Code** which streamlines tax and customs exemptions, as well as a draft law on special economic zones with the view to make the industrial sector more competitive.

14. **The Government is also keen to reduce gender inequalities** by promoting increased income and economic empowerment of women, notably in the shea sector. It plans to support the creation and formalization of 400 women's cooperatives as well as capacity building in cooperative and financial management for 50,000 beneficiaries which should help them to increase their access to finance.

15. **The commitment to further foster transparency in public financial management and tackle corruption remains strong.** The revision of the Law on illicit enrichment will be stepped up with the view to make it more effective and inclusive. Awareness campaigns will be conducted to ensure greater compliance with rules governing asset declarations. To this effect, a website will be designed to provide information on the procedure of declarations of assets, the number of declarations made, and the sanctions for noncompliance. The authorities look forward to the Governance diagnostic mission of the Fund scheduled in early 2020 and will consider its recommendations for additional policy measures to reinforce governance and fight corruption.

16. **On AML/CFT**, the finalization of the National Risk Assessment (ENR) is underway and a Peer Review (Mutual Evaluation) of the framework has been done. The final report was approved by the 21<sup>st</sup> meeting of the Ministerial Committee of GIABA held in Senegal on November 16, 2019. The development and implementation of the national AML / CFT strategy is expected during the first quarter of 2020.

## **Conclusion**

17. The Malian authorities are committed to pursuing sound policies and reforms to preserve macroeconomic stability, and consolidate the foundations for strong and inclusive growth. In view of Mali's satisfactory performance under the ECF- supported program, we would appreciate the Executive Board's completion of the first review under the arrangement, and the approval of the authorities' request for a waiver of nonobservance of the performance criterion on non-accumulation of domestic arrears.