

Mali: Fourth Review Under the Poverty Reduction and Growth Facility Arrangement and Request for Waiver of Performance Criteria—Staff Report; Staff Statement; and News Brief on the Executive Board Discussion

In the context of the Fourth Review Under the Poverty Reduction and Growth Facility Arrangement and Request for Waiver of Performance Criteria, the following documents have been released and are included in this package:

- the staff report for the fourth review under the poverty reduction and growth facility arrangement and request for waiver of performance criteria prepared by a staff team of the IMF, following discussions that ended on **April 25, 2002**, with the officials of **Mali** on economic developments and policies. **Based on information available at the time of these discussions, the staff report was completed on July 11, 2002.** The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- a staff statement of **July 26, 2002**, updating information on recent economic developments.
- a News Brief summarizing the **views of the Executive Board as expressed during the July 26, 2002 Executive Board discussion** of the staff report that concluded the PRGF Arrangement.

The document(s) listed below have been or will be separately released.

Letter of Intent*
Memorandum of Economic and Financial Policies*
Technical Memorandum of Understanding*

*May also be included in Staff Report.

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MALI

**Fourth Review Under the Poverty Reduction and Growth Facility
Arrangement and Request for Waiver of Performance Criteria**

Prepared by the African Department

(In consultation with Fiscal, Legal, Monetary and Exchange Affairs,
Policy Development and Review, Statistics, and Treasurer's Departments)

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July 11, 2002

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Executive Summary

Recent political developments

- **Former President Touré took office on June 8, 2002**, after winning presidential elections, held in May 2002, that were considered transparent. The new government that was formed in mid-June confirmed its commitment to pursue the implementation of the PRGF-supported program.

Development in 2001 and in early 2002

- The implementation of the PRGF-supported program was satisfactory in 2001. All the end-December 2001 and end-March 2002 quantitative performance criteria and benchmarks were observed. However, two structural performance criteria for end-December 2001 that concerned the cotton sector were not observed; the authorities are taking corrective actions.
- Real GDP growth declined to 1.5 percent in 2001, or slightly less than expected; a sharp drop in cotton and cereal output was partly offset by an increase in gold production. Inflation rose to 6.0 percent in March 2002 (year on year), owing to a smaller food supply and increases in water and electricity tariffs. The external current account balance, excluding official transfers, deteriorated by 1.1 percentage points of GDP in 2001 to 14.1 percent of GDP, with cotton exports falling and profit remittances by mining companies rising.
- The basic fiscal balance registered a slightly smaller deficit in 2001 than envisaged under the program, as a result of higher government revenue and lower expenditure.
- On the structural front, a transparent taxation mechanism for petroleum products has been introduced and utilities tariffs raised. The authorities have prepared a plan for the allocation of HIPC Initiative expenditures and set up a mechanism to monitor them. In addition, in March 2002, the government selected an international telecommunications company to operate a second cellular telephone license.

Prospects and program for the remainder of 2002

- Real GDP is now expected to grow by 9.3 percent in 2002, compared with the 6.7 percent anticipated under the original program, because of the sharp rebound in cereal production and a smaller decline in gold output. Cotton production is expected to double. Inflation is expected to decelerate.
- The rebound in cotton production and higher gold price will help to improve the external current account balance relative to the baseline scenario (notwithstanding a decline in inward private transfers and an increase in profit remittances by mining companies). Hence, Mali will continue to contribute to the official reserves of the monetary union.

- The 2002 budget reflects efforts to lower poverty, address the problems in the cotton sector, foster the democratization process, and strengthen fiscal consolidation. The basic fiscal deficit (excluding expenditures funded by HIPC Initiative resources) is projected at 0.4 percent of GDP, or 0.1 percentage point of GDP below the initial program target, with both government revenue and expenditure slightly higher than programmed.
- The structural reform agenda focuses on two critical areas: the continued reform of the cotton sector, and the improvement of the public expenditure management system. A key measure is the completion of a study on the steps and options necessary for the liberalization of the cotton sector. The introduction of a market-based mechanism to help determine producer prices, coupled with enhanced efficiency in ginning operations, will ensure that a larger fraction of the world price would be passed through to cotton growers. The reform of public expenditure management will focus on ensuring a more efficient allocation and use of public resources by improving external control mechanisms.

Staff appraisal

- **The implementation of the PRGF-supported program made it possible to strengthen the fiscal consolidation process.** This, along with structural reform measures supported by the World Bank and other donors, also made it possible to set the stage for the resumption of growth, and to foster peace and stability in the run-up to the elections held in April-May 2002. It also boosted cotton growers' confidence, which, together with a hike in producer prices and good weather, resulted in a doubling of production to an all-time high in 2001/02.
- **The commitment of the incoming administration to the reform agenda,** especially as regards the implementation of the cotton sector reform, will be critical for the success of the program. The fact that the reform of the cotton sector was planned through a broad participatory process offers assurances that implementation is likely to continue.
- **The staff views the fiscal stance for 2002 as appropriate** to achieve the objectives of the program and commends the authorities for their efforts to raise tax revenue. However, Mali remains vulnerable to exogenous shocks that may hinder program implementation. Hence, the authorities would need to stand ready to take appropriate remedial measures, including fiscal tightening, if such shocks were to occur.
- **The poverty reduction objectives should remain the government's top priority.** The staff is encouraged that budgetary allocations to priority sectors (health, education, and rural development) have increased continuously, reflecting the sectoral priorities described in the interim PRSP.

I. INTRODUCTION

1. The discussions for the fourth review under the four-year arrangement under the Poverty Reduction and Growth Facility (PRGF) were held in Bamako during the period March 6-23, 2002 and in Washington during April 24-25, 2002.¹ The March mission also discussed a preliminary draft of the poverty reduction strategy paper (PRSP) and undertook preparatory work for the completion point under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative).

2. Mali's four-year arrangement under the PRGF, in an amount equivalent to SDR 46.65 million (50 percent of quota), was approved on August 6, 1999 (EBS/99/129, 7/16/99).² Four disbursements have been effected under this arrangement. Mali's outstanding use of Fund resources at end-May 2002 amounted to the equivalent of SDR 127.06 million (136.18 percent of quota). Mali reached the decision point under the enhanced HIPC Initiative on September 6, 2000. Cumulative assistance under the original and enhanced HIPC Initiative frameworks would amount to US\$522 million in end-1998 net present value (NPV) terms, thereby reducing the NPV of debt outstanding at end-1998 to US\$906 million (63 percent of pre-HIPC Initiative debt stock).

3. The 2001 Article IV consultation was concluded on December 17, 2001, and on that occasion the Executive Board completed the third review and approved the third annual program under the PRGF arrangement. At that time, Directors noted that the resumption of growth would require a strong implementation of structural reforms in the cotton sector, continued pursuit of sound macroeconomic policies, and improved governance.

4. In the attached letter and memorandum of economic and financial policies (MEFP), dated July 11, 2002 (Appendix I, Attachment I), the Minister of Economy and Finance reviews developments during 2001 and sets out the measures to be implemented during the second half of 2002 in order to achieve the objectives of the revised program. Subsequently,

¹ The mission met with the Prime Minister, Mr. Kéïta. The Malian representatives included Mr. Koné, Minister of Economy and Finance, Mr. Traoré, the National Director of the Central Bank of West African States (BCEAO), and other senior officials. The staff team consisted of Mr. Ghura (head-AFR), Ms. Douoguih, Mr. Nachega, Mr. Wane (all AFR), Ms. Epaulard (INS), Mr. Hartley (PDR), Mr. Williams (Fund Resident Representative to Mali), and Ms. Casaromani (Assistant-AFR). Mr. Briçon (AFR) and Mr. Kpetigo, Advisor to Mr. Barro Chambrier, participated in the discussions. The mission worked closely with a parallel World Bank team that was in Bamako.

² At the time of the second review in July 2001, the arrangement was extended to four years, expiring on April 14, 2003, and the amount was increased by SDR 4.665 million (5 percent of quota).

the government that took office in mid-June 2002 endorsed the program. A schedule of the remaining projected reviews and disbursements under the PRGF arrangement is set out in Table 2, and Mali's relations with the Fund are summarized in Appendix II.

5. The World Bank approved a third structural adjustment credit (SAC III) in the amount of SDR 55 million (US\$70 million equivalent) in December 2001. The first of the three disbursements (US\$25 million equivalent) was made in early January 2002. A summary of Mali's relations with the World Bank Group is presented in Appendix III.

6. Mali's statistical database is comprehensive and sufficient for program monitoring. The authorities addressed statistical weaknesses by implementing the recommendations of technical assistance missions. However, program monitoring could benefit from a shortening of the period necessary to produce the national accounts and balance of payments statistics (currently 9 to 12 months). The authorities are collaborating with the Fund's Statistics Department to finalize the metadata requirements for the General Data Dissemination System (GDDS), which, when fully implemented, can be expected to further improve data quality and timeliness.³

II. ECONOMIC PERFORMANCE AND PROGRAM IMPLEMENTATION IN 2001

A. Political Context

7. President Konaré completed his two five-year terms in office, and former President Amadou Toumani Touré took office on June 8, 2002 after winning the second round of presidential elections, held on May 12, 2002. The elections marked Mali's first transition from one democratically elected president to another. A new government was formed in mid-June, before legislative elections scheduled for July 2002. A noteworthy indication of the maturity of the political system was the introduction of a mechanism, under the Third Structural Adjustment Credit agreed with the World Bank, to help determine the producer price for cotton during the political campaign. The mechanism resulted in a 10 percent decline in the producer price for the 2002/03 (April-March) crop year, reflecting depressed world market conditions (see Section III).

B. Background and Program Implementation

8. **At the time of the third review under the PRGF arrangement, the program for 2001 was revised to address the impact of the economic crisis on the population. The**

³ Under the safeguards assessment policy, the Central Bank of the West African States (BCEAO), of which Mali is a member, is subject to a safeguards assessment. See Appendix II, Section VIII, for an update on the status of the assessment.

crisis had been brought on by problems in the cotton sector,⁴ the hike in oil prices, a decline in rainfall, and tensions in neighboring Côte d'Ivoire. The resolution of the problems in the cotton sector was critical for the resumption of growth and the return to a sustainable fiscal path. The program included measures to reestablish confidence among cotton growers, avoid a weakening of the domestic banking system, and ensure the financing of the 2001/02 crop.

9. **Notwithstanding the difficult environment, the implementation of the revised program for 2001 was broadly satisfactory**, as all the end-December 2001 quantitative performance criteria and benchmarks were observed. Government revenue exceeded, and government expenditure was below, the program targets. As a result, the fiscal deficit was 0.5 percentage point of GDP less than programmed (see para. 14).

10. **A number of structural measures were implemented in 2001.** The authorities introduced a transparent taxation mechanism for petroleum products that provides for the automatic pass-through to consumers of fluctuations in the import price; raised utilities tariffs; and prepared a plan for the allocation of resources freed up by the HIPC Initiative and set up a system to monitor them. In addition, in March 2002, the government selected the international telecommunications company that will operate a second cellular license; however, discussions are ongoing on some of the technical and financial elements of the transaction.

11. **As regards the cotton sector**, the government prepared an action plan for its reform and implemented a short-term financial rescue package, which contributed to the strengthening of the banking system and ensured the financing of the 2001/02 crop (Box 1). The package helped to restore confidence among cotton producers and thus paved the way for a rebound in production. Nevertheless, two structural performance criteria related to the reform of the cotton sector were not observed on account of technical delays (as reported in EBS/01/204, 11/30/01, App. I; paras. 11-12). The delays relate primarily to: (i) difficulties the authorities experienced in mobilizing funding for the program of studies underpinning the reform program; and (ii) procedures put in place at the World Bank to ensure quality and transparency in the consultant procurement process. As a result, the timetable for the reform was revised in collaboration with the World Bank. With reference to the two structural performance criteria that were missed at end-December 2001, the authorities have made good progress in satisfying the criterion related to the preparation of a financial restructuring plan for the cotton company (CMDT). As regards the launching of bids for the sale of assets relating to one of the cotton growing regions, further delays have been incurred because the process of seeking a consensus between the government and the foreign shareholder of the CMDT on the underlying approach is taking longer than expected. In any event, the

⁴ The cotton sector crisis was triggered by weaknesses in the management of the cotton monopsonist (CMDT), and the decision by a majority of producers to boycott production in order to protest the low producer price paid by the CMDT. The crisis was compounded by depressed world prices for cotton fiber.

authorities will take all the necessary measures to proceed with the launching of the call for bids by September 2002. The authorities are therefore requesting waivers for the nonobservance of these performance criteria.

C. Economic Developments in 2001

12. **Economic activity slowed in 2001**, owing to the cumulative impact of the crisis in the cotton sector, the hike in oil prices, and lower rainfall. Nevertheless, real GDP grew by 1½ percent, compared with the 0.1 percent expected under the program, thanks to a doubling of gold production and increased economic activity linked to the organization of the African Soccer Cup, which was hosted by Mali in January 2002 (Table 3). Reflecting lower cereal production and the increase in utilities tariffs, price pressures increased, and inflation averaged 5.2 percent in 2001.

13. **The real exchange rate** appreciated by an average of 3½ percent in 2001, reflecting primarily the pickup in domestic inflation. However, given the low inflation recorded during the past five years, the gains in external competitiveness achieved through the 1994 devaluation of the CFA franc have been largely preserved. The external current account deficit, including official transfers, is estimated to have been 11.9 percent of GDP in 2001, as projected under the program, with both exports and imports higher than forecast. Gold exports almost doubled, more than offsetting the drop in cotton exports. At the same time, imports of petroleum products, machinery and equipment by mining companies, and construction materials related to the preparation for the African Soccer Cup rose markedly.

14. **The fiscal program was on track in 2001.** The basic fiscal balance⁵ recorded a deficit estimated at 0.2 percent of GDP, or 0.5 percentage point less than expected, mainly on account of lower expenditure (Table 5). Similarly, the overall fiscal deficit, excluding grants, of 11.0 percent of GDP was less than programmed while the deficit, including grants, was 5.8 percent of GDP, 1.8 percentage points less than anticipated on account of grants received to cover the financing gap. Domestically financed investment was kept below the programmed target as a reaction to an anticipated shortfall in program financing. Nevertheless, expenditure financed with resources freed up under the enhanced HIPC Initiative exceeded the targeted amount. At the same time, favorable tax collections reflected a higher-than-projected increase in the tax yield resulting from the implementation of administrative measures.⁶

⁵ Defined as total revenue (excluding grants) minus total expenditure and net lending (excluding foreign-financed investment and expenditures financed by HIPC Initiative resources).

⁶ These include the intensified use of the unique taxpayer identification numbering system and enhanced use of information technology at customs and border checkpoints.

Box 1. Mali: Cotton Sector—Participatory-Style Reform, Social Impact, and Outlook

The cotton sector reform program, negotiated and supported by the World Bank under the Third Structural Adjustment Credit, aims at raising productivity and producer income over the medium term. Following the producers' boycott of production in protest of the low prices offered by the parastatal monopsonist CMDT, the government conducted a survey in 2001 in the cotton-growing regions on the problems in the sector and the steps to be taken to boost cotton production. Farmers indicated low and unstable producer prices and high input costs as the main reasons for their decision to boycott production. A small fraction of those surveyed referred to the poor management of the CMDT as a problem. In order to build a broad consensus on the content and sequencing of the cotton sector reforms, the government organized a forum of major players in April 2001. Producers accepted the need for the establishment of a pricing mechanism for seed cotton based on movements in international prices and prices in neighboring countries in exchange for the CMDT lowering its production costs. The CMDT would focus on its core activities (ginning and marketing), thereby entailing the transfer to the private sector, producer organizations, and decentralized communities of the company's noncore activities. One group of producers indicated their readiness to move away from existing arrangements with the CMDT and to accept a buy-out of CMDT assets in their growing area by a private agro-industrial operator. The majority of producers, however, expressed preference for a gradual liberalization approach, to enable capacity building of producer organizations to be more effective participants in the liberalized environment.

Responses to the survey and the forum indicated that: (i) raising producer prices during the 2001/02 crop season would help to boost cotton growers' confidence; (ii) lowering the CMDT's operating costs and spinning off a number of its noncore activities to the private sector would provide room to boost producer price by lowering ginning and marketing costs; (iii) strengthening producer groups would help the latter negotiate better input and output prices; and (iv) raising producers' participation in the capital and management of the CMDT would help to keep costs in check. The CMDT has already started implementing measures to improve internal management and marketing strategies, as well as lower its operating costs: (i) the wage bill has been cut by about 20 percent; (ii) the marketing of cotton fiber is no longer being done by one exclusive agent; (iii) all aspects of transportation have been liberalized, with the exception of that for seed cotton, which is also slated for liberalization; and (iv) investment in new capacity has been significantly curtailed. In 2000, the CMDT reduced its production costs by about CFAF 15 billion, two-thirds of which on a permanent basis.

Following the increase in the producer price from CFAF 170 per kilogram of seed cotton in 2000/01 to CFAF 200 per kilogram in 2001/02, the production of seed cotton reached a record level of 571,000 tons. The higher producer price and larger production increased producers' gross revenue by about 180 percent. **The impact on poverty has been significant as cotton affects the livelihood of about one-third of the population and cotton growers are among the poorest segments of the population.** Also, a stronger cotton production has a direct impact on ginning and transport activities. All this, however, will be partly reversed in 2002/03, given that world prices continue to be depressed: the producer price has been reduced to CFAF 180 per kilogram for 2002/03, and cotton output and farmers' income will be adversely affected. The table below offers an illustrative scenario for 2002/03.

Mali: Impact of Cotton Pricing on Producer Income, 1998/99-2002/03

	1998/99	1999/00	2000/01	Illustrative scenarios, proj.		
				2001/02 Proj.	2002/03	
Production of seed cotton (thousands of metric tons)	518	460	243	571	540	500
Producer price of seed cotton (sec equivalent CFA francs per kilogram)	185	150	170	200	180	180
Producers' gross revenue (billions of CFA francs)	95.9	68.9	41.3	115.0	97.2	90.0
(percentage change)	7.8	-28.1	-40.1	178.4	-15.5	-21.7
(percentage change) 1/	...	...	...	...	21.1	12.1

Source: Compagnie Malienne de Développement des Textiles (CMDT); and staff calculations.

1/ Compared with the average for 1998/99-2001/02.

15. **Monetary developments in 2001 were characterized by a buildup of the net foreign assets of commercial banks and a rapid expansion in broad money and in domestic credit** (Table 8). The increase in credit to the economy reflected higher activity, especially in the last quarter of 2001, in the trade, construction, transport, and communications sectors. In addition, the government borrowed from the Central Bank of West African States (BCEAO) as foreign aid disbursements occurred later than expected. **The quality of banks' portfolios improved somewhat in 2001** as the ratio of nonperforming loans to net bank credit to the economy fell by 2 percentage points to 9.9 percent. This was due to the repayment by the government of CFAF 30 billion in guaranteed bank loans to the public enterprise in the cotton sector (Compagnie Malienne de Developpement du Textile, or CMDT). Also, most banks complied with the main prudential ratios of the West African Economic and Monetary Union (WAEMU), although a majority of banks did not yet meet the new liquidity ratio, which was raised on January 1, 2000.

III. MEDIUM-TERM ECONOMIC FRAMEWORK

16. **The updated medium-term framework for 2002-05 takes into account the spring 2002 projections of the World Economic Outlook (WEO).** During this period, real GDP growth is projected to average 6.2 percent; inflation to decline below 3 percent; and the external current account deficit (including official transfers) to narrow by 2.3 percentage points of GDP to 9.1 percent of GDP. At the same time, relative to GDP, the overall fiscal deficit, excluding grants, is expected to decline by 3.2 percentage points to 7.1 percent; the deficit, including grants, would decline by 2.5 percentage points to 4.1 percent. However, the macroeconomic framework for 2003 and beyond may be revised again in the coming months as the authorities finalized the PRSP. A source of uncertainty is the price of cotton on the world market, which dropped below US\$0.40 per pound in May 2002—against the US\$0.46 per pound assumed under the current program. Even though the producer price was recently cut by 10 percent to CFAF 180 per kilogram,⁷ the total loss for the cotton sector could be as high as 1 percent of GDP during the next crop year (2002/03).

17. **The Fund and World Bank staffs discussed with the authorities the possibility of lowering the producer price for 2002/03 to reflect the current depressed world market price.** The consequences would be (i) a drop in the producer price of more than 25 percent, well below the average break-even point for producers; (ii) the risk of yet another boycott of production; and (iii) a blow to the government's efforts to lower poverty. Hence, the staffs agreed with the authorities that the issue should be reviewed in the context of the discussions on the 2003 budget and the next program review scheduled for the fall, when the authorities would be in a better position to assess the subsidy that the sector may continue to require. At that time, World Bank and Fund staffs will also discuss the possibility of replacing subsidies

⁷ This is equivalent to a c.i.f. export price for ginned cotton of about US\$0.47 per pound. The WEO projection is for the world market price of cotton to rebound to an average US\$0.50 per pound in 2003. Prices increased to about US\$0.46 per pound at end-June.

by better targeted social safety net instruments. In the meantime, the authorities intend to pursue the reform of the sector and require the CMDT to take additional cost-cutting measures.

18. **On the external front**, the current account deficit is projected to narrow by 2½ percentage points of GDP over 2002-05, reflecting a pickup in exports other than gold. To finance its public investment program and other budgetary expenditures, Mali will continue to rely on concessional external financing over the medium term. Taking into account the HIPC Initiative assistance, Mali's debt-service obligations would fall from 12½ percent of exports of good and services to 10½ percent between 2000 and 2005.⁸ The update of the 20-year forecast of the balance of payments indicates that Mali's external debt situation would remain broadly sustainable after it reaches the completion point under the HIPC Initiative.

IV. UPDATED PROGRAM FOR 2002

19. **The objectives of the updated program for 2002 are broadly in line with those of the original program** (EBS/01/204, 11/30/01):

- Real GDP is now projected to grow by 9.3 percent in 2002—compared with 6.7 percent in the program—mainly owing to higher growth in cereal production (16.5 percent against 5.3 percent) and a smaller decline in gold output.
- The deficit in the current account balance, excluding official transfers, (11.9 percent of GDP) is projected to be narrower than originally programmed by 0.6 percentage point of GDP, in view of the higher export price for gold.
- The underlying degree of fiscal consolidation is expected to be somewhat higher than originally programmed, owing primarily to higher government revenue.
- Inflation is projected to decelerate to about 3 percent by the end of the year.

A. Performance in the First Quarter of 2002

20. **Cotton production more than doubled to 571,000 tons during 2001/02, restoring Mali to its position as the leading cotton producer in sub-Saharan Africa.** However, gold production declined by about 11 percent in the first quarter of 2002 (compared with the same

⁸ This takes into account debt relief from the IMF, the World Bank, the African Development Bank, the Islamic Fund for Agricultural Development (IFAD), the West African Development Bank (BOAD), the European Union, and the Paris Club. Mali has reached agreement with most Paris Club creditors (including Russia) and most multilateral creditors on debt rescheduling. Discussions with non-Paris Club bilateral creditors have yet to start.

period last year). Inflation rose to 6 percent in March 2002 (year on year), reflecting primarily an upward adjustment in utility tariffs in the first quarter of 2002.

21. **On the fiscal front, the basic fiscal balance registered a small surplus in the first quarter of 2002** instead of a small deficit expected under the program (Table 5). Government revenue exceeded the program target by about 10 percent, owing to continued efforts to strengthen tax administration and an increase in the specific tax rates on petroleum products in December 2001. Total government expenditure was lower than targeted, especially as regards current spending. However, spending financed by HIPC Initiative resources was greater than anticipated, as Mali received higher-than-expected debt relief. Concerning **monetary developments, the trends noted in 2001 continued in early 2002**, as an improvement in the net foreign assets of the banking system was accompanied by an expansion of broad money and credit to the economy.

B. Fiscal Policy

22. **The fiscal targets for 2002 are broadly in line with those of the initial program.** The budget reflects efforts to lower poverty, address the problems in the cotton sector, foster the democratization process, and pursue fiscal consolidation. In view of the upward revision in total government revenue projections, the degree of fiscal consolidation in 2002 has been slightly increased, even though expenditures have also been raised. The basic fiscal deficit (excluding expenditures related to HIPC Initiative resources) is projected at 0.4 percent of GDP, or 0.1 percentage point of GDP below the initial target. The overall fiscal deficit, excluding grants, would be maintained at 10.3 percent of GDP, while the deficit—including grants—would be 6.6 percent of GDP, 0.1 percentage point of GDP higher than programmed. The overall financing gap for the 2002 budget would amount to 2 percent of GDP, and financing assurances have been received from the World Bank (CFAF 14.5 billion), the European Union (CFAF 15.7 billion), France (CFAF 2.9 billion), the Netherlands (CFAF 6.2 billion), Sweden (CFAF 3.4 billion), and others (CFAF 0.6 billion).

23. **Total expenditure for 2002 has been raised to account for the following** (see MEFP, para. 14): (i) larger HIPC Initiative-related spending plans; (ii) the impact of civil service reform (see Box 2); (iii) increased utilities tariffs; (iv) higher election costs; and (v) higher capital outlays for the decentralization program. In order to fight poverty, the government will continue its efforts to compress nonpriority outlays⁹ and devote more resources to the social sectors, in line with the goals set in the interim poverty reduction

⁹ Nonpriority outlays relate, inter alia, to maintenance of government buildings and vehicles, the purchase of materials for the functioning of the public administration, and local and international travel by government officials.

strategy paper (interim PRSP), the ten-year programs for education (PRODEC) and health (PRODESS), and the basic infrastructure development program.

24. **Government revenue is projected to increase by 1½ percentage points of GDP to 18.1 percent in 2002, or by ½ of 1 percentage point more than initially targeted.** The additional revenue reflects mostly higher nontax receipts expected from the gold sector, as the authorities have resolved outstanding issues with mining companies by conducting and validating an inventory of value-added tax (VAT) and other tax credits that they had accumulated (see para. 16 of the MEFP). As indicated under the initial program, tax revenue is expected to rise to 15.5 percent as a result of the new taxation system for petroleum products and the administrative measures described in paragraph 15 of the MEFP.

C. Monetary Developments and Domestic Financing of the Fiscal Deficit

25. **Monetary policy, which is conducted at the level of the WAEMU, will continue to be guided in 2002 by the objective of preserving the peg of the CFA franc to the euro.** Mali is expected to continue to contribute to the international reserves of the BCEAO, while broad money is assumed to expand in line with nominal GDP growth, or by 10½ percent. The increase in the net domestic assets of the banking system is likely to slow to about 12 percent with the growth in credit to the economy expanding by about 10 percent and net bank credit to the government rising by 2.2 percent of beginning-of-period broad money. The treasury will repay a portion of the advances (CFAF 3 billion) from the central bank and finance some of the government spending by drawing down its deposits with commercial banks. The government is also discussing with other WAEMU member countries the modalities and timing for implementing the regional decision requiring all member governments to repay all advances from the BCEAO.¹⁰

D. Structural Reforms

26. The structural reform agenda focuses on two critical areas: the continued **reform of the cotton sector** and the improvement of the **public expenditure management** system (Box 3). Measures in areas related to the financial and telecommunication sectors, privatization, the judicial system, and good governance are covered in programs supported by the World Bank and other donors. In addition, the authorities intend to continue their efforts to reform the civil service (see Box 2). Details of these reforms are provided in paragraphs 21-27 of the MEFP.

¹⁰ As the treasury is expected to issue bill and bonds instead of borrowing from the BCEAO, the performance criterion on net credit to the government was replaced at the time of last review by one on net domestic financing.

Box 2. Mali: Civil Service Reform

Background. At end-2001, the civil service comprised 35,700 permanent and 6,200 contractual staff. As a result of a hiring freeze in place since the early 1990s, the civil service has aged considerably; currently, more than half of the civil service is over 45 years old (including two-thirds of the senior staff). The civil service is hampered by low pay, uncertain career prospects, and ineffective organization.

Key elements of Mali's civil service reform:

- **The reform program has five key objectives:** adapting the institutional framework to the changing role and responsibilities of the central government; strengthening human resource management; improving the civil service pay structure; enhancing the social security and retirement options for civil servants; and revising the relevant legal and regulatory texts.
- **The government completed an organizational audit** of the civil service by departments in December 2001. The audit identified central government tasks that could be transferred to the private sector and to decentralized governmental entities or local communities. The next step is to develop an action plan for the transfer of the identified tasks, as well as reorganization plans for central government agencies that reflect their new responsibilities. It is anticipated that, with the reorganization, some civil servants will transfer to decentralized agencies, local communities, and the private sector.
- **Strengthening human resource management** is predicated on a comprehensive evaluation of the personnel needs that the central government must satisfy to meet its redefined responsibilities, with particular attention paid to the education and training required by civil servants. To that end, the government intends to develop a coherent recruitment policy, as well as career plans for civil servants, which will include periods for professional retraining. The government has also initiated discussions with its bilateral development partners to establish a National Public Administration School. The postgraduate school would train potential career civil servants in modern public administration and management.
- To improve the competence and integrity of the civil service, **the reform calls for an upward shift in the pay scale.** The government expects that the impact of the higher pay scale on the budget will be largely mitigated by a reduction in the size of the civil service, in line with the narrowing of the tasks undertaken by the central government.
- **The authorities have begun to update the civil service legal and regulatory texts,** starting with a reexamination of the 1977 General Status of the Civil Service, and they intend to draft a Civil Service Code of Conduct.

Box 3. Mali: Structural Measures

Structural conditionality in the program supported by the PRGF arrangement focuses on the core macroeconomic adjustment, the reform of the cotton sector, public expenditure management, and the fight against poverty. The measures include:

- **Strengthening of external control of the public expenditure management and governance** (preparation of an action plan for the enhancement of ex post auditing of budget and increase in the staff of the Account Section of the Supreme Court);
- **poverty alleviation and strengthening of internal control of the public expenditure management** (adoption by the government in the draft 2003 budget of an expanded nomenclature to track poverty-reducing expenditures);
- **wage policy** (plan for the reform of the civil service, with a view to modernizing it and harmonizing the various pay schedules); and
- **cotton sector reform** (adoption and implementation of a mechanism for the determination of the producer price for cotton that reflects variations in the international world market price).¹

Relevant structural measures not included in the 2002 program are being dealt with as follows:

- Measures in areas related to the **energy, financial, and telecommunications** sectors, as well as **privatization** are covered in specific World Bank-supported programs.
- The promotion of various aspects of **good governance** is a structural measure pursued by most donors, with the World Bank taking the lead in the reform of budget execution and management, and in helping the government to design an integrated information system within the Ministry of Economy and Finance. The improvement of governance is one of the main priorities of the PRSP.
- The strengthening of the **judicial system** is being addressed through a World Bank technical assistance project.
- All donors have made the **fight against poverty** a priority; the World Bank is taking the lead in the areas of health and education, rural infrastructure, and the strengthening of farmers' organizations.
- Donors are helping the authorities with the **civil service reform**; an action plan for the reform was recently discussed with social partners.

Structural areas covered by World Bank lending and conditionality are as follows.

Reform Areas	Timing	Loan Instruments
Cotton sector reform	2001-04	Structural Adjustment Credit (SAC) I, II, III
Public expenditure management	2001-04	SAC I, II, III
Financial sector reform	2000-06	Financial Sector Development project
Education	2000-04	Education Sector Expenditure project
Health	1998-04	Integrated Health Sector Invest. proj.
Rural infrastructure	2000-05	Rural Infrastructure Project
Urban development and decentralization	1996-2003	Urban Dev. and Decentralization
Energy	1996-2001	Selingué project
Telecommunications	2000-02	Telecommunications Sector project

¹The World Bank is taking the lead in the reform of the cotton sector.

27. **The reform of the cotton sector is critical for ensuring the sustainability of Mali's macroeconomic framework.** As indicated earlier, the reform was delayed, and the authorities have taken corrective steps prior to the completion of the fourth review of the

program.¹¹ The study on the liberalization of the cotton sector (structural benchmark for March 2002) is now scheduled to be completed by end-August 2002. All of the main players in the sector participated in the preparation and implementation of the reform, which is critical for ensuring that the new government will continue to implement it.

28. **The reform of the public expenditure management system is designed to ensure a more efficient allocation and monitoring of public resources, and, in particular, a better tracking of poverty-related spending.** Last year, building on the findings of World Bank missions in February and June 2001, a Fund technical assistance mission found that Mali had taken important steps to improve fiscal transparency.¹² However, the Assessment and Action Plan report noted that Mali still needed to upgrade its expenditure management system since the country had met only 8 of 15 benchmarks that measure a country's capacity to track poverty-reducing spending (Box 4).

E. Poverty Reduction

29. **Reducing poverty remains the government's central development goal** (see paras. 2 and 28-30 of the MEFP), and the authorities are implementing the strategy described in the interim PRSP. The program reinforces the objective of reducing poverty by (i) ensuring a minimum level of income for cotton farmers; (ii) allocating outlays to social plans and poverty-reducing investment projects in the context of government liberalization and privatization programs (Box 5); and (iii) promoting good governance in the use of public funds, in general, and the allocation of poverty-related spending (including with respect to the use of resources related to the HIPC Initiative), in particular (see Box 6 in EBS/01/204, 11/30/01).

30. The full PRSP was adopted by the former government at end-May 2002 and is being reviewed by the new government, as well as by the Fund and World Bank staffs. Preparation of the document gave rise to broad discussions with the civil society throughout the country, thereby providing the authorities with the opportunity to better understand the poor's needs, constraints and opportunities. These discussions have also helped to reinforce the population's ownership of the poverty reduction strategy. Moreover, the set of performance indicators developed to monitor the outcome of the strategy has been streamlined and

¹¹ The World Bank is taking the lead in the area of cotton sector reform, and the Fund staff will take into account the World Bank staff's views on the progress in the implementation of these measures.

¹² A Fund technical assistance mission visited Bamako in July 2001 and prepared a Report on the Observance of Standards and Codes (ROSC) and an Assessment and Action Plan (AAP) on the capacity of the public expenditure management system to track poverty-reducing public expenditures under the enhanced HIPC Initiative.

Box 4. Mali: Status of Actions to Strengthen Tracking of Poverty-Reducing Public Spending					
	Actions	Timing (S/M)¹	Status (FI/II/NS)²	Date Achieved	Comments
Actions to strengthen budget formulation					
1	Identify poverty reducing items in budget	S	II		
2	Improve accounting for external disbursements	S	II		
3	Include table showing poverty reducing expenditures in 2002-03 budget	S	NS		
4	Improve classification with Government Financial Statistics economic object basis	M	II		
5	Apply the Classification of Function of Government (COFOG) to recurrent and development budget	M	II		
6	Include two year projections in 2003-04 budget	M	II		
Actions to strengthen budget execution					
7	Strengthen internal audit	M	NS		Internal audit was deemed effective and efficient by a Fund technical assistance mission
8	Finalize the terms of reference for the Public Expenditure Tracking Surveys (PETS)	S	NS		
Actions to strengthen budget reporting					
9	Template for local government reporting	S	NS		
10	Issue circular requiring local government quarterly reports	S	NS		
11	Training and enforcement measures for timely submission of local government reports	S	NS		
12	Quarterly monitoring reports created	S	NS		
13	Strengthen external audit by 3 measures	M	II		
¹ S=Short term action; M=Medium term action. ² FI=fully implemented, II-Implementation initiated, NS=Not started.					

reinforced. In addition, the authorities made progress in meeting the completion point triggers under the enhanced HIPC Initiative (Box 6). Consequently, the PRSP, the joint staff assessment and the document for the enhanced HIPC Initiative completion point are expected to be submitted to the Fund and World Bank Executive Boards by end-September 2002.

V. PROGRAM MONITORING

31. Prior actions have been set with the objective of ensuring that conditions conducive to the program's success are in place by the time of the completion of the fourth review by the Executive Board (see Table 3 of the MEFP).¹³ The program will be monitored quarterly on the basis of the quantitative performance criteria, quantitative benchmarks, and indicators shown in Table 1 of the MEFP and described in the technical memorandum of understanding, and on the basis of the structural performance criteria and benchmarks shown in Table 3 of the MEFP. Progress under the program for 2002 will be assessed in the context of the fifth review, scheduled to be completed no later than December 31, 2002.

Sectors	2000		2001		2002	
	Before HIPC	After HIPC Actual	Before HIPC	After HIPC Actual	Before HIPC Proj.	After HIPC Proj.
Education ¹	51.4	52.2	53.3	59.9	59.5	72.5
Health ²	17.3	17.3	20.8	22.3	23.2	28.0
Social development	0.6	0.6	1.9	1.1	5.2	6.5
Rural development ³	14.6	14.6	27.3	28.8	39.3	42.5
Urbanism housing and public works	19.9	19.9	24.3	27.0	28.2	31.4
Gender ⁴	0.6	0.6	0.6	0.8	0.8	1.3
Water supply, mining and energy	2.9	2.9	7.3	9.8	2.7	3.6
Other ministries ⁵	0.0	0.0	0.0	2.6	0.0	5.0
Total	107.3	108.1	135.4	152.3	158.9	190.7

1 Including outlays for the recruitment of community teachers and the provision of educational material to poor areas.
2 Including outlays to combat AIDS and malaria.
3 Including outlays to enhance access to safe water.
4 Including outlays to fight against the traffic of children and to increase population awareness of gender issues through information and communication campaigns.
5 Including outlays in other ministries related to macro and social data improvement, commerce and transport, professional training, and arts and crafts.

VI. STAFF APPRAISAL

32. **Program implementation was satisfactory in 2001**, making it possible to strengthen fiscal consolidation, set the conditions for the resumption of robust growth in 2002, and foster stability in the run-up to the presidential elections held this year. Good overall performance also boosted cotton producers' confidence, which, together with a hike in producer price and the favorable weather, resulted in a doubling of production to reach an all-time high in 2001/02.

¹³ The staff will provide an update on the status of implementation of these prior actions at the time of the Board meeting.

Box 6. Mali: Compliance with Enhanced HIPC Initiative Completion Point Conditionalities	
Measures	Outcome
<p>Macroeconomic stability</p> <p>Satisfactory implementation of structural reforms, including:</p> <ul style="list-style-type: none"> • Cotton sector reforms, and • privatization program 	<p>The economic situation has improved with the implementation of the PRGF-supported program. See Section II of staff report.</p> <p>Mali has continued to implement structural reforms. Progress was made in implementing the cotton sector reform program. Notably, a new pricing mechanism taking into account international and regional market conditions have been discussed with the producers, and a new price introduced for the 2002/03 season that is lower than the previous season's price. As regards the privatization program, substantial progress has been made. Several public enterprises have been privatized in key sectors of the economy: energy, water, banking, and hotel services. Competition has been introduced into the telecommunications sector. Other privatizations are under way in the banking, railway, airport, and tobacco sectors.</p>
<p>Satisfactory implementation of education sector reforms:</p> <p>The ten-year education program (PRODEC) includes:</p> <ul style="list-style-type: none"> • increasing teacher recruitment; • accelerating classroom construction; • increasing the gross primary enrollment ratio; • limiting the number of higher education scholarships; and • strengthening the budget allocation. 	<p>Implementation of the PRODEC is now largely on track, following initial delays in launching the program. As a result of the initial delays, some program targets (e.g., adult literacy, number of classrooms constructed) have been partially, rather than fully, met, while only two-thirds of the planned construction of classrooms took place. A total of 2,396 teachers were hired for the 2000/01 school year (higher than the objective). The gross enrollment ratio is estimated at 60 percent for the 2000/01 school year, compared with an objective of 62 percent and the bias against girls has been reduced. Expenditures on higher education scholarship were kept under CFAF 4 billion. Resource allocations to the education sector exceeded PRODEC objectives, at 27 percent of budgetary expenditures (targeted ratio for 2004 in PRODEC) or CFAF 73.5 billion (compared with CFAF 72.8 billion in PRODEC).</p>
<p>Satisfactory implementation of health sector reforms:</p> <p>The ten-year health program (PRODESS) is being implemented by</p> <ul style="list-style-type: none"> • reinforcing the human resource component of the program; • recruiting health personnel; • increasing budget allocation; • increasing the share of the population with access to health care; • increasing the immunization rate; and • raising the number of medically assisted births. 	<p>The implementation of the ten-year health plan has been slower than expected. The target for the recruitment of health staff was not met due to a lack of qualified personnel (particularly nurses) and difficulties attracting available staff (namely doctors) to the poorer rural areas. The inadequate numbers of health personnel (280 versus a target of 707) is a result of lagging supply over time in relation to population growth and slower than desired turnout of candidates from the training institutes. The authorities are working to resolve the problem of an incentive structure that encourage doctors to opt almost exclusively for urban positions to the detriment of rural areas where their services are needed more urgently. To address the supply constraint of health workers (i.e., nurses) a program is under way to decentralize training to the regions with the intent of attracting local residents into the health profession. A result of the geographical imbalance has been that immunization rates were lower than targeted (53 percent, compared with a projection of 58 percent in 2000), although the population's access to health care facilities surpassed the targets (58 percent of the population, versus a 55 percent target, were within 15 kilometers of a health facility).</p>
<p>Preparation of the full PRSP</p>	<p>The PRSP was approved by the outgoing government in May 2002, and submitted to Fund and World Bank staffs.</p>

33. **The commitment of the new government to the reform agenda, especially as regards the implementation of the cotton sector reform, will be critical for the success of the program supported by the PRGF arrangement.** The fact that the reform of the cotton sector was planned through a broad participatory process offers assurances that effective program implementation is likely to continue.

34. **With the world cotton price still depressed, the sustainability of the recent rise in Mali's cotton production is uncertain.** Hence, it is critical for the authorities to continue to reduce ginning and marketing costs so that producers receive a larger share of revenue generated by the sector. In that context, the study on the liberalization of the cotton sector should suffer no further delays and be completed by August 2002, so that the next phase of the reform can be formulated by the end of this year. It will also be important to pursue fiscal adjustments in order to be in a position to accommodate part of the potential additional budgetary costs of the lower cotton revenue and higher social outlays.

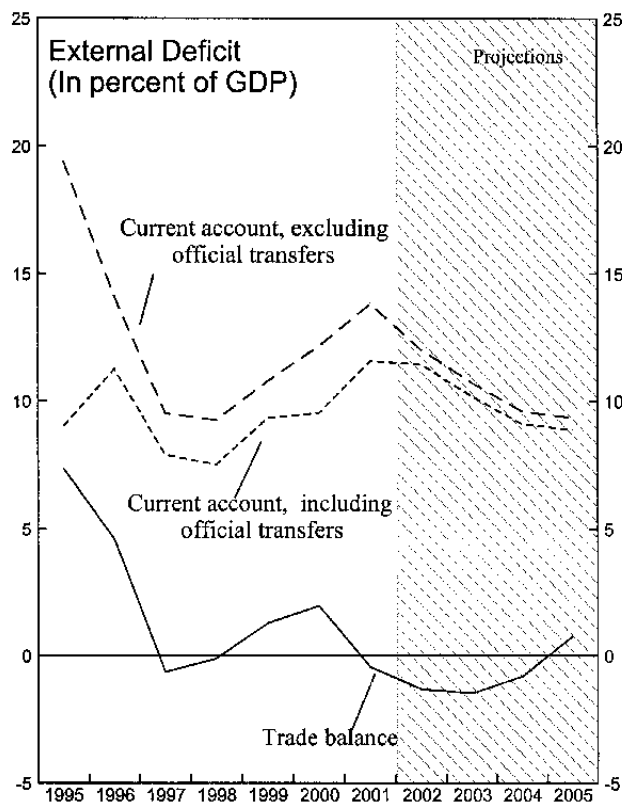
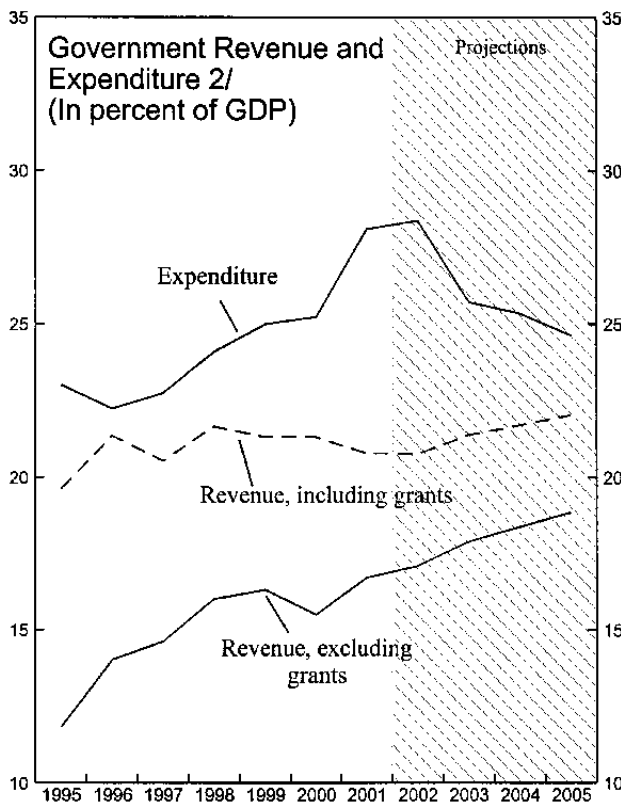
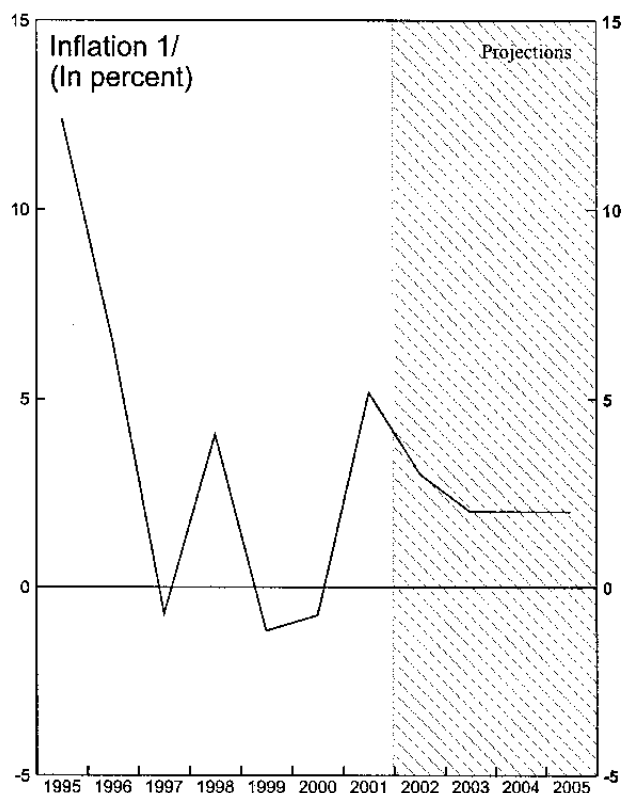
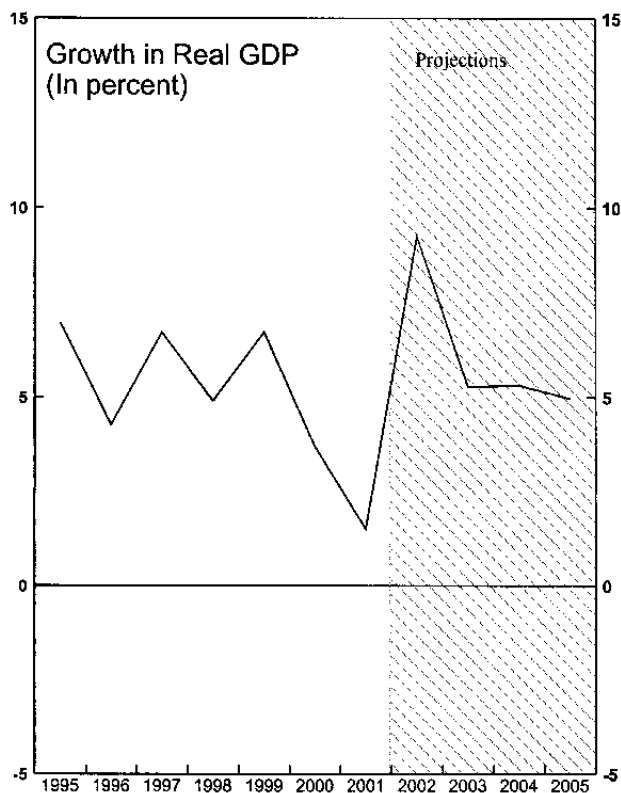
35. **The authorities' commitment to strengthen fiscal sustainability is commendable.** The degree of fiscal consolidation was higher than programmed in 2001 and has been increased somewhat for 2002. Preliminary data for the first quarter of 2002 indicate that the revised fiscal objectives for the year are attainable. Nevertheless, it will be critical to continue to restrain nonpriority expenditure and contain the wage bill within the limits of the WAEMU convergence criteria. In this regard, the staff welcomes the authorities' initiative to reform the civil service so as to improve its efficiency.

36. **The staff welcomes the authorities' resolve to continue to improve the transparency of public expenditure management.** These efforts will promote the efficient use of scarce public resources and to strengthen the enabling environment needed to attract private investment. The staff is encouraged by the authorities' focus on improving ex post control of budget execution, as well as on implementing a new coding system in order to identify all poverty-related spending.

37. **Reducing poverty should remain the government's top priority.** The staff is encouraged that budgetary allocations to priority sectors (health, education, and rural development) have increased continuously, reflecting the sectoral priorities described in the interim PRSP. In addition, the program reinforces the objective of poverty reduction through measures to raise the income of cotton farmers in 2002, allocate outlays to social plans related to the liberalization and privatization programs, and promote transparency in the use of public funds.

38. **Mali will continue to face the possibility of significant exogenous shocks that may hinder successful program implementation.** Hence, the authorities need to stand ready to take appropriate remedial measures, including fiscal tightening, should such shocks occur. In view of the satisfactory implementation of the program through March 2002, the determined efforts of the Malian authorities to achieve the program objectives, including through the implementation of prior actions in the cotton sector, and the appropriate policies envisaged for 2002, the staff recommends that waivers for the nonobservance of two performance criteria be granted and the fourth review under the PRGF arrangement be completed.

Figure 1. Mali: Main Economic Indicators, 1995-2005

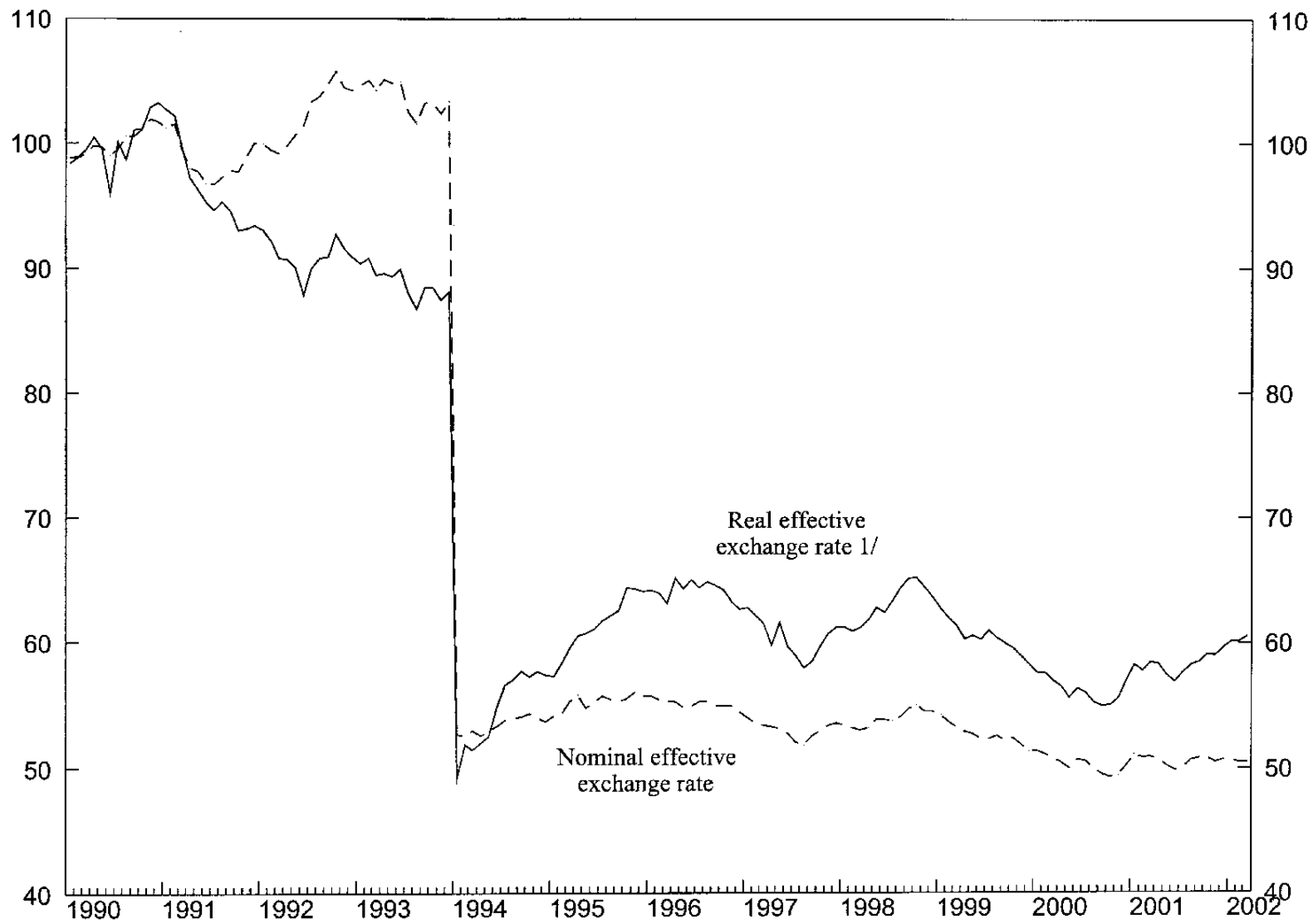


Sources: Malian authorities; and staff estimates and projections.

1/ Percentage change in average consumer price index.

2/ Central government on commitment basis.

Figure 2. Mali: Real and Nominal Effective Exchange Rates, January 1990 - March 2002
(Period average; 1990=100)



Source: IMF, Information Notice System.
1/ Based on relative consumer price indices.

Table 1. Mali: Fund Position, January 2000 - December 2004

	2000	2001				2002				2003		2004	
		Jan.-March	April-June	July-Sep.	Oct.-Dec.	Jan.-March	April-June	July-Sep.	Oct.-Dec.	Jan.-June	July-Dec.	Jan.-June	July-Dec.
(In millions of SDRs, unless indicated otherwise)													
Fund credit at beginning of period under Enhanced Structural Adjustment Facility (ESAF)	138.69	141.48	134.58	128.89	137.82	138.10	135.61	134.86	132.37	130.58	125.69	115.67	104.61
Net use of Fund credit	2.79	-2.49	-1.02	8.93	0.28	-2.49	-0.75	-2.49	-1.79	-4.89	-10.03	-11.06	-10.62
Loans under:													
Poverty Reduction and Growth Facility (PRGF)	2.79	-2.49	-1.02	8.93	0.28	-2.49	-0.75	-2.49	-1.79	-4.89	-10.03	-11.06	-10.62
Disbursements	6.75	0.00	0.00	11.42	6.75	0.00	6.75	0.00	6.75	6.15	0.00	0.00	0.00
Repayments	3.96	2.49	1.02	2.49	6.47	2.49	7.50	2.49	8.54	11.04	10.03	11.06	10.62
Fund credit at end of period under Structural Adjustment Facility (SAF)	141.48	138.99	133.56	137.82	138.10	135.61	134.86	132.37	130.58	125.69	115.67	104.61	93.99
(In percent of quota)													
Fund credit at end of period under SAF/PRGF	151.6	149.0	143.1	147.7	148.0	145.4	144.6	141.9	140.0	134.7	124.0	112.1	100.8

Source: IMF, Treasurer's Department.

Table 2. Mali: Revised Schedule of Projected Reviews and Disbursements
Under the PRGF Arrangement, 2002-03

Date	Action	Disbursement
March 2002	Fourth review mission under the PRGF arrangement	
July 2002	Executive Board consideration of the fourth review under the PRGF arrangement	SDR 6.750 million
End-June 2002	Performance criteria	
September 2002	Fifth review mission under the PRGF arrangement and 2002 Article IV consultation discussions	
November-December 2002	Executive Board consideration of the fifth review under the PRGF arrangement and conclusion of the 2002 Article IV consultation	SDR 6.750 million
End-December 2002	Performance criteria	
February 2003	Sixth review mission under the PRGF arrangement	
March 2003	Executive Board consideration of the sixth review under the PRGF arrangement; final disbursement	SDR 6.150 million

Table 3. Mali: Selected Economic and Financial Indicators, 1999-2005 ¹

	1999	2000 Prel.	2001		2002		2003	2004	2005
			EBS/01/204	Estim.	EBS/01/204	Rev. proj.				Projections
(Annual percentage change, unless otherwise specified)									
National income and prices									
Real GDP	6.7	3.7	0.1	1.5	6.7	9.3	5.3	5.3	5.0
Nominal GDP (in billions of CFA francs)	1,670.7	1,741.5	1,895.9	1,927.4	2,070.9	2,131.1	2,305.2	2,475.6	2,658.5
GDP deflator	-1.7	0.5	4.6	9.0	2.3	1.2	2.8	2.0	2.3
Consumer price index (annual average)	-1.2	-0.7	4.6	5.2	3.0	3.0	2.0	2.0	2.0
External sector									
Exports, f.o.b.	6.2	10.4	26.1	39.6	2.3	6.4	5.5	2.0	-1.6
Imports, f.o.b.	13.2	13.1	10.0	26.5	3.8	2.6	6.0	4.6	5.1
Export volume	17.4	-0.2	16.0	24.7	13.9	16.4	0.7	0.1	-3.7
Of which: nonmining	21.7	-7.4	-30.7	-23.4	74.0	63.6	1.6	5.7	10.7
Import volume	8.0	-2.1	9.1	24.3	8.3	0.7	5.3	4.4	4.0
Terms of trade	-13.8	-4.3	7.6	10.1	-6.4	-10.2	4.1	1.7	1.0
Nominal effective exchange rate (average)	-2.4	-4.3	...	3.2	...	...	...	...	...
Real effective exchange rate (average)	-4.1	-7.4	...	3.7	...	...	...	...	...
Central government finance									
Total revenue	6.9	-1.0	17.4	18.6	15.9	20.3	9.9	8.7	8.8
Current expenditure	15.1	3.1	24.6	22.3	5.2	16.9	0.6	5.5	10.4
Capital expenditure and net lending ²	4.0	6.9	20.4	20.4	6.4	10.7	-0.2	7.4	4.0
Money and credit									
Credit to the government ³	1.1	-4.2	6.0	4.6	7.8	2.2	...	...	...
Credit to rest of the economy	14.4	-2.4	-9.5	19.0	3.3	9.5	...	...	...
Broad money (M2)	1.3	11.9	8.2	19.3	14.6	10.6	...	...	...
Velocity (GDP/M2)	4.6	4.7	4.3	4.0	4.3	4.0	...	...	...
Interest rate (in percent; end of period) ⁴	5.0	6.5	...	6.5	...	...	...	...	...
(In percent of GDP, unless otherwise specified)									
Investment and saving									
Gross domestic investment	20.0	21.5	20.8	21.1	21.7	22.0	22.1	22.9	23.6
Government	9.1	9.5	10.5	10.1	10.3	10.2	9.6	9.6	9.4
Nongovernment	11.0	12.0	10.3	10.9	11.4	11.8	12.5	13.3	14.2
Gross domestic saving	8.9	9.7	10.5	10.3	11.7	13.2	13.4	14.4	14.1
Government	1.2	0.5	-0.7	0.5	1.0	1.1	2.5	3.0	3.0
Nongovernment	7.7	9.2	11.0	9.8	10.7	12.2	10.9	11.4	11.1
Central government finance									
Total revenue	16.3	15.5	16.7	16.6	17.6	18.1	18.4	18.6	18.8
Total expenditure and net lending ²	25.0	25.2	28.3	27.6	27.9	28.4	26.3	26.1	26.0
Overall balance (commitment basis, including grants)	-3.7	-3.9	-7.6	-5.8	-6.5	-6.6	-4.4	-4.2	-4.1
Overall balance (commitment basis, excluding grants)	-8.7	-9.7	-11.6	-11.0	-10.3	-10.3	-7.9	-7.5	-7.1
Basic fiscal balance ⁵	0.1	-0.7	-2.4	-2.0	-1.7	-1.9	0.1	0.2	0.2
Basic fiscal balance ⁶	0.1	-0.7	-0.7	-0.2	-0.5	-0.4	1.1	1.2	1.2
External sector									
Current external balance, including official transfers	-9.3	-10.4	-11.9	-11.9	-12.0	-11.4	-10.4	-9.3	-9.1
Current external balance, excluding official transfers	-10.8	-13.0	-13.0	-14.1	-12.5	-11.9	-11.0	-9.8	-9.6
Debt-service ratio ⁷									
Before debt relief	12.4	13.3	12.4	10.0	13.9	12.2	13.3	13.5	14.1
After debt relief	12.4	12.7	9.8	6.3	9.5	7.8	10.0	10.2	10.6
(In millions of U.S. dollars, unless otherwise specified)									
Overall balance of payments	-20.7	39.2	-70.8	-44.4	-106.4	-79.8	-75.5	-50.0	-46.2
Gross international reserves	387.1	378.6	376.7	354.1	387.5	375.3	383.5	427.4	488.2
(In months of next year's imports ⁸)	4.2	3.9	4.2	3.8	4.0	3.7	3.7	3.9	4.2
U.S. dollar rate (end of period)	615.8	710.0	...	732.5	...	...	...	...	...

Sources: Malian authorities; and staff estimates and projections.

¹The staff has updated the balance of payments to be fully consistent with the *IMF's Balance of Payments Manual (5th edition)* and the authorities' presentation.

²Including capital outlays financed through external project aid and transfers to the local authorities; data on commitment basis.

³Change in percent of broad money at the beginning of the period.

⁴End-of-period interest rate on the West African Monetary Union money market.

⁵Defined as total revenue (excluding grants) minus total expenditures and net lending, (excluding foreign-financed investment).

⁶Defined as footnote 5 above, but also excluding HIPC Initiative-related expenditure and exceptional expenditure financed by World Bank credit.

⁷In percent of exports of goods and services.

⁸Goods and services.

Table 4. Mali: Selected National Accounts Indicators, 1999-2005 1/

	Composition of GDP in 2000 (In percent)	1999	2000	2001		2002		2003	2004	2005
				Prog.	Est.	Prog.	Proj.			
(Annual percentage change in constant prices)										
Primary sector	44.4	9.2	6.2	-13.0	-13.4	15.0	19.5	5.2	5.6	6.7
Food crops	20.3	19.7	15.7	-16.5	-16.5	5.3	16.5	7.0	8.0	10.0
Industrial crops	7.1	0.1	-9.2	-39.8	-39.9	104.5	102.4	4.4	4.3	4.1
Livestock	11.2	4.7	3.6	2.3	0.6	2.7	1.8	4.0	4.0	4.3
Fishing	1.1	1.6	1.5	1.4	1.4	1.4	1.4	1.4	1.4	3.0
Forestry	4.7	2.9	2.8	2.8	2.8	2.8	2.8	2.8	2.8	3.4
Secondary sector	18.4	2.4	7.5	27.8	31.0	-5.9	-2.6	3.4	1.3	-2.8
Industry	5.7	-4.1	11.7	0.2	0.7	0.7	1.6	3.4	3.5	6.2
Mining	5.9	9.8	11.1	72.8	85.1	-16.2	-9.1	-0.1	-5.5	-19.7
Handicrafts	2.1	1.6	-5.6	21.4	16.5	3.7	6.0	7.5	7.0	9.0
Construction and public works	4.8	2.6	5.0	8.1	7.0	2.5	2.3	8.0	8.0	8.0
Tertiary sector	31.9	6.2	4.9	-0.2	1.2	6.2	5.9	6.4	6.4	7.0
Transportation	5.6	6.9	4.9	0.7	-2.4	7.3	4.1	13.0	11.8	10.0
Trade	14.7	10.3	3.7	-2.0	0.9	7.5	7.8	4.6	4.6	6.0
Public administration	6.1	-1.9	11.5	1.7	4.5	2.5	2.9	8.0	8.0	8.0
Other services	5.5	4.1	1.3	1.9	2.2	5.6	6.2	3.2	3.6	4.9
GDP (at factor cost)	94.7	6.8	6.0	-0.7	0.1	6.8	9.3	5.2	4.9	4.7
Indirect taxes	5.3	5.8	-25.1	11.5	26.0	6.0	9.1	6.7	11.1	8.0
GDP (at market prices)	100.0	6.7	3.7	0.1	1.5	6.7	9.3	5.3	5.3	5.0
Nonmining real GDP		6.6	3.3	-4.4	-3.7	9.3	11.4	5.8	6.3	7.0
(Net financial balances; in percent of nominal GDP, unless otherwise indicated)										
Total economy		-9.3	-10.4	-11.9	-11.9	-12.0	-11.4	-10.4	-9.3	-9.1
Gross national saving		10.7	11.1	8.9	9.1	9.8	10.6	11.7	13.6	14.5
Of which: domestic saving		8.9	9.7	10.3	10.3	11.7	13.2	13.4	14.4	14.1
Gross domestic investment		20.0	21.5	20.8	21.1	21.7	22.0	22.1	22.9	23.6
Private sector		-2.1	-3.2	-0.7	-3.7	-2.2	-1.8	-3.0	-2.4	-2.5
Gross national saving		8.9	8.8	9.5	7.2	9.2	10.0	9.5	10.9	11.8
Of which: domestic saving		7.7	9.2	11.0	9.8	10.7	12.2	10.9	11.4	11.1
Gross domestic investment		11.0	12.0	10.3	10.9	11.4	11.8	12.5	13.3	14.2
Government		-7.2	-7.2	-11.1	-8.2	-9.7	-9.6	-7.4	-7.0	-6.7
Gross national saving		1.8	2.3	-0.6	1.9	0.6	0.7	2.2	2.7	2.7
Of which: domestic saving		1.2	0.5	-0.7	0.5	1.0	1.1	2.5	3.0	3.0
Gross domestic investment		9.1	9.5	10.5	10.1	10.3	10.2	9.6	9.6	9.4
Memorandum items:										
External current account balance 2/		-9.3	-10.4	-11.9	-11.9	-12.0	-11.4	-10.4	-9.3	-9.1
Nominal GDP (in billions of CFA francs)		1,671	1,742	1,896	1,927	2,071	2,131	2,305	2,476	2,659

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

¹ The staff has updated the balance of payments to be fully consistent with the *IMF's Balance of Payment Manual (5th edition)* and the authorities' presentation.

² Including official transfers.

Table 5. Mali: Central Government Consolidated Financial Operations, 1999-2003 1/

	1999	2000	2001		2002		2003		
			Prog.	Est.	Mar.		Year		
			ERS01/204		Prog.	Est.	Prog.	Rev. proj.	Rev. proj.
				ERS01/204		ERS01/204			
(In billions of CFA francs)									
Revenue and grants	356.0	371.1	394.0	420.4	96.9	102.3	442.4	463.1	502.2
Total revenue	272.6	269.9	316.9	320.1	77.4	86.4	364.4	385.1	423.2
Budgetary revenue	247.8	245.5	290.9	292.6	70.9	78.5	338.4	355.2	393.0
Tax revenue	235.3	233.3	279.8	281.6	67.5	72.9	321.7	331.0	368.8
Nontax revenue	12.6	12.2	11.1	11.0	3.3	5.6	16.7	24.2	24.2
Special funds and annexed budgets	24.8	24.4	26.0	27.5	6.5	7.9	26.0	29.9	30.2
Grants	83.4	101.2	77.1	100.2	19.5	15.9	78.0	78.0	80.0
Budgetary	14.6	32.2	4.3	27.5	0.0	0.3	0.0	0.0	0.0
Project	68.8	69.0	72.8	72.8	19.5	15.6	78.0	78.0	80.0
Total expenditure and net lending	417.6	439.2	537.2	532.6	134.0	120.8	577.8	604.5	605.8
Budgetary expenditure	395.0	417.3	522.7	515.7	128.5	113.7	555.9	578.7	581.6
Current expenditure	193.2	199.3	248.4	243.7	73.4	57.1	271.8	284.8	286.6
Wages and salaries	65.3	73.1	82.0	81.9	21.8	20.7	87.1	89.5	97.0
Materials and supplies	26.7	28.5	31.0	32.1	6.6	5.2	33.2	33.2	37.5
Transfers	39.6	36.8	58.4	54.33	28.3	12.6	73.5	79.2	65.8
Scholarships	6.2	6.2	5.6	4.7	1.4	1.5	5.6	5.6	5.6
Social safety net	11.0	9.9	10.0	10.0	1.0	1.2	10.0	10.0	10.0
Elections cost	3.4	0.9	9.0	8.0	5.0	1.6	7.0	9.0	0.0
Others	19.0	19.8	33.8	31.6	20.9	8.3	50.9	54.6	50.2
Of which: cotton sector	0.0	0.0	13.0	13.0	15.0	0.0	27.2	27.2	22.0
Communication, transport, energy	28.6	28.9	30.1	33.0	6.7	4.7	39.6	38.5	42.6
Other current expenditure	19.1	16.0	27.7	27.7	4.7	9.9	23.6	23.6	24.3
Interest ³	14.0	16.0	19.2	14.6	5.2	3.9	20.8	20.8	19.3
Domestic	0.5	0.4	0.3	0.3	0.2	0.2	0.3	0.3	0.7
External	13.5	15.6	17.8	13.8	4.3	3.3	18.7	18.7	18.6
Capital expenditure	199.8	217.1	240.4	235.9	52.6	52.0	248.6	252.1	267.0
Externally financed	147.4	157.1	174.0	174.0	39.6	35.7	178.4	178.4	184.0
Domestically financed	52.3	60.0	66.4	61.9	13.0	16.3	70.2	73.7	83.0
HIPC expenditures	0.0	0.0	14.7	16.8	2.6	4.1	25.5	31.8	23.0
Expenditures from World Bank credit	0.0	0.0	18.2	18.2	0.0	0.0	0.0	0.0	0.0
FESAP and public enterprises	2.0	0.9	1.0	1.1	0.0	0.5	10.0	10.0	5.0
Special funds and annexed budgets	24.8	24.4	26.0	27.5	6.5	7.9	26.0	29.9	30.2
Service on on-lending	-2.2	-2.5	-11.5	-10.6	-1.0	-0.8	-4.1	-4.1	-6.0
Basic fiscal balance ²	2.5	-12.2	-46.3	-38.5	-17.0	1.3	-35.0	-41.0	1.5
Overall fiscal balance									
Commitment basis, including grants	-61.5	-68.1	-143.2	-112.2	-37.1	-18.5	-135.4	-141.4	-102.5
Commitment basis, excluding grants	-144.9	-169.3	-220.3	-212.5	-56.6	-34.4	-213.4	-219.4	-182.5
Changes in payments arrears	-9.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjustment (cash basis)	11.7	1.6	0.0	0.0	0.0	-13.7	0.0	0.0	0.0
Overall fiscal balance (cash basis, including grants)	-59.1	-66.5	-143.2	-112.2	-37.1	-32.2	-135.4	-141.4	-102.5
Financing	59.2	66.5	103.7	112.2	27.3	32.2	84.8	98.1	66.5
External financing (net)	60.3	64.4	97.1	106.1	15.8	34.2	83.3	104.6	72.5
Domestic financing (net)	-1.2	2.1	6.6	6.1	11.5	-2.0	1.5	-6.6	-6.0
Of which: excluding transfers to Caisse de Retraite du Mali (CRM) ³									
Banking system	1.8	-17.9	26.6	17.3	12.0	4.9	7.3	10.6	2.0
Of which: net credit to the government	3.8	11.2	27.2	18.7	12.0	4.9	7.3	10.6	2.4
Privatization receipts	10.4	20.3	0.0	0.0	8.0	0.0	11.0	11.0	0.0
Nonbank financing	-13.4	-0.2	-20.0	-11.2	-8.5	-6.9	-16.8	-28.2	-8.0
Financing gap ⁴	0.0	0.0	39.5	0.0	9.8	0.0	50.6	43.3	36.0
(In percent of GDP)									
Total revenue and grants	21.3	21.3	20.8	21.8	...	...	21.4	21.7	21.8
Of which: total revenue	16.3	15.5	16.7	16.6	...	...	17.6	18.1	18.4
Of which: tax revenue	14.1	13.4	14.8	14.6	...	...	15.5	15.5	16.0
Total expenditure and net lending	25.0	25.2	28.3	27.6	...	...	27.9	28.4	26.3
Of which: health and education	3.1	4.0	4.3	4.3	...	...	4.6	4.5	...
defense	2.0	1.9	...	...	...	...	...	...	...
Current expenditure	11.6	11.4	13.0	12.6	...	...	12.6	12.9	12.2
Overall fiscal balance									
Commitment basis, including grants	-3.7	-3.9	-7.6	-5.8	...	...	-6.5	-6.6	-4.4
Commitment basis, excluding grants	-8.7	-9.7	-11.6	-11.0	...	...	-10.3	-10.3	-7.9
Basic fiscal balance ²	0.1	-0.7	-2.4	-2.0	...	...	-1.7	-1.9	0.1
Basic fiscal balance ⁵	0.1	-0.7	-0.7	-0.2	...	...	-0.5	-0.4	1.1
Memorandum item:									
GDP at current prices (in billions of CFA francs)	1,670.7	1,741.5	1,895.9	1,927.4	...	...	2,070.9	2,131.1	2,305.2

Sources: Malian authorities; and staff estimates and projections.

^{1/}The historical GDP figures through 2000 have been revised upward to be fully consistent with the authorities' data. Thus ratios to GDP in the program column may not be strictly comparable with the new ratios.

^{2/}Defined as total revenue, excluding grants, minus total expenditure and net lending, excluding foreign-financed capital expenditure.

^{3/}Caisse de Retraite du Mali.

^{4/}Expected to be covered by donor assistance.

^{5/}Defined as footnote 2 above, but also excluding HIPC Initiative-related expenditure and exceptional expenditure financed by World Bank credit.

Table 6. Mali: Fiscal Impact of the HIPC Initiative, 2000-05

(In billions of CFA francs, unless otherwise specified)

	2000	2001	2002	2003	2004	2005
	Est.	Est.	Proj.	Proj.	Proj.	Proj.
1. HIPC Initiative assistance given						
A. Interest due before HIPC Initiative assistance	15.6	13.8	18.7	18.6	20.1	19.2
B. Interest paid before HIPC Initiative assistance	15.6	13.8	18.7	18.6	20.1	19.2
C. HIPC Initiative assistance on interest (as a result of stock-of-debt operation only)	0.0	0.0	0.0	0.0	0.0	0.0
D. Interest due after HIPC Initiative assistance	15.6	13.8	18.7	18.6	20.1	19.2
E. Amortization due before HIPC Initiative assistance 1/	39.1	32.3	48.8	68.0	76.1	79.9
F. Amortization paid before HIPC Initiative assistance	39.1	32.3	48.8	68.0	76.1	79.9
G. HIPC Initiative assistance on amortization (as a result of stock-of-debt operation only)	0.0	0.0	0.0	0.0	0.0	0.0
H. Amortization due after HIPC Initiative assistance	39.1	32.3	48.8	68.0	76.1	79.9
I. HIPC Initiative assistance provided as grants (to cover debt service due)	0.0	0.0	0.0	0.0	0.0	0.0
J. HIPC Initiative assistance as exceptional financing (to cover debt service due)	2.6	23.1	29.0	23.0	24.2	24.5
Total HIPC Initiative assistance (C+G+I+J) 1/	2.6	23.1	29.0	23.0	24.2	24.5
Total HIPC Initiative assistance (in millions of U.S. dollars) 1/	3.7	31.5	39.8	31.7	33.6	34.1
Net cash flow to the budget from HIPC Initiative	2.6	23.1	29.0	23.0	24.2	24.5
Memorandum items:						
Other donor flows	0.0	0.0	0.0	0.0	0.0	0.0
Total net external flows (net external financing less debt service due)	-52.1	-23.0	-38.4	-63.7	-72.0	-74.5
2. Functional and other poverty reduction government expenditures 2/						
Baseline pre-HIPC Initiative assistance expenditure projections	74.6	81.7	88.2	93.3	100.7	108.7
Post-HIPC Initiative assistance expenditure projections	75.5	95.3	108.3	110.5	119.5	125.1
Memorandum items:						
Tax revenue (in percent of GDP)	13.4	14.6	15.5	16.0	16.5	17.0
Overall fiscal balance before HIPC Initiative assistance, excluding grants (in percent of GDP)	-9.9	-12.2	-11.7	-8.9	-8.4	-8.0
Overall fiscal balance after HIPC Initiative assistance, excluding grants (in percent of GDP)	-9.7	-11.0	-10.3	-7.9	-7.5	-7.1

Sources: Malian authorities; and staff estimates and projections.

1/ Includes IMF.

2/ Excludes foreign-financed investment.

Table 7. Mali: Compliance with WAEMU Convergence Criteria, 1999-2005

(In percent, unless otherwise indicated)

	Ratio (In percent)	1999	2000	2001		2002		2003	2004	2005
				Prog. EBS/01/204	Est.	Prog. EBS/01/204	Rev. prog.				Projections
Primary criteria										
Basic fiscal balance / GDP	≥ 0	0.1	-0.7	-2.4	-2.0	-1.7	-1.9	0.1	0.2	0.2
Inflation (annual average)	≤ 3	-1.2	-0.7	4.6	5.2	3.0	3.0	2.0	2.0	2.0
Total nominal debt / GDP	≤ 70	106.2	108.2	103.0	102.3	96.7	95.8	90.1	85.2	80.7
Domestic arrears accumulation (in billions of CFA francs)	≤ 0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External arrears accumulation (in billions of CFA francs)	≤ 0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Secondary criteria										
Wages / fiscal revenue	≤ 35	27.8	31.3	29.3	29.1	27.1	27.0	26.3	25.2	25.3
Domestically financed investment / fiscal revenue	≥ 20	22.2	25.7	23.7	22.0	21.8	22.3	22.5	24.2	23.5
Current account deficit excluding current official transfers / GDP	≤ 5	10.8	13.0	13.0	14.1	12.5	11.9	11.0	9.8	9.6
Fiscal revenue / GDP	≥ 17	14.1	13.4	14.8	14.6	15.5	15.5	16.0	16.5	17.0

Sources: Malian authorities; and staff estimates and projections.

Table 8. Mali: Monetary Survey, 1999-2002 1/

	1999 Dec.	2000 Dec.	2001				2002				
			Sep.	Dec.		Mar.		Jun.		Sep. Proj.	Dec. Proj.
				Prog. EBS/01/204	Est.	Prog. EBS/01/204	Est.	Prog. EBS/01/204	Proj.		
(In billions of CFA francs)											
Net foreign assets	113.3	167.7	178.9	199.2	198.3	195.9	225.5	196.2	174.1	166.9	183.5
Central Bank of West African States (BCEAO)	94.5	125.0	102.6	127.4	115.6	127.7	171.7	128.0	120.2	116.4	129.7
Commercial banks	18.7	42.7	76.3	71.8	82.7	68.2	53.9	68.2	53.9	50.5	53.9
Net domestic assets	251.7	240.8	272.3	280.5	295.5	307.7	342.1	277.7	311.4	332.2	355.1
Credit to the government (net)	-22.1	-37.5	-14.5	-10.2	-18.7	1.9	-13.9	1.8	-4.7	21.2	-8.1
BCEAO	71.3	75.4	100.7	79.0	109.1	78.1	111.4	77.4	77.4	75.5	73.5
Commercial banks	-88.3	-112.0	-113.7	-87.9	-126.5	-75.0	-123.6	-74.4	-80.9	-53.1	-80.3
Other	-5.1	-0.9	-1.5	-1.3	-1.3	-1.2	-1.6	-1.2	-1.3	-1.2	-1.3
Credit to the economy	291.6	284.5	290.9	306.9	338.5	321.9	364.5	292.0	324.7	319.5	371.8
Other items (net)	-17.8	-6.3	-4.2	-16.1	-24.2	-16.1	-8.5	-16.1	-8.5	-8.5	-8.5
Money supply (M2)	365.0	408.5	451.1	441.9	487.2	502.4	567.6	472.8	485.5	499.0	538.7
Currency outside banks	123.7	148.1	154.9	158.0	179.0	175.8	214.9	165.5	165.5	170.0	193.2
Bank deposits	241.3	260.3	296.3	283.9	308.2	326.6	352.7	307.3	320.0	329.0	345.6
Memorandum items:	(Annual percentage change, unless otherwise indicated)										
Contribution to the growth of broad money											
Net foreign assets	-10.2	14.0	17.3	3.7	7.5	4.4	11.1	3.2	-5.2	-2.7	-3.0
Net domestic assets	11.5	-3.0	1.0	-1.0	13.4	10.5	18.0	0.4	12.2	13.3	12.2
Of which : credit to the central government	1.1	-4.2	-2.3	6.0	4.6	7.8	4.2	0.8	4.4	7.9	2.2
Credit to the economy	14.4	-2.4	5.5	-9.3	19.0	5.1	19.1	3.3	15.1	9.8	9.9
Money supply	1.3	11.9	18.4	8.2	19.3	14.6	29.1	3.4	7.0	10.6	10.6
Currency	-8.6	19.8	25.9	5.0	20.9	21.6	48.6	7.3	11.7	9.8	7.9
Deposits	7.3	7.9	14.8	1.5	18.4	11.2	19.5	1.3	4.8	11.0	12.1
Velocity (GDP/M2)	4.6	4.7	...	4.3	4.0	...	...	...	...	...	4.0
Currency outside banks /money supply (in percent)	33.9	36.3	34.3	37.1	36.7	...	37.9	35.0	34.1	34.1	35.9

Sources: BCEAO; and Fund staff estimates and projections.

¹ The historical GDP figures through 2000 have been revised upward to be fully consistent with the authorities' data. Thus ratios to GDP in the program column may not be strictly comparable with the new ratios.

Table 9. Mali: Balance of Payments, 1999-2005 1/

	1998	1999	2000	2001		2002		2003		2004	2005
				Prog.	Est.	Prog.	IMF	Proj.	Rev. Proj.	Rev. Proj.	Rev. Proj.
						EBS/01/201	Revised proj.	EBS/01/204			
(In billions of CFA francs)											
Exports, f.o.b.	331.1	351.6	388.0	477.2	541.7	488.1	576.3	522.6	608.0	620.1	609.9
Cotton fiber	147.8	150.1	109.1	76.0	81.3	149.5	153.4	155.9	172.7	189.0	209.9
Gold	133.1	142.4	189.4	326.3	365.0	264.6	321.6	278.8	326.7	305.1	240.8
Other	50.2	59.0	89.6	74.8	95.3	74.0	101.2	87.9	108.5	126.0	159.1
Imports, f.o.b.	-329.3	-372.8	-421.5	-464.5	-533.1	-482.2	-546.8	-507.8	-579.4	-605.9	-636.9
Trade balance	1.8	-21.2	-33.4	12.7	8.6	5.9	29.5	14.8	28.6	14.2	-27.0
Services (net)	-159.2	-161.3	-167.9	-207.4	-212.5	-209.4	-216.8	-221.4	-229.6	-225.1	-226.6
Factor service (net)	-30.0	-43.2	-69.9	-90.3	-108.2	-85.3	-95.8	-75.2	-84.5	-76.7	-46.9
Of which: interest due on public debt	-11.2	-13.5	-15.6	-18.9	-13.8	-19.2	-18.7	-19.1	-18.6	-20.1	-19.2
Private transfers (net)	40.0	45.8	44.3	39.0	39.5	29.0	29.0	33.1	33.1	44.0	45.5
Official transfers (net)	27.6	24.1	45.7	20.5	43.7	12.2	12.2	21.4	12.2	12.2	12.2
Of which: budgetary grants	19.6	14.6	32.2	4.3	27.5	0.0	0.0	9.2	0.0	0.0	0.0
Current account balance											
Excluding official transfers	-147.3	-179.9	-226.9	-246.0	-272.6	-259.9	-254.2	-248.6	-252.4	-243.6	-255.0
Including official transfers	-119.7	-155.8	-181.2	-225.5	-228.9	-247.7	-242.0	-227.2	-240.2	-231.4	-242.8
Capital and financial account	108.3	137.1	206.4	173.6	186.8	171.8	183.6	188.9	189.7	198.5	211.6
Capital account (net)	73.2	69.8	72.3	72.8	72.8	78.0	78.0	80.0	80.0	81.0	81.0
Of which: projects grants	70.3	68.8	69.0	72.8	72.8	78.0	78.0	80.0	80.0	81.0	81.0
Financial account	35.1	67.3	134.1	100.8	114.0	93.8	105.6	108.9	109.7	117.5	130.6
Private (net)	-22.9	7.0	72.3	37.3	31.0	36.0	30.0	50.2	60.2	65.0	79.1
Official (net)	58.0	60.3	61.8	63.5	83.0	57.8	75.6	58.7	49.5	52.5	51.5
Disbursements (net)	83.9	91.7	95.0	101.2	119.4	100.4	118.4	104.0	104.0	109.0	115.0
Budgetary	4.8	13.1	6.9	0.0	18.2	0.0	18.0	0.0	0.0	0.0	0.0
Project related	79.1	78.6	88.1	101.2	101.2	100.4	100.4	104.0	104.0	109.0	115.0
Amortization due on public debt	-25.9	-31.4	-33.2	-37.7	-36.4	-42.6	-42.8	-45.3	-54.5	-56.5	-63.5
Errors and omissions	-11.2	6.0	2.7	0.0	9.6	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-22.6	-12.7	27.8	-51.9	-32.5	-75.9	-58.3	-38.3	-50.5	-32.8	-31.2
Financing	22.6	12.7	-27.8	51.9	32.5	75.9	58.3	38.3	50.5	32.8	31.2
Foreign assets (net)	22.6	12.7	-30.4	-1.9	9.4	-0.2	-14.0	14.1	-8.5	-33.6	-44.5
Of which: IMF (net)	1.8	6.9	-5.7	5.1	5.1	-6.9	-6.9	-13.7	-13.7	-19.9	-16.6
HIPC Initiative assistance 2/	0.0	0.0	2.6	14.3	23.1	25.5	29.00	24.2	23.0	24.2	24.5
Financing gap	0.0	0.0	0.0	39.5	0.0	50.6	43.3	0.0	36.0	42.2	51.2
Memorandum items:	(Annual percentage change)										
External trade											
Exports volume	-0.1	17.4	-0.2	16.0	24.7	13.9	16.4	4.4	0.7	0.1	-3.7
Of which: nonmining	-11.4	21.7	-7.4	-30.7	-23.4	74.0	63.6	-0.9	1.6	5.7	10.7
Imports volume	5.6	8.0	-2.1	9.1	24.3	8.3	0.7	6.2	5.3	4.4	4.0
Of which: nonmining import volume	0.5	6.1	-3.6	5.2	15.6	11.7	2.2	5.3	6.5	5.9	6.5
Export unit value	1.1	-9.6	10.6	8.7	12.0	-10.2	-8.6	2.5	4.7	1.9	2.1
Import unit value	-2.1	4.9	15.5	1.0	1.7	-4.1	1.8	-0.9	0.6	0.2	1.1
Terms of trade	3.3	-13.8	-4.3	7.6	10.1	-6.4	-10.2	3.4	4.1	1.7	1.0
(In percent of GDP, unless otherwise indicated)											
External current account balance											
Excluding official transfers	-9.3	-10.8	-13.0	-13.0	-14.1	-12.5	-11.9	-11.1	-11.0	-9.8	-9.6
Including official transfers	-7.5	-9.3	-10.4	-11.9	-11.9	-12.0	-11.4	-10.2	-10.4	-9.3	-9.1
External public debt 3/	111.7	106.2	108.2	103.0	102.3	96.7	95.8	91.9	90.1	85.2	80.7
Debt-service ratio 4/											
Before debt relief	11.4	12.4	13.3	12.4	10.0	13.9	12.2	13.6	13.3	13.6	14.1
After debt relief (including HIPC Initiative)	11.4	12.4	12.7	9.8	6.3	9.5	7.8	9.7	10.0	10.2	10.6
Gross international reserves (in billions of CFA francs)	228.6	227.8	269.9	276.1	265.6	276.3	279.6	262.2	288.1	321.7	366.2
In months of next year's imports 5/	4.6	4.2	3.9	4.2	3.8	4.0	3.7	3.6	3.8	4.0	4.3
Exchange rate (annual average)											
CFA francs per SDR	800.2	842.0	936.4	..	932.5	..	..	..	..	..	..
CFA francs per U.S. dollar	590.0	615.8	710.0	..	732.5	..	..	..	..	..	..
Commodity prices:											
Petroleum (crude spot; US dollars per barrel)	13.1	18.0	28.2	25.0	24.3	21.0	23.0	20.0	22.0	21.0	21.0
Gold (US dollar per fine ounce)	294.1	278.9	279.2	265.0	271.1	265.0	275.0	270.0	275.0	275.0	275.0
Cotton (cents per pound; international price)	65.5	53.1	59.0	48.2	48.0	46.0	46.0	52.0	52.0	56.0	60.0
Cotton (cents per pound; Malian price)	63.8	49.9	39.1	44.5	44.1	39.6	38.7	44.5	43.8	47.1	50.5

Sources: Malian authorities; and staff estimates and projections.

1/ This balance of payment is presented according to the *Balance of Payment Manual* (5th ed). The presentation of the program was changed accordingly and is therefore different from the presentation in EBS/00/162, (R/10/00).

2/ Sum of original and enhanced HIPC framework for the 2000 estimate and projections; original HIPC-Initiative only for the program. The projections are based on the agreements

already reached with the creditors (IMF, World Bank, European Union, OPEC Fund, and Paris Club) and therefore might underestimate the assistance that Mali will finally receive.

3/ Takes into account Russian debt cancellation in 1999; does not take into account HIPC Initiative assistance.

4/ In percent of exports of goods and services.

5/ Goods and services.

Table 10. Mali: External Financing Requirements and Resources, 1999-2005

(In billions of CFA francs, unless otherwise indicated)

	1999	2000 Est.	2001		2002		2003	2004	2005
			Prog.	Est.	Prog.	Rev. proj.			
			EBS/01/204		EBS/01/204				
		Rev. projections							
Requirements	206.0	276.9	302.3	287.8	315.2	323.4	321.1	333.6	363.0
Current account deficit, excluding official transfers 1/	179.9	246.0	246.0	272.6	259.9	254.2	252.4	243.6	255.0
Debt amortization 1/	31.4	33.2	37.7	36.4	42.6	42.8	54.5	56.5	63.5
IMF repurchases	7.2	12.1	11.6	15.7	19.4	19.3	19.3	19.8	16.6
Change in the net foreign assets (increase+) 2/	-6.6	-13.1	7.0	-37.1	-6.7	7.1	-5.2	13.8	27.9
Adjustment 3/	-6.0	-1.3	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Resources	206.0	276.9	302.3	287.8	315.2	323.4	321.1	333.6	363.0
Official transfers 4/	24.1	45.7	20.5	42.7	12.2	12.2	12.2	12.2	12.2
Official project grants 4/	68.8	69.0	72.8	72.8	78.0	78.0	80.0	81.0	81.0
Long-term public loan disbursement 4/	91.7	95.0	101.2	101.2	100.4	118.4	104.0	109.0	115.0
Budgetary	13.1	6.9	0.0	0.0	0.0	18.0	0.0	0.0	0.0
Project related	78.6	88.1	101.2	101.2	100.4	100.4	104.0	109.0	115.0
Private capital (net)	7.0	58.3	37.3	31.0	36.0	30.0	60.2	65.0	79.1
Debt relief, including HIPC Initiative assistance 5/	0.0	2.6	14.3	23.1	25.5	29.0	23.0	24.2	24.5
Debt under negotiation/moratorium	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of IMF resources: Enhanced Structural Adjustment Facility (ESAF) and Poverty Reduction and Growth Facility (PRGF)	14.4	6.3	16.7	16.9	12.5	12.4	5.6	0.0	0.0
Exceptional financing	0.0	0.0	39.5	0.0	50.6	43.3	36.0	42.2	51.2
Memorandum item:									
Exchange rate: CFA francs per SDR	842.0	936.4	....	932.5	....	....	....	....	....

Sources: Malian authorities; and Fund and World Bank staff estimates and projections.

1/ After debt forgiveness.

2/ Excluding the change in the net position vis-à-vis the Fund.

3/ Errors and omissions.

4/ Includes both existing and expected new commitments.

5/ Sum of original and enhanced HIPC Initiative framework for the 2000 estimate and 2001 projection; original HIPC Initiative only for the program.

Table 11: Mali. Indicators of Fund Credit and Debt Servicing, 2000-12

(In percent, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	Projections												
Outstanding Fund credit/quota 1/	144.4	150.5	142.5	126.5	103.2	83.8	68.0	52.7	37.9	25.8	16.3	8.9	5.4
Outstanding Fund credit/GDP 1/	7.2	6.8	5.8	4.8	3.6	2.7	2.0	1.5	1.0	0.6	0.4	0.2	0.1
Outstanding Fund credit/exports of goods and nonfactor services 1/	26.7	21.2	18.9	15.7	12.5	10.2	7.8	5.2	3.6	2.4	1.5	0.7	0.4
Gross Fund financing/financing needs 1/ 2/	2.3	5.8	3.9	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service to the Fund/exports of goods and nonfactor services 3/	2.8	2.1	3.2	3.0	3.0	2.5	1.9	1.6	1.5	1.2	0.9	0.7	0.0
Debt service to the Fund/total debt service 3/	21.9	20.7	25.5	22.1	21.7	17.7	14.6	16.5	15.6	12.2	11.4	8.5	3.7
Total debt service before rescheduling 3/	12.9	10.0	12.2	13.2	13.5	14.0	13.1	9.7	9.7	9.9	8.1	8.0	7.6
Total debt service after debt relief 4/	12.3	6.3	7.8	9.9	10.1	10.5	9.8	5.8	6.2	6.7	4.9	4.9	5.0
Memorandum item:													
Exports of goods and nonfactor services (in millions of SDRs)	504.5	661.4	704.1	751.3	770.4	765.1	812.7	947.1	970.2	1,004.8	1,044.8	1,115.1	1,172.1

Sources: IMF, Treasurer's Department; Malian authorities; and staff estimates and projections.

1/ Outstanding Fund credit includes loans and outstanding purchases under the Structural Adjustment Facility (SAF) and the Poverty Reduction and Growth Facility (PRGF).

2/ Financing needs are defined as the sum of the current account deficit, including grants, amortization due, repurchases and repayments of SAF and PRGF loans to the Fund, targeted accumulations of reserves, and the reduction of external arrears, if any.

3/ Debt service, before debt relief, moratoriums, and potential HIPC Initiative assistance (estimated for the period 2000-02), and including SDR charges, as a percentage of exports of goods and nonfactor services.

4/ Debt service, after debt relief, moratoriums, and potential HIPC Initiative assistance (estimated for the period 2000-02), and including SDR charges, as a percentage of exports of goods and nonfactor services.

Table 12. Mali: Selected Social and Demographic Indicators

	Latest Single Year			Same Region/Income Group	
	1970-75	1980-85	1993-99	Saharan Africa	Low income
Population (In units indicated)					
Total population, midyear (millions)	5.9	7.4	10.6	627.3	3,536.4
Growth rate (annual percentage change)	2.0	2.3	2.4	2.2	1.4
Urban population (percent of population)	16.2	21.0	29.4	33.3	30.5
Total fertility rate (births per woman)	7.1	7.1	6.4	5.4	3.1
Income					
GNP per capita (U.S. dollars)	130	180	275	510	520
Consumer price index (1995=100)	..	..	109	128	136
Income/consumption distribution					
Share of income or consumption	..	..	..	..	..
Gini index	..	..	50.5	..	..
Lowest quintile (percent of income or consumption)	..	..	4.6	..	..
Highest quintile (percent of income or consumption)	..	..	56.2	..	..
Public expenditure (In percent of GDP)					
Health	..	..	4.2	1.5	1.3
Education	..	3.2	2.2	4.1	3.2
Social security and welfare	..	1.7	..	..	..
Net primary school enrollment rate (In percent of age group)					
Total	17	19	38	..	86
Male	21	24	45	..	89
Female	12	14	31	..	82
Access to safe water (In percent of population)					
Total	..	..	37	..	..
Urban	..	..	36	..	..
Rural	..	..	38	..	..
(In percent; under 12 months, unless otherwise indicated)					
Immunization rate					
Measles	..	..	58	54	80
DPT	..	..	53	54	82
Child malnutrition (percent under 5 years)	..	..	27	..	..
Life expectancy at birth (In years)					
Total	40	45	43	50	63
Male	38	45	41	49	62
Female	41	46	44	52	64
Mortality (In units indicated)					
Infant (per 1,000 live births)	203	180	117	92	68
Under 5 (per 1,000 live births)	391	292	218	151	92
Adult (15-59)					
Male (per 1,000 population)	537	454	404	432	235
Female (per 1,000 population)	416	362	325	383	208
Maternal (per 100,000 live births)	..	..	580	..	..

Source: World Bank, *World Development Indicators* 2001; available on CD-ROM.

Bamako, July 11, 2002

Mr. Horst Köhler
Managing Director
International Monetary Fund
700 - 19th Street, N.W.
Washington, D.C. 20431

Dear Mr. Köhler:

1. On behalf of the government of Mali, I am pleased to forward to you the memorandum of economic and financial policies for 2002. The memorandum was prepared in the context of the fourth review of the program supported by an arrangement under the Poverty Reduction and Growth Facility (PRGF) approved by the Executive Board of the International Monetary Fund in July 1999. The memorandum describes progress made in implementing the program in 2001, the updated objectives for 2002, and the policies that are envisaged to achieve these objectives.
2. Mali went through a difficult period in 2001. Setbacks in the cotton and food crop sectors led to a slowdown in economic activity. Nevertheless, strong growth is now projected in 2002, reflecting a rebound in the confidence of cotton producers.
3. Notwithstanding the difficulties faced by Mali, the authorities resolutely implemented the program supported by the PRGF arrangement in 2001. All the quantitative benchmarks and performance criteria for this period were met. In addition, the authorities launched a series of measures in the cotton sector, implemented a new petroleum taxation mechanism, and raised the utility rates for water and electricity. Moreover, they adopted a plan for the annual allocation of HIPC Initiative-related resources for the period 2002-05, as well as an associated monitoring mechanism. Finally, an operational audit of the civil service was conducted.
4. However, the two structural performance criteria for end-December 2001 concerning the reform of the cotton sector could not be met, owing to delays in the availability of financing. In addition, the launching of the call for bids for the installation of a private operator in the Office de la Haute Vallée du Niger has been further delayed because the government was seeking a consensus with the foreign minority shareholder of the Compagnie Malienne pour le Développement des Textiles on the sale of assets. In any event, the government will take all the necessary measures to proceed with the launching of the call for bids by end-September 2002. The government is resolved to speed up the decision-making process and has taken corrective actions that demonstrate its intention to move ahead with reforms in the sector. For these reasons, the government seeks a waiver for the nonobservance of the two performance criteria.

5. The government intends to implement all the reforms and measures included in the program. The policies and measures described in the memorandum are believed to be appropriate to achieve the program objectives, but the government will take any additional measures that might prove necessary to this end.

6. As described in the memorandum, the debt relief obtained since the completion point under the original Heavily Indebted Poor Countries (HIPC) Initiative and the interim financing obtained under the enhanced HIPC Initiative have been allocated to the priority programs for poverty reduction that are contained in the interim poverty reduction strategy paper (I-PRSP). At end-May 2002, the government adopted the full PRSP, which was prepared with the broad participation of the population.

7. The government is counting on the continued support of the International Monetary Fund to help it achieve the program objectives, including through the completion of the fourth review of the PRGF arrangement. The IMF and the government of Mali will conduct a fifth review of the PRGF-supported program by end-December 2002 to assess progress made with its implementation.

8. Finally, the government will provide the IMF with any information it may request on progress made in implementing its economic and financial policies and achieving the program objectives, as described in the technical memorandum of understanding, also attached. As in the past, the government will disseminate the memorandum of economic and financial policies and the technical memorandum of understanding, and authorizes the IMF to publish its staff report.

Sincerely yours,

/ s /

Ousmane Issoufi Maïga
Minister of Economy and Finance

Attachments: Memorandum of economic and financial policies for 2002 and
technical memorandum of understanding

MALI

Memorandum of Economic and Financial Policies for 2002

July 11, 2002

I. INTRODUCTION

1. **After a period of sustained growth, there was a significant slowdown in economic activity in 2001.** This was attributable to unfavorable developments in the cotton and food crops sectors, as well as to political unrest in neighboring countries. Nevertheless, strong growth is now forecast for 2002, reflecting a restoration of confidence among cotton producers in the context of implementation of the program supported by the Poverty Reduction and Growth Facility (PRGF) arrangement and the support of Mali's development partners.

2. **Poverty reduction continues to be the priority of the development strategy pursued by the government of Mali.** The government's commitment reflects a twofold need: (i) to identify policies and instruments geared toward achieving the objective of poverty reduction; and (ii) to adopt appropriate short- and medium-term measures to enable the government to make rational and more effective use of domestic and external resources. To achieve their poverty reduction goals, the Malian authorities will implement economic, financial, and social policies aimed in particular at promoting economic diversification. Private sector promotion remains central to the poverty reduction strategy, as it is anticipated that two-thirds of growth in Mali will be generated by the secondary and tertiary sectors. The government's objective is to ensure that Mali can in the medium term achieve an annual growth rate averaging at least 5-6 percent, which will help to roll back poverty.

II. PROGRAM IMPLEMENTATION DURING 2001

3. **Mali experienced a considerable slowdown in economic activity in 2001.** The real GDP growth rate is estimated at 1.5 percent in 2001, after sustained growth of about 5 percent during the period following the devaluation of the CFA franc in 1994. This slowdown is the result of the crisis in the cotton sector, the difficulties in the food crop sector, and the ripple effects of these developments through the rest of the economy. Average annual inflation reached 5.2 percent, reflecting the increase in cereal product prices following the downturn in production, as well as the increase in electricity and water tariffs in July 2001. As regards **external trade**, nonmining exports dropped by 23.4 percent in 2001, owing to the sharp decline in cotton exports. This drop was more than offset by the increase in the value of gold exports, which doubled in 2001. At the same time, there was a pronounced increase in imports owing to the activities associated with the African Cup of Nations (CAN), which was held in Mali early in 2002. As a consequence, the current account of the balance of payments deteriorated in 2001. The current external deficit was financed by

private capital inflows, in particular in the gold sector, and by a sustained level of external assistance.

4. **As regards fiscal policy**, tax revenue slightly exceeded the programmed objective, reaching CFAF 281.6 billion in 2001. This favorable performance reflects an increase in the tax yield following the implementation of administrative measures. Budgetary expenditure stayed below program targets. The expenditure to combat poverty that was funded by resources related to the Initiative for Heavily Indebted Poor Countries (HIPC Initiative) slightly exceeded the programmed level, owing to higher debt relief than anticipated in 2001. The basic budget balance (excluding expenditure funded by HIPC Initiative related resources) was contained at CFAF 21.7 billion in 2001, against a target of CFAF 31.6 billion. Owing to delays in the mobilization of external budgetary assistance expected in the fourth quarter, the government had recourse, on an exceptional basis, to statutory advances from the Central Bank of West African States (BCEAO) to facilitate its cash-flow management. However, with the arrival of those resources late in 2001, the authorities repaid one-fifth of these advances before end-December 2001. The amount of budgetary assistance received in 2001 came to CFAF 27.5 billion, compared to the programmed level of CFAF 43.8 billion. The difference is explained by the January 2002 disbursement of a World Bank loan.

5. **The government also intensified its poverty reduction program** set forth in the interim poverty reduction strategy paper (I-PRSP). Funding for priority programs was increased in 2001 through higher budgetary resources, debt-service relief obtained following the completion point under the original HIPC Initiative, and the interim financing obtained through the enhanced HIPC Initiative. A special treasury account was opened with the BCEAO to house HIPC resources.

6. **Monetary developments** in 2001 reflected an increase in the net foreign assets of the commercial banks, a significant expansion of domestic credit, and a sizable increase in broad money. Credit to the economy increased by 19 percent during 2001, stimulated in part by the activities associated with the organization of the CAN. **The quality of banks' portfolios improved in 2001.** The ratio of nonperforming loans to net credit to the economy fell from 12.1 percent at end-2000 to 9.9 percent at end-2001, as the government repaid CFAF 30 billion in state-guaranteed bank loans to the parastatal enterprise in the cotton sector (CMDT). Moreover, most banks complied with the main prudential ratios of the Regional Banking Commission of the West African Economic and monetary Union (WAEMU). Micro-credit institutions continued to grow, mainly as a result of their higher visibility in rural areas and among vulnerable population groups.

7. In spite of the difficulties that Mali faced in 2001, **the government continued to implement satisfactorily the program** supported by the PRGF arrangement, which is described in the memorandum of economic and financial policies of November 30, 2001 (Tables 1 and 2). All the quantitative performance criteria, benchmarks, and indicators for end-December 2001 were met. With respect to structural reforms, the following steps were taken:

- The government (i) adopted a plan for the annual allocation of HIPC Initiative related resources for the period 2002-05; (ii) prepared an organizational audit of the civil service; and (iii) introduced specific budget codes for HIPC expenditure in the draft budget law for fiscal-year 2002.
- The CMDT has begun implementing a set of measures aimed at enhancing the transparency and effectiveness of its financial management and reducing costs. These measures have enabled the enterprise to reduce its costs by about CFAF 19 billion since 1998.

8. As noted in the revised program for 2001, however, there were delays in the implementation of the reforms in the cotton sector, owing to delays in securing the necessary financing. As a consequence, the two following structural performance criteria for end-December 2001 were not observed: finalization of the financial restructuring plan for the CMDT for the period 2002-05, and the launching of the call for bids for the sale of the assets of the Office de la haute vallée du Niger (OHVN) with a view to establishing a new private sector operator. Delays were also incurred in the implementation of two structural benchmarks: (i) the adoption of the plan for the gradual withdrawal of the CMDT from public service activities (including rural roads, village-level water supply, and hydro-agricultural development) and the social plan for adjusting staffing levels, with appropriate accommodative measures taken in each case (benchmark for end-November 2001); and (ii) the adoption and implementation of a mechanism for setting a producer price for seed cotton that reflects movements in international cotton fiber prices and takes account of prices prevailing within the region (benchmark for end-December 2001).

9. In the context of the program for developing the telecommunications sector, an international call for bids was launched in September 2001 for granting a second license for the operation of a cellular telephone concession to a private operator. The bidding process was carried out in a transparent and open environment, and a temporary license was issued in March 2002 to a private international firm that won the bid.

III. REVISED MACROECONOMIC FRAMEWORK FOR 2002

10. **Growth prospects have improved in 2002**, and real GDP is now projected to rise by 9.3 percent (compared to the 6.7 percent initially forecast). Cotton production is estimated to have increased from 243,000 metric tons in 2000/01 to 571,000 metric tons in 2001/02. The initial projections for gold and cereal grains have been revised upward. Furthermore, the price of gold and the price of oil imports have been raised. However, there are lingering uncertainties about the prospects for the export price of cotton.

11. **To achieve its poverty reduction target**, the government will continue to gradually reorient its budget in favor of priority expenditures (education, health, and rural development). For 2002, the initial macroeconomic objectives of the program have been retained or made more ambitious: growth in real GDP of 9.3 percent; inflation (as measured by the GDP deflator) of 1.2 percent (compared to 2.3 percent in the initial program); a basic

fiscal deficit (excluding resources related to the HIPC Initiative) of 0.4 percent of GDP (slightly better than the objective set in the initial program); and an external current account deficit (excluding grants) of 12 percent of GDP.

12. **For the balance of payments**, export receipts are expected to exceed initial forecasts, as a pronounced increase in exports from the nonmining sector, will make it possible to offset the decline in gold exports. Moreover, nonmining imports will increase with the rise in incomes, whereas mining sector imports are projected to decline. The resulting current account deficit will be financed by substantial capital inflows, especially in the gold sector, and by sustained foreign aid. To finance the government and public enterprise investment program, the authorities will continue to rely solely on grants and loans on concessional terms, as Mali has benefited from external debt relief under the HIPC Initiative. The government concluded on May 24, 2002 negotiations on debt-rescheduling with the Russian authorities.

IV. REVISED FISCAL TARGETS UNDER THE PROGRAM FOR 2002

13. **Fiscal policy in 2002 reflects the government's efforts to contain the basic deficit while reducing poverty and minimizing the social impact of the program aimed at liberalizing the economy.** To achieve these objectives, the efficiency of tax administration and public spending will be improved. These efforts will make it possible to limit the government's indebtedness, in particular to the banking sector. The basic fiscal deficit (excluding expenditures related to the HIPC Initiative) is projected at 0.4 percent of GDP, compared with 0.5 percent of GDP expected in the original program. The authorities are also determined to continue improving the control of nonpriority spending, especially transfers and other current expenditure.

14. **Current expenditure** (excluding HIPC expenditure) is projected to be 0.2 percentage point of GDP higher than the initial program level. Spending was raised to take into account the civil service reform involving the introduction of a harmonized wage scale (CFAF 2.4 billion); the hike in water and electricity tariffs (CFAF 3.6 billion); the increase in refunds of value-added tax (VAT) credits to the mining companies (CFAF 3.5 billion); a rise in election-related expenditure (CFAF 2 billion); and an increase in the capital budget in the context of the decentralization program (CFAF 3.5 billion). Outlays funded by resources related to the HIPC Initiative were increased by CFAF 6.3 billion because Mali has obtained additional debt relief. In addition, a plan for the use of privatization receipts will be prepared, in keeping with the poverty reduction program described in the PRSP.

15. **Total government revenue** was also increased to reflect the upward revision in GDP growth. Relative to GDP, tax revenue was maintained at 15.5 percent of GDP, as projected in the initial program. Receipts anticipated from taxes on petroleum products have been raised slightly, as the introduction of a new taxation mechanism in July 2001 will have a full impact in 2002, and the rates of the domestic tax on petroleum products were raised in December 2001. Furthermore, in the event of a drop in oil and gas prices on international

markets, the government plans to increase the gasoline tax rates in the course of the year to ensure that the revenue target is met. The mining sector will contribute CFAF 29.2 billion to government revenue, against CFAF 22.4 billion in 2001, reflecting an increase in dividend payments associated with the record production registered in 2001. To achieve the revenue target, the government will also continue the tax reforms initiated in the framework of the ongoing project in support of mobilizing domestic resources (PAMORI). In addition, since January 1, 2001, the single taxpayer identification number has been used systematically by all tax administrations—a practice that has improved communications among tax agencies. Furthermore, the National Directorate of Taxes (DNI) has launched a procedure to bring the informal sector into the tax base and has allocated additional resources to units responsible for pursuing delinquent taxpayers.

16. To normalize its relations with the mining sector, the government conducted an exhaustive inventory of the tax credits on VAT claimed by the mining companies. Accordingly, CFAF 16.9 billion was allocated in the 2002 budget for refunds of such credits, comprising CFAF 7.4 billion owed at end-2001 and CFAF 9.5 billion for 2002. In addition, the government will hire an audit firm to prepare an inventory of all its liabilities to the rest of the economy by October 2002. Pending the results of this audit, the government allocated CFAF 3 billion in the budget for settling outstanding liabilities.

17. Given the importance of **regional integration** to a landlocked economy like Mali's, the government will take all necessary steps to ensure expeditious compliance with the WAEMU convergence criteria. To this end, the government intends to reduce its financing requirement and to implement a rigorous fiscal policy and a cautious borrowing policy. With respect to government revenue, further efforts to broaden the tax base and to enhance domestic tax collection are expected to raise the ratio of tax revenues to GDP over 17 percent. To facilitate efforts to enhance the efficiency of the civil service over the medium term, and to improve control over the wage bill, the recommendations of the action plan for reforming the civil service will be implemented.

18. Reflecting the BCEAO's **monetary policy** objectives of strengthening the WAEMU's external reserves and maintaining inflation at a rate compatible with that of the anchor currency, broad money expansion is projected at approximately 10.6 percent in 2002, in line with the growth of nominal GDP. Credit to the government is projected to increase slightly, while credit to the economy is expected to rise by about 9.5 percent, compatible with the outlook for economic activity. With the aim of preserving the soundness of the banking system, the government issued treasury bills in July 2001 in the amount of CFAF 12 billion to repay bank credit to finance the cotton crop. These treasury bills will be redeemed in equal amounts in 2002 and 2003. Treasury bills issued in December 2001 (CFAF 2.8 billion) were redeemed during the first quarter of 2002. The authorities are committed to repaying CFAF 3 billion of the BCEAO's advances in cash, and settling the remainder (CFAF 20.2 billion) in the framework of a WAEMU plan to implement the decision of the WAEMU Council of Ministers to eliminate statutory advances from the BCEAO. To ensure perfect substitutability between bank financing and the bills or bonds that the Malian Treasury may issue on the national or regional market, the performance criterion and benchmarks on the change in net

bank credit to the government were replaced by ceilings on the government's net domestic financing (bank and nonbank), beginning in 2002 (see Table 1).

19. Efforts to **strengthen the banking system** will continue, and the monetary authorities will ensure that banks increase their capital and reserves so as to adhere to the new capital adequacy ratio, which took effect on January 1, 2002. Having due regard for the microfinance sector's important role in rural and informal sector development, the government will continue to promote the sound development of microfinance, particularly by strengthening supervision capacity.

V. STRUCTURAL REFORMS

20. The structural reform program for 2002 will focus on two key issues: the reform of the cotton sector and the improvement of public expenditure management.

A. Cotton Sector

21. The objectives of the reform of the cotton sector are: to control and lower production costs; establish a pricing mechanism based on free bargaining among economic agents in the sector; strengthen producers' organizations so that they can play a more important role in the management of the cotton sector; strengthen the role of the private sector, producers, and decentralized agencies in developing the sector; increase the sector's contribution to the national economy; and contribute to poverty reduction by increasing incomes and improving the standard of living of the population. The ultimate goal is to liberalize the cotton sector by opening it up to competition and privatizing the CMDT.

22. **Delays have been encountered in implementing the reforms in the cotton sector.** Some of these delays are attributable to the complex technical procedures required to initiate the studies planned. However, the government reaffirms its commitment to press on with implementation of this essential reform. The launching of the call for bids for the installation of a private operator in the OHVN zone was delayed because the government was seeking a consensus with the foreign shareholder of the CMDT on the sale of assets. In any event, the government will take all the necessary measures to proceed with the launching of the call for bids by end-September 2002.

23. Prior to the completion of the program review by the IMF Executive Board, the government will take a number of key measures aimed at demonstrating its resolve to continue the liberalization of the cotton sector (see Table 3). In addition, there have been delays in the preparation of a study on the steps and options necessary for the full liberalization of the cotton sector over time (structural benchmark for end-March 2002). It is now projected that this study, which will serve as the basis for drawing up a medium-term timetable for reform, will be completed by end-August 2002. With the support of its development partners, particularly the World Bank, the government will prepare a detailed plan on the next steps in the reform of the cotton sector.

B. Public Expenditure Management

24. The Malian authorities continue to improve public expenditure management with support from their development partners, particularly the World Bank. Draft audited budget acts (*lois de règlement*) covering 1996 through 1999 have been submitted to the National Assembly. The draft audited budget act for 2000 will be submitted to the National Assembly by June 30, 2002. The goal is to move away gradually from an approach focused on verifying the conformity of government expenditure to regulations to an approach focused on verifying the effectiveness of expenditures and, thus, on the assessment of outcomes. This shift presupposes that information is well managed, comprehensive, and readily available.

25. In the context of the Report on the Observance of Standards and Codes (ROSC) and on the country's capacity to monitor the execution of poverty-reducing expenditure, an IMF staff mission noted, in July 2001, the significant progress achieved in public expenditure management. It made recommendations that have been taken into account in the authorities' work program for 2002, including the following:

- In the area of the budgetary classification for the 2003 budget, the government, with assistance from IMF staff, will set up (i) a coding system for all poverty-reducing expenditure; and (ii) a coding system for program budgets.
- In the draft budget law for 2003, the government will adopt an expanded nomenclature for poverty-reducing expenditure.
- The system of ex post audits will be strengthened by the appointment of six magistrates and the temporary assignment of qualified personnel to the accounts section of the supreme court. In addition, an action plan will be prepared for strengthening the ex post auditing of public expenditure.
- In the government accounting area, the government will continue its efforts to speed up the production of treasury balances.
- The budget and accounting nomenclatures at the local level, and the government chart of accounts at the national level, will be harmonized to facilitate budget monitoring, beginning with the 2003 budget.

26. In addition to the measures taken to enhance the effectiveness of expenditure related to poverty reduction, the government has decided, in the context of the third sectoral adjustment credit (SAC III) agreed with the World Bank, to start preparing medium-term public expenditure programs. In support of this process, and reflecting the need for efficiency in the use of resources related to the HIPC Initiative, the government will design and implement (in the context of the PRSP) an action plan to enhance governance and transparency in public management. In addition, the government will undertake a functional technical study to design an integrated information system within the Ministry of Economy and Finance.

C. Civil Service Reform

27. **To control the civil service wage bill** more effectively and improve the efficiency of the civil service, the authorities will undertake a diagnostic study of wage policy as part of the process of modernizing the civil service and harmonizing its pay scales. These reforms will be based on the organizational audit of the civil service conducted in November 2001. As part of the implementation of the recently adopted action plan for the civil service reform, new general rules and regulations for civil servants have been drafted and discussed with social partners in the first half of 2002.

VI. POVERTY REDUCTION

28. **The former government adopted the poverty reduction strategy paper (PRSP) at end-May 2002.** Regional participatory meetings were held throughout the country from December 2001 to March 2002. They gave an opportunity to improve the connections between strategies by gaining a better understanding of poverty, its causes, and its manifestations; identify priority projects and programs in each region; and strengthen the sense of ownership of all participants. Furthermore, supplementary analyses helped to improve the performance monitoring indicators under the strategy and strengthen the basis for the growth projections. Discussions that were held with development partners in March 2002 addressed the process of prioritizing objectives, policies, and programs. The PRSP has incorporated comments relating to the costing methods used, good governance, and the financing of the poverty reduction strategy.

29. Execution of the program presented in the July 2000 interim PRSP is continuing, in particular through the implementation of the ten-year education and health sector development programs (PRODEC and PRODESS); the implementation has been accelerated with the provision of resources related to the HIPC Initiative. The share of social spending in total expenditure is expected to rise from 17.6 percent in 2001 to 19.1 percent in 2002. The share of health in the use of HIPC Initiative-related resources increased from 9.2 percent in 2001 to 18 percent in 2002, and the share of education rose 39 percent to 44 percent.

30. In the wake of the ROSC mission on fiscal issues and discussions with the World Bank, **the authorities have decided to step up the monitoring of resources related to the HIPC Initiative.** For the 2002 budget, specific codes have been introduced for current and capital expenditure in order to ensure that these resources are properly tracked. The government has also established an interministerial committee for monitoring the execution of HIPC-financed expenditure and has commissioned a study to define performance indicators for poverty reduction programs. The National Directorate of Planning will monitor the execution of the programs, while the authorities (with assistance from development partners) will regularly undertake independent, targeted audits to ensure that resources are used for their intended purposes. In addition, the government will conduct a public awareness and information campaign in local areas regarding the poverty reduction projects planned in

the locality, so as to enable the general public to monitor project developments either directly or through elected representatives.

VII. PRIOR ACTIONS, PERFORMANCE CRITERIA, AND BENCHMARKS

31. Prior actions for presentation of the fourth review under the PRGF arrangement are indicated in Table 3. Program execution will be monitored on the basis of the quantitative and structural benchmarks and performance criteria described in Tables 1 and 3 and the attached technical memorandum of understanding.

Table 1. Mali: Quantitative Performance Criteria and Benchmarks for 2001 and 2002

	(In billions of CFAF)											
	2001								2002			
	March Est.	July Performance Criteria	Est.	September Benchmark	Est.	December Performance Criteria revised	Est.	March Benchmark EBS/01/204	Est.	June Performance Criteria EBS/01/204	September Benchmark	December Performance Criteria
Quantitative performance criteria and benchmarks												
Net bank credit to the government 1/ 2/ 3/	5.1	35.7	...	39.9	...	27.2	...					
Net bank credit to the government 1/ 2/ 3/ adjusted		31.3	23.4	37.5	32.4	32.6	18.7					
Net domestic financing								16.5		16.5	31.8	-1.6
Net domestic financing adjusted								11.2	-0.5			
Cumulative change in government payments arrears 4/												
Domestic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New external borrowing at terms of one year or more 3/ contracted or guaranteed by the government and public enterprises 5/ on nonconcessional terms 6/ 7/												
Of which : public enterprises 6/	8.5	10.0	0.0	15.0	0.0	25.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which : public enterprises 6/	8.5	8.5	0.0	8.5	0.0	8.5	0.0	0.0	0.0	0.0	0.0	0.0
Outstanding short-term external loans (less than one year) 8/												
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial performance indicators												
Cumulative tax revenue 9/	63.4	153.4	155.9	202.5	204.4	279.8	281.6	67.5	72.9	148.0	231.7	331.0
Cumulative wage bill 3/	18.7	47.8	45.4	61.5	59.3	82.0	81.9	21.8	20.7	43.6	67.1	89.5
Overall basic fiscal balance 10/	13.4	1.6	13.9	-5.4	9.4	-31.6	-21.7	-14.5	5.4	-43.3	-15.1	-9.2
Memorandum items:												
External budgetary assistance during the year 11/ 12/	0.0	4.3	4.3	14.6	4.3	43.8	27.5	9.8	18.3	9.8	16.7	43.3
HIPC debt relief	2.3	4.7	7.4	8.0	15.4	15.4	23.1	6.4	4.7	12.8	18.6	25.5
Expenditure financed with HIPC resources	0.4	4.7	3.0	8.0	8.4	14.7	16.8	2.6	4.1	12.8	19.9	29.0
Balance of HIPC resources 13/	3.5	1.6	6.0	1.6	8.6	2.3	6.3	10.1	6.9	6.3	5.0	2.8

1/ The adjustment factors are described in paragraphs 9 and 10 of the technical memorandum of understanding.

2/ Excluding the cotton sector stabilization fund and changes in the amounts of consolidated debt securities held outside the Malian banking system.

3/ Maximum.

4/ These performance criteria will be monitored on a continuous basis.

5/ The public enterprises in question are CMDT, SOTELMA, and RCFM.

6/ Excluding debt relief obtained in the form of rescheduling or refinancing.

7/ See paragraph 19 of the technical memorandum of understanding for the donors concerned.

8/ Excluding normal import credits and debt relief.

9/ Minimum. The program figures for December 2001 and June 2002 were corrected because they previously showed total revenue.

10/ Minimum. See paragraph 34 of the technical memorandum of understanding for definition.

11/ Excluding use of Fund resources.

12/ Excluding World Bank disbursement in January 2002.

13/ At end-December 2000, the balance was CFAF 1.6 billion.

Table 2. Mali : Structural Measures Constituting
Structural Performance Criteria and Benchmarks, 2001

Measures	Date	Status
Structural performance criteria		
Completion of a financial restructuring plan for the cotton monopsonist (CMDT) for the period 2002-05 identifying measures to lower the company's production costs and improve its financial management.	December 31, 2001	Delayed. The studies were late in starting, owing to the delay in the mobilization of the necessary financing.
Launching of the call for bids for the sale by CMDT and Office de la Haute Vallée du Niger (OHVN) of the assets (including ginneries, trucks, and other agricultural equipment) necessary for the installation of a private operator in the OHVN zone.	December 31, 2001	Delayed. The studies were late in starting, owing to the delay in the mobilization of the necessary financing.
Structural benchmarks		
Adoption of a plan for the annual allocation of HIPC Initiative resources for the period 2002-05.	September 30, 2001	Done.
Adoption of a plan for the CMDT to withdraw from its public service activities (comprising rural roads, infrastructure, and water supply), along with adoption of a corresponding staffing/organizational plan.	October 31, 2001	Delayed. The studies were late in starting owing to the delay in the mobilization of the necessary financing.
Completion of an organizational audit of the civil service.	November 30, 2001	Done.
Introduction in the 2002 draft budget (approved by the government) of specific budget codes to track HIPC Initiative expenditures.	November 30, 2001	Done.
Adoption and implementation of a mechanism for the determination of the producer price for seed cotton that reflects movements in the world market price and takes into account producer prices offered in neighboring countries in the subregion.	December 31, 2001	Delayed. The government has held discussions with producers to come to an agreement on the principles of the new mechanism and the producer price for the 2002/03 crop year.

Table 3. Mali: Structural Measures Constituting Prior Actions, Performance Criteria,
and Benchmarks, January-December 2002

Measures	Date
Prior actions	
Establishment of a negotiated base price for the purchase of seed cotton that reflects movements in world market prices and producer prices charged in the subregion.	Implemented in May 2002
Completion of a preliminary financial restructuring plan for the cotton monopsonist (CMDT) for the period 2002-05 identifying measures to lower the company's production costs and improve its management.	
Adoption by the government of a plan for the CMDT to withdraw gradually from its public service activities (comprising rural roads, infrastructure, and water supply).	
Structural performance criteria	
Adoption by the government of the 2000 draft audited budget act (<i>loi de règlement</i>).	June 30, 2002
Launching of the call for bids for the sale by CMDT and Office de la Haute Vallée du Niger (OHVN) of the assets (including ginneries, trucks, and other agricultural equipment) necessary for the installation of a private operator in the OHVN zone.	September 30, 2002
Adoption by the government in the draft 2003 budget of an expanded nomenclature to track poverty-reducing expenditures.	October 31, 2002
Structural benchmarks	
Completion of a study on the necessary stages and options for liberalization of the cotton sector (participation of private operators).	March 31, 2002
Adoption of an action plan for the reform of the civil service, with a view to modernizing it and harmonizing the various pay schedules.	March 31, 2002
Actual application in the 2002/03 crop year of a mechanism for setting the producer price for seed cotton that reflects movements in the world market price and takes into account producer prices charged in neighboring countries.	April 30, 2002
Completion of a study on the introduction in the 2003 draft budget of specific budget codes to track poverty-reducing expenditures.	June 30, 2002
Enhancement of the system of ex post auditing by appointing six magistrates and temporarily assigning qualified staff to the Accounts Section of the Supreme Court.	August 31, 2002
Preparation of a comprehensive list of the government's liabilities vis-à-vis the rest of the economy using a recognized audit firm.	October 31, 2002
Preparation of a detailed plan on the next stages in the reform of the cotton sector.	November 30, 2002

INTERNATIONAL MONETARY FUND

MALI

Technical Memorandum of Understanding

July 11, 2002

1. This technical memorandum of understanding defines the performance criteria and benchmarks for the program supported by the Poverty Reduction and Growth Facility PRGF arrangement. It also sets out the frequency and deadlines for data reporting to the staff of the International Monetary Fund (IMF) for program-monitoring purposes.

I. DEFINITIONS

2. Unless otherwise indicated, the government is defined as the central administration of the Republic of Mali and does not include local administrations, the central bank, or any other public entity with autonomous legal personality that is not included in the table of government financial operations (TOFE).

3. The definitions of "debt" and "concessional borrowing" for the purposes of this memorandum of understanding are as follows:

- (a) As set out in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Borrowing, adopted by the Executive Board on August 24, 2000, debt is understood to mean a current—that is, not contingent—liability created under a contractual agreement calling for the provision of value in the form of assets (including currency) or services that requires the obligor to make one or more payments in the form of assets (including currency) or services according to an established repayment schedule; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debt can take a number of forms, the primary ones being as follows: (i) loans, that is, advances of money to the obligor by the lender 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, that is, contracts where the supplier permits the obligor to defer payment until some time after the date on which the goods are delivered or services are provided; and (iii) leases, that is, arrangements under which property is provided that the lessee has the right to use for one or more specified period(s) of time, usually shorter than the total expected service life of the property, while the lessor retains title to the property. For the purposes of this guideline, the debt is the present value (at the inception of the lease) of all lease

payments expected to be made during the period of the arrangement, excluding those payments that cover the operation, repair, or maintenance of the property. Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from failure to make payment under a contractual obligation that constitutes debt are also debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

- (b) **A loan is considered concessional** if, on the date the contract is signed, the ratio of the present value of the loan, based on the reference interest rates, to the nominal value of the loan is less than 65 percent (i.e., a grant element exceeding 35 percent). The reference interest rates used in this assessment are the commercial interest reference rates (CIRRs) established by the Organization for Economic Cooperation and Development (OECD). For debts with a maturity exceeding 15 years, the ten-year reference interest rate published by the OECD is used to calculate the grant element. For shorter maturities, the six-month market reference rate is used.

II. QUANTITATIVE PERFORMANCE CRITERIA

A. Ceiling on the Net Bank Credit to Government and Net Domestic Financing

Definition—net bank credit to government

4. Net bank credit to government is defined as the balance between government debts and government claims vis-à-vis the central bank and commercial banks. The scope of net bank credit to government is that used by the Central Bank of West African States (BCEAO) and is consistent with established Fund practice in this area. It implies a broader definition of government than that specified in paragraph 2. Government claims include the CFA franc cash balance, postal checking accounts, secured liabilities (*obligations cautionnées*), and all deposits with the BCEAO and commercial banks of public entities, with the exception of industrial or commercial public institutions (EPICs) and public enterprises, which are excluded from the calculation. Government debts to the banking system include all debts to these same financial institutions. Deposits of the cotton stabilization fund and government securities held outside the Malian banking system are not included in the calculation of net bank credit to government.

5. Net bank credit to the government, as defined above, stood at CFAF 18.8 billion at end-July 2001 and CFAF 18.7 billion at end-December 2001.

6. The change in net bank credit to government on the date indicated is defined as the difference between the stock on the date indicated and the stock at the end of the previous year. This change was CFAF 24.3 billion as of July 31, 2001, and CFAF 18.7 billion as of December 31, 2001.

Definition —net domestic financing

7. Starting in 2002, the key quantitative performance criterion will be net domestic financing of the government, defined as the sum of (i) net bank credit to government, as defined above (ii) other government claims and debts vis-à-vis national banking institutions, and (iii) nonbank financing of the government, including, in particular, government bills and bonds held outside national banking institutions and proceeds from the sale of government assets. These receipts are defined as the proceeds from the sale, effectively received by the government during the fiscal year, of all or part of the shares held by the government in privatized enterprises. In the event that payments in respect of these sale transactions are expected to extend beyond the fiscal year, the residual will be included in the calculation of nonbank financing of the government in each of the subsequent years, in accordance with the annual scheduling of the expected payments.

8. Figures on net bank credit to government as calculated by the BCEAO, and on nonbank financing as calculated by the public treasury, are final in the context of the program.

Adjustment factor

9. The ceiling on the change in net bank credit to government and net domestic financing of the government will be adjusted if external budgetary assistance exceeds or falls short of the programmed amount. Budgetary assistance is defined as grants, loans, and debt relief (excluding project loans and grants, IMF resources, and debt relief under the HIPC Initiative). The ceiling will be lowered by the amount by which budgetary assistance exceeds the programmed amount. Conversely, the ceiling will be raised by the amount by which budgetary assistance falls short of the programmed amount. For 2002, these ceilings are set at CFAF 4 billion at end-March; CFAF 6 billion at end-June; CFAF 15 billion at end-September; and CFAF 25 billion at end-December. In the context of the program, cumulative external budgetary assistance (excluding the World Bank disbursements in January 2002) is expected to reach CFAF 9.8 billion on June 30, 2002; CFAF 16.7 billion on September 30, 2002; and CFAF 43.3 billion on December 31, 2002.

10. The ceiling on the change in net bank credit to government and net domestic financing will be adjusted by the difference between the amount of HIPC Initiative resources programmed and the amount actually spent. If the amount actually spent exceeds (or falls short of) the programmed amount, the ceiling will be reduced (increased) by the difference between the actual amount and the programmed amount.

Performance criteria and benchmarks

11. The ceiling on the cumulative change in net domestic financing is established as follows for 2002: CFAF 16.5 billion at March 31; CFAF 16.5 billion at June 30; CFAF 31.8 billion at September 30; and CFAF -1.6 billion at December 31. The ceilings are performance criteria at end-June 2002 and end-December 2002, and benchmarks at end-March 2002 and end-September 2002.

Reporting deadline

12. Provisional data on net bank credit to government position, including a detailed list of the bank account balances of other public entities, will be transmitted on a monthly basis within the four weeks following the end of the month. Final data will be provided within an additional four weeks after the provisional data have been reported.

B. Nonaccumulation of External Public Payments Arrears

Definition

13. External payments arrears are defined as the sum of external payments due and unpaid for external liabilities of the government and foreign debt held or guaranteed by the government. The definition of external debt provided in paragraph 3(a) applies here.

Performance criterion

14. Under the program, the government will not accumulate external payments arrears, with the exception of arrears arising from debt under renegotiation or being rescheduled. The performance criterion on the nonaccumulation of external payments arrears will be applied on a continuous basis throughout the program period.

C. Nonaccumulation of Domestic Public Payments Arrears

Definition

15. Domestic payments arrears are government expenditures for which payment authorizations have been issued (*dépenses ordonnancées*) but not paid within 90 days of the date of the payment authorization. Domestic arrears also include expenditure commitments to public enterprises for which payment authorizations have been issued but for which payment has not been made within the same 90-day period.

Performance criterion

16. Under the program, the government will not accumulate domestic payments arrears. This performance criterion will be applied on a continuous basis.

Reporting deadline

17. The government will report to the IMF staff any accumulation of domestic arrears as soon as the 90-day deadline has been reached. Moreover, the government will minimize payment delays and will provide, at the request of IMF staff, data on expenditure commitments, payment orders, and payments.

D. Ceiling on Nonconcessional External Debt with a Maturity of One Year or More Newly Contracted or Guaranteed by the Government and/or Public Enterprises

Definition

18. This performance criterion applies not only to debt as defined in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Borrowing (Executive Board Decision No. 6230-(79/140), amended by Executive Board Decision No. 12274-(00/85) (8/24/00)), but also to commitments contracted or guaranteed for which no value has yet been received.

19. The concept of government for the purposes of this performance criterion includes government as defined in paragraph 2, administrative public institutions (EPAs), scientific and/or technical public institutions, professional public institutions, industrial and/or commercial public institutions (EPICs), and local governments.

20. Until end-2001, in addition to the government, the public enterprises authorized to contract, guarantee, or accommodate nonconcessional borrowing in the context of the program are the cotton company (CMDT), the telecommunications company (SOTELMA), and the railroad company (RCFM). No other public enterprise shall contract, guarantee, or accommodate nonconcessional borrowing.

Performance criterion

21. A ceiling is set for nonconcessional borrowing. It relates only to projected borrowing from the West African Development Bank (BOAD), Crédit Commercial de France (CCF), the French Development Agency (AFD), and the Fund of the Economic Community of West African States (ECOWAS). The government and the above-mentioned public enterprises will not contract nonconcessional debt with other creditors. Starting in January 2002, a ceiling of zero is set for nonconcessional borrowing. This performance criterion is monitored on a continuous basis.

22. The government undertakes not to contract or guarantee external debt with a maturity of one year or more and a grant element of less than 35 percent (calculated using the reference interest rates corresponding to the borrowing currencies provided by the IMF). This performance criterion applies not only to debt as defined in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Borrowing, adopted by the Executive Board on August 24, 2000, but also to commitments contracted or guaranteed for which no value has yet been received. However, it does not apply to financing granted by the IMF and treasury bills and bonds issued in CFA francs on the West African Economic and Monetary Union (WAEMU) regional market.

Reporting deadline

23. Information on any borrowing (terms and creditors) contracted or guaranteed by the government and/or the above-mentioned public enterprises shall be transmitted each month within four weeks following the end of the month.

E. Ceiling on Short-Term External Debt Newly Contracted or Guaranteed by the Government and/or Public Enterprises

Definition

24. The definitions in paragraphs 16 and 17 also apply to this performance criterion.

25. Short-term external debt is debt with a contractual term of less than one year. Import-related loans and debt-relief operations are excluded from this performance criterion.

Performance criterion

26. In the context of the program, the government and public enterprises will not contract, guarantee, or accommodate short-term nonconcessional external debt.

27. As of March 31, 2002, the government of Mali and the public enterprises have no short-term external debt. This performance criterion is monitored on a continuous basis.

III. QUANTITATIVE INDICATORS

28. The program also includes indicators on government tax revenues, the civil service wage bill, and the basic fiscal balance.

A. Floor for Tax Revenues

Definition

29. Government tax revenues are defined as those that figure in the TOFE.

Performance indicators

30. Quantitative performance indicators for tax revenues in 2002 are set at CFAF 67.5 billion at March 31; CFAF 148.0 billion at June 30; CFAF 231.7 billion at September 30; and CFAF 331 billion at December 31.

Reporting deadline

31. The government shall report tax revenues to IMF staff each month in the context of the TOFE.

B. Ceiling on the Wage Bill

Definition

32. The wage bill includes all public expenditure on wages, bonuses, and other benefits or allowances granted civil servants employed by the government, the military, and other security forces, and includes expenditure with respect to special contracts and other permanent or temporary employment with the government. The wage bill excludes, however, wages paid under externally funded projects and transfers to local communities for the payment of teachers' salaries.

Performance indicators

33. The quantitative performance indicators for the wage bill are set at CFAF 21.8 billion at March 31, 2002; CFAF 43.6 billion at June 30, 2002; CFAF 67.1 billion at September 30, 2002; and CFAF 89.5 billion at December 31, 2002.

Reporting deadline

34. The government shall report the wage bill to IMF staff each month in the context of the TOFE.

C. Floor on the Basic Fiscal Balance, Excluding HIPC Initiative-Related Expenditure

Definition

35. The basic fiscal balance is defined as the difference between total revenues, excluding grants and privatization receipts, and total expenditure plus net lending, excluding capital expenditure financed by foreign donors and lenders and HIPC Initiative-related expenditures.

Performance indicators

36. The floors for the performance indicators for the basic fiscal balance, excluding HIPC Initiative-related expenditure, are set at CFAF 14.5 billion at March 31, 2002; and at CFAF 43.3 billion at June 30, 2002. For September and December 2002, the floors are CFAF -15.1 billion and CFAF -9.2 billion, respectively.

Reporting deadline

37. The authorities will report provisional data on the basic fiscal balance monthly to IMF staff, in the context of the TOFE. These data will be taken from the balances of treasury accounts for the items that are used to calculate this balance. The final data will be provided as soon as the final balances for these accounts are available, but not later than four weeks after the reporting of the provisional data.

IV. STRUCTURAL MEASURES

38. Tables 2 and 3 of the memorandum of economic and financial policies describe the structural measures identified as prior actions, performance criteria, and structural benchmarks for 2001 and 2002. These tables provide information regarding the implementation dates for the structural reforms envisaged.

39. Data on the introduction of the structural benchmarks and performance criteria will be sent to Fund staff within two weeks of the date of their scheduled implementation.

V. ADDITIONAL INFORMATION FOR PROGRAM MONITORING

A. Government Finances

40. The government will provide IMF staff with the following:

- the TOFE and a breakdown of fiscal revenue and expenditure, including priority expenditure (health, education, and basic infrastructure) and with a separate report on HIPC Initiative-related expenditure (these data will be forwarded monthly within six weeks following the end of the previous month for the TOFE and twelve weeks for the breakdown of HIPC Initiative-related expenditure);
- quarterly data on the implementation of the public investment program, including a breakdown of the sources of financing (these data will be transmitted within eight weeks following the end of the quarter); and
- monthly data on debt service, including a breakdown of principal, interest, and relief obtained under the HIPC Initiative (these data will be transmitted within four weeks following the end of the month).

B. Monetary Sector

41. The government will submit the following each month, within four weeks following the end of the month, unless otherwise indicated:

- summary accounts of the BCEAO;
- external assets and liabilities of the BCEAO (within eight weeks);
- summary accounts of the banks;
- summary accounts of the banking system;
- lending and deposit interest rates, and the BCEAO's intervention rates and reserve requirements; and
- prudential ratios for bank and nonbank financial institutions (within six weeks), and, if necessary, these same indicators for individual institutions.

C. Balance of Payments

42. The government will provide IMF staff with the following:
- any revisions of the balance of payments data (including services, private transfers, official transfers, and capital transactions) as soon as the revisions are made; and
 - preliminary annual balance of payments data within 12 months of the end of the year concerned.

D. Real Sector

43. The government will provide IMF staff with the following:
- the harmonized monthly consumer price index disaggregated by category of consumption, every month within two weeks after the end of the month;
 - the national accounts, within nine months after the end of the year; and
 - any revision of the national accounts.

VI. SUMMARY OF DATA TO BE REPORTED

Data Type	Tables	Frequency	Time Frame
Real sector	National accounts	Annual	End of year + 9 months
	Revisions of the national accounts	Variable	8 weeks following the revision
	Disaggregated consumer price indexes	Monthly	End of month + 2 weeks
Government finances	Net government position (including the list of accounts of other public entities with the banking system) and breakdown of nonbank financing	Monthly	End of month + 3 weeks (provisional); end of month + 6 weeks (final)
	TOFE		End of month + 3 weeks (provisional); end of month + 6 weeks (final)
	Breakdown of fiscal revenue and expenditure in the context of the TOFE	Monthly	End of month + 6 weeks (TOFE)
	Separate report on expenditure financed with HIPC Initiative resources	Monthly	End of month + 6 weeks
	Execution of capital budget	Quarterly	End of quarter + 8 weeks
	Tax revenues in the context of the TOFE	Monthly	End of month + 6 weeks
	Wage bill in the context of the TOFE	Monthly	End of month + 6 weeks
	Basic fiscal balance in the context of the TOFE	Monthly	End of month + 6 weeks
	Formula for setting prices of petroleum products, tax revenues from petroleum products, and subsidies paid	Monthly	End of month + 4 weeks
	Monetary and financial data	Summary accounts of the BCEAO, summary accounts of banks, and accounts of the banking system	Monthly	End of month + 4 weeks (provisional); end of month + 8 weeks (final)
Foreign assets and liabilities of the BCEAO		Monthly	End of month + 8 weeks
Lending and deposit interest rates, BCEAO intervention rates, and BCEAO reserve requirements		Monthly	End of month + 4 weeks
Bank prudential ratios		Monthly	End of month + 6 weeks
Balance of payments	Balance of payments	Annual	End of year + 12 months
	Revisions of balance of payments	Variable	8 weeks following each revision
External debt	Breakdown of all new external borrowing	Monthly	End of month + 4 weeks
	Debt service, indicating amortization, interest payments, and relief obtained under the HIPC Initiative	Monthly	End of month + 4 weeks

Mali: Relations with the Fund

As of May 31, 2002

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

II. General Resources Account:	SDR Million	% Quota
Quota	93.30	100.0
Fund holdings of currency	84.47	90.53
Reserve Tranche position	8.83	9.47

III. SDR Department:	SDR Million	% Allocation
Net cumulative allocation	15.91	100.0
Holdings	0.16	0.98

IV. Outstanding Purchases and Loans:	SDR Million	% Quota
Enhanced Structural Adjustment Facility (ESAF)/Poverty Reduction and Growth Facility (PRGF) arrangements	127.06	136.18

V. **Latest Financial Arrangements**

	Approval	Expiration	Amount Approved	Amount Drawn
<u>Type</u>	<u>Date</u>	<u>Date</u>	<u>(SDR Million)</u>	<u>(SDR Million)</u>
ESAF/PRGF	08/06/1999	08/05/2003	51.32	31.67
ESAF	04/10/1996	08/05/1999	62.01	62.01
ESAF	08/28/1992	04/09/1996	79.24	79.24

VI. **Projected Obligations to Fund**

(SDR Million; based on existing use of resources and present holdings of SDRs):

	<u>Forthcoming</u>				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Principal	12.10	21.10	21.70	18.20	14.10
Charges/interest	<u>0.80</u>	<u>0.90</u>	<u>0.80</u>	<u>0.70</u>	<u>0.60</u>
Total	12.90	22.00	22.50	18.90	14.70

Repurchase expectations: apply to purchases after November 28, 2000 in the credit tranches, including the Compensatory Financing Facility, and under the Extended Fund Facility. Repurchases in the credit tranches and the Extended Fund Facility are expected to be completed in 2¼ - 4 years and 4½ - 7 years, respectively. The Fund has the option of extending the repurchase expectations upon request by members.

VII. Implementation of HIPC Initiative

	<u>Original framework</u>	<u>Enhanced framework</u>	<u>Total</u>
Commitment of HIPC assistance			
Decision point date	9/15/98	9/6/00 ¹	
Assistance committed (end-1998 NPV terms) ¹			
Total assistance (US\$ million)	121.00	401.00	
<i>Of which:</i> Fund assistance (SDR million)	10.80	33.60	
Completion point date	9/6/2000 ²	floating	
Delivery of Fund assistance (SDR million)			
Amount disbursed	10.80	6.44	17.24
Interim assistance	...	6.44	6.44
Completion point	10.80	0.00	10.80
Amount applied against member's obligations (cumulative)	2.33	6.25	8.58

VIII. Safeguards Assessments

The Central Bank of the West African States (BCEAO) is the common central bank of the West African States, which includes Mali. An on-site safeguards assessment of the BCEAO proposed specific remedies to alleviate vulnerabilities that were identified by staff. Although Fund staff and BCEAO authorities disagreed on the initial modalities of the recommendations, the following specific understandings were subsequently reached regarding the key remedies:

Financial Reporting Framework: Fund staff recommended that the BCEAO formally adopt International Accounting Standards (IAS), and publish a complete set of financial statements, including detailed explanatory notes. It was agreed between the BCEAO and Fund staff that the **BCEAO will strive to improve its financial and accounting reporting by aligning its**

¹ Net present value (NPV) terms at the completion point under the original framework; and NPV terms at the decision point under the enhanced framework.

² Decision was approved in principle by the Fund.

practices with those recommended by IAS, as adopted internationally by other central banks.

Internal Controls System: The staff noted that the absence of oversight of the bank's governance, financial reporting, and internal control practices by an entity external to the management of the BCEAO represents a significant risk. It was agreed between the BCEAO and Fund staff that, after seeking the opinion of the external auditor ("Commissaire Contrôleur"), BCEAO staff will propose to the BCEAO Board of Directors that they adopt a resolution whereby **the external auditor will be required to apprise the Board of Directors, during its annual review and approval of the financial statements, of the state and quality of internal controls within the Bank.**

The staff will follow-up on the progress of the BCEAO in implementing the proposed recommendations as part of the on-going safeguards monitoring process.

IX. Exchange Rate Arrangements

Mali is a member of the West African Economic and Monetary Union (WAEMU). The exchange system, common to all members of the Union, is free of restrictions on the making of payments and transfers for current international transactions. The Union's common currency, the CFA franc, was pegged to the French franc at the rate of CFAF 50 = F 1 from 1948 until early 1994. Effective January 12, 1994, the CFA franc was devalued, and the new parity set at CFAF 100 = F 1. Effective January 1, 1999, the CFA franc was pegged to the euro at a rate of CFAF 655.96 = EUR 1. On July 8, 2002, the rate of the CFA franc in terms of the SDR was SDR 1 = CFAF 883.66. As of June 1, 1996, and in conjunction with its WAEMU partners, Mali accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Fund's Articles of Agreement.

X. Article IV Consultations

Mali is on the standard 12-month Article IV consultation cycle. The 2001 Article IV consultation was completed by the Executive Board on November 30, 2001 (EBS/01/204).

XI. ROSC/AAP

An FAD mission visited Bamako during July 17–31, 2001 to help the authorities undertake a fiscal module of a Report on the Observance of Standards and Codes (ROSC) and to prepare a HIPC Initiative Assessment and Action Plan (AAP). The ROSC mission found that important steps had been taken to improve fiscal transparency since the restoration of democracy in the early 1990s and the withdrawal of the state from many industrial activities. The Finance Commission of Parliament plays an active role in examining program budgets that outline the objectives and performance of every government ministry. Internal control and audit is solid: the reports of the Controller General and the Inspection des Finances have recently been followed up at the presidential

level, leading to arrests and imprisonments of former high-ranking officials. The main weaknesses relative to the Code of Good Practices on Fiscal Transparency are (i) an unclear legislative basis for budget making; (ii) lack of formal dissemination to the public of quarterly budget reports; (iii) incomplete coverage of the budget; (iv) the lack of a medium-term budget framework, and (v) a dysfunctional external audit agency.

Using a HIPC Initiative tracking questionnaire, the mission reached agreement with the authorities on the capacity of the present public expenditure management system to track poverty-reducing public expenditures. The results were very similar to the preliminary assessment prepared jointly by Bank/Fund staff in late 2000. Mali shows particular strengths in budget execution (the internal audit system is effective, there are no expenditure arrears, and government ledger accounts are reconciled with bank accounts). It was proposed that the main weaknesses be addressed in a three-year action plan, covering 11 specific areas of public expenditure management (PEM), including as main points the following:

- integrating the program budgets into the annual budget (*loi de finances*);
- monitoring expenditures by function (immediate) and by program (for 2002);
- identifying poverty-reducing expenditures by line item (so far, this has been done only for HIPC-related expenditures);
- introducing a medium-term budget framework;
- preparing more timely monthly treasury balances and deriving the consolidated monthly report of government operation (TOFE) from treasury balances;
- improving the timeliness of the preparation of final accounts by the treasury and, especially, their audit by the Section des Comptes (the external audit agency); and
- computerizing further the PEM system.

XII. Technical Assistance

<u>Department</u>	<u>Type of Assistance</u>	<u>Time of Delivery</u>	<u>Purpose</u>
STA	Staff	July 17-29, 1991	Assisting through multitopic technical assistance mission in the elaboration of a statistical action plan.
STA	Expert	May 16-June 19, 1992 and April 30-May 21, 1993	Strengthening the capacity of the national agency of the BCEAO to compile balance of payments statistics
FAD	Staff and expert	November 9-26, 1992	Improving fiscal performance in the framework of the ESAF-

			supported program.
FAD	Resident expert	September 1993- September 1994	Advising the Minister of Finance and Commerce on the reform of the tax department
FAD	Staff expert	April 9-13, 1995	Advising the Minister of Finance and Commerce on improving tax administration and revenue and reviewing long-term technical assistance.
STA	Resident expert	May 1995- August 1996	Providing assistance and training to strengthen the capacity to compile national accounts.
FAD	Staff and expert	September 18- October 2, 1995	Advising the Minister of Finance and Commerce on strengthening tax and customs administration.
FAD	Staff	April 22-26, 1996	Examining proposals for the reform of direct taxation.
FAD	Staff	May 26-June 2, 1997	Following up on previous FAD mission's recommendations in the area of tax administration.
STA	Staff	June 16-27, 1997	Improving the national accounts statistics.
STA	Staff to BCEAO headquarters	July 30- August 11, 1997	Improving quality and timeliness of monetary statistics.
FAD	Staff and expert	March 24- April 18, 1998	Advising on fiscal implications of the common external tariff, and the reform of indirect taxation, and following up on earlier recommendations on the reform of tax policy and administration.
FAD	Staff and expert	August 11- November 10, 1998	Following up on previous FAD mission on direct and indirect tax reforms, including the VAT.
STA	Staff/BCEAO	February 4-17, 1998	Assisting statistical organization and management.
FAD	Panel expert	July 1999- July 2000	Assisting in the implementation of the unified value-added tax (VAT).
FAD	Staff	July 2001	Assisting in completion of the fiscal module of Report on the

			Observance of Standards and Codes (ROSC), and drafting assessment of an action plan, as well as the capacity of the public expenditure management system to track and report on the uses of HIPC Initiative assistance and all poverty-reducing expenditures.
FAD	Staff	February/March 2002	Assisting the authorities in improving the existing expenditure classifications.

XIII. Resident Representative

Mr. Williams, the current Resident Representative, took up this assignment in September 1998. Previously, a Resident Representative was stationed in Bamako between 1982 and 1991, from October 1993 until October 1995, and from July 1996 to August 1998.

Mali: Relations with the World Bank Group

1. Statement of IDA Credits (Active) April 30, 2002

Number of credits closed: **58**

Credit Number	IDA Fiscal Year	Purpose	Commitments ¹ (US\$ millions)	Undisbursed (US\$ millions)
35830	2002	Agriculture and Pro.	43.5	43.3
27370	1995	Agro-processing TRD	6.0	0.4
3440	2001	Education Sector Expenditure Program	45.0	41.9
33940	2000	Financial Sector Development	21.0	18.4
N0370	1998	Grassroots Hunger/Poverty	21.5	6.5
33180	2000	Improving Learning in Primary Schools	3.8	2.6
31550	1999	Integrated Health Sector Investment	40.0	29.5
N0210	1997	Irrigation Promotion	4.2	2.4
29700	1997	Regional Power	17.1	5.5
33930	2000	Rural Infrastructure	115.1	106.9
35820	2002	SAC III	70.0	44.8
28500	1996	Sélingué Rehabilitation	27.3	1.6
N0040	1997	Urban Development and Decentralization	80.0	29.9
28280	1996	Vocational Education	13.4	0.6
26170	1995	Transport Sector	65.0	5.4
		Total ²	573.0	340.0
			162.8	
		Total held by IDA ³	1,577.1	
		Total undisbursed	340.0	

¹ Less cancellations.

² Projects under execution.

³ Total commitments, including closed credits.

**Statement of IFC Investments as of April 30, 2002
Committed and Disbursed Portfolio**

FY Approval	Project/Company	Type of Business	Loan	Equity
			-----US\$ Millions-----	
1996	AEF GGG		0.27	0.00
1994-97	AEF Hotel de Bamako	Tourism	1.05	0.00
2001	PAL Graphique Id		0.62	0.00
1999	PAL Rabelais	Tourism	0.18	0.00
1998-99	RANDGOLD	Mining	0.00	11.36
1997	SEF 3T		0.14	0.00
1995	SEMOS		3.50	4.80
1992-97	SOMISY	Mining	0.00	0.47
2001	Traore		0.55	0.00
	<u>Total portfolio</u>		6.30	16.63

Approval pending commitment

FY Approved: 2001 Project: BM Quasi Equity \$1.2 million

Source: The World Bank Group

2. World Bank Group Operations

As of April 30, 2002, IDA had extended **73** credits to Mali (including Africa Facility, special funds, and supplementary credits) totaling **US\$1,577.1** million. The current IDA portfolio in Mali consists of **15** projects under implementation, in the amount of **US\$573.0** million of investment projects. The undisbursed amount totaled **US\$340.0** million. In addition, as of April 30, 2002, the portfolio held by the International Finance Corporation for Mali consisted of **nine** operations totaling **US\$6.30** million in loans and **US\$16.63** million in equity. Mali joined MIGA on October 5, 1990.

In support of Mali's effort to restructure its economy, IDA has approved a structural adjustment credit, an economic recovery credit, an economic management credit, and sector adjustment operations in the public enterprise, private sector development, education, health and agriculture sectors. The World Bank has also provided technical assistance to strengthen the Malian institutions responsible for the design and implementation of economic and financial policies.

Mali: Statistical Issues

1. Mali's statistical database is broadly comprehensive and sufficient for program monitoring. However, weaknesses exist in the areas of the national accounts and industrial production data. The authorities are making efforts to improve the quality, timeliness, and availability of economic and financial data. Progress has been achieved in addressing a number of past weaknesses by implementing the recommendations of various technical assistance missions. A seminar on the development of metadata for the General Data Dissemination System (GDDS) was conducted during March-April 2001 in Bamako for all the members of the Central Bank of West African States (BCEAO). The authorities are collaborating with the STA to finalize the metadata requirements for the General Data Dissemination System (GDDS). The plans for improvement that are part of the GDDS can, when fully implemented, be expected to further strengthen data quality and timeliness.

Real sector

2. There are some weaknesses in the accuracy, coverage, and timeliness of national accounts data. Technical assistance needs, including the review of data sources, as well as training in collection and compilation methods, were addressed by a Fund resident expert in national income accounting (May 1995 to August 1996). A follow-up mission on national accounts visited Mali during June 16-27, 1997.

3. In collaboration with other West African Economic and Monetary Union (WAEMU) member countries, the Malian statistical agency has been compiling and publishing a harmonized consumer price index (CPI) for Bamako on a monthly basis since early 1998. This index has been consistently available on a timely basis since that date.

Public finances

4. The Ministry of Finance, on the basis of inputs from the customs, tax, and treasury directorates, compiles comprehensive data on public finances. These data are available on request with a one- to two-month lag. As part of the economic integration process among the member countries of the WAEMU, Mali has made progress in bringing its public finance statistics in line with the common framework that has been developed with technical assistance from the Fund (the harmonized TOFE, or table of government financial operations). However, efforts need to be made to improve the timeliness of the TOFE.

5. With regard to data on the public investment program, the authorities plan to step up monitoring of the physical and financial execution of the government's investment program through increased training of project managers and the preparation of a semiannual report on the execution of the special investment budget (BSI).

6. Mali does not report annual statistics for publication in the *Government Finance Statistic Yearbook*, nor any subannual government finance statistics for publication in *International Finance Statistics*; data for both publications could be compiled on the basis of the TOFE.

Monetary data

7. Preliminary monetary data for Mali are prepared by the national agency of the BCEAO and released officially by the headquarters of the BCEAO with a lag of about two months.

8. Joint AFR/STA and STA/BCS missions visited BCEAO headquarters in August 1997 and in February 1998, respectively, and made recommendations to improve the quality and timeliness of monetary statistics in all WAEMU countries. Although some progress has been made since then, delays in collecting some monetary information from BCEAO can last up to eight weeks.

9. A monetary and financial statistics mission visited the headquarters of the BCEAO in May 2001. The mission provided technical assistance in addressing the main shortcomings pertaining to the coverage, methodology, and timeliness of monetary statistics. The mission discussed and agreed with the authorities an action plan for the implementation of the *Monetary and Financial Statistics Manual* and for introduction of an area-wide page in *International Financial Statistics (IFS)* for the WAEMU; the new page is under preparation. Moreover, proposals were discussed with the authorities for the provision of future technical assistance in monetary statistics for the region.

Balance of payments data

10. Balance of payments data have improved and are now produced with a lag of one year. During July 1996-July 1999, a STA resident expert was stationed at BCEAO headquarters in Dakar to address statistical issues relating to the balance of payments on a zone-wide basis. The expert assisted the authorities in implementing the new standards required by the fifth edition of the *Balance of Payments Manual* and setting up new compilation procedures and methodologies utilized in each WAEMU member country, as well as training newly recruited staff. The Malian national agency of the BCEAO has now implemented the standards of the fifth edition of the *Balance of Payments Manual*.

Mali: Core Statistical Indicators

(As of June 19, 2002)

	Exchange Rates	International Reserves	Central Bank Balance Sheet	Reserve Base Money	Broad Money	Interest Rates	Consumer Price Index	Exports/Imports	Current Account Balance	Overall Government Balance	GDP/GNP	External Debt
Date of latest Observation	Current	03/02	03/02	03/02	03/02	05/02	03/02	2001	2001	03/02	2001	2001
Date received	Current	05/02	05/02	05/02	05/02	06/11/02	05/02	03/02	03/02	05/02	03/02	03/02
Frequency of data	Daily	Monthly	Monthly	Monthly	Monthly	Variable	Monthly	Annual	Annual	Monthly	Annual	Annual
Frequency of reporting	Monthly	Monthly	Monthly	Monthly	Monthly	Weekly	Monthly	Annual	Annual	Monthly	Annual	Annual
Source of update	EIŠ/TRE 1/	BCEAO 2/	BCEAO 2/	BCEAO 2/	BCEAO 2/	BCEAO 2/	Ministry of Finance	BCEAO 2/	BCEAO 2/	Ministry of Finance	Ministry of Finance	Ministry of Finance
Mode of reporting	On-line	Staff/e-mail	Staff/e-mail	Staff/e-mail	Staff/e-mail	Staff/e-mail	Staff	Staff	Staff	Staff	Staff	Staff
Confidentiality	No	3/	3/	3/	3/	No	No	3/	3/	3/	3/	3/
Frequency of Publication	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Annually	Annually	Annually	Semi-annually	Annually

1/ IMF, Economic Information System (EIS), and IMF, Treasurer's Department.

2/ Central Bank of West African States (BCEAO).

3/ Preliminary data for staff use only; actual data unrestricted.

Statement by the IMF Staff Representative
July 26, 2002

1. This statement summarizes the information that has become available since the staff report (EBS/02/127) was circulated to the Executive Board on July 12, 2002. It does not change the thrust of the staff appraisal.

Prior actions

2. The information provided by the authorities indicates that all the prior actions listed in Table 3 of the July 11, 2002 Memorandum of Economic and Financial Policies (MEFP) have been taken.

3. The producer price for seed cotton for the crop year 2002/03 was set on May 10, 2002 after negotiations with all interested parties. The price was cut by 10 percent to CFAF 180 per kilogram to reflect a drop in world market price for cotton and in neighboring countries.

4. A preliminary financial restructuring plan was completed for the cotton monopsony (CMDT) covering the period 2002-05 on May 23, 2002. It identifies measures to lower the company's production costs and improve its management.

5. The government adopted a plan for the CMDT to withdraw gradually from its public service activities on July 19, 2002.

End-June performance criteria

6. Preliminary indications are that all quantitative performance criteria and benchmarks for end-June were observed. The government also adopted the 2000 draft audited budget act (*loi de règlement*) in June 2002 (structural performance criterion for end-June). The study on the introduction in the 2003 draft budget of specific budget codes to track poverty-reducing outlays was completed on June 28, 2002 (structural benchmark for end-June 2002).

Recent developments

7. The consumer price index (CPI) rose 1.4 percent in June, bringing the 12-month increase to 5 percent. Available fiscal data indicate that the authorities met the end-June budget deficit target. This reflected a strong revenue performance and lower than programmed expenditure. Nevertheless, the cashflow position of the treasury was tight on account of delays in the disbursement of external grants as well as a shortfall in privatization proceeds because the sale of a second cellular phone license has yet to be completed.

NEWS  BRIEF

FOR IMMEDIATE RELEASE

News Brief No. 02/78
FOR IMMEDIATE RELEASE
July 26, 2002

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Completes Fourth Review of Mali's PRGF Arrangement and Approves Request for Waiver of Performance Criteria

The Executive Board of the International Monetary Fund (IMF) has completed the fourth review of Mali's performance under the Poverty Reduction and Growth Facility (PRGF) arrangement and approved the requests for waiver of two performance criteria.

The Executive Board decision enables Mali to draw an amount equivalent to SDR 6.75 million (about US\$9.03 million) under the arrangement.

Mali's program was originally supported under the Enhanced Structural Adjustment Facility (ESAF), approved on August 6, 1999 (see [Press Release No. 99/39](#)) for SDR 46.65 million (about US\$62.42 million). This amount was increased in July 2001 by SDR 4.665 million (about US\$6.240 million). So far, Mali has drawn SDR 31.67 million (about US\$42.36 million) under the arrangement.

After the Executive Board's discussion on Mali, Eduardo Aninat, Deputy Managing Director and Acting Chairman, stated:

"Economic growth slowed in 2001 owing to the effects of the crisis in the cotton sector, the hike in oil prices, and lower rainfall. Inflation rose slightly, reflecting lower cereal production and the increase in utility tariffs. Notwithstanding a more difficult environment, the implementation of the revised program for 2001 was broadly satisfactory. The fiscal deficit was ½ percentage point of GDP less than programmed as government revenue exceeded projections, while government expenditure was lower than the program target.

EXTERNAL RELATIONS DEPARTMENT

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“Progress on the structural front, however, was slow. In particular, two structural performance criteria for end-December 2001 were not observed as a result of delays in implementing the reform of the cotton sector (caused by the late arrival of funds to finance relevant studies).

“The outlook for 2002 and beyond remains favorable, although the price of cotton on world markets—which some Directors noted has been adversely affected by subsidies in industrial countries—is a source of much uncertainty. The authorities aim at achieving strong economic growth and reducing poverty, while maintaining financial viability. Real GDP growth is expected to rise sharply—as a result of a doubling of cotton output and a strong recovery in food production—and to remain above 5 percent thereafter. To achieve these objectives, the authorities are firmly committed to implementing macroeconomic policies and structural reforms under the PRGF-supported program.

“The fiscal policy stance remains appropriate in 2002; it reflects efforts to pursue fiscal consolidation, while lowering poverty and addressing the problems in the cotton sector. The achievement of the fiscal targets will, however, require restraint on nonpriority current outlays, improved monitoring of social spending, and further efforts to boost fiscal revenue.

“The full and timely implementation of the structural reform agenda is of critical importance to the efforts to accelerate growth, strengthen Mali’s competitive position, and reduce poverty. The new timetable for the liberalization of the cotton sector should be strictly adhered to, while the privatization of public enterprises in other sectors needs to be pursued. It is also important to implement the reform of the civil service to improve its management and efficiency. Other key aspects of the reform agenda are continued efforts to improve governance and the judicial system—with help from the World Bank, and the further strengthening of the banking sector.

“Regarding poverty alleviation, the authorities should continue to increase the size and quality of public spending in basic social services. In that context, it will be important to press ahead with the reform of the public expenditure management system, which is designed to ensure a more efficient allocation and monitoring of public resources and a better tracking of poverty-related outlays. With the recent completion of a full PRSP, and following the implementation of enhanced HIPC Initiative completion point conditions, Mali is expected to begin to benefit substantially from debt relief in the coming months

"Mali's economy remains vulnerable to external shocks because of the continued heavy dependence on cotton and gold production and exports. In response to future shocks, the Malian authorities will need to stand ready to strengthen further their adjustment and reform efforts. In addition, a prudent policy as regards new borrowings is necessary to maintain a sustainable external debt path," Mr. Aninat said.