

**Mali—Sixth Review Under the Poverty Reduction and Growth Facility—Staff Report;
and Press Release on the Executive Board Discussion for Mali**

In the context of the sixth review of the arrangement under the Poverty Reduction and Growth Facility, the following documents have been released and are included in this package:

- the staff report for the sixth review under the Poverty Reduction and Growth Facility, prepared by a staff team of the IMF, following discussions that ended on **April 24, 2003**, 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 June 26, 2003.** 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 press release summarizing the **views of the Executive Board as expressed during its July 23, 2003 discussion** of the staff report that concluded the review.

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

Letter of Intent sent to the IMF by the authorities of Mali*

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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MALI

Sixth Review Under the Poverty Reduction and Growth Facility

Prepared by the African Department

(In consultation with the Finance, Fiscal Affairs, Legal,
Policy Development and Review, and Statistics Departments)

Approved by Donal Donovan and Martin Fetherston

June 26, 2003

- Discussions on the sixth and final review of the arrangement under the PRGF were held in Bamako during April 10-24, 2003. The three-year arrangement for SDR 46.65 million (50 percent of quota) was approved on August 6, 1999 (EBS/99/129; 7/16/99). It was extended by one year and the amount increased by SDR 4.7 million (5 percent of quota) in July 2001, and six disbursements have so far been effected. Mali's outstanding use of Fund resources amounted to the equivalent of SDR 121.58 million (130.31 percent of quota) at end-April 2003. Mali reached the completion point under the enhanced HIPC Initiative on March 6, 2003 and received debt relief estimated at US\$417 million in net present value (NPV) terms, with the Fund providing US\$45.2 million (SDR 34.7 million).
- The Malian representatives included Mr. Bassary Touré, Minister of Economy and Finance, Mr. Traoré, National Director of the Central Bank of West African States (BCEAO), and other ministers and senior officials. The team also met trade unions, NGOs, and donors. The staff team consisted of Mr. Briançon (head), Mr. Nachegea, Mr. Wane, and Ms. Douoguih (Research Assistant), (all AFR), and Mr. Tazi (Resident Representative). The staff worked with a parallel World Bank team and overlapped with an STA multisector mission.
- All the quantitative performance criteria for end-December 2002 were observed. Economic performance was strong in 2002 as a doubling of cotton output and a sharp rise in gold mining boosted real GDP growth to 9.7 percent; average annual inflation remained at 5.0 percent; and the external current account deficit narrowed sharply, owing to higher gold and cotton exports and lower imports. The fiscal program was on track. The government continued strengthening public resource management; however, implementation of the reform of the cotton sector remained difficult.
- The government reaffirmed its commitment to implement policies and reforms underpinning the PRSP and the program for 2003. However, given the lasting crisis in Côte d'Ivoire and inadequate rainfall, the economic situation has worsened, with real GDP now expected to decline by 1 percent, and the fiscal position has weakened. The liberalization of the cotton sector continues to be a key issue.
- The authorities have indicated that they would like continued financial support from the Fund after the expiration of the current arrangement in August 2003. The possibility of a future PRGF arrangement will be considered in the context of an ex post assessment of Mali's prolonged use of Fund resources. The next Article IV consultation discussions are scheduled for September 2003.

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I. INTRODUCTION

1. This report reviews developments during 2002 and the first quarter of 2003 in the context of the sixth and final review of the program supported by the Fund with an arrangement under the Poverty Reduction and Growth Facility (PRGF), and sets forth the policies and measures the government intends to implement during the rest of 2003. The report also assesses progress made in adjusting the economy since 1999, when the current arrangement was approved by the Fund. In the attached letter dated June 23, 2003 (Appendix I), the authorities request the completion of the sixth review and release of the last disbursement. Mali's financial position in the Fund is summarized in Table 2 and Appendix II.
2. At the time of the fifth review of the program on February 28, 2003, Executive Directors commended the authorities for their strong implementation of the PRGF-supported program despite the adverse impact of the crisis in Côte d'Ivoire on Mali's economy. They urged the authorities to speed up structural reforms, diversify the productive base, promote private sector development, and strengthen governance, in order to help the economy withstand the adverse effects of exogenous shocks and contribute to reducing poverty.
3. 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. Two of the three planned disbursements were made in January and December 2002, respectively. A summary of Mali's relations with the World Bank Group is presented in Appendix III.
4. Mali's statistical database is sufficient for program monitoring (see Appendix IV). Mali has been participating in the General Data Dissemination System (GDSS) since September 2001, and its metadata are posted on the Fund's Dissemination Standards Bulletin Board. A recent multisector mission from the Fund's Department of Statistics noted a number of methodological shortcomings and institutional weaknesses, especially in the compilation of the national accounts. The implementation of the recommendations, which are outlined on the Dissemination Standards Bulletin Board, is expected to further improve data quality and timeliness.

II. BACKGROUND AND PROGRAM IMPLEMENTATION IN 2002

5. **President Amadou Toumani Touré took office in June 2002, following presidential elections in April and May 2002, and appointed Mr. Ag Hamani as Prime Minister.** After the legislative elections in July 2002, Prime Minister Ag Hamani was reappointed to form a new coalition government in October. The government has started implementing the PRSP, adopted in May 2002, and is committed to preserving macroeconomic stability, spurring growth, and reducing poverty. However, with no political party having a majority in the National Assembly, advancing the reform agenda, including liberalizing the cotton sector and carrying out the privatization program, will require the government to build broad coalitions, which is likely to take time.

6. Since September 2002, the crisis in Côte d'Ivoire and the closing of the Abidjan-Bamako road have hit Mali's economy hard. In response, the authorities promptly took actions to channel trade through ports other than Abidjan and find new sources of supply for key products. However, these measures have encountered difficulties because the new ports are further away and the transportation system is in poor condition.

7. As indicated at the time of the fifth review, **Mali enjoyed a strong economic performance in 2002.** A doubling of cotton production and double-digit increases in cereal and gold production boosted real GDP growth from 3.5 percent in 2001 to 9.7 percent in 2002 (Figure 1 and Tables 3 and 4). Average annual inflation remained at 5.0 percent in 2002, owing to supply shortages resulting from the closure of the Abidjan-Bamako road and inadequate rainfall in the second half of the year.

8. The external current account deficit, excluding official transfers, narrowed from 14.2 percent of GDP in 2001 to 6.3 percent in 2002, even though one-fourth of the cotton output could not be shipped owing to transportation difficulties (Table 8). Including current official transfers, the deficit is estimated at 4.9 percent of GDP. The volume of exports rose by 29.2 percent in 2002, mainly because of a sharp increase in the volume of cotton and gold exports. In addition, the terms of trade improved by 6.7 percent, instead of deteriorating slightly as anticipated. Nevertheless, the positive impact of gold exports was partly offset by transfers abroad of the sizable profits of foreign-owned mining companies.¹ The overall balance of payments recorded a large surplus, owing to the improvement in the current account balance, as well as the significant capital inflows connected with the sale of a telephone license to a foreign company, investments by the mining companies, and the sustained flow of foreign assistance. Hence, Mali contributed almost US\$100 million to the international reserves of the Central Bank of West African States (BCEAO) in 2002.

A. Fiscal Performance

9. **In 2002, fiscal policy was tighter than reported at the time of the last review, owing to both higher revenue and lower expenditure than originally estimated.** The overall fiscal deficit, on a commitment basis and excluding grants, is now estimated at 7.7 percent of GDP, compared with the 9.9 percent anticipated earlier (Table 5). Including grants, the deficit amounted to 3.8 percent of GDP. **Total government revenue reached 17.7 percent of GDP in 2002**, or ½ of 1 percentage point higher than estimated, largely because of an acceleration of tax payments by importers at the end of the year. It is also estimated that tax receipts would have been ½ of 1 percentage point of GDP higher if it had not been for the Ivorian crisis. **Lower government expenditure—25.4 percent of GDP** instead of the 27.1 percent estimated earlier—reflected continued difficulties in executing

¹ The recent multisector statistics mission noted significant weaknesses in the recording of gold exports and provided guidance to address this problem.

public investment projects financed from abroad, owing to low absorptive capacity, as well as delays in funding. Expenditure financed by savings from the Initiative for the Heavily Indebted Poor Countries (HIPC Initiative) was close to the targeted amount, while other poverty-reducing outlays were somewhat below budget. **External financial support other than project-related reached CFAF 48.1 billion in 2002**, in line with the program. Mali observed all quantitative performance criteria and indicative targets at end-December, including those related to the fiscal sector (Table 1). While Mali did not accumulate arrears on external payments and domestic payments for which payment orders had been received by the Malian Treasury, there were some delays in the issue of payment orders by ministries. As indicated below, the government is taking steps to resolve this issue.

B. Monetary and Financial Sector Developments

10. **Monetary developments in 2002 were characterized by a continued buildup in the net foreign assets of the banking system and a rapid expansion in broad money** (Table 7). Bank deposits rose sharply during the last quarter of the year, owing to enterprises' delaying imports of goods and reducing stocks; the repatriation of savings by Malians living in Côte d'Ivoire; and transfers of activities from banks in Côte d'Ivoire to banks in Bamako. Net domestic assets increased only marginally, as the government reduced its indebtedness vis-à-vis the banking system, while the increase in credit to the economy mostly reflected the financing of the cotton sector. The BCEAO has kept key interest rates and reserve requirements unchanged since April 2002. **The financial strength of the banking system has improved since end-2001**, with an increasing number of institutions meeting key prudential ratios (Box 1).

Box 1. Mali: Compliance with Prudential Norms, 2001-03				
Observance of Prudential Norms by the Commercial Banks and Nonbank Financial Institutions (as share of total)				
Prudential ratios	Compliance Limits and Ratios	Dec. 2001	Dec. 2002 1/	March 2003 1/
Effective capital	> CFAF 1 billion for banks > CFAF 0.3 billion for nonbank fin. institutions	9/12	12/13	12/13
Risk-weighted capital adequacy ratio	> 8 percent	9/12	12/13	12/13
Transformation ratio 2/	> 75 percent	7/12	10/13	9/13
Liquidity coefficient ratio 3/	> 75 percent	2/8	5/9	5/9
Participation in nonbank companies/ effective capital	< 15 percent	11/12	13/13	13/13
Fixed assets/effective capital	< 100 percent	11/12	13/13	13/13
Credit to management /effective capital	< 20 percent	10/12	11/13	11/13

Source: BCEAO.
 1/ The number of banks increased from eight to nine in 2002.
 2/ Measured as the ratio of stable resources to fixed assets and medium- and long-term loans.
 3/ Liquid assets to short-term liabilities. This norm is applicable to banks only.

C. Structural Reforms

11. **The structural agenda of the program for 2002 focused on reforms aimed at improving public expenditure management and restoring the viability of the cotton sector.** The World Bank and other donors also supported the authorities' efforts in areas not directly covered by the conditionality under the PRGF arrangement. The staff report for the fifth review and Boxes 2 and 3 provide details of the measures taken to strengthen public expenditure management. As reported at the time of the last review, all structural performance criteria under the program were met in 2002, one benchmark was met with a lag, and the observance of another was delayed to end-June 2003 (see Box 4).

12. **The authorities continued to reform the cotton sector in 2002**, albeit with some delays. Measures taken include the adoption of a new formula to set the producer price, the implementation of a plan to restructure the state-controlled cotton company (CMDT) and focus its operations on core activities, and the launching of a tender for the sale to a private operator of the assets of the CMDT and Office de la Haute Vallée du Niger (OHVN) in the OHVN/Kita area. As programmed, the government supported the reform process by providing subsidies to the sector totaling CFAF 27.2 billion (1.2 percent of GDP) in 2002.

III. IMPLEMENTATION OF THE PROGRAM FOR 2003

13. As indicated at the time of the fifth review of the program, **the poverty reduction strategy adopted in May 2002 underpins the program for 2003.** Nevertheless, the macroeconomic framework for 2003 was adjusted last fall to take into account a likely drop in agricultural and gold production, and the impact of the crisis in Côte d'Ivoire. As the Ivoirien crisis has lasted longer than initially assumed, the framework was further revised in April 2003² and the decline in real GDP is now expected to be somewhat more pronounced—1.1 percent instead of the 0.4 percent previously projected. The forecast for inflation was revised downward from 5.1 percent to 3.8 percent for 2003 as the consumer price index declined by 0.6 percent in the 12 months to end-April 2003, with food prices falling as a result of imports from neighboring countries and free food distribution. In coming months, the increase in the consumer price index is likely to remain moderate, given the decline in world prices of petroleum products, a reduction in utility tariffs (see below), and the reduction in import costs expected once the Bamako/Abidjan road has been reopened.

14. **The staff expressed concern about the government decision to lower utility prices in February 2003** without observing price regulation mechanisms. The authorities stated that the cut in electricity tariffs was justified by the drop in production costs resulting from the doubling of the share of hydroelectricity in total electricity supply to two-thirds

² The government originally assumed that the Abidjan-Bamako road would reopen at end-March 2003. A return to normalcy is now expected during the third quarter of 2003.

Box 2. Mali: Status of Actions to Strengthen Tracking of Poverty-Reducing Public Spending					
Actions	Measures	Timing¹	Status²	Updated Status	Comments
Budget formulation	Improve accounting for external disbursements	S	II	II	Discussions with development partners continue.
Budget formulation	Include table showing poverty-reducing expenditures in 2002 and 2003 budget	S	NS	FI	Implemented with the Budget Law of 2003.
Budget formulation	Apply the classification of functions of government (COFOG) to recurrent and development budget	M	II	FI	The COFOG and West African Economic and Monetary Union (WAEMU) classifications are used to book government expenditure.
Budget formulation	Include two year projections in 2003 and 2004 budget	M	II	FI	The annex to the 2003 budget provides program budgets for each ministry for the period 2003-05.
Budget execution	Strengthen internal audit	M	NS	II	The Minister of Finance has strengthened the audit unit.
Budget execution	Finalize terms of reference for public expenditure tracking surveys	S	NS	II	Drafts terms of reference are ready.
Budget reporting	Set up template for local government reporting	S	NS	II	Local governments are required to send monthly balance sheets to a newly created treasury unit.
Budget reporting	Issue circular requiring local govt. quarterly reports	S	NS	II	A new treasury unit centralizes information on budget execution by local governments.
Budget reporting	Establish training and enforcement measures for timely submission of local govt. reports	S	NS	II	A new treasury unit is responsible for strengthening local government accounting capacity.
Budget reporting	Create quarterly monitoring reports	S	NS	II	The treasury unit has been producing monthly and quarterly statements since December 2002.
Budget reporting	Strengthen external audit measures	M	II	FI	Six additional judges and experts were added to the accounts section of the Supreme Court.

1/ S: short term; M: medium term.
2/ As reported in the IMF staff report (EBS/02/127; 7/12/02). FI: fully implemented; NS: not started; II: Implementation initiated.

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 poverty reduction. The measures include:¹

- **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** (choice of an option for the liberalization of the sector, and adoption and implementation of a mechanism for the determination of the producer price for cotton that reflects variations in the international world market price).²

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 **poverty reduction** 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) 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
	2003-2008	Household Energy and Universal Access project
Telecommunications	2000-02	Telecommunications Sector project

¹ The status of implementation of the main measures is presented in Box 4.

² The World Bank is taking the lead in the reform of the cotton sector.

since the Manantali Dam became operational in early 2002. However, the water and electricity company (EDM), which is managed by a foreign firm under a long-term concession contract, has argued that the lowering of production cost was aimed at providing the enterprise with additional resources to invest in an expansion of the electricity distribution grid. Discussions continue on the concession contract and the payment of a government subsidy to EDM to compensate it for the revenue loss (see below).

15. **The external current account is expected to deteriorate in 2003**, largely because of a decrease of 1 1/2 percent in the volume of exports, owing to drops in cotton and gold exports. Consequently, the current account deficit, excluding official transfers, is projected to widen by 1.9 percentage points of GDP to 8.2 percent. Including current official transfers, the deficit would increase to 7.4 percent of GDP. In addition to external loans and grants tied to the public investment program, the deficit is expected to be largely covered by external financial support, including debt relief granted under the HIPC Initiative.

A. Fiscal Policy

16. **The fiscal objectives for the first quarter of 2003 were observed comfortably**, with government revenue much higher and government expenditure lower than targeted. The strong revenue performance is largely explained by special factors—dividend payments received from a gold mining company, and the cross settlement of tax arrears by EDM and of utility bills by the government. Without these factors, government revenue would have been less than targeted, since the government granted tax exemptions to enterprises suffering from the Ivoirien crisis; also, it delayed the increase in the special tax on petroleum products by three months to May 2003, because of the increase in retail prices of petroleum products during the first quarter of 2003, in line with world market prices. As regards financing, the government started settling domestic liabilities that were inventoried last fall, and payments to domestic nonbank creditors amounted to the equivalent of 0.8 percent of GDP, or twice the amount called for under the program.

17. **The authorities adjusted their fiscal objectives for the remainder of 2003 downward to take into account the prolonged impact of the Ivoirien crisis on economic growth and imports.** The objective for the overall fiscal deficit, on a payment order basis and excluding grants, was set at 9.1 percent of GDP, against the 8.3 percent initially targeted. Including grants, the deficit would amount to 5.4 percent of GDP. Nominal government revenue will be somewhat less than initially targeted, given the lower level of economic activity, but is still expected to amount to 19.0 percent of revised GDP.

Box 4. Mali: Status of Implementation of Structural Measures, June 2002 – June 2003		
Measures	Date	Status
Structural performance criteria		
Adoption by the government of the 2000 draft audited budget act (<i>loi de règlement</i>).	June 30, 2002	Observed
Launching of the call for bids for the sale by the 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	Observed
Adoption by the government in the draft 2003 budget of an expanded nomenclature to track poverty-reducing expenditures.	October 31, 2002	Observed
Structural benchmarks		
Completion of a study on the introduction in the 2003 draft budget of specific budget codes to track poverty-reducing expenditures.	June 30, 2002	Observed
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	Observed
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	Implemented in November
Preparation of a detailed plan on the next stages in the reform of the cotton sector.	November 30, 2002	Delayed. To be completed by June 2003
Other measures		
Launching of the physical census of all civil service staff in Bamako.	January 2003	Implemented
Completion of a poverty and social impact analysis of the options for liberalizing the cotton sector.	June 30, 2003	
Adoption by the government of a detailed plan on the next stages in the reform of the cotton sector.	June 30, 2003	
Completion of the sale of the CMDT's ginning plant in the OHVN/Kita area.	June 30, 2003	
Completion of the privatization of the Banque Internationale pour le Mali (BIM-SA)	August 31, 2003	
Adoption by the government of a plan to repay its domestic liabilities vis-à-vis the rest of the economy.	June 30, 2003	Implemented
Adoption of a framework for severance packages for the personnel of public enterprises to be laid off.	March 31, 2003	Implemented in April 2003
Adoption by the government of a timetable for poverty reduction objectives for the period 2003-05.	June 30, 2003	

18. **The level of government expenditure for 2003 was largely kept as initially budgeted³** although, relative to revised GDP, it would rise from 27.4 percent to 28.1 percent. The authorities included a subsidy, amounting to CFAF 3.8 billion, to compensate EDM for the lowering of electricity and water tariffs. The subsidy, which may be revised once an agreement has been reached with the company, was offset by a reduction in transfer payments to nonsocial sectors. Nevertheless, there is a risk that the size of the subsidy ultimately agreed upon will require a deeper and broader reduction in government spending. The issue will be reviewed in the context of the forthcoming Article IV consultation discussions. In addition, the government decided to postpone recruitment for sectors other than health and education to the third quarter, in order to ensure the observance of the ceiling on the wage bill.

19. In the context of public enterprise privatization or restructuring, there has been growing pressure to increase the size of the severance packages. In particular, the World Bank and Fund staffs expressed concern about the severance benefits that the CMDT management agreed to with trade unions, as these are much higher than those required by labor laws and, hence, would set a costly precedent. To ensure adequate and equitable benefits, the authorities have prepared a uniform severance package, to be covered by budget appropriations. Any additional benefits that enterprises wish to grant would be paid by the enterprises themselves, although the government may provide loans for that purpose. Preliminary indications are that the 2003 budget appropriation of CFAF 20 billion (0.9 percentage point of GDP) should be more than sufficient for all severance packages expected to be paid this year.

20. To finance the overall fiscal deficit in 2003, the authorities have secured external financial assistance amounting to CFAF 46.1 billion,⁴ or 2.0 percent of GDP, from the European Union, the World Bank, the African Development Bank, and the Netherlands. In addition, debt relief under the enhanced HIPC Initiative is now estimated at 1.3 percent of GDP. Nevertheless, **there remains a residual financing gap estimated at 1.6 percent of GDP.** In addition to the wider fiscal deficit, this gap is largely due to the authorities' desire to reduce domestic liabilities by the equivalent of 2.0 percent of GDP, instead of the 1.5 percent included in the budget, and to the smaller-than-envisaged privatization proceeds. To cover the residual gap, the authorities have started discussions with the World Bank, the European Union, and bilateral donors who have indicated their willingness to provide additional financial assistance. If necessary, the authorities would also roll over some of the government domestic bonds maturing in 2003 or would issue new debt obligations on the regional

³ Spending to be financed by HIPC Initiative savings was slightly raised to reflect the budgeted amount, which was larger than programmed.

⁴ The amount was adjusted downward because of the recent appreciation of the CFA franc, especially against the U.S. dollar.

financial market of the West African Economic and Monetary Union (WAEMU). The issue will be reviewed at the time of the forthcoming Article IV consultation discussions.

B. Monetary Policy

21. **Monetary policy, which is conducted at the regional level by the BCEAO, aims at** preserving the parity of the CFA franc vis à vis the euro by maintaining an adequate level of external reserves and keeping inflation at a rate compatible with that of the anchor currency. Given developments in the first quarter of the year, broad money is anticipated to expand by 10.9 percent in 2003, with credit to the nongovernmental sector rising by 9.0 percent. A new impetus was given to the strengthening of the legal and regulatory framework for the financial system with the assistance provided by the World Bank's Financial Sector Development Project. The government is also pursuing the restructuring and privatization of commercial banks, and expects to divest itself from their capital by end-2004.

C. Structural Reforms

22. As indicated at the time of the fifth review, the structural reform agenda in 2003 continues to focus on the liberalization of the cotton sector, the privatization program, and the strengthening of public resource management. **Implementation of the reforms in the cotton sector remains difficult.** The restructuring of the CMDT is continuing, and the enterprise has begun dismissing 600 employees (one-fourth of total personnel), after agreeing with the authorities on the financing of the severance package. As regards the setting of the producer price for cotton, the World Bank and Fund staffs expressed concern that the U.S. dollar-CFA franc exchange rate and the international price of cotton used in the price formula are much more favorable than those at end-May 2003. Hence, the increase in the producer price from CFAF 175 per kilogram to CFAF 200 for the crop year 2003/04 is likely to cause substantial losses for the CMDT in 2003 and 2004, further weakening the financial situation of the enterprise. As regards the sale of the ginning plants in the OHVN/Kita area by the CMDT, the sole private enterprise that made a financial offer withdrew its bid in May because of the increase in the producer price and the uncertainty surrounding the liberalization of the sector. For the sale of the company producing vegetable oil (HUICOMA), only one technical bid was considered valid, and the enterprise is to make a financial offer by mid-July.

23. As regards the next phase in the liberalization of the cotton sector, the strategy, supported by both Bank and Fund staffs, was developed in 2002 based on a study financed by the World Bank. The study was conducted under the assumption that a new privately owned and managed cotton company would be created in the OHVN/Kita area with the sale of CMDT's assets in that cotton growing area.⁵ The study considered three options: Option 1

⁵ The producers in the OHVN/Kita area strongly pushed for splitting the region from the CMDT at the time of the cotton sector participatory forum in April 2001.

entailed the privatization of the CMDT, with the new company coexisting alongside the OHVN company. This option would effectively preserve the status quo in the sector under a majority private ownership and management structure for the CMDT. The producers have indicated clearly that under such a vertically integrated scheme they would continue to depend heavily on the CMDT. Under option 2, which has now been chosen by the government (see paragraph 24 below), the CMDT is to be split into three or four regional companies with each company enjoying exclusive rights to purchase cotton in its region for five years, while also having the responsibility to extend support to producers in the form of supply of seeds, fertilizers, pesticides, and technical support. Option 3 represented a fully liberalized case, with three or more companies with no exclusive rights to purchase cotton. Under this option, therefore, the companies would be free to compete on the purchase of seed cotton from producers anywhere in Mali. This option would only be feasible if the producers were sufficiently well organized and strong enough to provide themselves (at competitive costs) the services now handled by the CMDT.

24. The authorities decided in early June 2003 to divide the CMDT into three or four private companies with the participation of producers' organizations in their capital. The World Bank and Fund staffs have welcomed this decision, which had the unanimous support of producers' associations and development partners involved in the sector. The chosen option represents a first step toward the full liberalization of the sector. In the near term, each enterprise will have a monopoly on the ginning in the cotton producing area under its control. Nevertheless, the approach will greatly reduce the financial risk represented by having a very large enterprise controlling the sector; improve transparency; and give producer associations a greater voice in the management of the sector. Discussions are continuing with the World Bank staff and bilateral donors on an action plan to implement the decision.

25. The reform of public expenditure management aims at better allocating resources and improving the tracking of budget execution, in particular of poverty-related spending. Important progress has been achieved in that area with the government monitoring budget execution in 2003 according to a new budget classification system that includes a functional and economic classification of all poverty-reducing outlays, as defined in the poverty reduction strategy paper (PRSP) (Box 5). The authorities have also started consolidating, on a monthly basis, the financial operations of the main levels of government, with data available for January 2003. To improve the availability of data on budget execution, the Ministry of Economy and Finance has launched a project to integrate all phases of the spending procedures in a single information system with a unified database. In support of this process, the government is also implementing an action plan to enhance governance and transparency in public management, as indicated in the PRSP. In this context, the authorities are committed to auditing the utilization of HIPC Initiative-related resources in 2001 and 2002 by October 2003.

Box 5. Mali: Total and Poverty Reducing Expenditures, 2002-03 1/

	Budget 2002				Budget 2003			
	Total budget appropriations	Of which : appropriations for poverty reduction	Total estimated expenditures	Of which : poverty-reducing expenditures	Total budget appropriations	Of which : appropriations for poverty reduction	Total estimated expenditures	Of which : poverty-reducing expenditures
	(In billions of CFA francs)	(In percent of total appropriations)	(In billions of CFA francs)	(In percent of total estimated expenditure)	(In billions of CFA francs)	(In percent of total appropriations)	Jan.-Apr. (In billions of CFA francs)	Jan.-Apr. percent of total expenditure)
Total	679.3	61.2	590.4	60.7	732.5	59.6	118.9	48.5
Economic classification								
Wages and salaries	90.2	50.7	90.1	52.5	100.8	51.8	32.9	51.4
Other recurrent expenditures	73.0	33.5	71.4	33.6	81.3	34.8	22.9	35.6
Transfers	79.0	87.0	70.8	88.2	68.2	81.1	12.7	75.1
Other expenditures (including debt)	121.8	6.3	108.6	4.0	143.6	7.4	25.7	9.1
Equipment and investment	283.5	85.0	218.9	86.9	303.9	85.3	15.9	74.4
HIPC Initiative expenditures	31.8	100.0	30.5	99.3	34.7	100.0	8.9	100.0
Administrative functions								
Primary education	48.5	100.0	49.6	83.6	56.0	88.5	15.7	97.5
Secondary education and university	29.7	84.1	29.4	84.1	46.3	45.9	9.1	79.7
Health	38.3	100.0	31.5	99.9	51.4	83.3	4.6	100.0
Other social sectors	17.0	100.0	9.8	100.0	17.1	73.0	2.9	100.0
General administration	73.3	27.1	49.6	39.8	80.4	29.3	25.8	50.1
Foreign affairs	12.0	0.3	11.2	0.3	13.1	0.3	4.2	0.2
Defense and police	46.4	1.9	46.2	1.9	49.1	2.7	13.5	1.2
Culture, youth, and sport	6.3	54.6	5.6	49.9	8.5	41.4	2.2	38.6
Civil service and labor	0.7	100.0	0.7	91.9	1.0	100.0	0.3	100.0
Agriculture	110.2	100.0	105.7	100.0	111.4	100.0	5.1	99.9
Mines, water, and energy	32.7	91.9	31.2	69.4	27.8	15.5	1.7	46.7
Urban development and public works	65.4	91.5	47.7	97.7	77.3	98.3	4.9	89.7
Transportation	17.0	38.2	12.0	52.8	10.8	74.5	0.4	46.2
Communications	6.3	49.0	3.7	83.4	9.1	49.4	1.3	83.3
Domestic debt	7.3	0.0	8.5	0.0	13.0	0.0	0.3	0.0
External debt	58.2	0.0	52.1	0.0	63.4	0.0	7.9	0.0
Unallocated	110.0	48.2	95.8	45.4	96.9	79.3	19.3	10.4

Source: Ministry of Economy and Finance.

1/ The coverage and the classification of expenditure differ from those in the table on central government financial operations.

The budget includes some outlays to be effected over several years and financing items, such as debt-amortization payments.

D. Poverty Reduction Strategy

26. **The first annual assessment of the poverty reduction strategy is scheduled to be completed in July 2003.** This will give the 11 sectoral committees conducting the assessment the opportunity to review the progress made toward meeting the Millennium Development Goals (MDGs) and the objectives of the New Partnership for Africa's Development (NEPAD), and to adjust the strategy, which will then be used to underpin the draft budget for 2004. To address the weaknesses in the mechanism for monitoring and evaluating the implementation of the strategy and its effect on poverty reduction, which were noted in the joint staff assessment (JSA) of the PRSP (EBD/03/13; 2/14/03), the committees will seek to broaden the list of indicators that is currently used. However, a full evaluation of the strategy and work on the Poverty and Social Impact Analysis (PSIA) of policies are being delayed because the analysis of the expenditure data from the 2001 household survey will not be available until August 2003.

IV. ASSESSMENT OF PROGRAM IMPLEMENTATION SINCE 1999

27. **Program implementation has been satisfactory since the approval of the PRGF arrangement in August 1999. Macroeconomic performance has been strong** in spite of a difficult environment resulting from problems in the cotton sector and political turmoil in neighboring countries. Real GDP growth averaged 5.9 percent over the period 1999-2002, owing to the good performances of export-oriented sectors, mainly gold and cotton. Consumer price inflation averaged 2.1 percent over that period, and the external current account deficit, excluding current official transfers, narrowed from 10.8 percent of GDP in 1999 to 6.3 percent of GDP in 2002. Mali strengthened the zone's external position by increasing its contribution to the international reserves of the BCEAO to more than US\$500 million by 2002. The improvement in the fiscal position has been less striking—the overall fiscal deficit, on a payment order basis and excluding grants, narrowed from 8.1 percent of GDP in 1998 to 7.7 percent in 2002, but is likely to rise again to 9.1 percent in 2003—owing to the impact of the Ivoirien crisis and the need to increase social expenditure. Nevertheless, as indicated above, public resource management has greatly improved, with a streamlining of the tax system, the adoption of a performance-based budget, and the tracking of poverty-related spending following the adoption of a new budget coding scheme. Strong government commitment to the program has also helped Mali progress toward regional convergence: it has complied with three of the five primary criteria and two of the four secondary criteria (Table 6).

28. **Tangible progress has been also achieved in the implementation of structural reforms and toward the reduction in government intervention and the creation of an environment conducive to private investment.** In particular, the privatization program is well advanced, with only a few public enterprises and commercial banks remaining in the government portfolio, and regulatory agencies have been created in key sectors. The reform of the cotton sector is progressing, albeit with some difficulties, as the CMDT has been downsized and producers are participating more in the decision-making process.

29. **Looking ahead, intensified domestic efforts and donor support will be required to strengthen the economic situation and achieve the MDGs.** The key challenge continues to be on how to broaden the economic base so that the country is in a better position to withstand the impact of potential droughts and external shocks. With the cotton and gold sectors unlikely to grow rapidly in the coming years, it is especially urgent to find new sources of growth and employment. To meet these challenges will require enhancing productivity and competitiveness by promoting the development of the private sector, improving governance and transparency, developing human resources and strengthening access to basic social services, as well as developing infrastructure.

30. **Given these challenges, the authorities indicated that they would like continued financial support from the Fund,** after the expiration of the current arrangement in August 2003. The question of a possible future PRGF arrangement will be considered in the context of an ex post assessment of prolonged use of Fund resources to be conducted before the next Article IV consultation discussions, scheduled for September 2003. Such an assessment will also consider the balance of payments and fiscal needs, and the prospects for implementation of structural reforms.

V. STAFF APPRAISAL

31. **Mali's economy staged an impressive recovery in 2002, underpinned by appropriate macroeconomic policies and the resolution of the crisis in the cotton sector.** However, since the last quarter of 2002, the situation has changed dramatically because of the prolonged crisis in Côte d'Ivoire and the inadequate rainfall. **In spite of a prompt response by the authorities, a decline in economic activity is likely in 2003.**

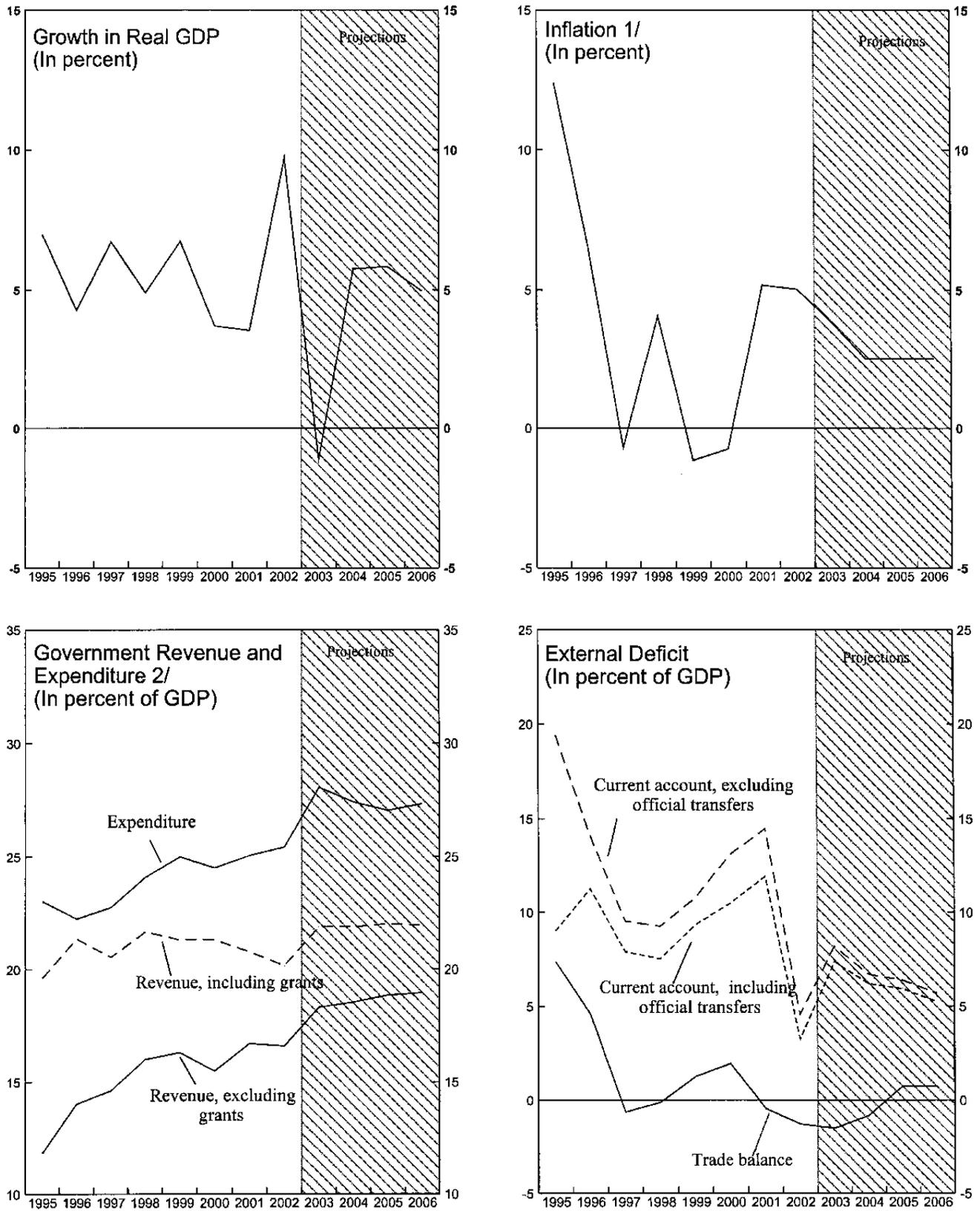
32. **Program implementation was satisfactory in 2002 and the first three months of 2003, and all performance criteria were observed.** The staff welcomes the authorities' resolve to continue implementing sound macroeconomic policies and attain the poverty-reducing objectives set in the PRSP. Nevertheless, the prolonged crisis in Côte d'Ivoire will make it difficult for the authorities to attain their fiscal objectives, and the country will require additional financial assistance to be able to fund its social programs.

33. **In spite of the recent difficulties, the authorities should be encouraged to stay the course and continue the reform process.** In that context, the government should pursue the full liberalization of the cotton sector and complete the privatization program. It is essential that the authorities refrain from providing subsidies and granting tax exemptions, which could jeopardize the fiscal objectives, and from interfering with price-setting mechanisms that are under the responsibility of regulatory agencies.

34. In light of the progress made and the authorities' efforts to deal with the difficult environment, **the staff recommends the completion of the sixth and final review under the PRGF arrangement.**

35. Program implementation on both the macroeconomic and structural fronts has been satisfactory since the approval of the current PRGF arrangement. **The authorities indicated that they would like the continued financial support** of the Fund after the expiration of this arrangement in August 2003. They pointed to the need to consolidate progress made in strengthening the macroeconomic situation and to continue to pursue structural reforms. The possibility of a future PRGF arrangement will be considered in the context of an ex post assessment of prolonged use of Fund resources that will be conducted before the Article IV consultation discussions scheduled for September 2003, and which will also consider the balance of payments needs and the prospects for implementation of structural reforms.

Figure 1. Mali: Main Economic Indicators, 1995-2006



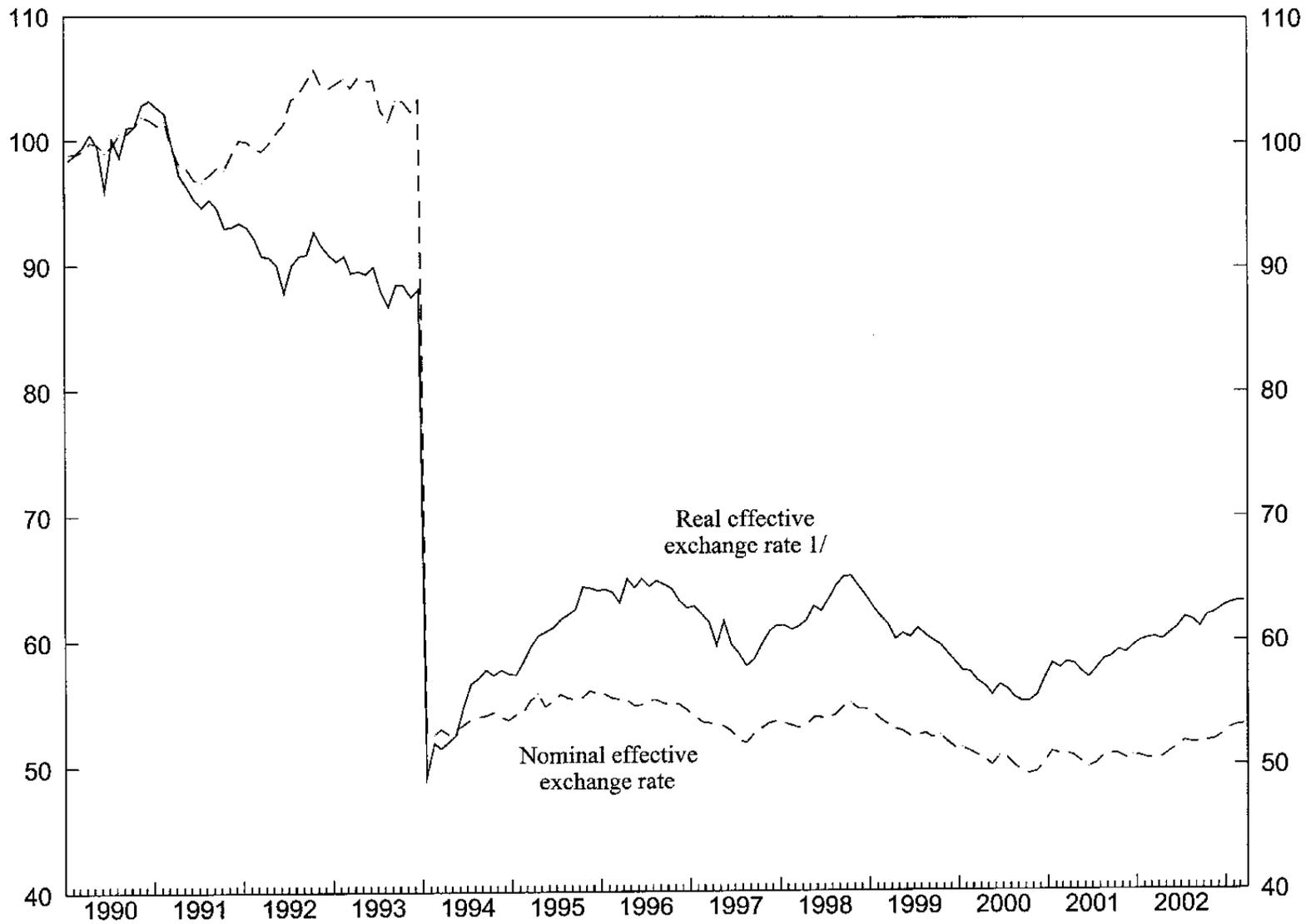
Sources: Malian authorities; and staff estimates and projections.

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 2003

(Period average; 1990=100)



Source: IMF, Information Notice System.

1/ Based on relative consumer price indices.

Table 1. Mali: Quantitative Performance Criteria and Indicative Targets for March 2002 - June 2003
(In billions of CFA francs)

	2002								2003			
	March		June		September		December		March		June	
	Indicative targets EBS/01/204	Est.	Performance Criteria EBS/01/204	Est.	Indicative targets EBS/02/127	Est.	Performance Criteria EBS/02/127	Est.	Indicative targets EBS/03/16	Est.	Indicative targets EBS/03/16	
Quantitative performance criteria and indicative targets												
Net domestic financing 1/ 2/	16.5		16.5		31.8		-1.6		5.5		-9.5	
Net domestic financing, adjusted 1/ 2/	23.7	-0.8	21.6	13.2	42.6	22.2	12.2	4.8	-0.4	-20.1		
Cumulative change in government payments arrears 3/												
Domestic	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	
New external borrowing at terms of one year or more 2/ contracted or guaranteed by the government and public enterprises 4/ on nonconcessional terms 5/ 6/												
Of which : public enterprises 5/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Of which : public enterprises 5/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Outstanding short-term external loans (less than one year) 7/												
	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 8/	67.5	74.8	148.0	161.0	231.7	240.3	331.0	323.5	72.7	80.1	163.7	
Cumulative wage bill 2/	21.8	20.7	43.6	42.1	67.1	64.5	89.5	89.6	25.0	24.7	50.0	
Overall basic fiscal balance 9/	-14.5	5.8	-43.3	1.4	-15.1	7.7	-9.2	1.6	-10.8	21.7	-2.3	
Memorandum items:												
External budgetary assistance during the year 10/ 11/												
	9.8	0.2	16.4	3.2	16.7	3.2	43.3	30.1	13.9	19.3	35.9	
HIPC Initiative debt relief												
	6.4	4.7	12.8	11.8	18.6	18.5	29.0	27.5	5.8	6.7	11.7	
Expenditure financed with HIPC Initiative resources												
	2.6	4.1	12.8	10.9	19.9	17.1	31.8	30.9	5.8	6.1	11.7	
Balance of HIPC Initiative resources 12/ 1												
	10.1	6.9	6.3	7.2	5.0	7.7	3.5	2.9	6.3	6.8	6.3	

1/ The adjustment factors are described in paras. 9 and 10 of the technical memorandum of understanding of the staff report EBS 03/16.

2/ Maximum.

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

4/ The public enterprises in question are the cotton company (CMDT), the telecommunication company (SOTELMA), and the railway company (RCFM).

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

6/ See para. 19 of the technical memorandum of understanding of the staff report EBS 03/16 for the donors concerned.

7/ Excluding import-related credit and CMDT borrowing from foreign banks secured by the proceeds of cotton exports, and debt relief.

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

9/ Minimum. See paragraph 34 of the technical memorandum of understanding of the staff report EBS 03/16 for definition.

10/ Excluding use of Fund resources.

11/ Excluding World Bank disbursement in January 2002.

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

Table 2. Mali: Fund Position, 2002-06

	2002	2003					2004	2005	2006
	Act.	Jan.- Mar.	Apr.- June	Jul.- Sep.	Oct.- Dec.	Total	Projections		
	(In millions of SDRs)								
Net use of Fund credit	-14.26	4.60	-9.14	5.20	-8.63	-7.97	-21.99	-15.86	-12.11
Loans under:									
Poverty Reduction and Growth Facility (PRGF)	-14.26	4.60	-9.14	5.20	-8.63	-7.97	-21.99	-15.86	-12.11
Disbursements	6.75	6.15	0.00	6.75	0.00	12.90	0.00	0.00	0.00
Repayments	21.01	1.55	9.14	1.55	8.63	20.87	21.99	15.86	12.11
Fund credit at end of period under PRGF	121.75	126.35	117.21	122.41	113.78	113.78	91.79	75.93	63.82
	(In percent of quota)								
Fund credit at end of period under Structural Adjustment Facility (SAF)/PRGF	130.5	135.4	125.6	131.2	121.9	121.9	98.4	81.4	68.4

Source: IMF, Finance Department.

Table 3. Mali: Selected Economic and Financial Indicators, 2001-05 1/

	2001	2002		2003		2004	2005
		Rev. Prog.	Rev. Est.	Prog.	Rev. Proj.	Projections	
		EBS/02/127		EBS/03/16			
(Annual percentage change, unless otherwise specified)							
National income and prices							
Real GDP	3.5	9.3	9.7	-0.4	-1.1	5.7	5.8
Nominal GDP (in billions of CFA francs)	1,927.7	2131.1	2,194.6	2302.9	2,252.5	2,455.4	2,660.6
GDP deflator	6.9	1.2	3.8	4.9	3.8	3.1	2.4
Consumer price index (annual average)	5.2	3.0	5.0	5.1	3.8	2.5	2.5
External sector							
Exports, f.o.b.	36.9	6.4	23.1	-6.1	-7.3	8.8	7.4
Imports, f.o.b.	27.7	2.6	-7.4	2.0	2.2	7.0	6.9
Export volume	24.8	16.4	29.2	-5.8	-11.5	5.7	6.4
<i>Of which: nonmining</i>	-23.1	63.6	40.2	3.0	-9.7	10.4	10.4
Import volume	25.0	0.7	8.5	1.3	0.9	6.0	5.8
Terms of trade	6.2	-10.2	6.7	-1.1	2.9	1.8	0.0
Nominal effective exchange rate (average)	3.2	...	...	...	...	...	...
Real effective exchange rate (average)	3.7	...	...	...	...	...	...
Central government finance							
Total revenue	18.6	20.3	21.3	15.7	10.2	9.8	10.3
Total expenditure and net lending 2/	11.3	13.5	17.5	5.5	13.3	6.5	6.9
Current expenditure	22.3	16.9	16.3	1.2	0.2	7.2	8.0
Capital expenditure and net lending 2/	1.7	10.7	18.8	9.3	26.8	5.9	5.9
Money and credit							
Credit to the government 3/	4.6	2.2	-1.8	2.5	2.3	-2.0	-1.1
Credit to the rest of economy 3/	13.2	6.8	15.0	3.5	5.9	4.0	-9.0
Broad money (M2)	19.3	10.6	28.5	5.5	10.9	9.0	8.4
Velocity (GDP/M2)	4.0	4.0	3.5	3.9	3.2	3.2	3.2
Interest rate (in percent; end of period) 4/	6.5	...	6.5	...	...	...	...
(In percent of GDP, unless otherwise specified)							
Investment and saving							
Gross domestic investment	21.0	21.5	18.9	18.1	20.5	19.7	19.0
Government	7.8	9.8	8.2	9.3	9.4	10.0	9.8
Nongovernment	13.2	11.8	10.7	8.8	11.1	9.7	9.1
Gross domestic saving	9.7	13.2	17.8	10.5	17.1	17.0	16.5
Government	1.2	1.1	1.5	2.8	2.5	2.7	3.2
Nongovernment	8.5	12.2	16.3	7.6	14.7	14.3	13.3
Central government finance							
Total revenue	16.6	18.1	17.7	19.1	19.0	19.1	19.5
Total expenditure and net lending 2/	24.6	28.4	25.4	27.4	28.1	27.4	27.0
Overall balance (commitment basis, including grants)	-3.7	-6.6	-3.8	-4.7	-5.4	-5.3	-4.7
Overall balance (commitment basis, excluding grants)	-8.0	-10.3	-7.7	-8.3	-9.1	-8.3	-7.6
Basic fiscal balance 5/	-2.0	-1.9	-1.3	-0.7	-1.3	0.0	0.6
Basic fiscal balance 6/	-0.2	-0.4	0.1	0.7	0.3	1.3	1.7
External sector							
Current external balance, including official transfers	-11.7	-11.4	-4.9	-10.3	-7.4	-6.2	-5.9
Current external balance, excluding official transfers	-14.2	-11.9	-6.3	-11.2	-8.2	-6.7	-6.4
Debt-service ratio 7/							
Before debt relief	9.7	12.2	10.1	12.2	11.6	9.0	8.5
After debt relief	6.1	7.8	6.5	7.5	7.6	5.0	4.9
(In millions of U.S. dollars, unless otherwise specified)							
Overall balance of payments	-44.4	-79.8	138.4	-53.0	-62.7	100.5	118.5
Overall balance of payments (in billions of cfa francs)	-32.5	-58.2	96.2	-35.5	-37.8	60.5	71.2
Gross international reserves	354.2	375.3	551.4	486.3	680.5	916.4	1,145.5
(in months of next year's imports) 8/	4.0	3.7	5.8	4.2	5.9	7.4	8.9
Exports (in percent of GDP)	27.6	27.0	29.8	25.9	26.9	26.8	26.6
Imports (in percent of GDP)	27.9	25.7	22.7	24.5	22.6	22.2	21.9
U.S. dollar rate (end of period)	732.4	...	652.4	...	...	...	...

Sources: Malian authorities; and staff estimates and projections.

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

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

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

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

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

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

7/ In percent of exports of goods and services.

8/ Goods and services.

Table 4. Mali: Selected National Accounts Indicators, 2001-05 1/

	Composition of GDP in 2002 (In percent)	2001 Est.	2002		2003		2004 Proj.	2005
			Prog.	Est.	Prog.	Rev. Proj.		
			EBS/03/16	EBS/03/16				
(Annual percentage change in constant prices)								
Primary sector	39.6	-12.9	16.1	16.2	-4.6	-4.2	5.9	5.2
Food crops	16.4	-16.5	9.7	9.7	-3.7	-2.5	5.5	5.9
Industrial crops	7.5	-39.9	101.2	101.2	-20.6	-21.7	15.2	9.3
Livestock	10.3	2.8	0.9	1.6	2.0	2.2	2.8	2.8
Fishing	1.0	1.4	1.4	1.4	1.4	1.4	2.0	2.0
Forestry	4.4	2.8	2.8	2.8	2.8	2.8	3.0	3.0
Secondary sector	23.6	31.1	8.8	11.5	-2.9	-3.8	5.2	5.8
Industry	5.2	0.9	2.6	4.3	5.7	5.3	6.8	6.8
Mining	11.7	85.1	16.9	22.5	-11.5	-12.7	2.7	3.6
Handicrafts	2.0	16.6	-3.8	-6.9	6.0	7.3	8.6	8.1
Construction and public works	4.7	7.0	4.5	4.8	4.0	2.2	6.8	8.2
Tertiary sector	30.0	6.5	4.0	0.6	5.0	4.0	6.1	5.7
Transportation	5.0	4.2	1.5	-2.0	11.8	10.4	8.5	8.7
Trade	14.2	10.8	4.9	-0.7	4.0	3.7	5.9	6.1
Public administration	5.6	1.9	2.5	2.3	2.8	1.2	7.3	4.0
Other services	5.2	2.2	6.0	5.0	3.7	1.4	3.0	3.0
GDP (at factor cost)	93.3	2.2	10.2	9.6	-1.1	-1.5	5.8	5.5
Indirect taxes	6.7	27.5	1.1	12.1	10.0	4.1	5.4	10.2
GDP (at market prices)	100.0	3.5	9.6	9.7	-0.4	-1.1	5.7	5.8
Nonmining real GDP		-1.6	8.7	8.2	1.0	0.4	6.1	6.1
(In percent of nominal GDP, unless otherwise indicated)								
Total economy		-11.7	-9.5	-4.9	-10.3	-7.4	-6.2	-5.9
Gross national saving		9.3	12.0	14.1	8.7	14.0	13.7	13.3
Of which: domestic saving		10.3	15.1	17.8	10.5	17.1	17.0	16.5
Gross domestic investment		21.1	21.5	19.0	18.9	21.4	19.9	19.2
Private sector		-6.8	-1.0	1.3	-2.9	0.6	1.6	1.2
Gross national saving		6.4	10.9	12.0	5.9	11.7	11.3	10.3
Of which: domestic saving		9.0	14.4	16.3	7.6	14.7	14.3	13.3
Gross domestic investment		13.2	11.9	10.7	8.8	11.1	9.7	9.1
Government		-4.9	-8.5	-6.3	-7.4	-8.0	-7.8	-7.1
Gross national saving		3.0	1.1	2.0	2.8	2.3	2.4	2.9
Of which: domestic saving		1.2	0.8	1.5	2.8	2.5	2.7	3.2
Gross domestic investment		7.9	9.6	8.3	10.1	10.2	10.2	10.0
Memorandum items:								
External current account balance 2/		-11.7	-9.5	-4.9	-10.3	-7.4	-6.2	-5.9
Nominal GDP (in billions of CFA francs)		1,927.7	2,204.4	2,194.6	2,302.9	2,252.5	2,455.4	2,660.6

Sources: Malian authorities; and staff estimates and projections.

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

2/ Including official transfers.

Table 5. Mali: Central Government Consolidated Financial Operations, 2000-05¹

	2000	2001	2002		2003		2004	2005	
	Act.	Act.	Prog. EBS/02/127	Rev. Prog. EBS/03/16	Act.	Prog. EBS/03/16	Rev. Proj.	Projections	
	(in billions of CFA francs)								
Revenue and grants	359.9	403.8	463.1	474.3	474.2	521.1	510.1	543.3	594.3
Total revenue	269.9	320.1	385.1	379.4	388.4	439.2	428.2	470.1	518.4
Budgetary revenue	245.5	292.6	355.2	343.2	354.7	400.1	389.1	429.9	477.2
Tax revenue	233.3	281.6	331.0	313.6	323.5	363.7	352.7	392.9	439.0
Nontax revenue	12.2	11.0	24.2	29.6	31.2	36.4	36.4	37.1	38.2
Special funds and annexed budgets	24.4	27.5	29.9	36.2	33.7	39.0	39.0	40.2	41.2
Grants	90.0	83.6	78.0	94.9	85.8	82.0	82.0	73.1	75.9
Budgetary	32.2	27.5	0.0	16.9	16.6	12.2	12.2	0.0	0.0
Project	57.8	56.1	78.0	78.0	69.2	69.8	69.8	73.1	75.9
Total expenditure and net lending	415.4	474.9	604.5	597.4	558.0	630.1	632.3	673.3	719.5
Budgetary expenditure	393.5	458.0	578.7	578.7	529.2	595.0	597.2	639.1	684.4
Current expenditure	199.3	243.7	284.8	280.7	283.3	283.9	283.9	304.3	328.6
Wages and salaries	73.1	81.9	89.5	89.5	89.6	100.0	100.0	105.6	114.4
Materials and supplies	28.5	32.1	33.2	29.7	32.8	37.5	37.5	40.9	46.3
Transfers	36.8	54.3	79.2	78.6	80.5	53.6	53.6	64.5	64.6
Scholarships	6.2	4.7	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Elections cost	0.9	8.0	9.0	10.4	11.0	1.0	1.0	4.0	0.0
Cotton sector	0.0	13.0	27.2	27.2	27.2	0.0	0.0	0.0	0.0
Others transfers	29.7	28.6	37.4	35.4	36.7	47.0	47.0	54.9	59.0
Other current expenditures	44.9	60.7	62.1	62.1	62.0	69.8	69.8	74.5	83.0
Interest	16.0	14.6	20.8	20.8	18.4	23.0	23.0	18.9	20.3
Domestic	0.4	0.8	2.1	2.1	2.1	3.3	3.2	1.5	1.5
External	15.6	13.8	18.7	18.7	16.3	19.7	19.7	17.4	18.8
Capital expenditure	193.3	178.2	252.1	246.6	212.4	258.6	258.6	298.9	321.0
Externally financed	133.3	116.3	178.4	178.4	140.3	175.6	175.6	203.9	216.5
Domestically financed	60.0	61.9	73.7	68.2	72.1	83.0	83.0	95.0	104.5
HIPC Initiative expenditures	0.0	16.8	31.8	31.8	30.9	32.5	34.7	30.9	29.7
Restructuring of public enterprises ²	0.9	19.3	10.0	6.1	2.6	20.0	20.0	5.0	5.0
Special funds and annexed budgets	24.4	27.5	29.9	36.2	33.7	39.0	39.0	40.2	41.2
Net lending	-2.5	-10.6	-4.1	-4.1	-4.9	-3.9	-3.9	-6.0	-6.0
Basic fiscal balance	-12.2	-38.5	-41.0	-39.5	-29.3	-15.3	-28.5	0.7	15.3
Overall fiscal balance									
Cash basis, including grants	-53.9	-71.2	-141.4	-123.0	-85.2	-109.0	-122.2	-130.1	-125.3
Financing	53.9	71.2	98.1	123.0	85.2	109.0	86.6	79.8	89.4
External financing (net)	51.8	65.1	104.6	118.0	88.5	130.6	124.7	119.9	127.8
Loans	82.4	78.4	118.4	131.9	102.6	142.3	139.7	130.8	140.6
Project	75.5	60.2	100.4	100.4	71.1	105.8	105.8	130.8	140.6
Budgetary	6.9	18.2	18.0	31.5	31.5	36.5	33.9	0.0	0.0
Amortization	-33.2	-36.4	-42.8	-42.8	-41.6	-44.2	-44.2	-41.7	-42.5
Debt relief	2.6	23.1	29.0	28.9	27.5	32.5	29.2	30.9	29.7
Of which: HIPC Initiative	2.6	23.1	29.0	28.9	27.5	32.5	29.2	30.9	29.7
Domestic financing (net)	2.1	6.1	-6.6	5.0	-3.4	-21.6	-38.1	-40.1	-38.4
Banking system	-17.9	17.3	10.6	-4.3	-9.9	13.4	13.4	-15.1	-13.4
Of which: net credit to the government	11.2	18.7	10.6	-4.3	-8.8	14.2	14.2	-14.7	-13.0
Privatization receipts	20.3	0.0	11.0	29.5	29.4	8.0	2.0	0.0	0.0
Nonbank financing	-0.3	-11.2	-28.2	-20.2	-22.9	-34.0	-44.5	-25.0	-25.0
Financing gap ³	0.0	0.0	43.3	0.0	0.0	0.0	35.6	50.2	35.9
	(In percent of GDP, unless otherwise specified)								
Total revenue and grants	20.7	20.9	21.7	21.5	21.6	22.6	22.6	22.1	22.3
Of which: total revenue	15.5	16.6	18.1	17.2	17.7	19.1	19.0	19.1	19.5
Of which: tax revenue	13.4	14.6	15.5	14.2	14.7	15.8	15.7	16.0	16.5
Total expenditure and net lending	23.9	24.6	28.4	27.1	25.4	27.4	28.1	27.4	27.0
Of which: health and education	4.0	3.7	3.5	3.4	3.4	3.3	4.0		
current expenditure	11.4	12.6	13.4	12.7	12.9	12.3	12.6	12.4	12.4
Overall fiscal balance									
Commitment basis, including grants	-3.2	-3.7	-6.6	-5.6	-3.8	-4.7	-5.4	-5.3	-4.7
Commitment basis, excluding grants	-8.4	-8.0	-10.3	-9.9	-7.7	-8.3	-9.1	-8.3	-7.6
Basic fiscal balance ⁴	-0.7	-2.0	-1.9	-1.8	-1.3	-0.7	-1.3	0.0	0.6
Basic fiscal balance ⁵	-0.7	-0.2	-0.4	-0.4	0.1	0.7	0.3	1.3	1.7
Memorandum item:									
GDP at current prices (in billions of CFA francs)	1,741.5	1,927.7	2,131.1	2,204.4	2,194.6	2,302.9	2,252.5	2,455.4	2,660.6

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 Expenditures from World Bank credit and financing of Public Enterprises Structural Adjustment Project (P.E.S.A.P.) and public enterprises.³ Defined as total revenue, excluding grants, minus total expenditure and net lending, excluding foreign-financed capital expenditure.⁴ Expected to be covered by donor assistance.⁵ Defined as footnote 3 above, but also excluding HIPC Initiative-related expenditure and exceptional expenditure financed by World Bank credit.

Table 6. Mali: Compliance with WAEMU Convergence Criteria, 2000-05
(Ratios in percent, unless otherwise indicated)

	Ratio	2000	2001	2002	2003	2004	2005
		Actual			Projections		
Primary criteria							
Basic fiscal balance / GDP	≥ 0	-0.7	-0.2	0.1	0.3	1.3	1.7
Inflation (annual average percentage change)	≤ 3	-0.7	5.2	5.0	3.8	2.5	2.5
Total nominal debt / GDP	≤ 70	108.2	104.2	95.8	78.8	75.5	72.2
Domestic arrears accumulation (in billions of CFA francs)	≤ 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
Secondary criteria							
Wages / fiscal revenue	≤ 35	31.3	29.1	27.7	28.3	26.9	26.1
Domestically financed investment / fiscal revenue	≥ 20	25.7	22.0	22.3	23.5	24.2	23.8
Current account deficit, excluding current official transfers / GDP	≤ 5	13.1	14.2	6.3	8.2	6.7	6.4
Fiscal revenue / GDP	≥ 17	13.4	14.6	14.7	15.7	16.0	16.5

Sources: Malian authorities; and staff estimates and projections.

Table 7. Mali : Monetary Survey, 2001-03

	2001	2002						2003						
	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	
		Est.	Est.	Est.	Prog.	Est.	Prog.	Est.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.
					EBS/02/127		EBS/03/16		EBS/03/16		EBS/03/16		EBS/03/16	EBS/03/16
(In billions of CFA francs)														
Net foreign assets	198.1	242.5	243.8	243.5	171.5	284.9	245.3	345.5	246.3	345.2	246.6	344.6	237.2	311.9
Central Bank of West African States (BCEAO)	115.4	177.3	201.8	196.4	129.5	239.3	185.1	299.2	184.9	298.9	184.5	298.3	187.6	266.3
Commercial banks	82.7	65.2	42.0	47.1	42.0	45.6	60.2	46.3	61.4	46.3	62.0	46.3	49.6	45.6
Net domestic assets	295.7	315.4	311.2	300.2	333.1	341.4	339.8	331.2	350.5	324.8	347.8	325.4	350.8	382.9
Credit to the government (net)	-18.7	-19.0	-0.5	-14.3	-8.1	-27.5	-0.7	-31.6	-2.4	-20.6	2.1	-11.0	-0.2	-13.3
BCEAO	109.1	111.5	115.6	101.2	73.5	107.4	...	98.9	...	...	...	...	...	...
Commercial banks	-126.5	-128.9	-114.7	-114.5	-80.3	-134.9	...	-128.4	...	...	...	...	...	...
Other	-1.3	-1.6	-1.4	-1.0	-1.3	0.0	...	-2.1	...	...	...	...	...	...
Credit to the economy	338.5	365.0	356.3	356.5	371.8	411.5	385.0	415.0	397.4	397.8	390.1	388.7	395.5	448.5
Other items (net)	-24.0	-30.6	-44.6	-41.9	-30.6	-42.6	-44.4	-52.3	-44.4	-52.3	-44.4	-52.3	-44.4	-52.3
Money supply (M2)	487.2	550.6	554.1	534.8	538.7	626.3	585.1	676.9	596.8	670.0	594.3	670.0	588.1	694.8
Currency outside banks	179.0	212.6	235.9	218.6	193.2	247.4	...	274.3	...	...	...	...	...	...
Bank deposits	308.2	338.0	318.2	316.2	345.6	378.9	...	402.6	...	...	...	...	...	...
Memorandum items:	(Annual percentage change, unless otherwise specified)													
Contribution to the growth of broad money														
Net foreign assets	7.4	14.9	10.1	14.3	-5.5	17.8	0.5	18.7	0.5	18.3	-0.6	18.9	-1.4	4.3
Net domestic assets	13.5	11.9	12.2	6.2	7.7	9.4	4.4	2.9	7.1	2.5	11.4	4.7	8.4	6.6
Of which : credit to the central government	4.6	3.0	5.4	0.0	2.2	-1.8	3.3	-2.3	-0.3	-3.6	4.2	0.6	2.5	2.3
Credit to the economy	19.0	19.2	26.3	22.5	9.9	21.6	5.5	13.7	11.5	11.6	10.9	9.1	9.0	9.0
Money supply	19.3	25.2	22.1	18.5	10.6	28.5	6.3	22.9	7.2	20.9	10.7	25.3	5.5	10.9
Currency	20.9	47.0	59.2	41.2	7.9	38.2	...	29.1	...	...	...	...	...	...
Deposits	18.4	14.6	4.2	6.7	12.1	22.9	...	19.1	...	...	...	...	...	...
Velocity (GDP/M2)	4.0	...	...	...	4.0	3.5	...	...	...	...	...	...	3.9	3.2
Currency outside banks / M2 (in percent)	36.7	38.6	42.6	40.9	35.9	39.5	...	40.5	...	...	...	...	...	...

Sources: BCEAO; and staff estimates and projections.

Table 8. Mali: Balance of Payments, 2001-05 1/

	2001	2002		2003		2004	2005
	Act.	Est.	Rev. Est.	Prog.	Rev. Proj.	Projections	
		EBS/03/16		EBS/03/16			
	(In billions of CFA francs)						
Exports, f.o.b.	531.2	635.5	653.9	596.6	605.9	659.2	707.9
Cotton fiber	81.2	126.8	133.5	136.7	119.6	149.4	174.8
Gold	353.8	417.2	438.9	367.4	387.8	394.9	406.9
Other	96.1	91.5	81.6	92.4	98.4	115.0	126.3
Imports, f.o.b.	-538.4	-552.7	-498.3	-563.7	-509.4	-544.9	-582.8
Trade balance	-7.2	82.9	155.6	32.9	96.5	114.3	125.2
Services (net)	-196.4	-223.0	-181.4	-227.9	-191.5	-185.9	-196.6
Credit	110.8	85.1	107.6	86.4	110.1	114.7	120.7
Debit	-307.2	-308.1	-289.0	-314.3	-301.6	-300.6	-317.3
<i>Of which: freight and insurance</i>	-177.3	-203.3	-148.8	-207.2	-152.2	-154.6	-165.4
Income (net)	-121.7	-123.7	-160.9	-99.1	-139.2	-143.9	-151.5
<i>Of which: interest due on public debt</i>	-14.3	-19.2	-16.8	-20.1	-20.1	-17.7	-19.1
Private transfers (net)	51.1	27.0	49.5	36.1	50.0	51.1	53.3
Official transfers (net)	48.4	28.1	28.8	21.2	18.5	12.2	12.2
<i>Of which: budgetary grants</i>	27.5	16.9	16.6	0.0	12.2	0.0	0.0
Current account balance							
Excluding official transfers	-274.2	-236.8	-137.2	-258.0	-184.3	-164.4	-169.6
Including official transfers	-225.8	-208.7	-108.4	-236.8	-165.8	-152.2	-157.5
Capital and financial account	129.2	249.3	204.7	201.3	128.0	212.7	228.7
Capital account (net)	62.1	78.0	71.2	75.8	71.8	73.1	75.9
<i>Of which: projects grants</i>	56.1	78.0	69.2	75.8	69.8	73.1	75.9
Financial account	67.0	171.3	133.6	125.5	56.2	139.6	152.8
Private (net) 2/	25.0	82.2	72.6	27.4	-39.3	50.5	54.7
Official (net)	42.0	89.1	61.0	98.1	95.5	89.1	98.1
Disbursements	78.4	131.9	102.6	142.3	139.7	130.8	140.6
Budgetary	18.2	31.5	31.5	36.5	33.9	0.0	0.0
Project related	60.2	100.4	71.1	105.8	105.8	130.8	140.6
Amortization due on public debt	-36.4	-42.8	-41.6	-44.2	-44.2	-41.7	-42.5
Errors and omissions	64.1	0.0	0.1	0.0	0.0	0.0	0.0
Overall balance	-32.5	40.6	96.4	-35.5	-37.8	60.5	71.2
Financing	32.5	-40.6	-96.4	35.5	37.8	-60.5	-71.2
Foreign assets (net)	9.4	-69.5	-123.9	3.0	-27.0	-141.6	-136.8
<i>Of which: IMF (net)</i>	5.1	-12.4	-12.4	-7.7	-8.4	-10.4	-8.7
HIPC Initiative assistance 3/	23.1	28.9	27.5	32.5	29.2	30.9	29.7
Financing gap	0.0	0.0	0.0	0.0	35.6	50.2	35.9
Memorandum items:	(Annual percentage change)						
External trade							
Export volume index	24.8	24.5	29.2	-5.8	-11.5	5.7	6.4
Import volume index	29.8	6.3	8.5	1.3	0.9	6.0	5.8
Export unit value	9.7	-3.9	-4.7	-0.4	4.7	2.9	0.9
Import price	7.2	-2.5	-10.7	0.7	1.7	1.1	1.0
Terms of trade	2.3	-1.4	6.7	-1.1	2.9	1.8	0.0
	(In percent of GDP, unless otherwise indicated)						
External current account balance							
Excluding official transfers	-14.2	-10.7	-6.3	-11.2	-8.2	-6.7	-6.4
Including official transfers	-11.7	-9.5	-4.9	-10.3	-7.4	-6.2	-5.9
External public debt	103.6	94.1	93.2	94.0	94.7	90.1	86.5
Debt-service ratio 4/							
Before debt relief	9.7	11.1	10.1	12.2	11.6	9.0	8.5
After debt relief (including HIPC Initiative)	6.1	7.1	6.5	7.5	7.6	5.0	4.9

Sources: Malian authorities; and staff estimates and projections.

1/ Presented according to the *Balance of Payments Manual* (5th ed).

2/ Includes short-term capital inflows.

3/ Sum of the original and enhanced HIPC Initiative assistance.

4/ In percent of exports of goods and services.

Table 9. Mali: External Financing Requirements and Resources, 2001-05
(In billions of CFA francs, unless otherwise indicated)

	2001	2002	2003	2004	2005
	Est.	Est.	Projections		
Requirements	254.1	308.7	266.2	347.7	349.0
Current account deficit, excluding official transfers 1/	274.2	137.2	184.3	164.4	169.6
Debt amortization 1/	36.4	41.6	44.2	41.7	42.5
IMF repurchases	12.9	16.0	19.1	10.4	8.7
Change in the net foreign assets (increase +) 2/	-5.3	113.7	18.6	131.2	128.1
Adjustment 3/	-64.1	0.1	0.0	0.0	0.0
Resources	254.1	308.7	266.2	347.7	349.0
Official transfers 4/	48.4	28.8	18.5	12.2	12.2
Official project grants 4/	56.1	69.2	69.8	73.1	75.9
Long-term public loan disbursement 4/	78.4	102.6	139.7	130.8	140.6
Budgetary	18.2	31.5	33.9	0.0	0.0
Project related	60.2	71.1	105.8	130.8	140.6
Private capital (net)	31.0	74.6	-37.3	50.5	54.7
Debt relief, including HIPC Initiative assistance 5/	23.1	27.5	29.2	30.9	29.7
Debt under negotiation/moratorium	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)	17.0	6.0	10.7	0.0	0.0
Exceptional financing	0.0	0.0	35.6	50.2	35.9
Memorandum item:					
Exchange rate: CFA francs per SDR	932.3	829.0	....	....	....

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 10. Mali: Indicators of Fund Credit and Debt Servicing, 2001-12
(Ratios in percent, unless otherwise indicated)

	2001 Act.	2002 Est.	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	Projections											
Outstanding Fund credit/quota 1/	145.8	130.5	121.9	98.4	81.4	68.4	56.6	44.6	34.1	27.3	22.5	24.1
Outstanding Fund credit/GDP 1/	7.1	5.5	5.1	3.7	2.9	2.2	1.7	1.2	0.9	0.6	0.5	0.5
Outstanding Fund credit/exports of goods and nonfactor services 1/	21.2	16.0	15.9	11.9	9.2	7.6	6.1	4.6	3.4	2.6	2.0	2.0
Gross Fund financing/financing needs 1/ 2/	8.6	6.9	9.4	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/	3.0	3.0	3.4	3.6	2.4	1.8	1.9	1.8	1.4	0.9	0.6	0.0
Debt service to the Fund/total debt service 3/	33.7	33.4	28.3	32.4	22.3	16.5	17.2	16.6	13.8	8.8	5.9	0.0
Total debt service before rescheduling 3/	7.8	7.3	8.2	7.6	7.4	7.6	7.6	7.3	7.1	7.2	7.5	7.2
Total debt service after debt relief 4/	4.2	3.8	4.5	3.6	3.8	4.1	4.1	4.3	4.4	4.7	5.4	5.3
Memorandum item:												
Exports of goods and nonfactor services (in millions of SDRs)	601.2	710.0	644.1	642.8	686.9	694.7	718.7	745.6	777.1	812.4	856.5	913.5

Sources: IMF, Finance 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 2001-12), 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 2001-12), including SDR charges, as a percentage of exports of goods and nonfactor services.

Table 11. Mali: Selected Social and Demographic Indicators

	Latest Single Year			Same Region/Income Group	
	1970-75	1980-85	2000-01	Sub-Saharan Africa	Low income
Population 1/					
	(In units indicated)				
Total population, midyear (millions)	5.9	7.4	11.0	627.3	3,536.4
Growth rate (annual percentage change)	2.0	2.3	2.3	2.2	1.4
Urban population (percent of population, 1999)	16.2	21.0	29.4	33.3	30.5
Total fertility rate (births per woman, 1999)	7.1	7.1	6.4	5.4	3.1
Poverty					
(percent of population)					
National head count index (1998)	...	...	63.8	...	...
Urban head count index	...	...	...	...	...
Rural head count index	...	...	...	...	...
Income 1/					
GNP per capita (U.S. dollars, 2000)	130	180	240	474	...
Consumer price index (1995=100)	...	...	112.7	143	...
Income/consumption distribution (1999)					
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	...	...	1.9 2/	1.5	1.3
Education	...	...	3.2 2/	4.1	3.2
Social security and welfare	...	1.7	...	...	...
Net primary school enrollment rate (1999)					
	(In percent of age group)				
Total	17	19	42	...	86
Male	21	24	49	...	89
Female	12	14	34	...	82
Access to safe water (2000) 1/					
	(In percent of population)				
Total	...	...	65	...	...
Urban	...	...	74	...	...
Rural	...	...	61	...	...
(In percent; under 12 months, unless otherwise indicated)					
Immunization rate					
Measles	...	...	57	54	80
DPT	...	...	71	54	82
Child malnutrition (percent under 5 years)	...	...	24.5	...	...
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 (1999) 1/					
	(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*, 2002; and LDB.

1/ Year in parentheses indicate year that was used for the "2000-01" period.

Table 12. Mali: Tracking Delivery of HIPC Assistance - Enhanced Framework

	When/how did Authorities Contact Creditor?	Agreement to Provide HIPC Relief?	Agreement to Provide Interim Assistance?	Begun to deliver Interim Assistance	Begun to deliver Comp.Point Assistance?
Multilateral Creditors					
IMF	Sep-00	yes	yes	yes	yes
IDA/IBRD	Oct-00	yes	yes	yes	yes
AfDB		yes	yes	yes	yes
EU/EIB		yes	yes	yes	yes
IFAD		yes	yes	yes	no
IsDB		yes	yes	no	no
FSID		no	no	no	no
ECOWAS		pending	no	no	no
BCEAO		pending	no	no	no
BOAD 1/		yes	yes	yes	pending
OPEC		yes	yes	yes	no
BADEA		yes	yes	no	no
Paris Club Creditors					
France		yes	yes	yes	yes
Italy		yes	yes	yes	yes
Japan		yes	yes	yes	yes
Netherlands		yes	yes	yes	yes
Russia		yes	no	no	yes
United Kingdom		yes	yes	yes	yes
United States		yes	no	no	yes
Non-Paris Club Bilateral Creditors					
Algeria		no	no	no	no
Cote d'Ivoire		no	no	no	no
China 2/		yes	no	no	no
Iraq		no	no	no	no
Kuwait		yes	yes	yes	no
Libya		yes	no	no	no
Saudi Arabia		yes	yes	no	no
UAE		yes	yes	no	no

1/ Subject to donor funding.

2/ Agreement signed for about 34 percent reduction of nominal debt stock in 2001, under the China African Initiative. Request for additional debt reduction.

Translated from French

Bamako, June 23, 2003

Mr. Horst Köhler
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. Köhler:

1. The government continued to implement the PRGF-supported program throughout 2002. During the discussions on the sixth and last review of the program held in April 2003, it was concluded that all the quantitative and structural performance criteria and benchmarks for end-December 2002 were observed. Having fulfilled the conditions agreed upon under the PRGF arrangement, the government requests completion of the sixth review and release of the final disbursement.
2. Mali achieved strong growth in 2002 as a result of adequate rainfall, significant progress with the reform of the cotton sector, and an unexpected increase in gold production. Despite these successes, economic activity in 2003 is likely to decrease due to poor rainfall, the drop in the price of cotton on world markets, a decline in gold production, and the impact of the crisis in Côte d'Ivoire.
3. The government remains determined to foster growth and reduce poverty, and wishes to continue to benefit from financial assistance from the Fund under a new PRGF arrangement.
4. The government authorizes the Fund to publish the staff report.

Sincerely yours,

/s/

Bassary Touré
Minister of Economy and Finance

Mali: Relations with the Fund

(As of April 30, 2003)

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

II. General Resources Account:	SDR Million	%Quota
Quota	93.30	100.00
Fund holdings of currency	84.46	90.52
Reserve position in Fund	8.85	9.48

III. SDR Department:	SDR Million	%Allocation
Net cumulative allocation	15.91	100.00
Holdings	0.26	1.65

IV. Outstanding Purchases and Loans:	SDR Million	%Quota
Enhanced Structural Adjustment Facility (ESAF)/Poverty Reduction and Growth Facility (PRGF) arrangements	121.58	130.31

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	Aug. 06, 1999	Aug. 05, 2003	51.32	45.17
ESAF	Apr. 10, 1996	Aug. 05, 1999	62.01	62.01
ESAF	Aug. 28, 1992	Apr. 09, 1996	79.24	79.24

VI. Projected Payments to Fund (without HIPC Assistance)

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

	<u>Forthcoming</u>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Principal	14.14	21.68	18.17	14.07	13.57
Charges/interest	0.80	0.76	0.66	0.58	0.51
Total	14.94	22.44	18.83	14.65	14.07

Projected Payments to Fund (with Board-approved HIPC Assistance)

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

	<u>Forthcoming</u>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Principal	9.67	15.44	12.96	9.90	10.44
Charges/interest	0.80	0.76	0.66	0.58	0.51
Total	10.47	16.20	13.62	10.48	10.95

VII. Implementation of HIPC Initiative:

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

VIII. Safeguards Assessments:

Under the Fund's safeguards assessment policy, the Central Bank of the West African States (BCEAO), of which Mali is a member, is subject to a full safeguards assessment. An off-site safeguards assessment of the BCEAO was completed on July 25, 2001. The assessment concluded that high risks may exist in the financial reporting framework and recommended an on-site assessment. The on-site assessment was completed on March 04, 2002. The staff's findings and recommendations are reported in the staff report on the fourth review under the PRGF arrangement (EBS/02/127; 7/12/02).

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 March 31, 2003, the rate of the CFA franc in terms of the SDR was SDR 1 = CFAF 834.5. 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's Article IV consultation cycle is governed by the provisions of the July 2002 decision on consultation cycles. 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 Transparency in Monetary and Financial Policies were (i) an unclear legislative basis for budget making; (ii) the 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 eleven 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 Initiative-related expenditures);
- introducing a medium-term budget framework;
- preparing more timely monthly treasury balances and deriving the consolidated monthly report of government operations (TOFE) from treasury balances;

- improving the timeliness of the preparation of final accounts by the Malian Treasury and, especially, their audit by the Section des Comptes (the external audit agency); and
- computerizing further the PEM system.

XII. Technical Assistance

Department	Type of Assistance	Time of Delivery	Purpose
STA	Staff	July 17-29, 1991	Assisting through a 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 missions' 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 the 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 recommendations on direct and indirect tax reforms, including the value-added tax (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 VAT.
FAD	Staff	July 2001	Assisting in completion of the fiscal module of Report on the Observance of Standards and Codes (ROSC), and drafting an Assessment and Action Plan (AAP), as well as of 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.
STA	Expert	May 2002	Assessing government finance statistics under the General Data Dissemination System (GDDS) West Africa project.
STA	Expert	June-July 2002	Providing government finance statistics technical assistance

			under the GDDS West Africa project.
STA	Expert (regional statistical office (AFRISTAT))	August 2002	Assessing real sector statistics assessment under the GDDS West Africa project.
STA	Expert	September 2002	Providing government finance statistics technical assistance under the GDDS West Africa project.
STA	Expert (AFRISTAT)	September 2002	Providing national accounts statistics technical assistance under the GDDS West Africa project.
STA	Staff and experts	April 2003	Undertaking a multisector statistics mission.

XIII. Resident Representative

Mr. Tazi, the current Resident Representative, took up this assignment in September 2002. Previously, a resident representative was stationed in Bamako between 1982 and 1991, from October 1993 until October 1995, from July 1996 to August 1998, and from September 1998 to September 2002.

Mali: Relations with the World Bank Group

Partnership in Mali's development strategy

1. Mali's development objectives place increased emphasis on poverty reduction and growth, as reflected in its Poverty Reduction Strategy Paper (PRSP) approved by the government in May 2002. The joint assessment of the PRSF by the staff of the World Bank and IMF was presented and approved by the respective Boards of Directors in March 2003. The PRSP process enabled the country to articulate an integrated growth and poverty strategy framework for medium and long term development, building upon the national poverty strategy formulated in 1998 with UNDP assistance and situating Mali's main poverty reduction challenges explicitly within a sound macro-economic framework. Mali also reached its HIPC completion point in March 2003, supported by the joint debt sustainability analysis.

2. The IMF continues to take the lead in assisting Mali in maintaining macroeconomic stability and financial sustainability through setting quantitative targets within the framework of the Poverty Reduction Growth Facility (PRGF), which has been in place since August 1999 and will expire in August 2003. Structural measures in the program are coordinated with the World Bank and structural conditionality limited to areas with significant macroeconomic, typically fiscal, implications. Thus the IMF's structural performance criteria focus on cotton sector reforms (measures impacting on the government's transfers to the sector), and structural benchmarks include measures related to public expenditure management (efficient use of HIPC and other resources) as well as civil service reform (primarily issues impacting on the wage bill).

3. The World Bank continues to lead the policy dialogue on structural, social and institutional reforms in a number of sectors. A US\$70 million Structural Adjustment Credit was approved by the World Bank Board in December 2001, comprising cotton sector reform and public expenditure management reform measures. Other Bank operations that address, respectively, private sector development, financial sector development, education sector reforms and investment program, and health sector reforms and investment program, have been under implementation for varying lengths of time. Progress is being made in all these operations, albeit slower than anticipated in some sectors.

4. The World Bank is also leading the diagnostic trade study under the Integrated Framework for Trade (IF), an initiative supported by the World Bank, IMF, World Trade Organization, the UN Conference on Trade and Development, UNDP, and the International Trade Commission. The Mali IF, which is being undertaken in collaboration with USAID, aims to enhance Mali's integration into the world economy and international trade policy discussions. The trade diagnostic study will highlight Mali's comparative advantages and formulate an action plan for capacity building and technical assistance to promote export-led growth, centered around selected agro-industries and some traditional knowledge industries

(namely music and handicrafts). The diagnostic report will be discussed at the next UN Round Table for Trade, which is tentatively anticipated to be held December 2003.

Bank Group strategy

5. The current Country Assistance Strategy (CAS) for Mali was approved by the Board in April 1998. Its focus is on stable economic growth, and sustainable human development. The next CAS currently being finalized, will be presented by the Board at the beginning of FY04. The new CAS supports elements of the country's PRSP, and the government's desire to enter into new relationships with its development partners based on a gradually-phased transition from projects to programmatic lending underpinned by more effective and efficient use of aid resources. It is envisioned that by the end of the CAS period in FY06 programmatic lending would comprise about a third of the portfolio.

6. The Bank's Third Structural Adjustment Credit (SACIII; US\$70 million) to Mali has as objectives, the following: (i) to help Mali restore the basis for stable economic growth by restructuring the all-important cotton sector to make it more efficient and capable of adjusting smoothly to changing international economic conditions; and (ii) to improve the tools for planning and managing public expenditures for more effective poverty reduction.

7. IDA support since FY99 has included lending for two projects aimed at strengthening the basis for stable growth (a rural infrastructure project and a financial sector project); three others focused on human development (a health sector project supporting the country's decadal program – PRODESS; a project to improve learning in primary schools; and a long-term education sector project supporting the country's decadal program – PRODEC) and three in infrastructure.

8. The active portfolio comprises eleven projects: three in rural development, three in infrastructure and energy, three in health and education, one on financial sector and one on Structural Adjustment. The performance of the portfolio is satisfactory overall, both in terms of development objectives and implementation progress. Non-lending analytical services under the assistance program have comprised an irrigation strategy, a poverty and household survey, a poverty profile update, and technical assistance on public expenditure reviews. It has also included monitoring of economic developments together with the IMF and other development partners in response to evolving domestic, regional and international economic conditions. This activity has included assessing the impact of the Côte d'Ivoire crisis on Mali's economy, in view of Mali's landlocked status and consequent dependence on neighboring countries (particularly Côte d'Ivoire) for the handling of its trade flows. The Bank is also supporting capacity building on analytical skills for macroeconomic and poverty analysis, as well as on sectoral medium-term expenditure frameworks.

9. An important element of the Bank's support to Mali is assisting the authorities to strengthen governance and improve accountability in the use public resources. In this context, work is under way with the Malian authorities on capacity building for managing public financial accountability. These efforts also extend to encouraging greater openness in the

Malian administration. An important step in that direction has been recently the willingness to share the contents of the forthcoming CAS with the population and interested donors. The strengthening of the knowledge base and the support for building capacity to handle fiduciary imperatives should position Mali for assistance through a Poverty Reduction Strategy Credit in the new CAS period (FY04-06).

Bank-Fund collaboration in specific areas

10. The IMF and World Bank staff maintain a collaborative relationship in supporting the government's structural reforms. The recent April World Bank-IMF joint mission in Mali reinforced the good working relationships the two institutions entertain. As part of its overall assistance to Mali through lending, country analytic work and technical assistance, the Bank supports policy reforms in the following areas in collaboration with the Fund:

Cotton sector reforms

11. The objectives of the cotton sector reforms are to safeguard the main source of growth and income generation of the economy. Difficulties experienced in the late 1990s highlighted the sector's vulnerability to external shocks such as the continued decrease of cotton prices on the international markets. The government's decision to pull out of productive, industrial and commercial activities has led it to design a reform strategy with the following objectives: (i) the improvement of the flexibility and responsiveness of the institutional structure of the cotton sector; (ii) the reduction of the risks associated with having only one operator; and (iii) the establishment of a higher visibility (transparency and capacity to anticipate) in the management of the sector. These objectives will be achieved through a comprehensive program to redefine the parastatal company's role in core cotton production activities, increasing participation of producers and the private sector in managing the cotton sector, and liberalizing cotton and cottonseed oil markets and enterprises.

12. In view of the budgetary impact of cotton sector losses, the Bank and the Fund collaborate closely on the reform program, with the Bank taking the lead in the policy dialogue and program implementation under the SACIII.

Public expenditure management

13. Mali has made significant progress in the last several years to move the public expenditure system closer to the desired level of effectiveness, and the government is steadily implementing measures in its ongoing reform program. The objectives of the current reform program are: (i) improving the budget preparation process in order to progressively reach a system that establishes solid links between the allocation of public resources and the poverty reduction objectives of the development programs; (ii) improving the efficiency and effectiveness of public expenditure execution; and (iii) improving financial transparency and managerial accountability in the use of budget resources, through an effective expenditures monitoring and control system and information reports on budget execution. These reforms

have been supported by the donor community including through successive World Bank projects, and the donor community continues to work with the government on the ongoing reform program.

14. The reform program is supported by the Bank under the SACIII which includes, among other actions, a better integration of the various budget documents, improving classification of expenditures to enable better poverty-oriented monitoring (including at the decentralized level), automation of budget execution through an integrated information system, actions to improve the timeliness of government account preparation, strengthened internal and ex-post audit functions, and preparation of a medium-term expenditure framework (MTEF) globally and at key sector levels (initially in the social sectors and subsequently in rural development).

15. The Bank and Fund have collaborated in reviewing Mali's public expenditure management (PEM) performance, through the sharing of SACIII mission documents and those of the Fund's Fiscal Affairs Department (FAD) which, together, yielded a comprehensive action plan for PEM reforms (ROSC AAP). The Fund FAD team has, consistent with the program under the SACIII, provided technical assistance on specific areas, notably on the classification of poverty and HIPC expenditures. In 2002, the Bank undertook a Country Financial Accountability Assessment (CFAA) that highlights key policy measures relating to strengthening financial management in readiness for the potential shift to programmatic lending. The CFAA recommendations have been incorporated in the forthcoming CAS and progress in implementing them will be monitored closely.

Privatization program

16. Mali has been engaged in far-reaching reforms in the private sector, which have been supported through a telecommunications support program, a railway support program, a financial sector development project, the SACIII (on the cotton sector), and the Private Sector Assistance Project that closed in mid 2002. The program's objectives are (i) the reduction of state ownership of the banking sector to less than 20 percent; (ii) the divestment of the state from ten non-bank enterprises (either through the sale of shares, liquidation, or the establishment of concession contracts)⁶; and (iii) the continuation of private sector

⁶ Eighteen non-bank enterprises were to remain in the government portfolio—those with majority government holding – CMDT (cotton fiber), ON (agricultural development), RCFM (railways), OPAM (food management), ONP (post office), PPM (pharmaceuticals products market), PMU-Mali (horse racing), ADM (airport management), COMANAV (river transport), CESP (film production); and those with minority government holding – EDM (electricity and water), SOTELMA (telecom), COMATEX-SA, (textiles) ITEMA (textiles), SOMISY-SA (mining), SEMOS-SA (mining), ACI-SA (real estate), and SUKALA (sugar and alcohol).

development initiatives, through enhancing competition and improving the business environment in key sectors of the economy. A key issue of mutual interest to the Bank and the Fund is the associated retrenchment program (particularly for the railway and the cotton sector), its potential impact on the government budget and its precedent setting implications for future privatizations, notably of the telecom company. The Bank is taking the lead in evaluating the retrenchment plans in the course of supervision of the various sector reform programs.

Financial Relations with the World Bank Group

(As of May 23, 2003, in millions of U.S. dollars)

Credit Number	Fiscal Year	Sector	IDA	Undisbursed
C26170-ML	1994	Transport Sector	65.0	4.7
CN0040-ML	1997	Urban Devt. & Decentralization	80.0	24.6
C29700-ML	1997	Regional Power	17.1	3.1
CN0370-ML	1998	Grassroots Hunger/Poverty	21.5	1.2
C31550-ML	1999	Integrated Health Sector Investment	40.0	25.3
C33180-ML	2000	Improving Learning in Primary Schools	3.8	1.7
C33940-ML	2000	Finance Sector Development	21.0	19.3
C33930-ML	2000	Rural Infrastructure	115.1	104.6
C24748-ML	2001	Education Sector Expenditure Prog.	45.0	37.3
C35830-ML	2002	Agricultural & Producer Organizations	43.5	42.1
C35820-ML	2002	SAC III	70.0	27.1
Total (number of credits: 11)			522.0	293.2

Source: World Bank

For additional information please contact: Mr. A. David Craig, Country Director, Tel. (202) 473-2589; Ms. Christina A. Wood, Sr. Economist, Tel. (202) 473-5829; or Aline Cabal, Operations Analyst, Tel. (202) 473-4334.

Mali: Statistical Issues

(As of May 2003)

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. Mali has been participating in the General Data Dissemination System (GDDS) since September 2001, and its metadata are posted on the Fund's Dissemination Standards Bulletin Board (DSBB). 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 important 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 an STA resident expert in national accounts (May 1995 to August 1996). STA completed two follow-up missions and the African Statistics Office in Bamako (AFRISTAT) also provided short-term technical assistance in the area of national accounts. Nonetheless, the April 23-May 6, 2003 multisector statistics mission considered the national accounts data to be unreliable. The main reason is the inadequacy of the real sector data bases, owing to a severe underfunding of the National Directorate of Statistics and Data Processing (DSDP).

3. In collaboration with other West African Economic and Monetary Union (WAEMU) member countries, the DSDP 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. The multisector mission recommended that the authorities revise the index weights based on the results of the 2001 household survey. In addition, a national household budget survey should be undertaken to update the national CPI covering Bamako and five other regional capital cities.

Government finance statistics

4. In early 2003, the Ministry of Economy and Finance began compiling data on general government operations on a pilot basis, with inputs from the customs, tax, debt and treasury directorates. 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 fiscal data 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. The authorities plan to step up the monitoring of public investment expenditure financed from abroad through increased training of project managers and the preparation of a semiannual report on the implementation (expenditure and corresponding financing) of the special investment budget (BSI). Public debt statistics are prepared and monitored by separate agencies: external debt by the National Public Debt Directorate and domestic debt by the National Directorate of the Treasury and Government Accounting. Improving coordination between these entities was an issue raised by the multisector mission.

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 (IFS)*; 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 Bank of Central African States (BCEAO) and released officially by the headquarters of the BCEAO. 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 monetary data from the BCEAO can be up to eight weeks.

8. A monetary and financial statistics mission visited the BCEAO headquarters in Dakar 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 (MFSM)* and for the introduction of a page in *IFS* on the WAEMU. The new page was published for the first time in January 2003. Moreover, proposals were discussed with the authorities for the provision of future technical assistance in monetary statistics for the region.

9. Following the recommendations of the May 2001 mission, a regional seminar on monetary and financial statistics was organized by the BCEAO in Dakar during April 22-25, 2003. Participants agreed to set up a working group consisting of representatives from the BCEAO national agencies and headquarters' departments; the working group will

follow up on the implementation of the seminar's recommendations to foster implementation of the *MFSM*.

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 the 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*. However, there remain significant gaps in the balance of payments, in particular in the mining sector statistics, owing to the fact that gold export receipts are domiciled outside the Malian banking system and the data on their trade are not always available. The multisector statistics mission encouraged the authorities to put in place appropriate data control and monitoring procedures for the foreign-owned mining companies.

Mali: Core Statistical Indicators
(As of June 16, 2003)

	Exchange Rates	Inter-national 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	03/03	03/03	03/03	03/03	03/03	04/03	2002	2001	03/03	2001	2002
Date received	Current	04/03	04/03	04/03	04/03	04/03	05/03	03/03	03/03	04/03	03/03	01/03
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	EIS/FIN 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, Finance Department.

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

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



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International Monetary Fund
Washington, D.C. 20431 USA

IMF Completes Sixth Review Under Mali's PRGF Arrangement and Approves US\$8.5 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) has completed the sixth review of Mali's economic performance under the Poverty Reduction and Growth Facility (PRGF) arrangement. As a result, Mali will be able to draw an amount equivalent to SDR 6.1 million (about US\$8.5 million) under the arrangement.

Mali's PRGF arrangement was approved on August 6, 1999 (see [Press Release No. 99/39](#)) for SDR 46.65 million (about US\$ 65.2 million). It was extended by one year and the amount increased by SDR 4.7 million (about US\$6.6 million) in July 2001. So far, Mali has drawn the equivalent to SDR 45.17 (about US\$ 63.1 million).

The PRGF is the IMF's concessional facility for low-income countries. PRGF-supported programs are based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners and articulated in a [Poverty Reduction Strategy Paper \(PRSP\)](#). This is intended to ensure that PRGF-supported programs are consistent with a comprehensive framework for macroeconomic, structural, and social policies to foster growth and reduce poverty. PRGF loans carry an annual interest rate of 0.5 percent and are repayable over 10 years with a 5 ½-year grace period on principal payments.

Following the Executive Board's discussion on Mali on July 23, 2003, Shigemitsu Sugisaki, Deputy Managing Director and Acting Chairman, stated:

"The Malian authorities continued to make good progress in implementing their Fund-supported program, under difficult conditions. All performance criteria and indicative targets for the sixth review were met. Increases in cotton, cereal, and gold production resulted in a strong rebound of economic growth in 2002. However, the crisis in Côte d'Ivoire and inadequate rainfall could have a negative effect in 2003 on growth in key sectors and would require the authorities to redouble their efforts to achieve program and fiscal objectives.

"Over the medium term, the authorities are committed to pursuing prudent macroeconomic policies and implementing needed structural reforms, in order to attain the poverty-reducing objectives set out in the PRSP. The main objective for the remainder of 2003 should be to consolidate the fiscal position, while increasing high-priority social spending. To this end, the

authorities should strengthen recurrent revenues by reducing exemptions and improving tax administration, contain overall outlays, and improve the management of public resources.

“Mali should continue to make strides to promote private sector activity. Economic diversification is critical to reducing the economy’s vulnerability to external shocks and its reliance on production of natural resources. Reforms to enhance private sector competitiveness should focus on further liberalizing the cotton sector, completing the privatization program, improving the regulatory environment, and promoting good governance,” Mr. Sugisaki stated.