

Mali: Request for Three-Year Arrangement Under the Poverty Reduction and Growth Facility—Staff Report; Staff Statement; Press Release on the Executive Board Discussion; and Statement by the Executive Board for Mali

In the context of the request for a three-year 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 request for a three-year arrangement under the Poverty Reduction and Growth Facility, prepared by a staff team of the IMF, following discussions that ended on **February 24, 2004**, 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 May 21, 2004.** The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- a staff statement of **June 23, 2004** updating information on recent developments.
- a Press Release summarizing the **views of the Executive Board as expressed during its June 23, 2004 discussion** of the staff report that completed the request.
- a statement by the Executive Director for Mali.

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

Letter of Intent sent to the IMF by the authorities of Mali*
Joint Staff Assessment of the Poverty Reduction Strategy Paper Annual
Progress Report
Memorandum of Economic and Financial Policies by the authorities of Mali*
Poverty Reduction Strategy Paper Annual Progress Report
Technical Memorandum of Understanding*

*May also be included in Staff Report

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

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INTERNATIONAL MONETARY FUND

MALI

Request for a Three-Year Arrangement Under the Poverty Reduction and Growth Facility

Prepared by the African Department

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

Approved by Siddharth Tiwari and Martin Fetherston

May 21, 2004

- Discussions on a new three-year program for Mali to be supported by an arrangement under the Poverty Reduction and Growth Facility (PRGF) were held in Bamako on February 9-24, 2004. The Malian representatives included Mr. Bassary Touré, former Minister of Economy and Finance, and other ministers and officials. The team also met with representatives of the business community, trade unions, NGOs, and donors. The new government formed on May 2, 2004 has indicated its agreement with the medium-term program.
- The staff team comprised Messrs. Briançon (Head), MacFarlan, Wane, Williams, and Tazi (the IMF Resident Representative in Mali) (all AFR). Mr. Bah, Advisor to the Executive Director's office representing Mali, also participated in policy discussions.
- The mission assessed recent macroeconomic developments, prospects, and policies, and discussed progress with the structural reform program—notably financial and cotton sector reforms, privatization, and social policies pursued in the context of the poverty reduction strategy paper (PRSP) adopted in May 2002. The authorities recently completed the first annual progress report of the PRSP, and Fund and World Bank staffs have prepared a joint staff assessment of this report.
- The mission agreed on macroeconomic policies and objectives for 2004-07, and measures to be implemented in 2004. Key issues include fiscal consolidation, particularly by broadening the tax base and strengthening expenditure management; implementation of the PRSP; promotion of private sector development; strengthening of financial sector performance; and reform of the cotton sector.
- Mali's last arrangement under the PRGF, in an amount equivalent to SDR 51.3 million (55 percent of quota), expired on August 5, 2003 after the completion of the sixth and final review and disbursement of all loans. Mali's outstanding use of Fund resources at end-March 2004 was equivalent to SDR 111 million (119 percent of quota).

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I. INTRODUCTION

1. At the conclusion of the 2003 Article IV consultation, Executive Directors commended the authorities for their continued implementation of sound economic policies and structural reforms, and encouraged them to complete the unfinished reform agenda. Directors also agreed that the Fund should continue to assist the authorities in implementing their poverty reduction strategy, and most expressed support for considering a successor Poverty Reduction and Growth Facility (PRGF) arrangement with low access.
2. On this basis, and in support of a medium-term program for April 1, 2004 – March 31, 2007 (Appendix II, Attachment I), the authorities request a new arrangement under the PRGF for an amount equivalent to SDR 9.33 million (10 percent of quota), with a first disbursement of SDR 1.33 million (Table 1).¹ The proposed access takes into account Mali's present indebtedness to the Fund (Table 2), its very good record in servicing its debt, its strong record of program implementation, and its projected residual financing needs over the next three years, estimated at SDR 250 million.
3. Mali reached the completion point under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative) in March 2003. Total debt relief is estimated at US\$417 million in net present value (NPV) terms, of which the Fund is committed to provide US\$45.2 million (SDR 34.7 million). The authorities have obtained the participation of more than 90 percent of Mali's bilateral and multilateral creditors in the HIPC Initiative and are seeking the participation of the other creditors.
4. The World Bank has supported Mali's reform program since the early 1990s. The Bank's active portfolio in Mali comprises eleven projects, three covering rural development, three in infrastructure and energy, three in health and education, one covering the financial sector, and one for structural adjustment. Summaries of Mali's relations with the Fund and the World Bank Group are presented in Appendices III and IV. Appendix V discusses statistical issues and summarizes the availability of core statistical indicators, and Appendix VI presents the tentative work program for the next 12 months.

II. RECENT DEVELOPMENTS

A. Political Context

5. **Mali's political and social situation has greatly improved over the past decade.** Democratic presidential elections have taken place every five years since 1992, and Mr. Amadou Toumani Touré won the presidential election in April/May 2002—the first democratic transition from one elected president to another. With no party gaining a majority in the legislative elections held in July 2002, Mr. Ag Hamani formed a broad coalition government in October 2002. Following the resignation of Mr. Ag Hamani on April 28,

¹ The proposed level of access is in line with propositions made in the staff paper on "The Role of the Fund in Low-Income Member Countries: Considerations on Instruments and Financing."

2004, the President appointed Mr. Ousmane Maïga as Prime Minister on April 29, and a new government was announced on May 2. The new government has indicated its support for the program to be supported under a PRGF arrangement, as negotiated by the outgoing administration. Local elections are scheduled for end-May 2004. The crisis in Côte d'Ivoire continues to have an unsettling effect on the region. In particular, road transportation between Côte d'Ivoire and Mali has not yet recovered fully, and the continuing tension creates an unfavorable climate for business in the region.

B. Macroeconomic Developments

6. **Economic growth strengthened to an estimated 6 percent in 2003, compared with 4.3 percent in 2002**, with very strong performance in the primary sector more than offsetting a decline in gold production (Table 3). The growth rate of nonmining real GDP was striking, at 9 percent in 2003, up from 2.3 percent in 2002. In particular, output of cereals, rice, and cotton each increased by 30 to 40 percent (Table 4), boosted by favorable rainfall conditions and, for cotton—where production reached a new record of 612,000 metric tons—a 10 percent increase in producer prices. In contrast, gold output fell from the exceptionally high level of 66.1 tons in 2002 to 54.6 tons in 2003.

7. Large variations in cotton and gold production have translated into a high level of volatility in gross investment and saving rates in recent years. Nongovernment investment rebounded to just over 17 percent of GDP in 2003, mainly because of a large buildup in stocks (especially of cotton, where production in 2003 is shipped in 2004).² Gross domestic saving picked up to 19 percent of GDP in 2003, supported by increases in government saving and imputed earnings of cotton farmers (the counterpart of the stock buildup), which more than offset a drop in saving of the mining sector due to the fall in gold production.³

8. **The consumer price index declined by 5 percent in the 12 months to December 2003, or by 1.3 percent on average for the year.** This reflected a 10 percent drop in food prices, together with price reductions for telecommunications, water, and energy. With food prices continuing to fall in the first quarter of 2004, the consumer price index dropped by 5¼ percent in the 12 months to March 2004.

9. **The external current account deficit (excluding official transfers) is estimated to have widened to 6.5 percent of GDP in 2003 from 4.3 percent in 2002** (Table 8). Export volume fell by an estimated 10.4 percent in 2003—reflecting lower gold production, as well as a decline in cotton exports resulting from transportation difficulties associated with the crisis in Côte d'Ivoire. In addition, tourism revenues fell back to trend.⁴ Import volume

² Similarly, the wide fluctuation in nongovernment investment over 2001-02 reflected the buildup and then depletion of cotton stocks over this period.

³ The estimates and projections of national and domestic saving in Tables 3 and 4 need to be treated with caution: as a result of data limitations, saving is generally a residual item in the national accounts indicators.

⁴ Revenue from tourism was boosted in 2002 by the African Soccer Cup, which was held in Mali.

increased by 3.4 percent, while the terms of trade improved only slightly. Including official transfers, the current account deficit increased by 1 percentage point of GDP to 4 percent in 2003. This was more than fully financed by official assistance, including debt relief under the enhanced HIPC initiative and external budget support. As a result, **the balance of payments had an overall surplus of \$156.2 million**, allowing Mali's total contribution to the gross international reserves of the Central Bank of West African States (BCEAO) to reach the equivalent of over seven months of imports.

C. Fiscal Policy

10. **Fiscal objectives were exceeded in 2003**, with the overall deficit, on a payment order basis and excluding grants, falling to 5.1 percent of GDP, compared with an objective of 8.2 percent (Table 5). The deficit was financed by loans and grants tied to investment projects, as well as budgetary support, including financing to help Mali cope with the effects of the crisis in Côte d'Ivoire. Budgetary loans and grants, together with assistance under the HIPC Initiative, totaled 4.6 percent of GDP. This support helped Mali meet its external debt obligations, reduce domestic liabilities, and increase spending in the social sectors.

11. **Government revenue rose to 16.6 percent of GDP in 2003 from 15.9 percent in 2002**, mainly due to higher tax payments by the mining companies and greater efforts to collect income taxes. Government revenue would have been $\frac{1}{2}$ of 1 percent of GDP higher were it not for the shortfall in transfers from the West African Economic and Monetary Union (WAEMU)⁵ and an increase in ad hoc exemptions that the authorities granted enterprises to help them deal with the effects of the crisis in Côte d'Ivoire.

12. **Total expenditure fell from 23.2 percent of GDP in 2002 to 21.7 percent in 2003**, well below the initial budget projection of 25.4 percent. This shortfall reflected lower-than-anticipated investment outlays, which amounted to only 65 percent of the ambitious budgeted level. While the 2003 investment budget, in line with the PRSP, gave greater emphasis to the social sectors (Box 1), appropriations could not be fully used because of insufficient project preparation, cumbersome procurement procedures, especially for foreign-financed projects, and human resource constraints.

13. While current expenditure declined slightly as a share of GDP in 2003, **several influences have been putting upward pressure on spending in recent years**. These include the adoption of a new civil service salary grid and an increase in the retirement age; delays in implementing recommendations of the census of civil servants launched in February 2003; increased recruitment for the education and health sectors; the widening

⁵ Transfers from the WAEMU are made to compensate member countries for revenue losses resulting from the implementation of a preferential tariff regime within the union in 2000. The transfers are funded by a tax on imports; however, Côte d'Ivoire did not return to the WAEMU Commission all the revenue that it collected at its border.

	Box 1. Mali: Total and Poverty-Reducing Expenditures, 2002-04 1/																	
	2002						2003						2004					
	Actual spending			Budget appropriations			Actual spending			Budget appropriations			Actual spending			Budget appropriations		
	Total	Poverty-reducing expenditure	(In percent of total)	Total	Poverty-reducing expenditure	(In percent of total)	Total	Poverty-reducing expenditure	(In percent of total)	Total	Poverty-reducing expenditure	(In percent of total)	Total	Poverty-reducing expenditure	(In percent of total)	Total	Poverty-reducing expenditure	(In percent of total)	Annual percentage change
(In billions of CFA francs)	(In billions of CFA francs)	(In percent of total)	(In billions of CFA francs)	(In billions of CFA francs)	(In percent of total)	(In billions of CFA francs)	(In billions of CFA francs)	(In percent of total)	(In billions of CFA francs)	(In billions of CFA francs)	(In percent of total)	(In billions of CFA francs)	(In billions of CFA francs)	(In percent of total)	(In billions of CFA francs)	(In billions of CFA francs)	(In percent of total)	Annual percentage change
Total	590.4	60.7	737.6	436.4	59.2	606.2	335.3	55.3	787.2	29.9	59.7	40.3						
Economic classification																		
Wages and salaries	94.0	54.4	110.8	62.2	51.8	111.3	62.2	55.9	122.0	9.6	55.0	7.8						
Other recurrent expenditures	74.8	36.5	86.9	30.0	33.2	81.9	29.1	35.5	96.6	17.9	36.4	21.0						
Transfers	75.6	89.0	69.2	56.3	81.1	60.2	46.9	77.9	78.3	30.1	77.5	29.4						
Other expenditures (including debt)	120.3	13.3	145.4	7.3	7.4	115.8	7.0	6.1	142.0	22.6	6.1	23.4						
Equipment and investment	225.7	87.2	325.3	280.6	85.3	237.0	190.0	80.2	348.4	47.0	85.8	57.3						
Administrative functions																		
Primary education	49.6	83.6	56.0	55.5	99.1	64.0	61.4	96.0	89.5	39.8	99.4	44.8						
Secondary education and university	29.4	84.1	46.3	38.4	83.0	27.8	19.8	71.4	29.1	4.7	69.6	2.1						
Health	31.5	99.9	52.0	51.8	99.5	33.5	33.0	98.4	53.4	59.2	99.5	61.1						
Other social sectors	9.8	100.0	17.1	17.1	100.0	18.0	18.0	100.0	28.4	58.1	100.0	58.1						
General administration	49.6	39.8	80.4	39.1	48.6	77.3	38.2	49.4	90.3	16.9	45.1	6.7						
Foreign affairs	11.2	0.3	12.9	0.0	0.3	8.5	0.0	0.5	13.1	55.1	0.7	118.1						
Defense and police	46.2	1.9	48.7	0.9	1.9	51.7	0.9	1.8	55.3	7.0	2.1	26.5						
Culture, youth, and sport	5.6	49.9	8.5	3.9	46.1	8.0	3.5	44.4	9.9	24.8	36.8	3.6						
Civil service and labor	0.7	91.9	1.0	1.0	100.0	1.0	1.0	100.0	1.7	64.7	100.0	64.7						
Agriculture	105.7	100.0	111.4	111.3	100.0	63.4	63.2	99.6	116.5	83.8	100.0	84.4						
Mines, water, and energy	31.2	69.4	27.8	24.4	87.7	21.2	18.0	85.2	27.6	30.7	69.9	7.2						
Urban development and public works	47.7	97.7	77.3	66.8	86.4	68.9	55.1	80.0	81.8	18.7	82.2	22.1						
Transportation	12.0	52.8	10.8	5.9	54.6	3.1	2.0	63.0	11.7	273.6	71.0	320.7						
Communications	3.7	83.4	9.1	8.2	90.8	8.5	7.5	89.0	8.9	5.4	87.2	3.3						
Domestic debt	8.5	0.0	13.0	0.0	0.0	6.9	0.0	0.0	1.7	-74.6	0.0	...						
External debt	52.1	0.0	63.4	0.0	0.0	42.6	0.0	0.0	74.5	74.8	0.0	...						
Unallocated	95.8	45.4	101.9	12.0	11.8	101.9	13.5	13.3	93.6	-8.2	13.8	-4.3						
Memorandum item :																		
HIPC expenditures	30.5	99.3	34.7	34.7	100.0	32.9	32.9	100.0	29.6	-10.2	100.0	-10.2						

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

deficit of the civil service retirement fund (CRM), partly reflecting the alignment of retirees' pensions with the salary grid noted above; and the costs of social plans for public sector employees laid off in the context of the privatization program. Furthermore, following the government's decision to cut electricity and water tariffs, CFAF 5.1 billion (0.2 percent of GDP) was paid to Énergie du Mali (EDM) at end-December 2003 to compensate it for the resulting revenue losses in 2003.

D. Monetary and Financial Sector Developments

14. **The BCEAO reduced the discount rate by 200 basis points to 4.5 percent between July 2003 and March 2004**, including a 50 point reduction on March 22, 2004, in response to the fall in inflation in the WAEMU, the decline in interest rates in the euro area, and the high level of international reserves. However, this easing has had no major impact on bank lending in Mali, as commercial banks have held a high level of free reserves for some time.

15. **Broad money continued the rapid expansion observed over the previous two years**, growing by 21.3 percent in 2003 (Table 7). Net foreign assets of the banking system rose by 18.2 percent of broad money at the beginning of the period, owing to foreign banks' financing of the cotton sector and a large influx of budgetary assistance in the second half of the year. Net domestic assets rose by 4.9 percent of beginning-of-period broad money, as a 17.4 percent increase in credit to the economy was partially offset by a 7.3 percent decline in net credit to the government.

16. **The financial condition of the banking system improved slightly in 2003**, with the ratio of nonperforming loans to gross bank credit to the economy declining by 0.9 percentage point to 17.8 percent. Most banks continued to respect the key prudential ratios, including the minimum risk-weighted capital adequacy ratio of 8 percent (Box 2). However, given the high level of bank financing required by the cotton sector, no bank observed the risk concentration ratio. Microfinance institutions continued to record robust growth in 2003, with preliminary data indicating that membership increased by 6.6 percent, deposits by 10.4 percent, and loans by 12.4 percent. Unfortunately, growth was accompanied by a decline in the loan portfolio quality, as the share of nonperforming loans increased from 4.4 percent in 2002 to 6.8 percent in 2003.

Box 2. Mali: Compliance with Selected Prudential Norms, 2001-03 1/

Prudential ratios	Compliance Limits and Ratios	Dec. 2001	Dec. 2002 2/	June 2003 3/	Dec. 2003 3/
Effective capital	> CFAF 1 billion for banks > CFAF 0.3 billion for nonbank fin. institutions	9/12	12/13	12/12	12/12
Risk-weighted capital adequacy ratio	> 8 percent	9/12	12/13	12/12	11/12
Transformation ratio 4/	> 75 percent	7/12	10/13	8/12	5/12
Liquidity coefficient ratio 5/	> 75 percent	2/8	5/9	7/9	3/9
Participation in nonbank effective capital	< 15 percent	11/12	13/13	12/12	12/12
Fixed assets/effective capital	< 100 percent	11/12	13/13	12/12	12/12
Credit to management /effective capital	< 20 percent	10/12	11/13	8/12	10/12
Risk concentration ratio	> 60 percent	0/12	0/13	0/12	0/12

Source: BCEAO.

1/ Observance of Prudential Norms by the Commercial Banks and Nonbank Financial Institutions (as share of total).

2/ The number of banks increased from eight to nine in 2002.

3/ The number of financial institutions reduced from thirteen to twelve because data on Crédit Initiative is not available.

4/ Measured as the ratio of stable resources to fixed assets and medium- and long-term loans.

5/ Liquid assets to short-term liabilities. This norm is applicable to banks only.

E. Structural Reforms

Strengthening public expenditure management

17. **Public expenditure management (PEM) reforms have been directed at improving budget preparation and execution, and obtaining comprehensive and reliable consolidated financial information.**⁶ The memorandum of economic and financial policies (MEFP) (paras 10 and 45-46) sets out achievements in this area. These include implementation of a new budget classification system that identifies social and poverty-reducing spending, and preparation of a manual of budget execution procedures (see Box 3).

⁶ Preliminary findings of a recent Assessment and Action Plan (AAP) mission to Bamako indicate that the capacity of Mali's PEM system to track poverty-reducing public expenditures in the context of the enhanced HIPC Initiative is very good, and that important progress has been made since the 2001 joint Bank-Fund assessment of the PEM system. The mission found that Mali complied with 12 out of 16 indicators, compared with 8 out of 15 at the time of the 2001 assessment.

Box 3. Mali: Status of Actions to Strengthen Tracking of Poverty-Reducing Public Spending					
Actions	Measures	Timing ¹	Status ²	Updated Status	Comments
Budget formulation	Improve accounting for external disbursements	S	II	II	Discussions with development partners continue.
	Include table showing poverty-reducing expenditures in 2002 and 2003 budget	S	NS	FI	Implemented with the Budget Law of 2003.
	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.
	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.
	Finalize terms of reference for public expenditure tracking surveys	S	NS	II	Draft 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.
	Issue circular requiring local government quarterly reports	S	NS	II	A new treasury unit centralizes information on budget execution by local governments.
	Establish training and enforcement measures for timely submission of local government reports	S	NS	II	A new treasury unit is responsible for strengthening local government accounting capacity.
	Create quarterly monitoring reports	S	NS	FI	The treasury unit has been producing monthly and quarterly statements since December 2002.
	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 Country Report No. 02/157. FI: fully implemented; NS: not started; II: Implementation initiated.					

The coverage of fiscal information has also improved, and the treasury now prepares a monthly financial statement that consolidates operations of the central and local governments and of the main autonomous administrative agencies.

18. **Efforts to improve governance are also under way.** Internal audit and inspection have been strengthened, and results of an investigation of fraud on value-added tax (VAT) reimbursements were submitted to the Ministry of Justice. In addition, the audit section of the Supreme Court has been reinforced, and an independent Auditor General was appointed in March 2004.

Reform of the cotton sector

19. **There has been further progress toward opening the cotton sector to competition and increasing its resilience to external shocks (Box 4).** In particular, the authorities have agreed with the World Bank and other development partners on a timetable for splitting the parapublic cotton enterprise (CMDT) into three or four private companies. Initially, each of these would have exclusive rights to purchase cotton seeds in its designated area, but this regional monopsony status is expected to end over the medium term. Less successful was the privatization of the cottonseed-oil-producing company (HUICOMA), as the authorities declared the tender offer unsuccessful in March 2004 after failing to reach an agreement with the sole company that had made a financial offer (see para. 9 of the MEFP).

Privatization

20. The management of the public enterprise responsible for the operation of the railroad (RCFM) was privatized in 2003 under a concession contract awarded through international competitive bidding, and the concession agent started operations in October 2003.⁷ In addition, negotiations are under way with the enterprise that won the tender offer to manage the airports.

F. Regional and Trade Integration

21. **Mali has made substantial progress in observing the WAEMU convergence criteria** (see Table 10). Most primary and secondary criteria were satisfied at end-2003, although, as discussed below, ongoing efforts will be needed to bring tax receipts up to at least 17 percent of GDP, and to narrow the external current account deficit. Mali complies with the union's common external tariff, adopted in January 2000, and does not impose quantitative restrictions on imports. In its trade with the European Union, Mali enjoys the import duty exemptions arising from the Cotonou Convention and is eligible for the benefits of the African Growth and Opportunity Act in its trade with the United States.

⁷ Under the terms of the concession agreement, some 650 employees of the RCFM were retained, while 500 were granted severance packages partially paid through the budget in 2003.

Box 4. Mali: Cotton Sector Reform

Mali became a leading cotton producer in Africa following the devaluation of the CFA franc in 1994. By 1998, cotton output had reached 523,000 tons, and the cotton sector accounted for nearly 50 percent of export revenue, 9 percent of GDP, and about 6 percent of tax revenue. Over the period 1999-2003, the cotton sector suffered a major crisis because of mismanagement in the CMDT and a sharp drop in the world market price of cotton lint. The CMDT is owned by the government (60 percent) and the French company Dagrís (40 percent).

With the support of the World Bank and other development partners, the authorities implemented reforms to improve the efficiency of the CMDT. As a result, the cost of ginning and marketing cotton was reduced by about one fourth from 1999 to 2003 and personnel was reduced in the same proportion. However, the restructuring cost to the government budget about 2 percent of GDP per year on average over 2001-03.

Mali's cotton industry remains largely vertically integrated, as in most other cotton producing countries in West Africa. The CMDT supplies seeds, fertilizers, and pesticides to independent farmers; purchases, transports, and gins seed cotton; markets cotton lint and cottonseeds; and mobilizes and distributes credit to farmers. With the reform of the sector, the CMDT no longer provides public and extension services to cotton farmers, activities now undertaken by the government and the private sector. Other aspects of the reform were less successful, and in particular, the government was unable to attract investors to take over ginning mills in one of the growing areas.

To increase the contribution of the cotton sector to Mali's development, the government adopted a new three year reform program last November. The objectives for the medium term are as follows:

- Ensuring that the CMDT continues to function well during the transition period
- Privatizing CMDT and HUICOMA (the cottonseed oil producing company)
- Ensuring that all accompanying measures are in place for the privatization to be successful
- Strengthening producers associations so that they can play an active role in managing the sector

The program calls for the CMDT to be divided into 3 or 4 private enterprises, with each firm controlling a growing area in a first stage. The creation of several firms will reduce the risk that a large monopsony represents for the economy. Nevertheless, Mali will remain vulnerable to fluctuations in the international price of cotton.

The main steps in the privatization of the CMDT are as follows:

Dates

- | | |
|--|----------------|
| • Selection of a firm to advise the authorities on the privatization | March 2004 |
| • Creation of a trade association regrouping stakeholders | August 2004 |
| • Preparation of an operational master plan for the privatization | September 2004 |
| • Organization of a conference for potential investors | September 2004 |
| • Creation of local and regional producers associations | December 2004 |
| • Submission of a draft law on the privatization of the CMDT to the Council of Ministers | February 2005 |
| • Creation of a national producers association | March 2005 |
| • Selection of shareholders of new enterprises | June 2006 |
| • Creation of new companies | December 2006 |
| • Progressive transfer of input distribution to regional producers associations | 2004-06 |

III. MEDIUM-TERM PROGRAM

A. The Challenges Ahead

22. **The key challenges that Mali faces in the period ahead are to ensure continued macroeconomic stability and to promote the strong, sustainable growth that is needed to make significant inroads on poverty.** To meet these challenges, the government's strategy focuses on fiscal consolidation, notably through broadening the tax base and strengthening expenditure management, and on structural policies to develop human resources and improve the climate for private-sector-led growth. In particular, structural reforms are directed at deregulating and diversifying the economy, improving its underlying competitiveness, and hence reducing its vulnerability to exogenous shocks and weather conditions. This strategy focuses on the priority areas set out in the PRSP: institutional development and improved governance; human development and expanded access to health, education, and other basic social services; and infrastructure development and support for key productive sectors.

	2002	2003	2004	2005	2006	2007
	(Annual percentage change)					
Real GDP	4.3	6.0	4.7	6.1	6.6	5.6
Nonmining real GDP	2.3	9.0	5.9	5.9	6.0	6.2
Primary sector	-3.6	18.7	-0.7	4.6	4.8	4.9
Secondary sector	18.4	-7.9	5.8	7.6	9.7	5.3
Tertiary sector	1.1	3.6	9.1	5.6	5.4	6.2
Inflation (annual average)	5.0	-1.3	2.5	2.5	2.5	2.5

B. The Macroeconomic Framework

23. **Key macroeconomic objectives** for 2004-07 are an annual real GDP growth rate of over 5 percent; annual inflation of under 3 percent; and an external current account deficit (excluding official transfers) of under 7 percent of GDP. While year-to-year variations in GDP growth reflect anticipated fluctuations in gold production, nonmining GDP growth is projected to be relatively stable at about 6 percent a year over this period.

Fiscal policy

24. **The medium-term fiscal program seeks to support the authorities' poverty reduction strategy while preserving macroeconomic stability, including debt sustainability (Tables 5 and 6, and Box 5).** The overall fiscal deficit, on a payment order basis and excluding grants, is projected to increase in 2004—largely on account of

	2002	2003	2004	2005	2006	2007
	(In percent of GDP)					
Total revenue	15.9	16.6	17.0	17.3	18.1	18.4
<i>of which:</i> tax revenue	13.1	13.7	14.2	14.6	15.3	15.6
Total expenditure	23.2	21.7	24.5	24.6	24.8	24.8
<i>of which:</i> investment	8.7	7.9	9.6	9.7	9.8	9.9
Externally financed	6.0	4.9	6.3	6.2	6.1	6.2
Domestically financed	2.7	3.1	3.3	3.5	3.7	3.8
Overall balance 1/	-7.3	-5.1	-7.5	-7.3	-6.7	-6.5

1/ Excluding grants

improved execution of the public investment program—and would then decline slightly, from 7.5 percent of GDP in 2004 to 6.5 percent of GDP in 2007. This outlook would support the long-term sustainability of Mali's public debt (Table 6). Including project-related grants, the overall fiscal deficit would be 3.7 percent of GDP by 2007.

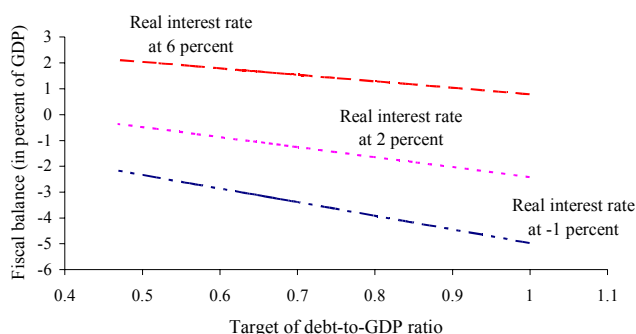
Box 5. Mali: Fiscal Sustainability, Interest Rates, and Growth

The fiscal program is consistent with maintaining the debt burden at a serviceable amount, but this result is sensitive to interest rates and growth. The debt target is set at the 2003 ratio, which is supposedly consistent with a low probability of debt distress if Mali stays the course of its economic policies (see “Debt Sustainability Assessment – Proposal for an Operational Framework and Policy Implications”). The table below indicates for each real interest rate and real GDP growth pair, the minimum primary balance consistent with the debt target. The figure plots the minimum basic fiscal balance associated with a given debt target, under different assumptions of interest rates, when growth is set to reach an average 5.8 percent as in the program.

Real GDP Growth (in percent)	Real Interest Rate (in percent)								
	-1.0	-0.4	0.0	1.0	2.0	3.0	4.0	5.0	6.0
8.5	-4.2	-3.7	-3.5	-2.7	-2.0	-1.3	-0.6	0.1	0.8
7.0	-3.7	-3.3	-3.0	-2.3	-1.6	-0.9	-0.2	0.5	1.2
5.8	-3.4	-3.0	-2.7	-1.9	-1.3	-0.6	0.1	0.8	1.5
5.0	-3.1	-2.7	-2.4	-1.7	-1.0	-0.3	0.4	1.1	1.8
3.5	-2.7	-2.3	-2.0	-1.2	-0.6	0.1	0.8	1.5	2.2
2.5	-2.4	-1.9	-1.7	-0.9	-0.2	0.5	1.2	1.9	2.6
1.0	-1.9	-1.5	-1.2	-0.5	0.2	0.9	1.6	2.3	3.0

Program assumptions (in percent)

Actual debt (2003), as a share of GDP	69.8
Debt target, as a share of GDP	69.8
Inflation	2.5
Nominal interest rate	2.0
Money base as a share of GDP	33.9
Seigniorage revenue (share of GDP)	2.0
Programmed primary balance	-2.5



In line with the results presented in Table 6, we find that the proposed fiscal stance (primary deficit of about 3 percent of GDP on average) is consistent with fiscal sustainability. However, the results are sensitive to Mali’s debt strategy and growth performance, highlighting the importance of a prudent borrowing strategy. A 1 percent increase in the interest rate should be offset by a tightening of the fiscal stance equivalent to 0.7 percent of GDP, and a 1 percent reduction in real growth by a fiscal tightening equivalent to ½ of 1 percent of GDP (see also paragraphs 33-36 on external debt sustainability for another perspective on this issue).

25. The fiscal program implies a cumulative residual financing gap of about \$443 million over 2004-07, or 2.2 percent of GDP, which would need to be filled by external financial assistance. Including project-related foreign loans and grants, the external financing requirement would total \$1.7 billion. At the recent roundtable of development partners held in Geneva, the authorities indicated that pledges

	2002	2003	2004	2005	2006	2007
	(In percent of GDP)					
Total external assistance	8.1	8.3	7.0	6.2	6.1	6.2
Grants	3.7	4.4	3.5	2.8	2.8	2.8
Budgetary	0.7	2.0	0.7	0.0	0.0	0.0
Project	3.0	2.4	2.8	2.8	2.8	2.8
Loans	4.4	3.8	3.5	3.4	3.4	3.4
Budgetary	1.4	1.4	0.0	0.0	0.0	0.0
Project	3.1	2.5	3.5	3.4	3.4	3.4

obtained from participants amounted to \$2.4 billion. There are also indications that the share of grants would increase.⁸ In addition, total domestic liabilities of the government are expected to decline over the medium term, although the net annual reduction will depend on the availability of external financing for essential programs.

26. **The government's medium-term revenue strategy** aims to increase tax revenue to 17 percent of GDP over time, in line with the WAEMU convergence criterion. Given the conclusions of a recent Fund technical assistance mission that Mali's tax system was adequate, an increase in government revenue would need to come mainly from strengthening tax administration and broadening the tax base. In the period ahead, tax revenue is projected to increase from 13.7 percent of GDP in 2003 to 15.6 percent in 2007 as a result of (i) streamlining income tax brackets; (ii) reducing ad hoc exemptions and taxing the agricultural sector and land; and (iii) introducing an excise tax, or increasing the excise tax rates, on a limited number of goods. The authorities also indicated that they intended to increase the mining sector's contribution to government revenue, including through closer monitoring of these companies. On this issue, the staff encouraged the authorities to promote a stable, transparent fiscal regime to foster private investment in mining and other sectors.

27. **Total expenditure is projected to remain stable, at slightly less than 25 percent of GDP, over 2004-07.** Expenditure policy has been designed to meet the PRSP objectives, especially in the areas of education, health, and infrastructure. Moreover, the program seeks to improve the composition and efficiency of expenditure—in part by strengthening the capacities needed to design and implement investment projects, and also by pushing forward the decentralization process so that local governments are better able to formulate and execute their own budgets.

28. **The staff supported efforts to set expenditure policy in a medium-term context.** They encouraged the authorities to contain the government sector wage bill and to address the increasing deficit of the civil service retirement fund. The authorities agreed to keep public wages and salaries below 5 percent of GDP, while increasing recruitment in social sectors. The staff also emphasized the need to refrain from granting subsidies and exemptions to selected industrial companies, so as to keep a level playing field for all investors, and to abide by regional directives on that matter. The authorities argued that, given the high costs

⁸ For example, the World Bank announced that, out of the \$400 million in financial assistance targeted for 2004-06, 30 percent would be in the form of grants.

of inputs and of doing business in general, the only instrument at their disposal was direct financial incentives. However, they agreed that those incentives would need to be phased out over time as progress was made on the structural front to further liberalize the economy and improve its underlying competitiveness.

Financial sector reform

29. **The authorities intend to continue strengthening the performance and competitiveness of the financial system.** Key steps set out in the attached MEFP (paras. 18-19) include (i) completing the privatization of commercial banks, including the eventual withdrawal of the BCEAO from the capital of the banks—an issue that is to be discussed at the regional level;⁹ (ii) reinforcing bank surveillance, while stepping up measures to promote compliance by banks with the prudential ratios; (iii) improving the legal and regulatory framework for the financial system; (iv) promoting the development of the microfinance sector while enhancing its supervision; and (v) strengthening the financial position and prospects for the civil service retirement fund (CRM) and the social security agency (INPS).

C. Other Structural Reforms

Devolution and decentralization

30. Reforms are under way in the central administration to **devolve political and administrative powers to elected local governments.** In particular, responsibilities for primary education and basic health are to be transferred to local governments. The effectiveness of the devolution process has been limited so far, however, because of insufficient human and financial resources at the local level, and weak coordination of sectoral policies at the local and central levels. To help overcome these difficulties, an action plan prepared for 2003-05 includes a transfer of human and financial resources from the central government to local authorities and a strengthening of financial management at the local level (see paras. 48-49 of the MEFP). In supporting these efforts, the staff also urged the central administration to assist local authorities in developing new sources of revenue, and to ensure that appropriate mechanisms are in place at the national level to monitor the execution of local budgets.

Privatization

31. **Substantial progress has been made under previous programs with the privatization of the economy.** The primary focus in the proposed program will be to conclude the privatization of the last two large public enterprises outside the financial sector in which the government has a majority share—the telecommunications company (SOTELMA) and the cotton monopsony (CMDT) (see paras. 42 and 44 of the MEFP). The

⁹ The BCEAO contributed to the capital of several banks in the WAEMU in the late 1980s in order to prevent their collapse, which would have also led to the collapse of banking systems in the countries concerned. As the banks have been restructured and are generally financially sound, there have been discussions at the regional level regarding the BCEAO's withdrawal of the capital from those banks.

public enterprise that produces pharmaceutical products (UMPP) will also be privatized, and government's share in the equity of the river transportation company and the sugar company will be reduced to 20 percent.

D. External Sector

32. Under the program, the external current account deficit, excluding grants, is projected to narrow from 6.5 percent of GDP in 2003 to 5.1 percent of GDP in 2004 (see below), and then to average 6.2 percent of GDP in 2005-07. Achieving the objectives for the current account deficit will depend critically on (i) a steady increase in cotton exports; (ii) production from two new gold mines coming onstream in 2006; (iii) import volume growth over 2004-07 that averages only slightly above the projected growth of real GDP; and (iv) no exogenous adverse shocks to the terms of trade.

	2002	2003	2004	2005	2006	2007
(Annual percentage change)						
Export volume	31.7	-10.4	3.6	4.6	9.5	2.3
<i>of which: nonmining</i>	47.3	0.2	17.4	1.4	5.5	6.2
Import volume	-10.4	3.4	8.3	7.7	8.7	4.5
Terms of trade	-9.5	1.5	7.1	1.1	1.8	-0.1
(In percent of GDP)						
Current account balance 1/	-4.3	-6.5	-5.1	-6.3	-6.1	-6.2
Openness (X+M)	63.9	56.6	67.1	66.2	57.5	56.0
Export (X)	31.9	26.1	26.9	26.2	27.1	26.0
Import (M)	32.0	30.5	40.1	40.0	30.4	30.0
1/ Excluding grants						

E. Debt Sustainability

33. **The staff has updated the long-term scenarios for growth and for debt sustainability** that were conducted in the context of the enhanced HIPC Initiative in 2003 (Tables 9 and 13). Under the revised baseline scenario, GDP growth of around 5½-6 percent is projected from 2007 to 2023. The key sectoral developments incorporated in this scenario are as follows:

- the expected decline in gold output after 2006, followed by an assumed leveling off of production at about 50 tons per year from 2014 onward (which appears reasonable, given the current high level of exploration and development in the sector);
- annual growth of 6 percent on average in the agricultural sector—limited by capacity and productivity constraints;
- relatively strong growth of 8 to 11 percent a year in agribusiness, energy, construction, and transport and telecommunications—reflecting in part the impact of development projects and structural reforms;
- steady growth in nonmining exports over the longer term, helping to offset the substantial slowdown in export growth in 2007 and subsequent years as a result of the fall in gold production.

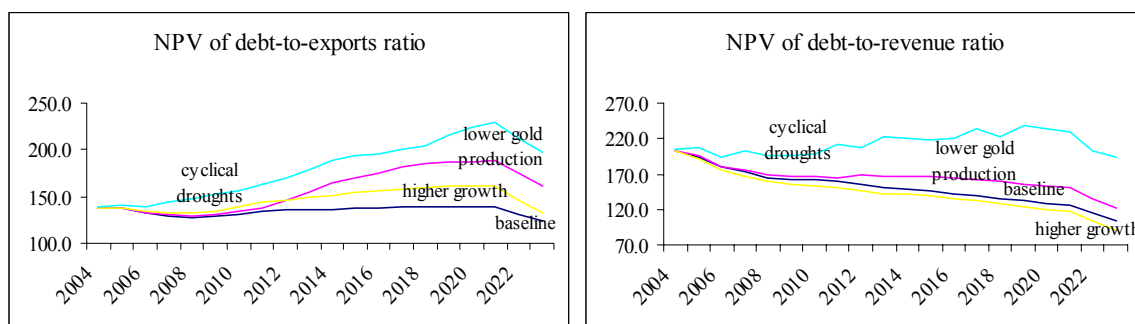
34. **Under this scenario, the NPV of debt-to-exports ratio, after debt relief, would remain below the 150 percent threshold over 2004-23**, as in the completion point document. The ratio of the NPV of debt to government revenue would fall

from 202.5 percent in 2004 to less than 150 percent from 2015 onward, assuming government revenue stabilizes at just over 18 percent of GDP from 2006 on.

35. **The staff views this outlook for growth and debt as both feasible and prudent,** reflecting in part a continuation of the general improvement in Mali’s economic performance over the past decade. Indeed, as discussed below, growth much stronger than this will be needed if Mali is to make substantial progress toward the poverty reduction objective of the MDGs. However, Mali has experienced multiyear growth of over 5½ percent a year for only relatively short intervals in its recent history (including following the 1994 devaluation). Sustaining growth at this level will require the maintenance of stable and credible macroeconomic policies, vigorous implementation of structural reforms, and support from a relatively benign regional, as well as global, economic environment.

36. Debt sustainability was also assessed under three alternative scenarios (see Table 9).

Mali: Debt indicators under alternative scenarios



- In the first, the discovery and development of new gold reserves does not occur, leading to weaker growth in GDP and exports than in the baseline. As a result, the NPV of debt-to-exports ratio rises substantially above 150 percent over the longer term, with an associated deterioration in the ratio of debt service to exports.
- In a “higher-growth” scenario, GDP growth is assumed to pick up to 7½ to 8½ percent after 2012, with stronger investment and productivity growth supporting a more rapid increase in exports, as well as in domestic sectors, compared with the baseline. With investment financed in part by debt-creating capital inflows, the NPV of debt-to-exports ratio in this second scenario would rise to just over 150 percent over the longer term, although the ratios of debt service to exports and to government revenue would continue falling. The rising NPV ratio highlights the importance of the authorities’ goal of increasing the proportion of grants in external financing to 60 percent in order to keep external debt at a manageable level.¹⁰

¹⁰ Grants averaged 55 percent of total external financing over 1996-2001 but dropped to 45 percent in 2002.

- A third, “lower growth,” scenario builds in the assumption of recurrent droughts. In this case, the NPV of debt-to-exports ratio would reach over 150 percent of GDP by 2009 and average over 200 percent in 2017-23. The ratios of debt service to exports and revenue would also increase over the longer term. These trends illustrate the need for ongoing structural reforms to diversify the Malian economy and reduce its exposure to exogenous shocks.

F. Poverty Reduction Strategy and the Millennium Development Goals

37. Mali’s medium-term poverty reduction strategy is set out in the PRSP adopted in May 2002. **The authorities’ first-year assessment of the PRSP, completed in March 2004, has highlighted the need for updating and strengthening the PRSP in several areas.** For example, while GDP growth picked up strongly in 2003, it remains below the PRSP goal of a 6.7 percent average growth rate during 2002-06. Hence, the PRSP will need to be brought into line with the revised macroeconomic framework, with new medium-term fiscal projections incorporated along with updates on external financial assistance.

38. **Progress toward the PRSP’s social objectives has been mixed** (see para. 11 of the MEFP). Access to education and health services has improved, but large regional discrepancies persist (for example, in school enrollment rates). There are also concerns about the poor quality of these services, stemming mainly from insufficient personnel, training, and other resources. The first-year PRSP review revealed that the budget preparation process was still not well aligned with PRSP objectives, including in the areas of education and health. To address these weaknesses, the authorities intend to strengthen, and update annually, the medium-term expenditure framework, and to improve the coordination and sequencing of actions among the relevant agencies.

39. Looking further ahead, **reaching the MDGs by 2015 remains a significant challenge.** A recently released survey of poverty in Mali revealed that around two-thirds of the population lives in poverty. Most of these are in rural areas, with over half living in extreme poverty.¹¹ Moreover, official data indicate that the incidence of poverty in 2001 (68 percent) was little changed from that in 1994. Compared with this level, poverty might be reduced by about 25 percent by 2015 under the baseline scenario for growth outlined above, and by 30 percent under the alternative, higher-growth scenario.¹² While such estimates are

¹¹ In a recent workshop to discuss the survey results, some questions arose concerning the survey methodology, including its coverage of rural areas and comparability with other data sources. These questions are being examined by the authorities.

¹² These estimates assume an elasticity of poverty reduction with respect to growth of 0.5, as estimated in T. Besley and R. Burgess, “Halving Global Poverty,” *Journal of Economic Perspectives*, Vol. 17 (Summer 2003), pp. 3-32). This study finds higher elasticities, and hence faster implied rates of poverty reduction, for other regions of the world, and other studies have found higher elasticities even for parts of Africa. Nevertheless, the apparently

clouded by concerns about data quality (including the extent of poverty) and about the impact of growth on poverty reduction, these scenarios suggest that Mali could well fall short of the MDG goal of halving poverty by 2015. A lack of reliable indicators has complicated the measurement of progress toward other social objectives, although the limited gains achieved so far in the education and health sectors suggest that the millennium goals in these areas will also be difficult to reach. The Joint Staff Assessment of the first-year PRSP Progress Report discusses a number of measures needed to improve the quality and effectiveness of social services and to strengthen the government's poverty reduction strategy. These include improving prioritization within this strategy, strengthening links between these priorities and budget resource allocations, and increasing absorptive capacities for implementing poverty-reducing programs.¹³

IV. PROGRAM FOR 2004 AND 2005

A. Macroeconomic Projections

40. The first annual program under the new PRGF arrangement will cover the period April 1, 2004 to March 31, 2005. **GDP is projected to grow by 4.7 percent in 2004 before rising to 6.1 percent in 2005.** The slight weakening in growth in 2004 compared with 2003 reflects an assumed fall in agricultural production back to its longer-term trend following the exceptionally good results of 2003-04, and an expected decline in gold output. Several factors should help to offset these influences, however. First, the large increase in agricultural production and revenue recorded in 2003 will have a positive impact on downstream industries in 2004, especially food processing and cotton ginning, as well as on the supply of products consumed by farmers. Second, reflecting ongoing infrastructure investment, the energy, transport, and telecommunications sectors are expected to continue growing strongly. Consumer inflation is projected to average 2.5 percent in 2004 and 2005, with food supplies returning to more normal levels. Regarding the external sector, an increase in cotton exports should contribute to a narrowing of the external current account deficit (excluding current official transfers) to 5.1 percent of GDP in 2004.¹⁴ Including current official transfers, the deficit would amount to 4.3 percent of GDP, without taking into account grants the government may receive to finance the residual financing gap.

limited degree of poverty reduction in Mali during the 1990s suggests that a cautious elasticity estimate is appropriate in this case.

¹³ Fund and World Bank staffs are working on an assessment of what would be required in terms of financing and technical assistance, as well as structural and institutional reforms and capacity building, for Mali to attain the MDGs by 2015.

¹⁴ The increase in cotton exports assumes that the road link to Abidjan remains open, and that some of the crop is exported through other regional ports—including Dakar, where rail links have recently improved.

B. Fiscal Policy

41. **The overall fiscal deficit, on a payment order basis and excluding grants, is projected to reach 7.5 percent of GDP in 2004.** Including grants, the deficit would rise from 0.7 percent of GDP in 2003 to 4.0 percent in 2004. As discussed below, the increase in the deficit is mainly due to higher public investment. The deficit is to be financed by budget support from bilateral and multilateral donors, and by HIPC Initiative assistance. Budgetary support is projected to reach 2.8 percent of GDP.¹⁵ Moreover, the authorities agreed to draw on their unused deposits in the banking system stemming from the external financial assistance secured at end-2003. If financing is below expectations, they intend to reduce net domestic liabilities by less than the 1.3 percent of GDP currently envisaged, but in no case do they intend to borrow on the local or regional financial market for reasons other than short-term cash-flow management.

42. **Total government revenue is projected to increase from 16.6 percent of GDP in 2003 to 17.0 percent in 2004.** Tax revenue would rise by 0.5 percent of GDP to 14.2 percent, mainly from an increase in the domestic tax on petroleum products and implementation of a simplified regime for companies with a turnover of between CFAF 30 million and CFAF 100 million. Nontax revenue will decline slightly relative to GDP because of lower dividend payments by gold-mining companies. The authorities envisage further improvements in tax administration, especially by implementing staff training programs, combating tax evasion and fraud, and improving large taxpayers' compliance.

43. **Total government spending is projected to rise by 2.8 percent of GDP to 24.5 percent in 2004.**¹⁶ Over half of the increase (1.7 percent of GDP) stems from an expansion of the investment program, due in part to the delays in implementing projects planned for 2003. To improve the execution of the investment budget, the authorities have strengthened the monitoring of project implementation at the Ministry of Planning and in sectoral ministries. In addition, spending on goods and services rises by 1 percent of GDP, including for preparation of the 2004 local elections.

44. In accordance with the PRSP and MDG objectives, **total expenditures on health and education would increase from 5.9 percent of GDP in the 2003 budget to 6.3 percent of GDP in 2004.** In this regard, the authorities have agreed that an overdue audit of expenditures carried out with HIPC Initiative resources will be completed by end-May 2004, and they will also review the social safety net mechanisms by end-June 2004 (see para. 34 of the MEFP). There is still uncertainty, however, about the ability of the social ministries to implement increased spending plans because only limited progress has been made in tackling persistent weaknesses in program formulation and procurement procedures.

¹⁵ During the donor roundtable in Geneva, the authorities obtained financing assurances totaling CFAF 75 billion for 2004 from the African Development Bank, Canada, the European Union, France, the Netherlands, Sweden, and the World Bank.

¹⁶ This assumes that slightly less than 80 percent of the public investment program included in the budget will be implemented in 2004, in line with the average historical execution level.

The staff encouraged the authorities to increase their efforts to improve the low absorption capacity in these areas, working with donors in the sectors concerned. In that regard, the authorities emphasized the need to better coordinate donors' support, and to move away from the dominant project approach of external partners and toward budgetary support. To ease such a transition and ensure effective use of external financial assistance, the staff urged the authorities to raise budget management standards to international levels.

45. **The wage bill is projected to rise from 4.2 percent of GDP in 2003 to 4.5 percent of GDP in 2004**, with just under 40 percent of this increase reflecting recruitment for the priority sectors—education, health, and justice. The remainder is due to the regular progression up the pay scale and recruitment for the security forces and other sectors, as well as the financial impact of the civil service reforms implemented over 2002-04. The authorities argued that these adjustments are needed to attract and retain high-quality staff in public administration, as well as to ease social tensions. To keep the wage bill within the program limits, the authorities removed from the payroll civil servants who did not participate in the 2003 civil service census and agreed to streamline nonwage benefits, which account for about 20 percent of total wages and salaries (see para. 33 of the MEFP).

46. **Transfer payments are budgeted to reach 3.2 percent of GDP in 2004** on account of transfers to the civil service pension fund, subsidies paid to the water and energy company as compensation for the tariffs cuts imposed in February 2003, and subsidies granted to a newly installed textile company. To address the large deficit of the civil service pension fund (0.7 percent of GDP), the authorities agreed to conduct a financial audit of the fund and a census of retirees. The authorities intend to complete a preliminary report on the financial situation of the fund by end-2004 and, based on this report, to develop a strategy and action plan for the fund's rehabilitation. While agreeing in principle with the staff's recommendation that water and energy subsidies be better targeted on the poor, the authorities noted the difficulties in putting such a recommendation into effect—citing limited administrative capacities and inadequate information on which households might receive this support. Hence, the authorities are working with the private electricity company, EDM, to find a solution to the high cost of energy. In particular, they are studying ways the company could obtain long-term loans on concessional terms to expand the electricity grid.

C. Monetary Policy and Financial Sector Reforms

47. **In 2004, broad money is projected to expand by 9.6 percent**, with the net foreign assets of the banking system growing by only 3.3 percent and net domestic assets by 6.4 percent (each relative to beginning-of-period broad money). Credit to the economy is to increase by 9.1 percent, while a modest increase in net bank credit to the government reflects the drawdown of deposits accumulated at end-2003.

48. The financial sector reform program for 2004 under the proposed PRGF arrangement consists of three main components (see para. 37-40 of the MEFP): (i) making significant progress toward completing the government withdrawal from the equity capital of three commercial banks—in particular the BIM S.A., the only bank under full government control; (ii) strengthening nonbank financial institutions, with particular emphasis on the pension

fund (CRM) and the social security agency (INPS); and (iii) enhancing the development of a financially sound microfinance sector.

D. Other Structural Reforms

49. The structural reform agenda for 2004 will also focus on implementation of measures discussed earlier to **improve public sector management, continue the decentralization and devolution of public sector activities, push ahead with the privatization program, and reform the cotton sector**. Details are set out in the MEFP (paras. 42-49). Key measures to be completed in 2004 include the adoption of a strategy and timetable for the privatization of SOTELMA (the telecommunications company), and appointment of a consultant to draw up a master plan for the privatization of the CMDT and to coordinate accompanying actions to deregulate the cotton sector.

E. Risks to the Program and Capacity to Repay the Fund

50. Key risks to the program include a resurgence of regional instability, which could impair investment and export prospects, and exogenous shocks to the agricultural or mining sectors, particularly as a result of adverse weather conditions or a drop in commodity prices. For example, staff estimates suggest that a 20 percent fall in the price of cotton on the world market could cause Mali's external current account deficit to widen by about 1 percentage point of GDP, compared with the baseline scenario discussed earlier, and reduce Mali's contribution to the international reserves of the BCEAO by the same extent. If the resulting losses incurred by the CMDT were borne by the government¹⁷, the overall fiscal deficit and financing requirements could increase by about ½ a percent of GDP. In their letter of intent, the authorities have requested that consideration be given to increasing access under the arrangement, should a need arise as a result of unexpected shocks to the balance of payments.

51. Despite these risks, however, Mali's capacity to repay the Fund appears sound. As noted in paragraph 2, the proposed access of SDR 9.33 million (10 percent of quota) takes into account Mali's current indebtedness to the Fund, its excellent record in servicing debt, and its success with program implementation. During the period of the program, repayments to the Fund would be SDR 36.4 million, with debt service to the Fund after debt relief declining to about 1 percent of exports of goods and services and of total government revenue.

F. Prior Actions and Program Monitoring

52. Prior actions have been set with the objective of ensuring that conditions conducive to the program's success are in place by the time of the Executive Board discussion (see Table 2 of the MEFP).¹⁸ The program will be monitored quarterly on the basis of the quantitative performance criteria, quantitative benchmarks, and indicators shown in Table 1 of the MEFP,

¹⁷ As the producer price is generally set nine months before the harvest, the CMDT finds it difficult to hedge against large price variations.

¹⁸ The staff will provide an update on the status of implementation of these prior actions before the Board meeting.

and on the basis of the structural performance criteria and benchmarks shown in Table 2 of the MEFP. The coverage of structural conditionality under the proposed arrangement is summarized in Box 6. Progress under the program for 2004 will be assessed in the context of the first review, scheduled to be completed no later than December 15, 2004.

V. STAFF APPRAISAL

53. **Mali's economic situation improved in 2003, in spite of a difficult regional environment.** Higher-than-average rainfall contributed to a sharp increase in agricultural output and a drop in the consumer price index. Given the anticipated increase in revenue in the agricultural sector, **the economic outlook for 2004 is favorable**, provided the regional environment does not deteriorate further.
54. **Notwithstanding the progress made in stabilizing the macroeconomic situation over the past decade, Mali, as a landlocked country in the Sahel region, continues to face daunting challenges to bring its population out of poverty.** The economy remains very vulnerable to weather conditions, terms of trade shocks, and the volatility of aid flows. This vulnerability has been exacerbated by the crisis in Côte d'Ivoire.
55. **The staff considers that the government's medium-term program, which is aligned to the PRSP policy agenda, offers a strong framework** for Mali to implement its poverty reduction strategy, pursue fiscal consolidation, and continue the reform process, with a view to diversifying the economy, increasing its competitiveness, achieving higher growth, and making progress toward the MDGs.
56. **Further fiscal consolidation and improvement in public resource management are essential to achieve the poverty reduction objectives and maintain macroeconomic stability.** As indicated by a recent Fund technical assistance mission on tax policy, Mali's tax system is broadly adequate; hence, it will be a challenge to increase government revenue substantially over the medium term and for Mali to attain the corresponding WAEMU convergence criterion. Achieving these objectives will require broadening the tax base through a reduction in tax exemptions and a strengthening of tax administration in order to combat tax fraud and reduce the size of the informal sector. Furthermore, given the devolution policy being implemented, the authorities need to develop tax measures for local authorities so that they have sufficient resources to take on their additional responsibilities.
57. **On the expenditure side**, the staff welcomes the efforts made in strengthening public resource management and monitoring poverty-reducing outlays. However, priorities set in

Box 6. Mali: Coverage of Structural Conditionality Under the Proposed PRGF Arrangement

Structural conditionality for the first year of the proposed new arrangement draws from the recommendations of the ex-post assessment of Mali's economic performance under Fund-supported programs (see SM/03/380). It aims at ensuring macroeconomic stability, improving competitiveness, and making the economy less vulnerable to external and domestic shocks. The focus is on the core macroeconomic adjustment, the reform of the cotton sector, public expenditure management, the promotion of financial intermediation, and the fight against poverty.¹ The measures include (see Table 2 of Appendix I, Attachment I):

- **liberalization of the banking system and deepening of financial intermediation** (cease the provisional administration of the commercial bank BIM SA, and establish the new management structure of the commercial bank BIM SA);
- **liberalization of the telecommunications sector** (adoption of a privatization strategy for the telecommunications company (SOTELMA))
- **poverty alleviation and strengthening of internal control of the public expenditure management** (completion of an audit of expenditures financed with HIPC resources);
- **pension fund reform** (completion of actuarial studies on civil service pension fund (CRM), and audit of the database on contributions to and beneficiaries from the private social security system (INPS)); and
- **cotton sector reform** (adoption of an operational master plan for the privatization of the CMDT).

Other relevant structural measures not included in the first annual program are being dealt with as follows:

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

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

Reform Areas	Timing	Loan Instruments
Cotton sector reform	2001-04	Structural Adjustment Credit (SAC) I, II, III
Public expenditure management	2001-04	SAC I, II, III
Financial sector reform	2000-06	Financial Sector Development project
Education	2000-05	Education Sector Expenditure project
Health	1998-05	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
Energy	2004-09	Household Energy & Universal Access
Telecommunications	2000-02	Telecommunications Sector project

¹The World Bank is engaged in all these areas, and is taking the lead in the reform of the financial, telecommunications and cotton sectors .

the PRSP need to be better reflected in the budget. At the same time, given the substantial salary increases granted over the past three years, a tightening of wage policy is essential for Mali to remain competitive and for the government to be able to recruit personnel required for education and health. In addition, the widening deficit of the civil service retirement fund needs to be dealt with rapidly, so as to reduce its impact on the budget.

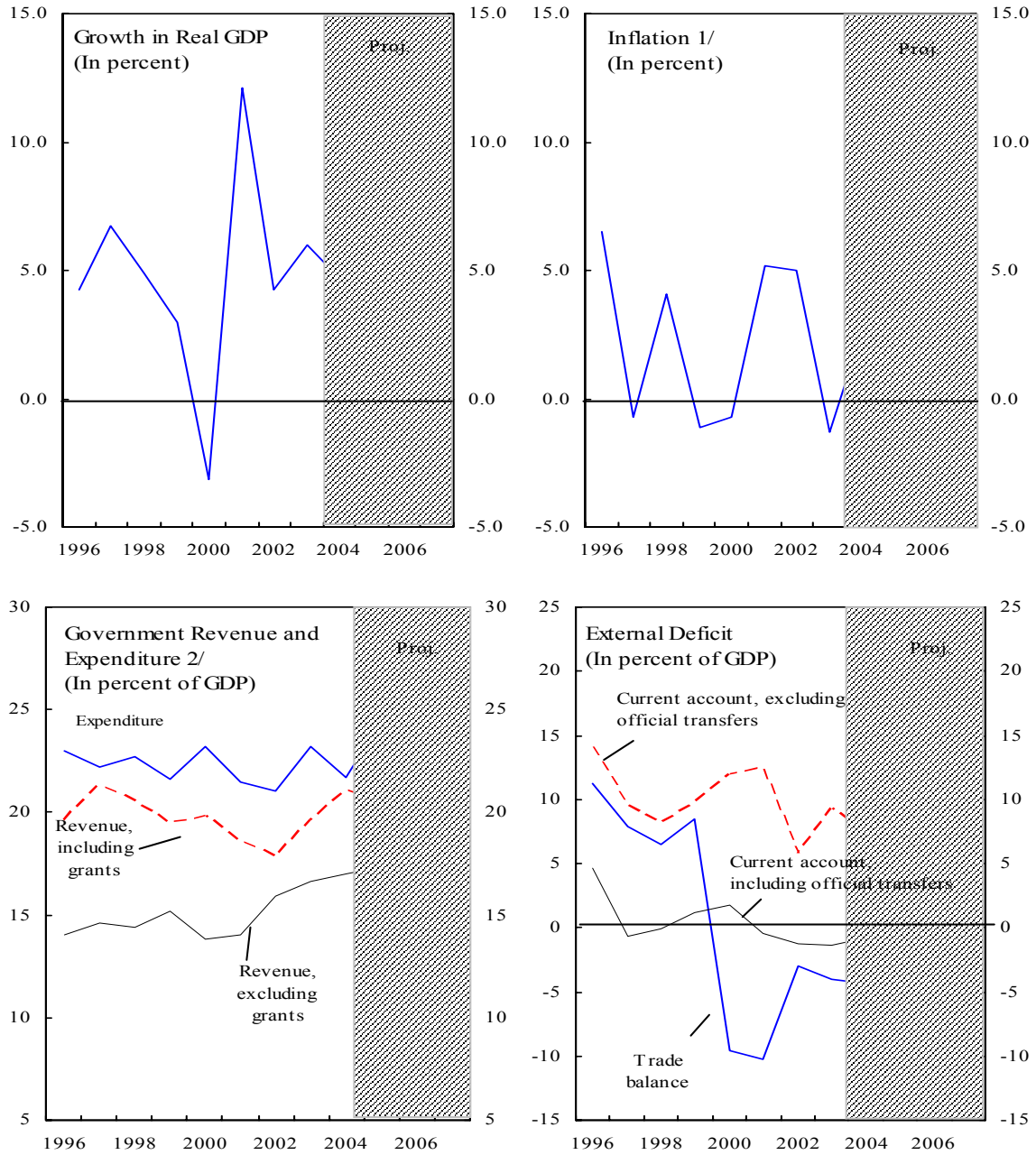
58. **The staff agrees that diversifying the economy is essential for maintaining high and sustainable growth.** It supports the government's strategy to bolster competitiveness and promote private sector development through structural reforms directed at developing infrastructure, strengthening the judicial system and governance, deepening financial intermediation, and improving labor skills and productivity. The staff urges the authorities to complete the privatization program and liberalization of the cotton sector, which is falling behind the adopted timetable. At the same time, the government should refrain from intervening directly in the economy and from granting tax exemptions or offering subsidies. As experience has shown, such approaches to development are likely to aggravate distortions in the economy, jeopardize fiscal consolidation, and reduce the resources available for social sectors.

59. **The staff has updated the debt sustainability analysis for Mali, finding that the NPV of debt-to-exports ratio in the baseline scenario would remain below 150 percent** over 2004-23, as in the HIPC completion point document. Given the vulnerability of the economy to exogenous shocks, however, the staff urges the authorities to increase the grant element in external financing over time to keep debt at a manageable level. An increase in access under the PRGF arrangement could be considered, should a need arise as a result of unexpected shocks to the balance of payments.

60. **The staff notes the progress made in implementing the PRSP, as indicated in the first annual progress report.** As emphasized in the joint staff assessment, it encourages the authorities to set clear priorities, select a narrow set of indicators to assess outcomes, and strengthen institutions to coordinate and monitor the PRSP's implementation.

61. The staff believes that, in view of the strength of the proposed policies and measures, **the government's reform program merits the support of the international community and recommends Board approval of the authorities' request for a new three-year arrangement under the PRGF.**

Figure 1. Mali: Main Economic Indicators, 1996-2007

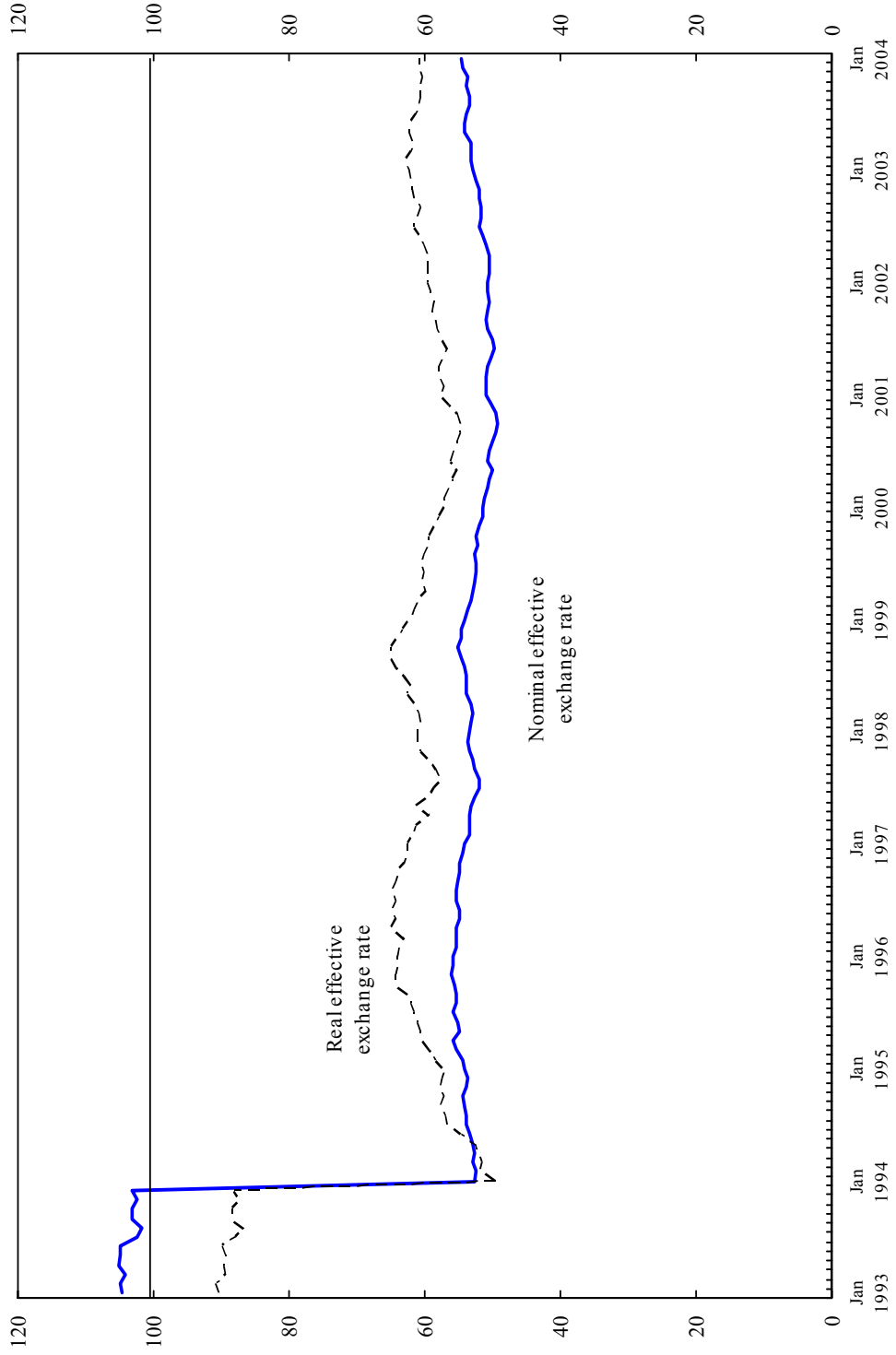


Sources: Malian authorities; and staff estimates and projections.

1/ Percentage change in average consumer price index.

2/ Central government, on commitment basis.

Figure 2. Mali: Effective Exchange Rates, January 1993 – January 2004
(Index, 1990=100)



Source: IMF, Information Notice System

Table 1. Mali: Proposed Schedule of Disbursements Under the PRGF Arrangement, 2004-07

Amount	Available Date	Conditions necessary for disbursement 1/
SDR 1.333 million	June 1, 2004	Executive Board approval of the three-year PRGF arrangement
SDR 1.333 million	October 15, 2004	Observance of the performance criteria for September 30, 2004 and completion of the first review under the arrangement
SDR 1.333 million	April 15, 2005	Observance of the performance criteria for March 31, 2005 and completion of the second review under the arrangement
SDR 1.333 million	October 15, 2005	Observance of the performance criteria for September 30, 2005 and completion of the third review under the arrangement
SDR 1.333 million	April 15, 2006	Observance of the performance criteria for March 31, 2006 and completion of the fourth review under the arrangement
SDR 1.333 million	October 15, 2006	Observance of the performance criteria for September 30, 2006 and completion of the fifth review under the arrangement
SDR 1.333 million	April 15, 2007	Observance of the performance criteria for March 31, 2006 and completion of the sixth review under the arrangement

Source: International Monetary Fund

1/ In addition to the generally applicable conditions under the Poverty Reduction and Growth Facility arrangement.

Table 2. Mali: Fund Position, 2000-07
(As of March 31, 2004)

	2000	2001	2002	2003	2004			2005	2006	2007		
	Actual				Jan.- Mar.	Apr.- June	Jul.- Sep.	Oct.- Dec.	Projections			
Net use of Fund credit	-6.20	1.28	-14.26	-8.17	-2.51	-8.55	-2.07	-8.55	-21.68	-18.57	-14.43	-13.95
Loans under:												
Structural Adjustment Facility (SAF)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Of which:</i> repayments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Poverty Reduction and Growth Facility (PRGF)	-6.20	1.28	-14.26	-8.17	-2.51	-8.55	-2.07	-8.55	-21.68	-18.57	-14.43	-13.95
Disbursements	6.75	18.17	6.75	12.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Repayments (excludes HIPC assistance)	12.95	16.88	21.01	21.07	2.51	8.55	2.07	8.55	21.68	18.57	14.43	13.95
Memorandum item:												
Approved HIPC assistance	0.0	0.0	0.0	0.98	2.17	3.15	0.76	3.15	9.22	8.08	5.25	3.99
Fund credit at end of period under PRGF	134.73	136.02	121.75	113.58	111.08	102.53	100.46	91.91	91.91	73.33	58.91	44.96
							(In percent of quota)					
Fund credit at end of period under Structural Adjustment Facility (SAF)/PRGF	144.41	145.78	130.49	121.74	119.06	109.89	107.67	98.51	98.51	78.60	63.14	48.19

Table 3. Mali: Selected Economic and Financial Indicators, 2000-07

	2000	2001	2002	2003	2004	2005	2006	2007
	Actual			Est.	Projections			
(Annual percentage change, unless otherwise indicated)								
National income and prices								
Real GDP	-3.2	12.1	4.3	6.0	4.7	6.1	6.6	5.6
Nominal GDP (in billions of CFA francs)	1,899.2	2,212.6	2,329.9	2,540.5	2,699.3	2,925.1	3,180.1	3,440.7
GDP deflator	9.0	3.9	1.0	2.9	1.5	2.1	2.0	2.4
Consumer price index (annual average)	-0.7	5.2	5.0	-1.3	2.5	2.5	2.5	2.5
External sector								
Exports, f.o.b.	9.1	36.9	17.6	-10.0	10.9	5.5	13.0	3.5
Imports, f.o.b.	13.1	27.7	-8.5	2.2	7.5	7.9	10.7	5.9
Export volume	-1.2	24.9	31.7	-10.4	3.6	4.6	9.5	2.3
<i>Of which: nonmining</i>	-7.5	-23.0	47.3	0.2	17.4	1.4	5.5	6.2
Import volume	1.7	29.8	-10.4	3.4	8.3	7.7	8.7	4.5
Terms of trade	-0.7	2.3	-9.5	1.5	7.1	1.1	1.8	-0.1
Nominal effective exchange rate (average)	-4.3	3.2	1.5	4.2	...	...	...	...
Real effective exchange rate (average)	-7.4	3.7	4.9	1.2	...	...	...	...
Central government finance								
Total revenue	-1.5	18.6	19.2	13.7	8.9	10.4	13.5	9.9
Total expenditure and net lending 1/	-0.5	14.2	16.0	2.0	19.8	9.0	9.6	8.3
Current expenditure	2.6	39.7	10.3	2.5	15.9	9.2	9.8	8.1
Capital expenditure and net lending 1/	-3.8	-10.3	24.6	1.4	25.0	8.8	9.4	8.6
Money and credit								
Credit to the government 2/	-4.2	4.6	-1.8	-7.3	0.5	...	...	...
Credit to the rest of economy	-2.4	19.0	21.6	17.4	9.1	...	...	...
Broad money (M2)	11.9	19.3	28.4	21.3	9.6	...	...	...
Velocity (GDP/M2)	4.7	4.0	3.7	3.3	3.2	...	...	...
Interest rate (in percent; end of period) 3/	6.5	6.5	6.5	5.0	...	...	...	...
(In percent of GDP, unless otherwise indicated)								
Investment and saving								
Gross domestic investment 4/	22.2	27.0	18.5	22.7	20.6	20.9	20.3	21.1
Government	7.8	6.1	7.0	6.3	7.7	7.8	7.9	8.0
Nongovernment	14.5	20.9	11.6	17.1	13.1	13.3	12.6	13.3
Gross domestic saving	11.6	17.6	18.5	19.0	17.1	17.1	17.1	17.2
Government	0.5	-0.6	0.0	1.4	0.4	0.6	1.3	1.6
Nongovernment	11.1	18.2	18.4	17.6	16.7	16.5	15.9	15.7
Central government finance								
Total revenue	13.8	14.1	15.9	16.6	17.0	17.3	18.1	18.4
Total expenditure and net lending 1/	21.5	21.1	23.2	21.7	24.5	24.6	24.8	24.8
Overall balance (payment order basis, including grants)	-2.9	-3.2	-3.6	-0.7	-4.0	-4.5	-4.0	-3.7
Overall balance (payment order basis, excluding grants)	-7.7	-7.0	-7.3	-5.1	-7.5	-7.3	-6.7	-6.5
Basic fiscal balance 5/	-0.6	-1.7	-1.3	-0.2	-1.2	-1.1	-0.6	-0.3
Basic fiscal balance 6/	-0.6	-0.2	0.1	1.1	-0.1	-0.1	0.4	0.6
External sector								
Current external balance, including official transfers	-9.6	-10.3	-3.0	-4.0	-4.3	-6.2	-6.1	-6.2
Current external balance, excluding official transfers	-12.0	-12.5	-4.3	-6.5	-5.1	-6.3	-6.1	-6.2
Debt-service ratio 7/								
Before debt relief	12.8	9.9	10.0	10.5	10.5	10.8	9.3	9.9
After debt relief	12.2	6.3	6.3	6.0	6.4	6.9	5.8	6.6
(In millions of U.S. dollars, unless otherwise indicated)								
Overall balance of payments	39.2	-44.8	119.1	156.2	-99.7	-144.1	-110.0	-117.7
Gross international reserves	381.3	348.9	594.5	827.5	870.0	913.0	956.8	1,000.4
(in months of next year's imports) 8/	3.8	4.2	6.4	7.1	7.0	6.7	6.6	6.4
Exports (in percent of GDP)	24.1	29.0	31.9	26.1	26.9	26.2	27.1	26.0
Imports (in percent of GDP)	34.7	38.3	32.0	30.5	40.1	40.0	30.4	30.0
U.S. dollar rate (end of period)	705.0	744.3	625.5	589.1	...	...	...	...

Sources: Malian authorities; and staff estimates and projections.

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

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

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

4/ Excluding PESAP; series might, hence, be slightly different from national accounts series on investment.

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 cred

7/ In percent of exports of goods and services.

8/ Goods and services.

Table 4. Mali: Selected National Accounts Indicators, 2000-07

	Composition of GDP in 2002 (In percent)	2000 Act.	2001 Act.	2002 Act.	2003 Est.	2004	2005	2006	2007
						Projections			
(Annual percentage change in constant prices)									
Primary sector	32.3	-10.4	11.3	-3.6	18.7	-0.7	4.6	4.8	4.9
Agriculture	17.4	-19.8	19.0	-7.9	32.5	-4.2	5.1	5.4	5.4
Food crops, excluding rice	10.7	-19.7	3.2	3.2	32.0	-9.3	5.0	5.0	5.0
Rice	3.5	-7.2	26.1	-24.4	36.1	6.0	6.0	7.3	7.3
Industrial agriculture, excluding cotton	0.9	5.0	-3.4	2.8	7.7	6.0	6.0	6.0	6.0
Cotton	2.4	-47.2	128.4	-23.0	38.4	0.0	4.0	4.0	4.0
Livestock	9.8	3.6	2.8	1.6	2.4	5.0	3.8	4.0	4.0
Fishing and forestry	5.1	2.5	2.5	2.6	2.6	3.8	3.8	3.8	4.6
Secondary sector	25.4	4.8	20.9	18.4	-7.9	5.8	7.6	9.7	5.3
Mining	11.4	11.1	85.1	22.5	-17.4	-6.9	8.3	13.7	-0.6
Industry	7.6	-2.2	-14.0	22.7	-5.5	18.8	6.0	6.3	7.5
Agribusiness	2.4	13.1	-6.3	-4.7	5.3	5.0	5.0	6.0	7.0
Textile	0.9	-6.3	4.8	4.1	2.3	15.0	10.0	5.0	5.0
Others	4.8	-9.1	-20.6	45.4	-11.1	27.3	5.1	7.6	7.8
Of which: cotton ginning	2.9	-11.4	-47.2	128.4	-23.0	38.4	0.0	4.0	4.0
Energy	1.9	21.7	9.6	15.1	9.0	15.0	10.0	10.0	11.0
Construction and public works	4.4	5.3	6.9	4.4	5.1	7.0	8.0	8.0	10.0
Tertiary sector	34.5	4.3	6.0	1.1	3.6	9.1	5.6	5.4	6.2
Transportation and telecommunications	4.8	4.9	6.3	-2.2	10.2	13.0	10.0	10.0	12.0
Trade	13.3	3.7	10.8	-0.6	2.1	12.1	6.0	6.0	7.0
Financial services	0.3	4.8	1.0	0.3	1.0	2.3	5.0	5.0	5.0
Other nonfinancial services	6.9	-0.2	0.5	3.1	0.8	4.7	3.6	4.0	4.0
Public administration	8.6	8.7	3.9	4.3	4.6	6.3	3.9	2.4	2.5
GDP (at factor cost)	92.1	-1.7	11.3	3.5	5.7	4.4	5.7	6.2	5.5
Indirect taxes	7.9	-20.3	23.5	14.4	9.3	8.0	10.5	10.8	7.0
GDP (at market prices)	100.0	-3.2	12.1	4.3	6.0	4.7	6.1	6.6	5.6
Nonmining real GDP	88.6	-3.9	7.5	2.3	9.0	5.9	5.9	6.0	6.2
Total economy	...	-9.6	-10.3	-3.0	-4.0	-4.3	-6.2	-6.1	-6.1
Gross national saving	...	12.8	16.7	15.6	19.4	16.5	14.8	14.4	15.1
Of which: domestic saving	...	11.6	17.6	18.5	19.0	17.1	17.1	17.1	17.2
Gross domestic investment	...	22.3	27.0	18.6	23.4	20.8	21.1	20.4	21.2
Private sector	...	-3.8	-5.1	3.5	-0.9	2.8	1.5	1.1	0.8
Gross national saving	...	10.7	15.8	15.1	16.2	16.0	14.8	13.7	14.0
Of which: domestic saving	...	11.1	18.2	18.4	17.6	16.7	16.5	15.9	15.7
Gross domestic investment	...	14.5	20.9	11.6	17.1	13.1	13.3	12.6	13.3
Government	...	-5.8	-5.2	-6.4	-3.2	-7.2	-7.7	-7.2	-6.9
Gross national saving	...	2.1	0.9	0.5	3.2	0.5	0.0	0.7	1.0
Of which: domestic saving	...	0.5	-0.6	0.0	1.4	0.4	0.6	1.3	1.6
Gross domestic investment	...	7.8	6.1	7.0	6.3	7.7	7.8	7.9	8.0
Memorandum items:									
External current account balance 1/	...	-9.6	-10.3	-3.0	-4.0	-4.3	-6.2	-6.1	-6.2
Nominal GDP (in billions of CFA francs)	...	1,899.2	2,212.6	2,329.9	2,540.5	2,699.3	2,925.1	3,180.1	3,440.7

Sources: Malian authorities; and staff estimates and projections.

1/ Including current official transfers.

Table 5. Mali: Central Government Consolidated Financial Operations, 2000-07 1/

	2000	2001	2002	2003	2004	2005	2006	2007
					Proj.	Projections		
(In billions of CFA francs)								
Revenue and grants	352.3	394.9	456.7	534.1	553.0	587.5	663.1	727.0
Total revenue	262.3	311.2	370.9	421.8	459.2	507.0	575.5	632.3
Budgetary revenue	237.9	283.7	337.2	384.4	420.2	467.0	534.6	590.3
Tax revenue	225.7	272.7	306.0	349.2	383.7	427.3	486.0	536.4
Direct taxes	40.1	46.3	51.9	73.1	82.1	94.4	107.5	123.4
Indirect taxes	185.6	226.4	254.1	276.1	301.6	332.9	378.5	413.0
<i>Of which</i> : value-added tax	81.6	111.2	126.7	139.4	146.3	161.8	181.5	197.4
Nontax revenue	12.2	11.0	31.2	35.2	36.4	39.7	48.5	53.9
Special funds and annexed budgets	24.4	27.5	33.7	37.4	39.0	40.0	41.0	42.0
Grants	90.0	83.6	85.8	112.4	93.8	80.5	87.5	94.7
Projects	57.8	56.1	69.2	60.7	74.3	80.5	87.5	94.7
Budgetary	32.2	27.5	16.6	51.7	19.5	0.0	0.0	0.0
Total expenditure and net lending 2/	407.9	465.9	540.6	551.4	660.4	720.1	789.4	854.9
Budgetary expenditure	386.0	449.1	511.7	517.9	625.7	684.5	752.9	817.6
Current expenditure	200.2	279.8	308.7	316.3	366.7	400.6	440.0	475.5
Wages and salaries	73.1	85.8	93.5	106.2	122.0	134.7	146.4	158.4
Goods and services	75.2	91.8	109.0	107.6	139.2	159.2	189.4	207.6
Transfers and subsidies	35.9	87.6	87.8	83.8	87.0	87.4	83.9	87.9
Interest	16.0	14.6	18.4	18.8	18.6	19.3	20.2	21.6
Domestic	1.6	0.8	2.1	3.4	1.1	1.5	1.4	2.4
External	14.4	13.8	16.3	15.4	17.4	17.9	18.8	19.2
Capital expenditure	185.8	169.3	203.1	201.5	259.0	283.9	313.0	342.1
Externally financed	133.3	116.3	140.3	123.3	169.0	181.4	195.4	212.6
Domestically financed	52.4	53.0	62.7	78.3	90.0	102.5	117.5	129.5
Special funds and annexed budgets	24.4	27.5	33.7	37.4	39.0	40.0	41.0	42.0
Net lending	-2.5	-10.7	-4.9	-3.9	-4.3	-4.4	-4.5	-4.6
Overall fiscal balance, payment order basis								
Excluding grants	-145.6	-154.7	-169.7	-129.6	-201.3	-213.1	-213.8	-222.7
Including grants	-55.6	-71.1	-83.9	-17.2	-107.5	-132.6	-126.3	-128.0
Overall fiscal balance, cash basis								
Excluding grants	-144.0	-154.7	-171.0	-118.8	-209.5	-213.1	-213.8	-222.7
Including grants	-54.0	-71.1	-85.2	-6.4	-115.7	-132.6	-126.3	-128.0
Financing	54.0	71.1	85.2	6.5	60.2	50.7	65.0	62.3
External financing (net)	51.8	65.0	88.5	90.8	84.1	92.9	97.5	100.6
Loans	82.4	78.4	102.6	97.5	94.8	100.9	107.9	117.9
Project loans	75.5	60.2	71.1	62.6	94.8	100.9	107.9	117.9
Budgetary loans	6.9	18.2	31.5	34.9	0.0	0.0	0.0	0.0
Amortization	-33.2	-36.4	-41.6	-36.8	-40.3	-37.7	-40.1	-47.2
Debt relief, HIPC Initiative	2.6	23.1	27.5	30.1	29.6	29.7	29.7	29.8
Domestic financing (net)	2.2	6.1	-3.4	-84.4	-23.9	-42.2	-32.5	-38.2
Banking system	-17.9	17.3	-9.9	-49.6	2.9	-31.3	-22.9	-24.2
<i>Of which</i> : IMF (net)	-3.3	4.1	-10.0	-5.7	-18.2	-26.8	-20.8	-22.1
Privatization receipts	20.3	0.0	29.4	1.0	3.2	4.5	4.5	0.0
Other financing	-0.2	-11.2	-22.9	-35.8	-30.0	-15.4	-14.0	-14.0
Financing gap	0.0	0.0	0.0	0.0	55.5	81.9	61.3	65.7
(In percent of GDP)								
Revenue and grants	18.5	17.8	19.6	21.0	20.5	20.1	20.9	21.1
<i>Of which</i> : total revenue	13.8	14.1	15.9	16.6	17.0	17.3	18.1	18.4
<i>Of which</i> : tax revenue	11.9	12.3	13.1	13.7	14.2	14.6	15.3	15.6
Total expenditure and net lending	21.5	21.1	23.2	21.7	24.5	24.6	24.8	24.8
<i>Of which</i> : health and education	4.3	3.6	4.7	4.9	6.4	5.5	5.5	5.6
Current expenditure	10.5	12.6	13.2	12.5	13.6	13.7	13.8	13.8
Overall fiscal balance								
Payment order basis, including grants	-2.9	-3.2	-3.6	-0.7	-4.0	-4.5	-4.0	-3.7
Payment order basis, excluding grants	-7.7	-7.0	-7.3	-5.1	-7.5	-7.3	-6.7	-6.5
Basic fiscal balance 3/	-0.6	-1.7	-1.3	-0.2	-1.2	-1.1	-0.6	-0.3
(In billions of CFA francs)								
Memorandum items:								
Nominal GDP	1,899.2	2,212.6	2,329.9	2,540.5	2,699.3	2,925.1	3,180.1	3,440.7
Basic fiscal balance 3/	-12.2	-38.4	-29.4	-6.3	-32.2	-31.8	-18.4	-10.1
HIPC Initiative expenditures	0.9	16.8	30.9	34.7	29.6	29.7	29.7	29.8

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

1/ Revenue and expenditure are from the budget. The staff took 80 percent of capital expenditure, in line with the past execution levels.

2/ Outlays financed by enhanced HIPC Initiative resources are recorded according to their economic classification.

3/ Defined as total revenue, excluding grants, minus total expenditure and net lending, excluding foreign-financed capital expenditure.

Table 6. Mali: Public Sector Debt Sustainability Framework, Baseline Scenario, 2000-23
(In percent of GDP, unless otherwise indicated)

	Estimate										Projections					
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2008	2013	2017	2021	2022		
Public sector debt 1/	100.8	94.4	89.1	71.5	69.9	62.8	56.1	50.4	45.3	45.3	25.5	16.0	10.2	8.9		
<i>Of which:</i> foreign-currency denominated	98.9	90.9	85.4	69.0	68.3	61.6	54.9	49.4	44.3	44.3	25.3	15.9	10.1	8.8		
Change in public sector debt	-6.2	-6.4	-5.3	-17.6	-1.6	-7.1	-6.8	-5.6	-5.2	-5.2	-3.1	-2.1	-1.0	-1.3		
Identified debt-creating flows	4.0	-7.3	-14.4	-21.3	-3.4	-2.2	-2.2	-1.4	-0.6	-0.6	1.3	2.2	2.6	2.5		
Primary deficit	2.0	2.5	2.8	-0.1	3.3	3.8	3.3	3.1	3.3	3.3	3.6	3.6	3.3	3.1		
Revenue and grants	18.5	17.8	19.6	21.0	20.5	20.1	20.9	21.1	21.3	21.0	21.1	21.1	21.0	21.0		
<i>Of which:</i> grants	4.7	3.8	3.7	4.4	3.5	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8		
Primary (noninterest) expenditure	20.6	20.4	22.4	20.9	23.7	23.9	24.2	24.2	24.6	24.6	24.6	24.6	24.3	24.1		
Automatic debt dynamics	3.2	-8.8	-14.7	-20.0	-5.4	-4.8	-4.4	-3.6	-3.1	-3.1	-1.9	-1.1	-0.7	-0.6		
Contribution from interest rate/growth differential	2.0	-12.3	-4.0	-5.5	...	...	...	...	...	...	...	...	...	...
Contribution from average real interest rate	-1.5	-1.4	-0.2	-0.5	...	...	...	...	...	...	...	...	...	...
Contribution from real GDP growth	3.5	-10.9	-3.9	-5.0	-3.2	-4.0	-3.9	-3.0	-2.6	-2.6	-1.6	-1.0	-0.7	-0.6		
Contribution from real exchange rate depreciation	1.1	3.5	-10.7	-14.5	...	...	...	...	...	...	...	...	...	...
Other identified debt-creating flows	-1.2	-1.0	-2.4	-1.2	-1.2	-1.2	-1.1	-0.9	-0.7	-0.4	-0.2	-0.2	0.0	0.0		
Privatization receipts (negative)	-1.1	0.0	-1.3	0.0	-0.1	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of implicit or contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	-0.1	-1.0	-1.2	-1.2	-1.1	-1.0	-0.9	-0.9	-0.7	-0.4	-0.2	-0.2	0.0	0.0		
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual, including asset changes	-10.2	0.9	9.1	3.7	1.9	-4.9	-4.6	-4.2	-4.6	-4.6	-4.5	-4.3	-3.7	-3.8		
NPV of public sector debt	56.4	53.8	47.6	43.2	41.6	39.0	36.8	35.1	33.4	33.4	26.6	23.3	20.6	18.8		
<i>Of which:</i> foreign-currency denominated	54.5	50.4	44.0	40.7	40.0	37.8	35.7	34.1	32.4	32.4	26.3	23.1	20.5	18.6		
<i>Of which:</i> external	54.1	49.6	43.1	40.1	39.6	37.5	35.4	33.8	32.2	32.2	26.3	23.1	20.4	18.6		
Gross financing need 2/	5.2	5.3	5.8	2.5	5.8	6.2	5.5	5.4	5.4	5.4	5.2	5.1	4.5	4.3		
NPV of public sector debt-to-revenue ratio (in percent) 3/	303.9	301.7	243.1	205.3	203.2	194.4	176.7	166.1	156.4	126.2	110.6	98.2	89.4	88.7		
<i>Of which:</i> external	291.6	277.7	219.6	190.8	193.2	186.8	170.0	160.0	150.8	124.8	109.5	97.4	88.7	88.7		
Debt service-to-revenue ratio (in percent) 3/ 4/	14.2	13.1	13.3	10.6	10.8	9.9	9.2	9.6	8.9	8.9	7.1	6.6	5.1	5.0		
Primary deficit that stabilizes the debt-to-GDP ratio	8.3	8.9	8.1	17.5	4.8	10.9	10.1	8.7	8.4	8.4	6.7	5.6	4.4	4.4		
Key macroeconomic and fiscal assumptions																
Real GDP growth (in percent)	-3.2	12.1	4.3	6.0	4.7	6.1	6.6	5.6	5.4	6.1	6.1	6.0	6.3	5.9		
Average nominal interest rate on foreign exchange debt (in percent)	0.8	0.8	0.9	0.9	1.1	1.0	1.1	1.2	1.3	1.4	1.4	1.8	2.5	2.4		
Average real interest rate on domestic currency debt (in percent)	-6.2	-1.8	0.2	-1.7	0.0	0.1	0.9	0.6	0.6	0.6	2.3	2.9	3.3	3.0		
Real exchange rate depreciation (in percent; + indicates depreciation)	1.1	4.0	-12.2	-18.3	...	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	9.0	3.9	1.0	2.9	1.5	2.1	2.0	2.4	2.5	2.3	2.3	2.7	2.7	2.8		
Growth of real primary spending (deflated by GDP deflator, in percent)	-9.5	10.9	14.5	-0.9	18.8	6.9	7.7	5.8	7.2	5.3	5.3	5.6	6.6	5.0		
Major commodity price (U.S. dollars per ounce of gold)	279.2	271.1	310.0	340.0	425.0	437.5	445.0	450.0	455.0	500.2	539.7	582.2	582.2	582.2		
Grant element of new external borrowing (in percent)	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5		

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

1/ Central government gross debt

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

3/ Revenue, including grants.

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

Table 7. Mali : Monetary Survey, 2001-04

	2001			2002			2003			2004			
	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.
Net foreign assets	198.1	242.5	243.8	243.5	271.6	339.9	381.6	365.5	387.6	401.2	405.4	404.9	412.6
Central Bank of West African States (BCEAO)	115.4	177.3	201.8	196.4	226.0	293.5	314.3	311.8	350.2	363.8	368.0	367.5	375.2
Commercial banks	82.7	65.2	42.0	47.1	45.6	46.3	67.2	53.8	37.4	37.4	37.4	37.4	37.4
Net domestic assets	289.5	306.7	310.4	291.3	341.4	335.8	291.1	341.7	371.8	385.3	379.4	398.8	419.5
Credit to the government (net)	-18.7	-19.0	-0.5	-14.3	-27.5	-37.0	-32.1	-22.2	-73.1	-52.7	-58.3	-61.5	-69.5
BCEAO	109.1	111.5	115.6	101.2	107.4	98.9	87.8	100.3	91.8	88.7	81.1	78.4	70.5
Commercial banks	-126.5	-128.9	-114.7	-114.5	-134.9	-133.8	-119.1	-121.8	-164.4	-140.9	-138.9	-139.4	-139.4
Other	-1.3	-1.6	-1.4	-1.0	0.0	-2.1	-0.8	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6
Credit to the economy	338.5	365.0	356.3	356.5	411.5	415.0	391.6	424.5	482.9	475.9	475.7	498.3	527.0
Other items (net)	-30.2	-39.3	-45.4	-50.9	-42.6	-42.2	-68.4	-60.7	-38.0	-38.0	-38.0	-38.0	-38.0
Money supply (M2)	487.6	549.1	554.2	534.8	626.3	675.7	672.6	707.2	759.4	786.4	784.8	803.6	832.1
Currency outside banks	179.0	212.6	235.9	218.6	247.4	274.3	283.4	297.5	306.5	319.3	330.7	338.0	335.9
Bank deposits	308.5	336.5	318.3	316.2	378.9	401.4	389.2	409.7	452.9	467.2	454.1	465.6	496.2
Contribution to the growth of broad money													
Net foreign assets	7.4	9.1	9.4	9.3	15.1	10.9	17.6	15.0	18.5	1.8	2.3	2.3	3.3
Net domestic assets	11.8	3.5	4.3	0.4	10.6	-0.9	-8.0	0.0	4.9	1.8	1.0	3.5	6.3
Of which: credit to the central government	4.6	-0.1	3.7	0.9	-1.8	-1.5	-0.7	0.9	-7.3	2.7	1.9	1.5	0.5
Money supply (M2)	19.2	12.6	13.7	9.7	28.4	7.9	7.4	12.9	21.3	3.6	3.3	5.8	9.6
Memorandum items:													
Money supply	19.2	24.8	22.1	18.5	28.4	23.1	21.4	32.3	21.3	...	...	...	9.6
Credit to the economy	19.0	19.2	26.3	22.5	21.6	13.7	9.9	19.1	17.4	...	...	...	9.1
Velocity (GDP/M2)	4.5	...	...	...	3.7	...	...	...	3.4	...	...	...	3.2
Currency outside banks / M2 (in percent)	36.7	38.7	42.6	40.9	39.5	40.6	42.1	...	...	...	...	...	40.4

Sources: BCEAO; and staff estimates and projections.

Table 8. Mali: Balance of Payments, 2000-07 1/

	2000	2001	2002	2003	2004	2005	2006	2007
	Projections							
(In billions of CFA francs)								
Exports, f.o.b.	387.8	531.1	624.6	561.8	622.8	657.2	742.5	768.5
Cotton fiber	108.9	81.2	155.4	151.3	204.1	197.8	208.9	220.7
Gold	189.4	353.8	400.0	319.2	321.4	351.2	407.4	406.9
Other	89.6	96.0	69.1	91.3	97.3	108.1	126.1	140.9
Imports, f.o.b.	-421.5	-538.4	-492.8	-503.8	-541.8	-584.8	-647.3	-685.4
Trade balance	-33.7	-7.3	131.8	58.0	81.0	72.4	95.2	83.1
Services (net)	-167.9	-198.1	-135.6	-170.4	-182.2	-188.6	-201.4	-219.7
Credit	70.5	110.8	118.1	101.1	104.2	109.3	118.9	126.3
Debit	-238.4	-308.9	-253.7	-271.5	-286.4	-297.9	-320.3	-346.0
<i>Of which</i> : freight and insurance	-152.0	-177.3	-147.2	-150.5	-172.0	-174.7	-183.7	-204.7
Income (net)	-69.9	-121.7	-167.4	-98.6	-81.5	-120.8	-144.5	-136.1
<i>Of which</i> : interest due on public debt	-15.6	-14.3	-16.8	-15.8	-17.9	-18.1	-19.0	-19.5
Private transfers (net)	44.3	51.1	71.2	45.1	44.0	53.3	55.3	58.4
Official transfers (net)	45.7	48.4	30.8	63.8	21.7	2.2	2.3	2.5
<i>Of which</i> : budgetary grants	32.2	27.5	16.6	51.7	19.5	0.0	0.0	0.0
Current account balance								
Excluding official transfers	-227.1	-276.0	-100.0	-165.9	-138.7	-183.8	-195.3	-214.3
Including official transfers	-181.4	-227.6	-69.2	-102.1	-117.0	-181.6	-193.0	-211.8
Capital and financial account	182.6	131.1	195.7	148.8	56.9	95.0	127.1	141.3
Capital account (net)	61.1	62.1	72.7	62.7	76.3	82.5	89.5	96.7
<i>Of which</i> : projects grants	57.8	56.1	69.2	60.7	74.3	80.5	87.5	94.7
Financial account	121.5	69.0	123.0	86.1	-19.3	12.5	37.6	44.6
Private (net) 2/	72.3	27.1	62.0	25.4	-73.8	-50.7	-30.3	-26.1
Direct investment (net)	55.8	76.6	168.8	46.0	21.6	24.6	29.5	29.6
Portfolio investment private (net)	4.1	7.6	36.7	4.4	5.5	5.5	5.5	5.5
Other private capital flows	...	-44.1	-143.5	-25.0	-100.9	-80.8	-65.2	-61.2
Official (net)	49.2	42.0	61.0	60.7	54.5	63.1	67.8	70.8
Disbursements	82.4	78.4	102.6	97.5	94.8	100.9	107.9	117.9
Budgetary	6.9	18.2	31.5	34.9	0.0	0.0	0.0	0.0
Project related	75.5	60.2	71.1	62.6	94.8	100.9	107.9	117.9
Amortization due on public debt	-33.2	-36.4	-41.6	-36.8	-40.3	-37.7	-40.1	-47.2
Errors and omissions	26.7	63.7	-43.4	47.4	0.0	0.0	0.0	0.0
Overall balance	27.8	-32.8	83.0	94.1	-60.1	-86.6	-65.9	-70.5
Financing	-27.8	32.8	-83.0	-94.1	60.1	86.6	65.9	70.5
Foreign assets (net)	-30.4	9.8	-110.6	-124.2	-25.0	-25.0	-25.0	-25.0
<i>Of which</i> : IMF (net)	-3.3	4.1	-10.0	-6.6	-18.2	-26.8	-20.8	-22.1
Drawings	6.6	17.0	6.0	10.7	0.0	0.0	0.0	0.0
Repurchases	-9.9	-12.9	-16.0	-17.3	-18.2	-26.8	-20.8	-22.1
HIPC Initiative assistance 3/	2.6	23.1	27.5	30.1	29.6	29.7	29.7	29.8
Financing gap	0.0	0.0	0.0	0.0	55.5	81.9	61.3	65.6
(Annual percentage change)								
Export volume index	-1.2	24.9	31.7	-10.4	3.6	4.6	9.5	2.3
Import volume index	1.7	29.8	-10.4	3.4	8.3	7.7	8.7	4.5
Export unit value	10.4	9.6	-10.7	0.4	7.0	0.9	3.2	1.2
Import price	11.2	7.2	-1.3	-1.1	-0.1	-0.2	1.4	1.3
Terms of trade	-0.7	2.2	-9.5	1.5	7.1	1.1	1.8	-0.1
(In percent of GDP, unless otherwise indicated)								
External current account balance								
Excluding official transfers	-12.0	-12.5	-4.3	-6.5	-5.1	-6.3	-6.1	-6.2
Including official transfers	-9.6	-10.3	-3.0	-4.0	-4.3	-6.2	-6.1	-6.2
External public debt	99.2	89.4	90.2	76.3	77.9	70.4	63.2	56.8
Debt-service ratio 4/								
Before debt relief	12.8	9.9	10.0	10.5	10.5	10.8	9.3	9.9
After debt relief (including HIPC Initiative)	12.2	6.3	6.3	6.0	6.4	6.9	5.8	6.6

Sources: Malian authorities; and staff estimates and projections.

1/ Presented according to the IMF 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 Debt Indicators, 2004-23
(In percent, unless otherwise indicated)

	2004	2005	2006	2007	2008	2009	2010	2011-16	2017-23
Baseline scenario									
NPV of debt-to-exports ratio	137.4	136.7	131.6	129.8	127.0	128.3	130.7	136.2	135.5
NPV of debt-to-revenue ratio	202.5	193.6	179.2	172.3	165.5	162.9	162.6	150.5	125.9
Debt service-to-exports ratio	6.0	5.6	5.0	5.4	5.2	5.1	5.0	5.1	6.0
Debt service-to-revenue ratio	9.5	8.4	7.5	7.6	7.1	6.8	6.4	6.0	5.9
Memorandum items (in millions of U.S. dollars):									
NPV of debt	1,544.2	1,632.6	1,719.5	1,819.8	1,909.6	2,013.9	2,130.8	2,633.7	3,793.1
<i>Of which</i> : new borrowing	84.8	187.8	291.6	408.1	533.6	673.9	826.7	1,485.7	3,009.4
Debt service	72.2	70.8	72.0	80.6	82.0	83.6	84.1	105.1	178.1
<i>Of which</i> : new borrowing	1.1	2.3	3.5	4.9	6.2	7.7	9.3	27.9	101.9
Exports of goods and services	1,207.5	1,275.1	1,436.4	1,494.8	1,578.5	1,634.7	1,677.6	2,038.5	2,965.0
Exports of goods and services (3-year average)	1,124.3	1,194.1	1,306.3	1,402.1	1,503.2	1,569.4	1,630.3	1,932.5	2,808.8
Revenue, excluding grants	762.6	843.4	959.7	1,056.2	1,154.0	1,236.3	1,310.3	1,759.3	3,057.3
First alternative scenario: depletion of gold reserves									
NPV of debt-to-exports ratio	137.8	137.7	133.0	131.5	129.1	130.8	133.6	158.0	180.8
NPV of debt-to-revenue ratio	203.2	194.9	181.0	174.6	168.2	166.0	166.2	166.1	147.8
Debt service-to-exports ratio	6.0	5.6	5.1	5.5	5.3	5.3	5.2	6.4	8.5
Debt service-to-revenue ratio	9.5	8.5	7.6	7.8	7.3	7.0	6.6	6.9	7.3
Memorandum items (in millions of U.S. dollars):									
NPV of debt	1,549.5	1,644.2	1,737.2	1,844.2	1,940.9	2,052.7	2,177.6	2,757.4	4,150.4
<i>Of which</i> : new borrowing	90.1	199.4	309.3	432.5	564.8	712.8	873.6	1,609.3	3,366.6
Debt service	72.5	71.5	73.1	82.1	83.9	85.9	87.0	114.5	208.4
<i>Of which</i> : new borrowing	1.4	3.0	4.6	6.3	8.1	10.1	12.1	37.3	132.2
Exports of goods and services	1,207.5	1,275.1	1,436.4	1,494.8	1,578.5	1,634.7	1,677.6	1,777.8	2,449.2
Exports of goods and services (3-year average)	1,124.3	1,194.1	1,306.3	1,402.1	1,503.2	1,569.4	1,630.3	1,740.3	2,305.6
Revenue, excluding grants	762.6	843.4	959.7	1,056.2	1,154.0	1,236.3	1,310.3	1,660.9	2,852.8
Second alternative scenario: higher investment and growth									
NPV of debt-to-exports ratio	137.8	138.0	133.8	133.2	131.8	134.6	138.5	150.1	154.5
NPV of debt-to-revenue ratio	203.2	191.7	175.4	166.8	159.0	155.4	154.1	142.8	116.6
Debt service-to-exports ratio	6.0	5.6	5.1	5.5	5.3	5.2	5.1	5.4	6.4
Debt service-to-revenue ratio	9.5	8.3	7.3	7.3	6.7	6.3	5.9	5.5	5.2
Memorandum items (in millions of U.S. dollars):									
NPV of debt	1,549.5	1,647.9	1,750.1	1,873.2	1,994.6	2,139.6	2,307.7	3,134.7	5,350.9
<i>Of which</i> : new borrowing	90.1	203.1	322.1	461.5	618.5	799.6	1,003.6	1,986.7	4,567.1
Debt service	72.5	71.6	73.3	82.5	84.7	87.2	88.9	120.7	241.8
<i>Of which</i> : new borrowing	1.4	3.1	4.8	6.8	8.9	11.3	14.0	43.5	165.6
Exports of goods and services	1,207.5	1,276.0	1,439.8	1,502.7	1,596.5	1,668.9	1,733.7	2,231.0	3,804.0
Exports of goods and services (3-year average)	1,124.3	1,194.4	1,307.8	1,406.1	1,513.0	1,589.4	1,666.4	2,081.8	3,494.8
Revenue, excluding grants	762.6	859.4	997.7	1,123.2	1,254.6	1,376.5	1,497.7	2,208.0	4,719.2
Third alternative scenario: cyclical droughts									
NPV of debt-to-exports ratio	139.3	141.3	139.6	144.7	147.5	152.1	156.9	181.6	212.0
NPV of debt-to-revenue ratio	205.4	207.5	192.7	202.3	196.6	196.4	198.4	216.8	222.2
Debt service-to-exports ratio	6.0	5.7	5.4	6.1	5.9	5.8	5.7	6.6	9.3
Debt service-to-revenue ratio	9.5	8.9	8.0	8.7	8.2	7.9	7.5	8.3	10.3
Memorandum items (in millions of U.S. dollars):									
NPV of debt	1,566.1	1,687.1	1,789.5	1,925.1	2,052.7	2,198.5	2,393.0	3,216.8	5,292.7
<i>Of which</i> : new borrowing	106.7	242.3	361.6	513.3	676.7	858.6	1,088.9	2,068.7	4,509.0
Debt service	72.8	72.2	73.9	83.3	85.5	88.0	90.0	123.8	247.2
<i>Of which</i> : new borrowing	1.6	3.7	5.4	7.5	9.7	12.1	15.2	46.6	170.9
Exports of goods and services	1,207.5	1,275.1	1,363.0	1,354.4	1,456.6	1,526.5	1,592.5	1,851.1	2,633.8
Exports of goods and services (3-year average)	1,124.3	1,194.1	1,281.9	1,330.8	1,391.3	1,445.8	1,525.2	1,762.8	2,496.5
Revenue, excluding grants	762.6	813.2	928.9	951.7	1,044.0	1,119.2	1,206.1	1,480.7	2,405.0

Sources: Malian authorities; and staff estimates and projections.

Table 10. Mali: Compliance with WAEMU Convergence Criteria, 2000-07
(Ratios in percent, unless otherwise indicated)

Ratio	2000	2001	2002	2003	2004	2005	2006	2007
	Actual			IMF Country Report No. 03/246	Projections			
Primary criteria								
Basic fiscal balance / GDP	-0.6	-0.2	0.1	0.3	1.1	-0.1	0.4	0.6
Inflation (annual average percentage change)	-0.7	5.2	5.0	3.8	-1.3	2.5	2.5	2.5
Total nominal debt / GDP	99.2	90.8	90.0	78.8	76.3	77.9	63.2	0.0
Domestic arrears accumulation (in billions of CFA francs)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External arrears accumulation (in billions of CFA francs)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Secondary criteria								
Wages / fiscal revenue	32.4	31.5	30.6	28.3	30.4	31.8	30.1	29.5
Domestically financed investment / fiscal revenue	23.2	19.4	20.5	23.5	22.4	23.4	18.1	18.6
Current account deficit, excluding current official transfers / GDP	12.0	12.5	4.3	8.2	6.5	5.1	6.1	6.2
Fiscal revenue / GDP	11.9	12.3	13.1	15.7	13.7	14.2	15.3	15.6

Sources: Malian authorities; and staff estimates and projections.

Table 11. Mali: Indicators of Fund Credit and Debt Servicing, 2000-07
(Ratios in percent, unless otherwise indicated)

	2000	2001 Act.	2002 Est.	2003 Est.	2004-2007 Projections			
					2004	2005	2006	2007
Outstanding Fund credit/quota 1/	144.4	145.8	130.5	121.9	98.4	78.9	63.6	46.4
Outstanding Fund credit/GDP 1/	7.2	6.1	5.2	4.5	3.4	2.5	1.9	1.3
Outstanding Fund credit/exports of goods and services 1/	26.7	21.2	16.4	17.2	12.6	9.6	6.9	4.8
Gross Fund financing/financing needs 1/ 2/	2.3	8.6	10.8	15.2	0.0	0.0	0.0	0.0
Debt service to the Fund/exports of goods and services 3/	2.8	3.0	3.1	3.6	3.8	3.0	2.1	2.1
Debt service to the Fund/exports of goods and services 4/	2.7	2.8	2.5	2.8	2.6	1.6	0.6	0.8
Debt service to the Fund/Total government revenue 3/	5.8	6.2	6.4	6.2	6.1	4.5	3.1	2.9
Debt service to the Fund/Total government revenue 4/	5.6	5.8	5.2	4.7	4.2	2.5	0.9	1.1
Debt service to the Fund/total debt service 3/	21.9	33.7	33.5	34.6	33.2	28.1	21.0	18.9
Total debt service before rescheduling 3/	12.8	9.9	10.0	10.5	10.5	10.8	9.3	9.9
Total debt service after debt relief 4/	12.2	6.3	6.3	6.0	6.4	6.9	5.8	6.6
Memorandum item (in millions of SDRs):								
Exports of goods and services	504.5	601.1	693.0	598.3	603.9	635.4	713.7	740.3
Government Revenue	245.6	290.4	334.7	350.3	380.6	420.0	476.2	522.2

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 2001-07), including SDR charges, as a percentage of exports of goods and services.

4/ Debt service, after debt relief, moratoriums, and potential HIPC Initiative assistance (estimated for the period 2001-07), including SDR charges, as a percentage of exports of goods and nonfactor services.

Table 12. Mali: Millenium Development Goals (concluded)

	1990	1995	2001	2002
Goal 1: Eradicate extreme poverty and hunger				
Target 1: Halve between 1990 and 2015 the proportion of people whose income is less than one dollar a day				
1. Population below US\$1 a day (percent)	..	72.8	..	..
2. Poverty gap at US\$1 a day (percent)	..	37.4	..	..
3. Share of income or consumption held by poorest 20 percent (percent)	..	4.6	..	..
Target 2: Halve between 1990 and 2015 the proportion of people suffering hunger				
4. Prevalence of child malnutrition (percent of children under 5)	..	26.9	..	..
5. Population below minimum level of dietary energy consumption (percent)	25	..	20	..
Goal 2: Achieve universal primary education				
	2015 target = net enrollment to 100			
Net primary enrollment ratio (percent of relevant age group)	21.3	31.3	..	..
Percentage of cohort reaching grade 5 (percent)	72.2	84	94.5	..
Youth literacy rate (percent of ages 15-24)	27.6	31.7	37.1	38
Goal 3: Promote gender equality				
	2005 target = education ratio to 100			
Ratio of girls to boys in primary and secondary education (percent)	57	62.1	..	..
Ratio of young literate females to males (percent ages 15-24)	44.7	48.7	54	54.9
Share of women employed in the nonagricultural sector (percent)	..	..	..	..
Proportion of seats held by women in national parliament (percent)	..	2	12	12
Goal 4: Reduce child mortality				
	2015 target = reduce 1990 under 5 mortality by two-thirds			
Under 5 mortality rate (per 1,000)	254	243	231	..
Infant mortality rate (per 1,000 live births)	152	147	141	135.1
Immunization, measles (percent of children under 12 months)	43	54	37	..
Goal 5: Improve maternal health				
	2015 target = reduce 1990 maternal mortality by three-fourths			
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	630	..	..
Births attended by skilled health staff (percent of total)	..	23.7	..	..
Goal 6: Combat HIV/AIDS, malaria and other diseases				
	2015 target = halt, and begin to reverse, AIDS, etc.			
Prevalence of HIV, female (percent ages 15-24)	..	..	2.1	..
Contraceptive prevalence rate (percent of women ages 15-49)	..	7	..	..
Number of children orphaned by HIV/AIDS	..	..	70,000.00	..
Incidence of tuberculosis (per 100,000 people)	..	..	267.1	..
Tuberculosis cases detected under DOTS (percent)	..	20	17	..
Goal 7: Ensure environmental sustainability				
	2015 target = various (see notes)			
Forest area (percent of total land area)	11.6	..	10.8	..
Nationally protected areas (percent of total land area)	..	3.7	3.7	3.7
GDP per unit of energy use (PPP \$ per kg oil equivalent)	..	..	..	..
CO2 emissions (metric tons per capita)	0	0	0	..
Access to an improved water source (percent of population)	55	..	65	..
Access to improved sanitation (percent of population)	70	..	69	..
Access to secure tenure (percent of population)	..	..	..	..
Goal 8: Develop a Global Partnership for Development				
	2015 target = various (see notes)			
Youth unemployment rate (percent of total labor force ages 15-24)	..	..	..	..
Fixed line and mobile telephones (per 1,000 people)	..	2.1	8.2	..
Personal computers (per 1,000 people)	..	0.3	1.2	..

Table 12. Mali: Millenium Development Goals (concluded)

	1990	1995	2001	2002
General indicators				
Population (millions)	8.5	9.6	11.1	11.3
Gross national income (billions of U.S. dollars)	2.3	2.4	2.5	2.8
GNI per capita (U.S. dollars)	270	250	230	240
Adult literacy rate (percent of people ages 15 and over)	18.8	22	26.4	27.2
Total fertility rate (births per woman)	6.9	6.7	6.2	6.1
Life expectancy at birth (years)	45	44	41.5	40.9
Aid (percent of GNI)	20	22.4	13.9	..
External debt (percent of GNI)	102.6	122.3	115	..
Investment (percent of GDP)	23	22.9	21.1	21.3
Trade (percent of GDP)	50.9	57.3	73.8	..

Source: World Development Indicators database, April 2002

Note: In some cases the data are for earlier or later years than those stated.

Goal 1 targets: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Goal 2 target: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Goal 3 target: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015.

Goal 4 target: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

Goal 5 target: Reduce by three-fourth, between 1990 and 2015, the maternal mortality ratio.

Goal 6 targets: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS. Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.

Goal 7 targets: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. Halve, by 2015, the proportion of people without sustainable access to safe drinking water. By 2020, to

Goal 8 targets: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Address the Special Needs of the Least developed countries.

Table 13. Mali: External Debt Sustainability Framework, 2004-2023 1/
(In percent of GDP, unless otherwise indicated)

	Projections								
	2004	2005	2006	2007	2008	2013	2017	2021	2023
I. Baseline Medium-Term Projections									
External debt (nominal)	66.2	59.8	53.3	47.9	43.0	25.0	15.7	10.1	9.2
<i>Of which:</i> public and publicly guaranteed	66.2	59.8	53.3	47.9	43.0	25.0	15.7	10.1	9.2
<i>Of which:</i> private	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in external debt	-7.2	-6.3	-6.5	-5.4	-4.9	-3.1	-2.0	-1.0	-0.5
Identified net debt-creating flows	-8.1	0.3	0.5	1.6	2.4	4.4	5.5	6.0	6.9
Current account deficit, excluding interest payments	4.0	5.9	5.9	6.1	6.3	6.8	7.0	7.0	7.0
Deficit in balance of goods and services	3.7	4.1	3.5	4.3	4.7	6.9	7.8	8.3	8.3
Exports	26.9	26.1	26.9	25.7	24.9	20.6	18.8	17.5	17.5
Imports	30.7	30.2	30.4	30.0	29.6	27.5	26.6	25.8	25.8
Net current transfers (negative = inflow)	-2.4	-1.9	-1.8	-1.8	-1.7	-1.9	-2.1	-2.3	-2.3
<i>Of which:</i> official	-0.8	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Other noninterest current account flows (negative = net inflow)	2.7	3.7	4.1	3.6	3.4	1.8	1.3	1.0	1.0
Net FDI (negative = inflow)	-0.8	-0.8	-0.9	-0.9	-0.8	-0.5	-0.4	-0.3	-0.3
Endogenous debt dynamics 2/	-11.3	-4.8	-4.4	-3.7	-3.1	-1.9	-1.1	-0.7	0.2
Denominator: $1+g+\rho+g\rho$	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.0
Contribution from nominal interest rate	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.2	0.2
Contribution from real GDP growth	-2.9	-3.7	-3.7	-2.8	-2.3	-1.6	-1.0	-0.6	0.0
Contribution from price and exchange rate changes	-8.8	-1.5	-1.2	-1.3	-1.2	-0.6	-0.4	-0.3	0.0
Residual 3/	0.9	-6.6	-7.1	-7.0	-7.2	-7.5	-7.5	-7.0	-7.4
<i>Of which:</i> exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NPV of external debt 4/	32.8	31.4	29.7	28.5	27.0	23.1	21.1	20.3	23.5
In percent of exports	121.9	120.4	110.7	111.0	108.6	112.1	112.4	115.7	134.0
Debt service-to-exports ratio (in percent)	5.8	5.6	5.0	5.7	5.5	5.2	5.9	5.7	6.4
Total gross financing need (billions of U.S. dollars)	0.2	0.4	0.4	0.4	0.5	0.8	1.1	1.6	1.6
Noninterest current account deficit that stabilizes debt ratio	11.2	12.3	12.4	11.5	11.2	9.9	9.0	8.0	7.5
II. Key macroeconomic and external baseline assumptions									
Nominal GDP (billions of U.S. dollars)	5.2	5.7	6.2	6.7	7.2	10.6	14.7	20.7	20.7
Real GDP growth (in percent)	4.7	6.1	6.6	5.6	5.3	6.0	6.0	6.2	0.0
GDP deflator in U.S. dollar terms (change in percent)	13.6	2.4	2.0	2.5	2.5	2.3	2.3	2.7	0.0
Nominal effective interest rate (percent) 4/	0.7	0.7	0.8	0.8	0.9	1.2	1.6	2.0	2.1
Growth of exports of G&S (U.S. dollar terms, in percent)	22.8	5.1	12.1	3.4	4.8	5.9	6.6	7.2	0.0
Growth of imports of G&S (U.S. dollar terms, in percent)	19.6	6.8	9.7	6.6	6.6	7.6	7.8	8.5	0.0
Net transfers	2.4	1.9	1.8	1.8	1.7	1.9	2.1	2.3	2.3
Net FDI	0.8	0.8	0.9	0.9	0.8	0.5	0.4	0.3	0.3
Nominal exchange rate depreciation (percent)	-12.0	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
III. Averages and standard deviations 5/									
	Standard Deviation	Average 2003-08							
Non-interest current account balance (in percent of GDP)	2.5	-5.3							
Real GDP growth	4.1	5.7							
GDP deflator in U.S. dollars	13.6	8.3							
Export growth (US dollar terms, in percent)	15.5	9.7							
Net transfers-to-GDP ratio	5.9	2.3							
Net non-debt creating flows (FDI)-to- GDP ratio	2.2	1.0							

Source: Malian authorities and staff estimates, projections and simulations.

1/ Includes both public and private sector debt.

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

3/ Includes exceptional financing (including debt relief and changes in arrears), changes in gross foreign assets, and valuation adjustments.

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

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

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

7/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and nondebt inflows in percent of GDI

Bamako, May 20, 2004

Mrs. Anne Krueger
Acting Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mrs. Krueger:

1. Following the devaluation of the CFA franc in 1994, the government of Mali has implemented successive programs of economic and structural reforms to accelerate growth and reduce poverty. In support of the programs, the IMF Executive Board approved arrangements under the Poverty Reduction and Growth Facility (PRGF). The last arrangement expired in August 2004, after all scheduled disbursements had been made.
2. The ex post assessment of Mali's performance under the programs supported by the IMF indicates that Mali implemented the successive programs satisfactorily. The programs, together with the devaluation of the CFA franc in 1994, led to an acceleration of growth, continuing low inflation, a strengthening of public finances, and progress in reforming the economy. Nevertheless, many challenges remain for Mali to achieve the Millennium Development Goals.
3. To consolidate the progress achieved to date and set the stage for strong, sustainable, and poverty-reducing economic growth, the government of Mali adopted the poverty reduction strategy paper (PRSP) in May 2002, which has become the framework for economic policies and development partners' support. The PRSP is therefore the basis for the program of economic reforms covering the period April 1, 2004 - March 31, 2007, that is described in the attached memorandum of economic and financial policies. The memorandum also highlights the specific objectives and strategies that the government intends to pursue over the period April 2004 - March 2005.
4. In support of the implementation of its program, the government requests a new three-year arrangement under the PRGF in an amount equivalent to SDR 9.33 million (or 10.0 percent of the quota) and, for the first year under this facility, an amount equivalent to SDR 2.666 (2.86 percent of quota).
5. Mali is highly vulnerable to external shocks such as a sharp drop in the price of cotton on the world market. The government of Mali would be grateful if the IMF would indicate its willingness to consider increasing access under the PRGF arrangement at the first or

subsequent reviews, should a need arise as a result of unexpected shocks to the balance of payments.

6. The government of Mali believes that the policies and measures set forth in the attached memorandum will enable it to achieve its program objectives and it is ready to adopt any additional measures that may prove necessary to this end. In that regard, the government of Mali is prepared to consult with the Managing Director of the Fund on the adoption of any measures deemed appropriate, either at its own initiative or at your request. Moreover, as long as Mali has outstanding financial obligations to the Fund arising from loans obtained under this arrangement, the government will consult with the IMF periodically on its economic and financial policies, at the government's initiative or whenever you request such consultations. The government of Mali will also communicate to the Fund all information needed to assess the progress made in implementing its economic and financial policies and in achieving the program objectives.

7. In any event, the Fund and the government of Mali will undertake a first review of the 2004/05 program, which will be completed no later than end-November 2004, and a second review by end-May 2005.

8. To facilitate a wide dissemination of the memorandum of economic and financial policies, the government of Mali authorizes you to publish it, as well as the related staff report, including on the IMF Internet site.

Sincerely yours

/ s /

Abou-Bakar Traoré
Minister of Economy and Finance

Attachment: memorandum of economic and financial policies for 2004/05
technical memorandum of understanding

MALI

Memorandum of Economic and Financial Policies, 2004–07

I. INTRODUCTION

1. **This memorandum sets out the macroeconomic and structural policies and objectives of the government of Mali** for 2004–07, for which the authorities seek the support of the International Monetary Fund (IMF) under a new arrangement under the poverty reduction and growth facility (PRGF). The memorandum is consistent with the poverty reduction strategy paper (PRSP) adopted by the government in May 2002, and the first annual report of implementation thereunder, which have as their main objective Mali's progress toward the Millennium Development Goals (MDGs).
2. **The most recent PRGF arrangement ended in August 2003**, following the completion of the sixth and final review. Following the ex post assessment of Mali's economic performance during IMF-supported programs, the Malian authorities requested a new arrangement under the PRGF to help them to finalize the reform program under way and implement the PRSP.

II. MACROECONOMIC SITUATION AND PROGRAM IMPLEMENTATION IN 2003

3. **The economic situation improved considerably in 2003**, due to very favorable rainfall and adherence to prudent macroeconomic policies, which helped to offset the negative impact of the crisis in Côte d'Ivoire. Agricultural production is estimated to have risen by 32 percent, resulting in real GDP growth of 6 percent in 2003, following growth of 4.3 percent in 2002. Seed cotton production in particular increased by 38.4 percent, reaching a new record of 612,000 metric tons, after producer prices had been raised from CFAF 180 to CFAF 200 per kilogram. The combined effects of an increase in the supply of cereal products and a reduction in telecommunications, water, and energy prices led to an average decline in the consumer price index of 1.3 percent during 2003.
4. **With regard to the balance of payments**, the external current account deficit, excluding official transfers, is estimated to have deteriorated from 4.3 percent of GDP in 2002 to 6.5 percent in 2003. Export volumes declined by 10.4 percent in 2003, due to lower gold production and problems in shipping cotton that had already been sold. The increase in import volumes remained in line with real GDP growth. In addition, the terms of trade improved slightly, owing to the increase in gold and cotton prices. The overall balance of payments position was in surplus, given the continued high level of foreign aid.
5. **The government met its fiscal targets for 2003**. The overall deficit, on a payment order basis and excluding grants, was reduced by 2.2 percent of GDP to 5.1 percent of GDP, compared with a forecast of 8.3 percent. The basic fiscal deficit was 0.2 percent of GDP and was financed with external budget assistance and resources obtained under the Initiative for

Heavily Indebted Poor Countries (HIPC Initiative). Thus, the government was able to service its foreign debt and reduced its domestic liabilities by 1.5 percent of GDP.

6. **Total government revenue increased by 13.7 percent, reaching 16.6 percent of GDP.** This reflected improvements in the quality and intensity of tax audits, as well as the implementation of such measures as (i) the harmonization of profit tax rates, (ii) the computerization of records of taxpayers in the informal sector, and (iii) the introduction of new rates for stamp taxes. The good performance in the mining sector led to an increase in its contribution to government revenue, which represented 15.8 percent of total revenue.

7. **Total expenditure and net lending fell by 1.5 percent of GDP to 21.7 percent in 2003,** mainly because of a lower level of implementation of the public investment program, particularly in the health sector. Current expenditures were kept under control, and, in particular, the ceiling on the government wage bill was observed.

8. **Monetary trends in 2003 reflect a sharp increase in the net foreign assets of monetary institutions (CFAF 116 billion) and a growth of 21.3 percent in broad money.** Credit to the economy rose by 17.4 percent during the year, essentially to finance the cotton sector, whereas net lending to the government fell by 7.3 percent of beginning-of-period broad money. The quality of banks' loan portfolios improved slightly, with the ratio of net nonperforming loans to credit to the economy declining by 0.8 percentage point to 8.4 percent during 2003. Banks generally comply with the main West African Economic and Monetary Union (WAEMU) prudential ratios, with the exception of the limit on loan concentration, which four banks did not satisfy owing to the structure of the economy.

9. **The government has continued to implement the structural reform program.** In the cotton sector, the Compagnie Malienne pour le Développement des Textiles (CMDT) cut its workforce by one-fourth and agreed to a severance pay package partially financed through the national budget. The government also decided to split the CMDT into three or four private firms by 2006, and in November 2003 it adopted a timetable of actions to be undertaken to that end, as explained below. In March 2004, the authorities announced that they had broken off talks with the successful bidder for the privatization of the cottonseed-oil-producing company (HUICOMA) because guarantees proposed by the bidder were inadequate. In agreement with its commitments, the government will relaunch the privatization process under conditions to be defined with the development partners concerned, notably the World Bank. In other sectors of the economy, the authorities awarded a concession to operate the Malian Railway Company (Régie du Chemin de Fer du Mali, RCFM), and the concessionaire began its activities on October 1, 2003. Moreover, negotiations are under way with the successful bidder for the concession to operate the Malian Airport Company (Aéroports du Mali).

10. **Public expenditure management has been strengthened significantly** with technical assistance from the IMF and other development partners. The new budget classification system has resulted in greater transparency in government expenditure, together with better identification of social spending, poverty reduction, and HIPC Initiative-

financed expenditures. It has also improved the consistency between the budget classification system and the government chart of accounts. A new manual harmonizes procedures for the execution, monitoring, and control of the government budget, while an official price list will help avoid overinvoicing. Training seminars were organized for the personnel of government financial departments to learn these procedures.

11. As mentioned in the report on the first-year implementation of the PRSP, important steps have been taken toward reducing poverty in Mali. Substantial progress was made in increasing basic education enrollment and narrowing the gap between girls and boys; however, wide gaps still exist among regions. However, due to limited human resources and the large disparity between financial needs and budget appropriations, it appears that it will be difficult to reach some of the MDGs by 2015. In particular, results are mixed in the area of health, and steps are being taken both to increase the reliability of statistics needed to measure progress and to improve health coverage. Despite the existence of 624 community health centers, the health care system suffers from insufficient human and material resources at the national and regional levels, in terms both of quantity and of quality.

III. THE MEDIUM-TERM MACROECONOMIC FRAMEWORK

12. **The government plans to continue implementing the PRSP**, the sole frame of reference for medium-term policies and strategies. To attain the main objective of strong sustainable growth that reduces poverty, the government's strategy is to maintain a stable macroeconomic environment and to pursue structural reforms based on the three priority areas identified in the PRSP: (i) institutional development and improved governance and participation; (ii) human development and expanded access to basic social services; and (iii) infrastructure development and support for the productive sectors. These reforms aim at deregulating and diversifying the economy, based on the development of the private sector.

13. Following the assessment of the first year of PRSP implementation, **the macroeconomic objectives for 2004–07** are as follows: an annual real GDP growth rate of over 5 percent on average; annual inflation of less than 3 percent; and a current account deficit (excluding official transfers) of less than 7 percent of GDP.

A. Fiscal Policy

14. **Fiscal policy seeks to maintain a stable macroeconomic framework and increase government resources for poverty reduction**, while taking into account the need to develop the private sector. To this end, the government intends to limit the budget deficit, on a payment order basis and excluding grants, to less than 7 percent in the medium term. With regard to government revenue, the tax base will be expanded by reducing exemptions, strengthening tax administration, and gaining better control over the tax base; in particular, a property tax system will be developed. These measures should bring the ratio of tax revenues to GDP closer to the relevant WAEMU convergence criterion.

15. The management and prioritization of public expenditure will be improved. This will provide scope for increasing the allocation of public funds toward priority programs set out

in the PRSP. Wage policy will aim to contain the wage bill of government, broadly defined, to less than 5 percent of GDP, while enhancing the performance of public administration and remaining compatible with recruitment needs in the social sectors and with other fiscal objectives. In addition, the government will ensure that local governments have the resources they need to accomplish the tasks devolved to them. This will be done through the transfer of human and financial resources from the central budget and through development of a tax system at the local level. This process will be accompanied by the decentralization and downsizing of the central administration.

16. The government will continue to improve procedures for designing, executing, and monitoring budget operations, and will strengthen controls and audits in order to improve governance and the quality of public spending. To optimize external financial support, the government hopes that bilateral and multilateral development partners can commit themselves to providing assistance in the form of budgetary support, notably for project financing. The use of a common set of procedures would have the advantage of improving absorptive capacity and raising the loan disbursement rate.

B. Monetary Policy and Financial System Reform

17. **Monetary stability will be maintained in the context of the monetary policy of the Central Bank of West African States (BCEAO).** In this regard, the monetary authorities will endeavor to keep inflation at less than 3 percent, consistent with the parity of the CFA franc with the euro.

18. **The government will pursue financial sector reform** under the Financial Sector Development Project (FSDP) to improve the viability, performance, and competitiveness of the financial system as a whole. The measures planned are as follows: (i) complete divestiture of the equity interest of the government and its various branches in the commercial banks, Banque Internationale pour le Mali (BIM), Banque de Développement du Mali (BDM), and Banque Commerciale du Sahel (BCS); (ii) continue discussions at a regional level on the withdrawal of the BCEAO from the equity of banks; (iii) improve the implementation of the banking commission's recommendations to ensure commercial banks' compliance with all the prudential ratios; (iv) continue the review of the legal and regulatory framework of the financial system; (v) increase the number and improve the training of the personnel of the judicial system so as to improve bank debt recovery; and (vi) create land registries for urban and mining areas to enable real property to be more broadly used as bank collateral.

19. **For nonbank financial institutions,** the key measures are (i) restructuring the social welfare institutions—the National Social Security Institute (Institut National de Prévoyance Sociale–INPS, and the Civil Service Retirement Fund (Caisse de Retraites du Mali–CRM)—so as to restore their financial viability over the medium term; (ii) strengthening the regulatory framework and capacity of the insurance sector; and (iii) improving the capabilities for supervising and monitoring the microfinance sector.

C. Structural Policy

20. **The objective of structural policy is to achieve strong and sustainable growth by** improving the ability of the economy to withstand exogenous shocks and by increasing its flexibility. This policy will be based on the analysis of the growth potential of the key sectors of the economy and their impact on poverty reduction. It will also draw on the recommendations of the study on the integrated framework for trade. The main elements of the strategy are to enhance competitiveness and increase diversification in the economy, thereby creating an environment that is favorable for the development of the private sector.

21. To achieve these objectives, structural reforms will be pursued more intensively on several fronts. The priorities are to (i) simplify administrative procedures, including through the introduction of a unique identifying number for enterprises; (ii) establish a regulatory and tax framework that is fair, transparent, simple, and stable, in order to promote development of the private sector; (iii) continue to improve the judicial system; (iv) comply with regional legislation on indirect taxation and support for investments; (v) pursue the liberalization of the economy, including in the cotton sector; and (vi) improve the coverage and efficiency of the basic infrastructure of the economy. In this context, the government will seek to accelerate the development of the transport sector, as well as expand the water and electricity distribution networks. Furthermore, the Water and Electricity Regulatory Commission (Commission de Régulation de l'Eau et de l'Électricité–CREE) will ensure that the rate structure of public utilities is compatible with the viability of the enterprises providing these services and consistent with the financing and development needs of these sectors.

22. **The development of skilled human resources is a priority in the government's strategy.** The government intends to pursue ambitious reforms in the education and health sectors, especially with the ten-year development programs for education (PRODEC) and for health and welfare (PRODESS). Vocational education will also be developed, as well as continuing education programs, so as to alleviate recruitment problems. These actions will be accompanied by a reduction of labor market constraints and measures to ensure that the pay structure offers a sufficient incentive for investment in education and training.

23. **In order to increase the role of the private sector as a driving force for development,** the government will push ahead with its privatization program, with special emphasis on the key sectors of cotton and telecommunications. In addition, the government will finalize negotiations on the granting of a concession to operate the Malian Airport Company (Aéroports du Mali), complete the privatization of the Malian Pharmaceutical Company (Usine Malienne de Produits Pharmaceutiques–UMPP), and reduce to 20 percent the government's equity interest in the sugar company (SUKALA SA) and the river transport company (COMANAV).

D. Debt Sustainability

24. **Mali reached the completion point under the enhanced HIPC Initiative in March 2003,** thereby enabling it, in particular, to reduce its net present value (NPV) of

external debt below the threshold of 150 percent of exports of goods and services. However, if current trends are maintained, macroeconomic projections show that the ratio of NPV of debt to exports may rise to near the sustainability threshold by 2015. Hence, in order to maintain debt sustainability, the government will aim to diversify the economy in order to increase exports; it will ensure that any new debt is on concessional terms, and it will favor grants over loans for financing its investment needs. In particular, it will seek to increase the share of grants in external financing from 40 percent currently to 60 percent over the medium term. Furthermore, in the context of its fiscal policy and as mentioned above, the government will strengthen the mobilization of domestic resources.

E. Improvement of Economic Statistics

25. **The government will continue to improve the reliability of economic statistics** with the support of the International Monetary Fund, including the West Africa Regional Technical Assistance Center (West AFRITAC), and other development partners. In particular, budget appropriations for the National Statistics Agency will be increased sufficiently in 2005 to enable it to conduct the surveys needed for the preparation of an industrial production index, the national consumer price index, and various basic statistics to improve the national accounts. Moreover, to strengthen statistics on the mining sector, the government, together with the mining companies and other partners, will seek to improve information on actual and projected production, sales, and payments through offshore accounts—whose scope or existence could be subject to review.

IV. PROGRAM FOR 2004

26. In the context of the medium-term policies and objectives described above, the macroeconomic outlook for 2004 is for real GDP to grow by 4.7 percent, inflation to average 2.5 percent, and the external current account deficit, excluding official transfers, to remain below 7 percent of GDP.

27. To facilitate the implementation of the program, by the end of April 2004 the government will set up a unit in the Ministry of Economy and Finance to monitor the macroeconomic program. The Secretary of the unit will also run the Secretariat of the Interministerial Committee, which is responsible for monitoring macroeconomic policies. In addition, this unit will consolidate and disseminate financial and macroeconomic information on a regular basis. In this regard, the Ministry of Economy and Finance is studying the possibility of creating a website to publish this information.

A. Fiscal Policy

28. **The objective of fiscal policy is to restrict the overall deficit of government financial operations to a level that is compatible with macroeconomic stability**, including debt sustainability, and to respond better to the needs of priority sectors. To this end, the efficiency of tax and customs administration and of public expenditure management will be strengthened. The overall budget deficit, on a payment order basis and excluding grants, is expected to be contained at 7.5 percent of GDP in 2004, or an increase of about 2.4 percent

of GDP compared with 2003. This increase mainly reflects a higher execution rate of the public investment program, following measures taken to strengthen the management of projects (see below).

29. **The budget deficit will be financed by foreign financial assistance, including resources obtained in the context of the enhanced HIPC Initiative.** The financing gap before financial assistance is CFAF 76 billion, of which CFAF 19.5 billion has already been mobilized. In the event that the level of mobilized resources is too low to cover the gap, the government intends to issue bonds in order to refinance part of its domestic debt falling due in 2004. If this were to be insufficient, the government would discuss with the IMF additional measures that would need to be taken.

30. **Total government revenue will amount to 17.0 percent of GDP,** compared with 16.6 percent in 2003. As specific tax measures, the government will (i) increase the domestic tax rate on petroleum products; and (ii) introduce a simplified arrangement for enterprises with turnover of between CFAF 30 million and CFAF 100 million by May 2004. The government is also implementing a number of measures to strengthen tax and customs administration. For instance, the first phase of the upgrading of the computerization system has been achieved; a joint computerized database for the tax and customs departments will become operational in June 2004; the import verification program will be better used to cross-check information on imports; border inspections of sensitive products such as tobacco, matches, and flour will be improved; customs will set up a one-stop window in Bamako to clear car imports; and the staffing and training of tax inspectors and auditors will be strengthened. A particular effort will also be made to continue improving relations between tax services and taxpayers.

31. **The government will limit exemptions** to those provided for under the agreements for externally financed investment projects, international and regional conventions, the investment code, and the mining code. It will also submit a draft law by end-June 2004 calling for the abolition of exemptions granted to the Banque Nationale de Développement Agricole (BNDA) to the National Assembly.

32. **Total government expenditure will rise from 21.7 percent of GDP in 2003 to 24.5 percent in 2004.** This increase primarily reflects the improvement in the implementation of investment projects, a higher level of transfers due to the growing deficit of the Caisse de Retraite du Mali, and the financing of the 2004 local elections. Spending on poverty reduction will amount to 59.7 percent of total expenditure.

33. **The wage bill will be limited to CFAF 122 billion, or 4.5 percent of GDP.** This amount includes civil service salaries and contractual employees' pay, including those financed with HIPC Initiative resources. The increase in the wage bill reflects the harmonization of the wage scale and the new hires planned in the 2004 budget. By end-September 2004, the government will complete a study on allowances and bonuses, with a view to simplifying them, containing their cost, and improving their transparency. Recruitment policies will be consistent with priorities in the areas of education, health, and justice, including the recruitment of 1,452 permanent staff and 4,073 contractual staff

(financed with HIPC Initiative resources), for a total cost of CFAF 4 billion. For other ministries, recruitment will be limited to 500 employees, at a total cost of CFAF 500 million. In addition, by the end of April 2004, the government will remove from the civil service staffing list and payroll any government employees and contractual staff who did not take part in the February 2003 census or in the physical audit organized in November 2003.

34. **Budget subsidies and transfers** are estimated at CFAF 87.0 billion, or 3.2 percent of GDP in 2004. They include subsidies to the CRM (CFAF 17.7 billion) and industrial enterprises (CFAF 9.3 billion), as well as severance packages that may be granted in the context of the privatizations to be completed in 2004. In addition, to ensure that public resources are well utilized, the government will audit expenditures financed with HIPC Initiative resources by end-May 2004, and it will review criteria used in disbursing funds allocated to the social safety net by end-June 2004.

35. To ensure the sustainability of its debt, the government will improve the impact analyses. Consequently, the government will set up a national committee for monitoring public debt sustainability; the committee will be responsible for issuing an obligatory opinion on any new plan by the government or its branches to raise new foreign or domestic debt.

B. Monetary Position and Financial System Reform

36. In accordance with the BCEAO's monetary policy objectives, the money supply is projected to expand by 9.6 percent in 2004, in line with growth in nominal GDP. Credit to the government is expected to increase slightly, and credit to the economy should rise by 9.1 percent.

37. **The financial system reform in 2004 comprises three components:** (i) restructuring and privatizing the banking sector; (ii) strengthening nonbank financial institutions; and (iii) strengthening the microfinance sector.

38. The specific measures planned for banking sector restructuring and privatization are as follows: (i) end the provisional administration of BIM and establish normal management structures for BIM by end-April 2004; (ii) approve a strategy and timetable for the privatization of BIM by end-September 2004, so that the bidding process can be launched by March 2005; (iii) appoint auditors to assess the value of the shares of BDM and BCS by end-September 2004, with a view to completing the divestiture of the equity interest of the government and its branches in those institutions in 2005; (iv) finalize the capital increase for BHM in conformity with the recommendations of the feasibility study; and (v) support the implementation of the banking commission recommendations.

39. As for strengthening nonbank financial institutions, the measures envisaged are as follows: (i) submit a draft law updating the legislation governing the CRM to the Council of Ministers by end-July 2004; (ii) prepare the 2003 financial accounts for the CRM and the INPS, to be approved by the statutory auditors by end-June 2004; and (iii) prepare a preliminary report of the CRM's position, begin actuarial studies on the fund, and audit the files on INPS contributions and beneficiaries by end-2004.

40. Recognizing its importance to the economy, the government will continue to promote the development of the microfinance sector. The measures envisaged are to (i) strengthen the supervisory capability of the Decentralized Financial Systems Support and Monitoring Unit (CAS/SFD); and (ii) assess the legal framework for microfinance in Mali, with a view to suggesting improvements to the relevant legislation in this area.

C. Structural Reforms

41. **The structural reform program for 2004 will focus on the reform of the financial system mentioned above and the following key areas:** continuing the privatization program, reforming the cotton sector, improving public expenditure management, and continuing the devolution/decentralization program.

42. The privatization program for 2004 encompasses the following measures: (i) adopt a privatization strategy for the Malian Telecommunications Company (SOTELMA) and a timetable for its implementation by end-June 2004; (ii) complete discussions with the winning bidder for the concession contract for company managing the airports (ADM); (iii) submit a draft law to the National Assembly for the legal dissolution of the railroad company (RCFM); (iv) bring two hotels (Hôtel Azalai and Hôtel Club Sélingué) to the point of sale; and (v) adopt an action plan for opening up the capital of the pharmaceutical company (UMPP) through a tender offer.

Cotton sector reform

43. **The cotton sector reform reflects the updated action plan of the Development Policy Letter**, which the government adopted in November 2003. Its objective is to boost producers' revenues, to reduce poverty in production areas, and to increase the sector's contribution to Mali's economy by cutting production costs, setting prices based on world market prices, and, in the medium term, deregulating the sector.

44. By 2006, the main measures are to divide the CMDT into three or four private enterprises, encourage farmers' organizations to play a greater role in managing the sector, and strengthen the involvement of the private sector, producers, and local governments in the sector's development. Toward those objectives, the government will hire a consultant for the privatization of the CMDT, who will draw up an operational master plan for its privatization by September 2004. The consultant will also oversee a study on the creation of a trade association for the cotton sector, to be completed by end-June 2004; the trade association is to play an essential role in the deregulation of the sector. In addition, by end-June 2004, the government will prepare and adopt an action plan consolidating all reform measures for the cotton sector. Finally, it will ensure that the producer price for seed cotton for the 2004/05 campaign is set by end-May 2004 by using the price mechanism agreed upon for that purpose.

Public expenditure management

45. **The government intends to continue to strengthen public expenditure management.** Accordingly, with the help of development partners, it will establish a computer network linking the departments of the Ministry of Economy and Finance. This will lead to an harmonization of databases and a rapid improvement in the integrated public finance management system. In addition, the government will strengthen the financial and administrative departments of individual ministries in order to improve budget preparation and the monitoring of budget execution, both at the department level and at the level of the Ministry of Economy and Finance. The government will also strengthen the medium-term expenditure framework, which will be updated annually to reflect the revised PRSP objectives and integrate budget preparation into a rolling, medium-term expenditure program.

46. **The government will strengthen the monitoring of the public investment program** to improve the level of project and program implementation through the following actions: (i) implementing computerized procedures for programming, monitoring, and assessing public investment at the National Directorate for Development Planning; and (ii) strengthening the services responsible for programming and monitoring public investment at the sectoral ministry level, and instituting a quarterly review of development projects and programs. To improve the monitoring of government financial operations, the coverage of the government flow of funds table (TOFE) will be extended to include not only the central government's financial operations, but also those of other public administrative entities and local governments.

Governance

47. **Efforts to enhance governance in public resource management are to continue** and the authorities are convinced of the need to focus on quality control and performance. Already, the accounts section of the Supreme Court has been allocated additional staff resources, and a General Government Auditor (Vérificateur Général de l'État) has been appointed. In 2004, the authorities will further strengthen the government audit and inspection agencies.

Devolution/decentralization

48. The process of devolving responsibilities to local authorities, begun in 1995, aims to improve the public sector's effectiveness and to involve Mali's population to a greater extent in the drawing up of social and economic policies. Local elections are scheduled for May 2004, and an action plan has been prepared to make devolution effective over the period 2003-05. However, discussions are continuing regarding the transfer of resources to local authorities so that they will be able to accomplish the tasks devolved to them.

49. The authorities believe that, to succeed, devolution must be accompanied by a strengthening of the central government departments at the local level, and that the rules and principles of sound management, transparency, and accountability must be applied at the local government level. To this end, particular efforts will be made to strengthen the national

and regional departments of the central government financial agencies. Moreover, local government staff will be given the training necessary to take over responsibilities in the health, education, and water sectors.

D. Improvement of Economic Statistics

50. The authorities will continue to implement the recommendations of the mission from the Fund's Statistics Department, which took place in 2003. In addition to the medium-term plans described above to improve statistics, the government will draw on the results of the Malian survey on poverty to update the poverty profile and to better guide social and economic policies. The results of the survey will also be used to revise the base year of the national accounts and the weights for the consumer price index.

Table 1. Mali: Quantitative Performance Criteria and Indicative Targets for March 2004 - March 2005 1/
(In billions of CFA francs)

	2004			2005		
	March Indicative targets	June Indicative targets	September Performance criteria	December Indicative targets	March Performance criteria	March Performance criteria
Quantitative performance criteria						
Net domestic financing of the government 2/ 3/	20.1	6.5	-10.3	-23.9	19.9	
Net domestic financing, adjusted 2/ 3/						
Cumulative change in government external payments arrears 4/	0.0	0.0	0.0	0.0	0.0	
New external borrowing at terms of one year or more 3/ contracted or guaranteed by the government on nonconcessional terms 4/ 5/	0.0	0.0	0.0	0.0	0.0	
New short-term external debt (less than one year) contracted or guaranteed by the government 4/ 6/	0.0	0.0	0.0	0.0	0.0	
Financial performance indicators						
Cumulative tax revenue 7/	80.7	167.1	265.7	383.7	94.4	
Cumulative wage bill 3/	30.5	61.1	91.5	122.0	33.9	
Overall basic fiscal balance 8/	6.6	1.4	6.3	-2.6	5.9	
Memorandum items:						
External budgetary assistance during the year 9/	4.9	19.5	19.5	19.5	0.0	
HIPC Initiative debt relief	6.2	15.6	20.8	29.6	6.6	
Expenditure financed with HIPC Initiative resources	5.3	14.0	19.8	29.6	6.3	
Balance of HIPC Initiative resources	1.7	1.6	1.0	0.0	0.3	

1/ All numbers are cumulative, starting at the beginning of each year.

2/ The adjustment factors are described in paras. 7 and 8 of the technical memorandum of understanding.

3/ Maximum.

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

5/ See para. 16 of the technical memorandum of understanding for the donors concerned.

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

7/ Minimum.

8/ Minimum. See paragraph 29 of the technical memorandum of understanding for definition.

9/ Excluding use of Fund resources.

Table 2. Mali : Structural Measures Constituting Prior Actions, Performance Criteria, and Benchmarks, April 2004 – March 2005

Measures	Date
Prior Actions	
1. Creation of a unit in the Ministry of Economy and Finance to monitor the macroeconomic program.	
2. End the provisional administration of BIM SA and establish the new management structure for BIM SA.	
Performance Criteria	
1. Adoption by the government of an operational master plan for the privatization of the CMDT.	End-September 2004
2. Adoption by the government of a privatization strategy for the Telecommunications Company (SOTELMA) and a timetable for its implementation.	End-June 2004
3. Adoption by the government of a strategy and timetable for the privatization of BIM SA.	End-September 2004
4. Finalization of actuarial studies on CRM and of audit of the files on INPS contributions and beneficiaries.	End-December 2004
Benchmarks	
1. Completion of an audit of expenditures financed with HIPC resources.	End-May 2004

INTERNATIONAL MONETARY FUND

MALI

Technical Memorandum of Understanding

May 20, 2004

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

I. DEFINITIONS

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

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

(a) As set out in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Borrowing, adopted by the Executive Board on August 24, 2000, debt is understood to mean a current—that is, not contingent—liability created under a contractual agreement calling for the provision of value in the form of assets (including currency) or services that requires the obligor to make one or more payments in the form of assets (including currency) or services according to an established repayment schedule; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debt can take a number of forms, the primary ones being as follows: (i) loans, that is, advances of money to the obligor by the lender on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans, under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers' credits, that is, contracts where the supplier permits the obligor to defer payment until some time after the date on which the goods are delivered or services are provided; and (iii) leases, that is, arrangements under which property is provided that the lessee has the right to use for one or more specified period(s) of time, usually shorter than the total expected service life of the property, while the lessor retains title to the property. For the purposes of this guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the arrangement, excluding those payments that cover the operation, repair, or maintenance of the property. Under the

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

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

II. QUANTITATIVE PERFORMANCE CRITERIA

A. Ceiling on Net Domestic Financing of the Government

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

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

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

Adjustment factor

7. The ceiling on the change in net domestic financing of the government will be adjusted if external budgetary assistance exceeds or falls short of the programmed amount. Budgetary assistance is defined as grants, loans, and debt relief (excluding project loans and grants, IMF resources, and debt relief under the Initiative for Heavily Indebted Poor Countries). The ceiling will be lowered by the amount by which budgetary assistance exceeds the programmed amount. Conversely, the ceiling will be raised by the amount by which budgetary assistance falls short of the programmed amount. These ceilings are set at CFAF 15 billion at end-June 2004; at CFAF 15 billion at end-September 2004; CFAF 25 billion at end-December 2004; and CFAF 15 billion at end-March 2005. In the context of the program, cumulative external budgetary assistance is expected to reach CFAF 4.9 billion on March 31, 2004, and CFAF 19.5 billion for end-June to end-December 2004. For end-March 2005, no external budgetary assistance is forecast.

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

Performance criteria and benchmarks

9. The ceiling on the cumulative change in net domestic financing is established at CFAF 6.5 billion at June 30, 2004; CFAF -10.3 billion at September 30, 2004; CFAF 23.9 billion at end-December 2004; and CFAF -10.5 billion at March 31, 2005. The ceiling is a performance criterion at end-September 2004, and end-March 2005, and indicative targets at end-June 2004, and end-December 2004.

Reporting deadline

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

B. Nonaccumulation of External Public Payments Arrears

Definition

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

Performance criterion

12. Under the program, the government will not accumulate external payments arrears, with the exception of arrears arising from debt under renegotiation or being rescheduled. The

performance criterion on the nonaccumulation of external payments arrears will be applied on a continuous basis throughout the program period.

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

Definition

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

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

Performance criterion

15. Starting with the program approval by the Executive Board of the IMF, a ceiling of zero is set for nonconcessional borrowing. This performance criterion is monitored on a continuous basis.

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

Reporting deadline

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

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

Definition

18. The definitions in paragraphs 13 also apply to this performance criterion. This performance criterion is monitored on a continuous basis

19. Short-term external debt is debt with a contractual term of less than one year. Import-related credit, CMDT foreign borrowing secured by the proceeds of cotton exports, and debt-relief operations are excluded from this performance criterion. Treasury bills issued in CFA francs on the WAEMU regional market are also excluded.

Performance criterion

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

21. This performance criterion is monitored on a continuous basis.

III. QUANTITATIVE INDICATORS

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

A. Floor for Tax Revenues

Definition

23. Government tax revenues are defined as those that figure in the Table on government financial operations (TOFE).

Performance indicators

24. Quantitative performance indicators for tax revenues are set at CFAF 167.1 billion at June 30, 2004, at CFAF 265.7 billion at end-September 2004, CFAF 383.7 billion at end-December 2004, and at CFAF 106.8 billion at end-March 2005.

Reporting deadline

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

B. Ceiling on the Wage Bill

Definition

26. The wage bill includes all public expenditure on wages, bonuses, and other benefits or allowances granted civil servants employed by the government, the military, and other

security forces, and includes expenditure with respect to special contracts and other permanent or temporary employment with the government.

Performance indicators

27. The quantitative performance indicators for the wage bill are set at CFAF 61.1 billion at June 30, 2004; CFAF 91.5 billion at end-September 2004; CFAF 122.0 billion at end-December 2004, and CFAF 33.7 billion at end-March 2005.

Reporting deadline

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

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

Definition

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

Performance indicators

30. The floors for the performance indicators for the basic fiscal balance, excluding HIPC Initiative-related expenditure, are set at CFAF -1.5 billion at June 30, at CFAF 8.7 at end-September 2004, and at CFAF -2.6 billion at end-December 2004. For 2005, the floor is set at CFAF 20.8 billion at end-March.

Reporting deadline

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

IV. STRUCTURAL MEASURES

32. Table 2 of the memorandum of economic and financial policies describes the structural measures identified as prior actions, performance criteria, and structural benchmarks for 2002 and 2003. This table provides information regarding the implementation dates for the structural reforms envisaged.

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

V. ADDITIONAL INFORMATION FOR PROGRAM MONITORING

A. Government Finances

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

- The TOFE with a breakdown of fiscal revenue and expenditure, including priority expenditure (health, education, and basic infrastructure), along with a separate report on HIPC Initiative-related expenditure will be provided. The data will be forwarded monthly within six weeks following the end of the previous month for the TOFE, and within twelve weeks for the breakdown of HIPC Initiative-related expenditure.
- Starting at end-March 2004, disaggregated data (same classification as in the TOFE) for government administrative agencies and special budgets, including the Caisse de Retraite du Mali (CRM) and the Institut National pour la Prévoyance Sociale (INPS) will be provided. The data will then be consolidated with the TOFE. The first data will cover revenue and expenditure for January 2004. The data will be forwarded monthly within eight weeks following the end of the previous month.
- Quarterly data on the implementation of the public investment program, including a breakdown of the sources of financing will be provided within eight weeks following the end of the quarter).
- Monthly data on debt service, including a breakdown of principal, interest, and relief obtained under the HIPC Initiative (these data will be transmitted within four weeks following the end of the month).

B. Monetary Sector

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

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

C. Balance of Payments

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

- any revisions of the balance of payments data (including services, private transfers, official transfers, and capital transactions) as soon as the revisions are made; and
- preliminary annual balance of payments data within 12 months of the end of the year concerned.

D. Real Sector

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

- the harmonized monthly consumer price index disaggregated by category of consumption, every month within two weeks after the end of the month;
- the national accounts, within nine months after the end of the year; and
- any revision of the national accounts.

E. Information Regarding the Implementation of the PRSP

38. To monitor the government's progress in achieving the physical objectives of the strategy, the government will provide IMF staff with the following:

- The share of poverty-reducing expenditure (payment order and cash basis) in the total budgetary outlays will be provided, with its breakdown among the different social sectors and ministries and also its breakdown among the different regions of the country. This information will be retrieved using the newly adopted extended budget classification.
- Quarterly data on the share of primary education outlays in total outlays of the education sector to be forwarded within four weeks following the end of the previous quarter.
- Annual data on the gross enrollment ratio in primary education, with its breakdown between girls and boys will be made available. A preliminary estimate would be made available within two months following the end of the academic year, and final data within one month after the beginning of the next academic year.
- Annual data on the percentage of the population having access to health care facilities within a radius of 15 kilometers will be submitted within two months following the end of year.
- Annual data on the rate of assisted births will be submitted within two months following the end of year.
- Annual data on the DTCP3 immunization rate for children below 1 year will be submitted within two months following the end of year.

VI. SUMMARY OF DATA TO BE REPORTED

Data Type	Tables	Frequency	Time Frame
Real sector	National accounts	Annual	End of year + 9 months
	Revisions of the national accounts	Variable	8 weeks following the revision
	Disaggregated consumer price indexes	Monthly	End of month + 2 weeks
Government finances	Net government position (including the list of accounts of other public entities with the banking system) and breakdown of nonbank financing	Monthly	End of month + 3 weeks (provisional); end of month + 6 weeks (final)
	TOFE of the central government and consolidated TOFE	Monthly	End of month + 3 weeks (provisional); end of month + 6 weeks (final)
	Breakdown of fiscal revenue and expenditure in the context of the TOFE	Monthly	End of month + 6 weeks (TOFE)
	Separate report on outlays financed with HIPC resources	Monthly	End of month + 6 weeks
	Execution of capital budget	Quarterly	End of quarter + 8 weeks
	Tax revenues in the context of the TOFE	Monthly	End of month + 6 weeks
	Wage bill in the context of the TOFE	Monthly	End of month + 6 weeks
	Basic fiscal balance in the context of the TOFE	Monthly	End of month + 6 weeks
	Formula for setting prices of petroleum products, tax revenues from petroleum products, and subsidies paid	Monthly	End of month + 4 weeks
	Monetary and financial data	Summary accounts of the BCEAO, summary accounts of banks, and accounts of the banking system	Monthly	End of month + 4 weeks (provisional); end of month + 8 weeks (final)
Foreign assets and liabilities of the BCEAO		Monthly	End of month + 8 weeks
Lending and deposit interest rates, BCEAO intervention rates, and BCEAO reserve requirements		Monthly	End of month + 4 weeks
Bank prudential ratios		Monthly	End of month + 6 weeks
Balance of payments	Balance of payments	Annual	End of year + 12 months
	Revisions of balance of payments	Variable	8 weeks following each revision
External debt	Breakdown of all new external borrowing	Monthly	End of month + 4 weeks
	Debt service, indicating amortization, interest payments, and relief obtained under the HIPC Initiative	Monthly	End of month + 4 weeks
PRSP	Share of poverty-reducing expenditure	Quarterly	End of quarter + 4 weeks
	Share of primary education in total outlays of the education sector	Quarterly	End of quarter + 4 weeks
	Gross enrollment ratio in the primary education, with its breakdown between girls and boys	annual	Beginning of the next academic year +1 month (final)
	Percentage of the population having access to health care facilities within a radius of 15 kilometers	annual	End of year + 2 months
	Rate of assisted births	annual	End of year + 2 months
	Data on immunization rate DTCP3 of child below 1 year	annual	End of year + 2 months

Mali: Relations with the Fund

As of March 31, 2004

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	84.39	90.45
Reserve Position	8.91	9.55
Holdings Exchange Rate		

III. SDR Department:	SDR Million	%Allocation
Net cumulative allocation	15.91	100.00
Holdings	0.56	3.52

IV. Outstanding Purchases and Loans:	SDR Million	%Quota
PRGF Arrangements	111.08	119.06

V. [Latest Financial Arrangements:](#)

<u>Type</u>	<u>Approval Date</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
PRGF	Aug 06, 1999	Aug 05, 2003	51.32	51.32
PRGF	Apr 10, 1996	Aug 05, 1999	62.01	62.01
PRGF	Aug 28, 1992	Apr 09, 1996	79.24	74.16

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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Principal	19.17	18.17	14.07	13.57	12.49
Charges/Interest	<u>0.70</u>	<u>0.66</u>	<u>0.58</u>	<u>0.51</u>	<u>0.44</u>
Total	<u>19.88</u>	<u>18.83</u>	<u>14.65</u>	<u>14.07</u>	<u>12.93</u>

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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Principal	12.12	10.09	8.82	9.58	9.87
Charges/Interest	<u>0.70</u>	<u>0.66</u>	<u>0.58</u>	<u>0.51</u>	<u>0.44</u>
Total	<u>12.82</u>	<u>10.75</u>	<u>9.40</u>	<u>10.08</u>	<u>10.30</u>

VII. Implementation of HIPC Initiative:

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

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

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

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

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

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

VIII. Safeguards Assessments:

The Central Bank of the West African States (BCEAO) is the common central bank of the west African states, which includes Mali. An on-site safeguards assessment of the BCEAO proposed specific remedies to alleviate vulnerabilities that were identified by staff. Although

Fund staff and BCEAO authorities disagreed on the initial modalities of the recommendations, the following specific understandings were subsequently reached regarding the key remedies.

Financial reporting framework. Fund staff recommended that the BCEAO formally adopt International Accounting Standards (IAS) and publish a complete set of financial statements, including detailed explanatory notes. It was agreed between the BCEAO and Fund staff that the BCEAO will strive to improve its financial and accounting reporting by aligning its practices with those recommended by IAS, as adopted internationally by other central banks.

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

62. Based on the 2002 financial statements, the staff noted that the BCEAO has improved the explanatory notes to the financial statements and further changes are scheduled for the next fiscal year, with a view toward a graduate alignment with IAS accounting to the extent applicable to central banks by 2005. The external auditor has apprised the Board of Directors of the BCEAO of the quality of internal controls in June 2003, and the financial statements for the year 2002 were published on the bank's website. The staff will continue its follow-up on the progress of the BCEAO in implementing the proposed recommendations as part of the ongoing safeguards monitoring process.

IX. Exchange Rate Arrangements

Mali is a member of the West African Economic and Monetary Union (WAEMU). The exchange system, common to all members of the union, is free of restrictions on the making of payments and transfers for current international transactions. The union's common currency, the CFA franc, was pegged to the French franc at the rate of CFAF 50 = F 1 from 1948 until early 1994. Effective January 12, 1994, the CFA franc was devalued, and the new parity set at CFAF 100 = F 1. Effective January 1, 1999, the CFA franc was pegged to the euro at a rate of CFAF 655.96 = EUR 1. On April 12, 2004, the rate of the CFA franc in terms of the SDR was SDR 1 = CFAF 799.3. 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 2003 Article IV consultation was completed by the Executive Board on December 15, 2003 (IMF Country Report No. 04/11).

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 an Initiative for Heavily Indebted Poor Countries (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 (PEM) system to track poverty-reducing public expenditures. The results were very similar to the preliminary assessment prepared jointly by Bank/Fund staff in late 2000. Mali shows particular strengths in budget execution (the internal audit system is effective, there are no expenditure arrears, and government ledger accounts are reconciled with bank accounts). It was proposed that the main weaknesses be addressed in a three-year action plan, covering 11 specific areas of 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);
- computerizing further the PEM system.

XII. Technical Assistance

Department	Type of Assistance	Time of Delivery	Purpose
FAD	Staff	Jan 2004	Assisting the authorities in improving revenue mobilization, especially as regards revenue from the mining sector.
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.
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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 (As of May 2004)

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 PRSP by the staff of the World Bank and IMF was presented and approved by the respective Boards of Directors in March 2003, along with the Completion Point under the Enhanced HIPC Initiative. The PRSP process builds upon the national poverty strategy formulated in 1998 with UNDP assistance, and places Mali's main poverty reduction challenges explicitly within a sound macro-economic framework.
2. The IMF has typically taken the lead in assisting Mali to maintain macroeconomic and financial sustainability through setting quantitative targets within the framework of the Poverty Reduction Growth Facility (PRGF). The last PRGF, which was in place since August 1999, expired in August 2003. The authorities have requested a new arrangement with the Fund under the PRGF and the Fund is reviewing its future role in Mali. Structural measures in the program (cotton and public expenditure management) were coordinated with the World Bank, and structural conditionality was limited to areas with significant macroeconomic, typically fiscal, implications. Collaboration with the Fund will continue in these areas.
3. The World Bank leads the policy dialogue on structural, social and institutional reforms in a number of sectors. The Third Structural Adjustment Credit (SAC III) is under implementation and a Fourth SAC is under preparation. A proposed SAC III Supplemental Grant (US15 million equivalent) to help mitigate the impact of the Côte d'Ivoire crisis on the Malian economy, is to be discussed by the World Bank Board on December 11, 2003. Other Bank operations that address 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 (see Table on page 8). Progress is being made in all these operations, albeit slower than anticipated in some sectors where capacity is weak and other implementation challenges are present.
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, the 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 during a Mali Round Table for Trade, which is tentatively anticipated to be held in the first quarter of 2004.

Bank Group strategy

5. On July 31, 2003, the Board discussed the Country Assistance Strategy (CAS; IDA/R2003-0160) for Mali. The CAS, which was designed to directly support the PRSP pillars and complement the interventions of other donors, selectively focuses on three main themes: (i) promotion of growth; (ii) human resources development; and (iii) public finance management and governance. The CAS combines a mix of Bank instruments including: (i) programmatic support to the social sectors (through pooled sector-wide assistance programs) as a transition to Poverty Reduction Support Credits (PRSC); (ii) community-driven development operations; (iii) specific lending operations focused on growth and on strengthening critical infrastructure networks; and (iv) non-lending activities focused on strengthening the knowledge base underpinning the three main CAS themes and the framework for a transition to PRSCs. The CAS also envisages the provision of some grant financing as per the guidelines of the IDA 13 replenishment (it is expected that 29 percent of Mali's FY04-06 lending program could be financed by IDA grants). By the end of the CAS period in FY06, programmatic lending is anticipated to comprise about a third of the portfolio.

6. The active portfolio comprises eleven projects: three in rural development, three in infrastructure and energy, three in health and education, one in the financial sector (including components on the judicial reform and micro-finance) 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.

7. As regards promotion of pro-poor growth, the Bank focus is on helping Mali to: (i) develop and diversify sources of growth through improving the financial and business environment for increased private sector development, including for micro, small, and medium enterprises; (ii) build and maintain necessary infrastructure; and (iii) involve decentralized government, de-concentrated public services departments and local populations, while building capacity. Operations under preparation include: a growth project supporting programs in telecommunications, mining and the private sector; an agricultural project supporting diversification and competitiveness; two transport sector projects; and a community-based development program. Advisory support is ongoing on energy/water sector

regulation so as to safeguard the effectiveness of the management concession agreement. A Household Energy and Universal Access project was approved in October 2003, and the on-going Urban Development and Decentralization project is to be extended to allow the necessary time for its full implementation. Ongoing or planned analytical studies include transportation and growth, urban development, and an economic study of growth.

8. As regards human resources development, the core of Mali's programs comprises sector-wide reforms in health and education defined over ten years, each jointly supported by a range of bilateral and multilateral donors, including the World Bank. Both sector reform programs, whose implementations are satisfactory, focus on improvements in quality and access to basic services, with increasing emphasis on the poorest regions. Some progress on social indicators has been made since 1998; however, Mali still faces challenges that contribute to hampering the pace of progress, and that are receiving increasing attention in the respective sector medium-term expenditure frameworks.¹⁹ Challenges include difficulties in attracting staff to positions outside the capital, and the limited supply of qualified staff. The authorities are assessing various options for balancing the incentive structure between the capital and positions in the regions. To address the supply constraint, health and education training is being decentralized to the regions, with the intent of attracting regional residents into the social sector profession.

9. For the implementation of the health and education sector projects, the Bank is focusing on: (i) solidifying the necessary framework for sustainable human development; (ii) increasing participation and local accountability in de-concentrated service delivery; (iii) improving access to quality services; (iv) working more closely with donors to build capacity of the public sector and other development actors; and (v) working with NGOs, the private sector, community groups and civic organizations to reduce the risk of an HIV/AIDS epidemic and improve access to (and quality of) judicial services. For education, in addition to defining the second phase of the sector program, the Bank aims to restructure the ongoing sector project into a fully pooled sector-wide program by all donors supporting the sector, so as to minimize the multiplicity of donor procedures the authorities face which contribute to hampering implementation of the program. For health, the Bank aims to support completion of the first phase of the sector program and preparation of the second phase.

10. Regarding public finance and governance, continued support will be provided for capacity building in managing public financial accountability, and for encouraging greater

¹⁹ Social sector resources have increased from CFAF 80 billion in 2002 and CFAF 102 billion in 2003, to CFAF 118.5 billion in the proposed 2004 Budget. As of the 2003 Budget, the authorities prepare multi-year budget allocations for all sectors, with priority accorded first to the social sectors and next to the productive sectors (notably infrastructure, agriculture). With assistance of the World Bank, the authorities have prepared medium-term expenditure frameworks (MTEFs) for health and education, and are commencing the development of MTEFs for public works/transport and for agriculture/livestock/fisheries sectors. The sector MTEFs will facilitate improved intra-sectoral prioritization of expenditures according to poverty reduction and growth objectives.

openness in the Malian administration. To this end, the Bank will support the next phase of public finance reform measures under a proposed Fourth Structural Adjustment Credit (FY05). This would include development of medium term expenditure frameworks (MTEF) for two additional sectors (rural development and public works/transport), and strengthening the links between the budget formulation and the macroeconomic framework through the global MTEF. The Bank will also support implementation of actions listed in the Country Fiduciary Accountability Assessment (CFAA) which was finalized in August 2003. These initiatives should help position Mali for assistance through a PRSC toward the end of the current CAS period.

11. As a member of the West Africa regional groups WAEMU and ECOWAS,²⁰ Mali is included under the World Bank's 2001 Regional Integration Assistance Strategy (RIAS), which promotes an "open, unified regional economic space" to support deeper regional integration and a conducive environment for growth of a more efficient and competitive private sector. The RIAS also supports these regional objectives while recognizing that assistance to individual countries – with a heightened focus on cross-border constraints and opportunities facing a country – will remain the primary vehicle for interventions by the Bank. The following regional activities all play a core role in the Bank's overall support to Mali:

- The West African Power Project (WAPP) aims to build and reinforce regional electricity transmission lines through financing a line between Côte d'Ivoire and Mali and to assist in developing the regulatory framework for regional power trade within ECOWAS;
- The harmonization of telecommunications policy and the establishment of a regional regulatory framework is likely to feature as a component of the Sources of Growth Project (FY05);
- The Bank is providing support to regional water management issues through Analytical and Advisory Services (AAA) work and a regional Institutional Development Fund to the Organization for the Development of the Senegal River Basin (OMVS);
- The proposed transport operations are being designed within an overall regional framework for strengthening and diversifying the transport corridors in western Africa;
- The Bank's AAA will focus on fast-tracking integration between Mali, Senegal and Guinea;
- A Regional Payments System Credit to the BCEAO is under implementation that seeks to establish payment systems adapted to the market needs of WAEMU and that are internationally acceptable;

²⁰ WAEMU is the West African Economic and Monetary Union, comprising Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo. ECOWAS is the Economic Community of West African States, comprising WAEMU countries plus Cape Verde, Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone.

- Support to the implementation of the WAEMU Agricultural Policy (adopted in December 2001); and,
- A proposed Institutional and Financial Development Project for the West African Development Bank which would promote the development of integrated financial marketing in western Africa.

Bank-Fund collaboration in specific areas

12. The IMF and World Bank staffs maintain a collaborative relationship in supporting the government's structural reforms. 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

13. The objective of the cotton sector reforms is to safeguard an important source of growth and income generation of the rural population. 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 are being achieved through the comprehensive program to redefine the parastatal company's role in core cotton production activities, increase participation of producers and the private sector, and liberalize cotton and cottonseed oil markets and enterprises. In view of the potential 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 Third Structural Adjustment Credits (SAC). A proposed Fourth SAC and proposed Agriculture Diversification and Competitiveness project will also support the cotton sector reforms.

14. The cotton reform program supported by the SAC III is on track, and the authorities are continuing the efforts toward privatization of the parastatal company and liberalization of the cotton sector over the next three years. The sale of shares in HUICOMA (the cottonseed oil processing company) has been provisionally awarded, and the provisional purchaser invited for final negotiations to start November 10, 2003. At the government's request, the International Finance Corporation (IFC) has prepared a proposal covering advisory services to Mali for steering (together with the authorities) the CMDT privatization process over the coming 2-3 years. The government intends to engage the IFC (which the authorities indicate they prefer over an investment bank advisor) by the end of the first quarter 2004.

Public expenditure management

15. 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.

16. The reform program is supported by the Bank under the SAC III 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 and public works/transport). The program is on track, and progress continues to be made in preparing the new integrated information system (linking the treasury, budget and financial audit departments) for implementation in the first quarter of 2004 as scheduled in the SAC III letter of development policy. In addition to the monthly treasury balance statement, the government now prepares and distributes a quarterly note on the economic and financial conditions of the country. Progress has also been made on other actions in the program for tracking of poverty-reducing public spending. The next phase of reforms is to be supported under a proposed fourth SAC.

17. The Bank and Fund have collaborated in reviewing Mali's public expenditure management (PEM) performance, through the sharing of SAC III 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 SAC III, provided technical assistance on specific areas, notably on the classification of poverty and HIPC expenditures. In 2002-03, 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

18. Mali is engaged in far-reaching reforms in the private sector, supported under various World Bank programs—a telecommunications support program, a transport and railway support program, a financial sector development project, the structural adjustment credits (on the cotton sector), and the Private Sector Assistance Project (including support to judicial reform) 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);²¹ and (iii) the continuation of private sector development initiatives, through enhancing competition and improving the business environment in key sectors of the economy. During 2003, the authorities successfully concluded the railway privatization with Bank support, and awarded the concession contract which became effective in September 2003.

19. A key issue of mutual interest to the Bank and the Fund are the privatizations' associated retrenchment programs (particularly for the railway and the cotton sector), their potential impact on the government budget and the implications for future privatizations, notably of the telecommunications company. The Bank is taking the lead in evaluating the retrenchment plans in the course of supervising the various sector programs.

²¹ Eighteen nonbank 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).

World Bank Operations in Mali
(As of November 16, 2003, in US\$ millions)

Credit Number	Fiscal Year	Sector	IDA	Undisbursed
C26170-ML	1994	Transport Sector	65.0	4.5
CN0040-ML	1997	Urban Devt. & Decentralization	80.0	23.4
C29700-ML	1997	Regional Power	17.1	1.8
CN0370-ML	1998	Grassroots Hunger/Poverty	21.5	9.8
C31550-ML	1999	Integrated Health Sector Investment	40.0	22.9
C33180-ML	2000	Improving Learning in Primary Schools	3.8	1.8
C33940-ML	2000	Finance Sector Development	21.0	18.6
C33930-ML	2000	Rural Infrastructure	115.1	93.9
C34490-ML	2001	Education Sector Expenditure Prog.	45.0	35.8
C35830-ML	2002	Agricultural & Producer Organizations	43.5	40.3
C35820-ML	2002	SAC III	70.0	0.0
C38280-ML	2004	Household Energy & Universal Access	35.6	35.6
Totals (number of credits=12)			<u>557.6</u>	<u>288.8</u>

Source: World Bank.

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Mali: Statistical Issues

(As of April 2004)

1. Mali's statistical database is broadly comprehensive and sufficient for program monitoring. However, weaknesses exist in 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 dissemination Standards Bulletin Board (DSBB). However, there is a need to update more recent metadata for the fiscal sector, which were last updated in 2001.

Real sector

2. There are significant weaknesses in the accuracy, coverage, and timeliness of national accounts data. Technical assistance needs, including the review of data sources and 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 regional statistical office (AFRISTAT) in Bamako 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 databases, owing to the 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 monthly statistics covering 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 process of economic integration 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 table of government financial operations – TOFE). 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 Statistics 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. More generally, fiscal data dissemination practices could be improved in Mali. The multisector mission recommended that the Ministry of Economy and Finance accept, at least as an interim solution, the proposal of the WAEMU Commission to post the members states' data on its web site (IZF).

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, the collection of monetary data from the BCEAO can be delayed 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 on 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; 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. Since December 1998, the responsibility for compiling and disseminating balance of payments statistics has been formally assigned to the BCEAO by area-wide legislation

adopted by the countries participating in the WAEMU. The national agency of the BCEAO in Bamako is responsible for compiling and disseminating balance of payments statistics, and the BCEAO headquarters in Dakar for delineating the methodology and calculating the international reserves managed on behalf of the participating countries. Data consistency has significantly improved over the past few years, with a full transition to the *Balance of Payments Manual, Fifth Edition (BPM5)*. This was supported by technical assistance provided by STA (statistical advisor posted at the BCEAO headquarters in Dakar from July 1996 through July 1999), which contributed to the improved reporting of yearly balance of payments data in the framework of the *BPM5* for the period 1996-2001 with the backward revision of data to 1988, a consistent series was thus created. The BCEAO national agency disseminates balance of payments statistics with seven months lag, which is longer than the recommendation of the GDDS guidelines. The BCEAO also compiles and disseminates the annual data of the international investment position with 18 months lag.

11. Regarding trade data, the customs computer system (SYDONIA²²) was upgraded in 1999, which allows for a better monitoring of import data and informal trade, in particular with Senegal and Côte d'Ivoire. However, significant gaps remain in the trade data for mining products, due to the undercoverage of gold exports.

12. Further improvement in the data for services and transfers (especially workers' remittances) depends on the intensification of the contacts with reporting bodies.

13. The foreign assets of the private nonbanking sector are still not well covered in the financial accounts, especially the assets of WAEMU residents, which are obtained through partial surveys of residents' foreign assets. The organization of an annual survey for the reporting of foreign direct investment transactions in Mali is still in a preliminary stage. The BCEAO has recently implemented a compilation system allowing commercial banks to report data on payments involving nonresidents; however, these data are not used to produce annual balance of payments statistics.

14. External debt data are produced by the General Directorate for Public Debt of the Ministry of Finance (DGDP) with the support of the computer debt-management system software, CS-DRMS (Commonwealth Secretariat - Debt Recording and Management System).

15. The multisector statistics mission that visited Mali during April 22-May 6, 2003 found that the balance of payments compilation system is generally sound and encouraged the authorities to integrate banking settlement sources and disseminate the Mali balance of payments within the recommended timeliness, as set by the GDDS.

²² The SYDONIA software, sponsored by the United Nations Conference on Trade and Development (UNCTAD) and by donor countries, has already been implemented in many countries. Freely available to customs administration, it is provided together with appropriate staff training schemes.

Mali: Core Statistical Indicators

(As of April 17, 2004)

	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	09/03	09/03	09/03	09/03	12/03	12/03	2002	2001	08/03	2002	2002
Date received	Current	03/04	03/04	03/04	03/04	03/04	12/03	02/04	02/04	09/03	02/04	02/04
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.

Mali: Tentative Work Program for the Next Twelve Months

1. First PRGF review, joint staff assessment, and discussion on budget for 2005
 - Mission August 2004
 - Executive Board Meeting October 2004

2. Second PRGF review and discussion of the second annual program
 - Mission January 2005
 - Executive Board Meeting March 2005

Statement by the IMF Staff Representative
June 23, 2004

This statement reports on the status of prior actions for consideration of Mali's request for a three-year arrangement under the Poverty Reduction and Growth Facility and on the changes in utility tariffs.

Prior actions

The prior action on the creation of a unit in the Ministry of Economy and Finance to monitor the macroeconomic program was met on March 23, 2004. Regarding the second prior action—the end of the provisional administration of BIM SA and the establishment of a new management structure for BIM SA—the authorities provided document to the staff on June 18, 2004 indicating that the government had selected the current manager of the BIM SA to become its new President. The selection of the new President represents the last important step toward setting a new management structure. Hence, the staff is of the view that sufficient progress was made on that action for the Executive Board to consider the government's request of a new three-year arrangement under the PRGF.

Utility tariffs

At end-May 2004, the electricity and water regulatory agency announced reductions in tariffs averaging 8.6 percent for electricity and 1.1 percent for water retroactive to January 1, 2004, under pricing formula established by the agency. The authorities are discussing the impact of the measure on the financial situation of the private utility company. The 2004 government budget includes a subsidy for water and electricity equivalent to 0.3 percent of GDP. At the time of the first review under the new PRGF arrangement, staff will assess the impact of the cut in tariffs on the government financial operations in 2004 and the long-term implications of the measure.

The authorities indicated that they remained committed to the objectives of the PRGF-supported program, and hence the thrust of the staff appraisal remains unchanged.



Press Release No. 04/125
FOR IMMEDIATE RELEASE
June 23, 2004

International Monetary Fund
Washington, D.C. 20431 USA

IMF Approves US\$13.7 Million PRGF Arrangement for Mali

The Executive Board of the International Monetary Fund (IMF) today approved a three-year arrangement under the Poverty Reduction and Growth Facility (PRGF) for Mali in an amount equivalent SDR 9.33 million (about US\$13.7 million) to support the government's economic program into 2007. The first disbursement of SDR 1.33 million (about US\$1.9 million) under the arrangement will become available immediately.

The PRGF is the IMF's concessional facility for low-income countries. It is intended that 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 IMF Executive Board discussion, Agustín Carstens, Deputy Managing Director and Acting Chair, stated:

“Sound macroeconomic policies and structural reforms under previous Fund-supported programs have boosted Mali's economic growth, raised average per capita income, and reduced inflation. The authorities' strong policy implementation record has helped Mali attain the completion point under the enhanced HIPC Initiative and led to a reduction in the country's debt burden and an increase in social spending. The external sector has improved, underpinned by the recovery of the cotton sector and the improved terms of trade for cotton and mining exports.

“In spite of the progress made, poverty remains widespread and the economy is still very vulnerable to exogenous shocks. To address these issues and assist Mali in progressing toward the Millennium Development Goals, the new three-year PRGF-supported program seeks to diversify the economy, bring the country to a higher growth path, maintain macroeconomic stability, and further strengthen social policies. The program is in line with the authorities' poverty reduction strategy. It focuses on pursuing fiscal consolidation by increasing government revenue, through an improvement in tax administration and policy, and strengthening public expenditure management. The access under the arrangement is set at 10 percent of quota under

the Fund's policy on standardized access level for low-income countries with limited balance of payments needs but continued vulnerability to shocks.

“Mali has shown a strong performance in implementing its PRSP, as documented in the first annual PRSP progress report and the Joint Staff Assessment. Such a report provides a sound basis for concessional financial assistance. At the same time, there is a need to address the remaining weaknesses noted in that report, particularly with regard to better aligning budgetary allocation and PRSP priorities.

“The authorities' efforts to improve the business climate and enhance the economy's competitiveness are welcome. Of particular importance are the reform of the cotton sector, the privatization of key parastatal enterprises, the strengthening of the financial system, and the reform of the pension fund.

“To implement its ambitious program, Mali will remain heavily dependent on foreign financial assistance. To avoid an increase in the debt burden, the government should encourage donors to increase the grant element of external financing. The Fund also urges all bilateral and multilateral creditors to provide debt relief to Mali on the terms agreed at the time of the completion point under the enhanced HIPC Initiative. Last but not least, Mali should maintain its commendable record of macroeconomic policies and vigorous implementation of the structural reform agenda,” Mr. Carstens said.

Recent Economic Developments

Mali's political and social situation has greatly improved over the past decade. Economic growth strengthened to an estimated 6 percent in 2003, compared with the 4.3 percent in 2002.

The growth rate of non-mining real GDP rose sharply to 9 percent in 2003 from 2.3 percent in 2002.

The consumer price index declined by 1.3 percent on average for 2003, while the external current account deficit is estimated to 6.5 percent of GDP in 2003 from 4.3 percent in 2002.

Fiscal objectives were exceeded in 2003, with the overall deficit falling to 5.1 percent of GDP, compared with an objective of 8.2 percent.

Government revenues rose to 16.6 percent of GDP in 2003 from 15.9 percent in 2002. Total expenditure fell from 23.2 percent of GDP in 2002 to 21.7 percent in 2003.

Program summary

Mali's economic reform program, which is supported by the new arrangement under the Poverty Reduction and Growth Facility, aims at ensuring continued macroeconomic stability and promote the strong, sustainable growth that is needed to make significant inroads on poverty. To meet those challenges, the government's strategy focuses on fiscal consolidation, and on structural policies to develop human resources and improve the climate for private-sector-led growth.

The key macroeconomic objectives for 2004-07 are an annual real GDP growth of over 5 percent; annual inflation under 3 percent, and an external current account deficit of under 7 percent of GDP.

The medium-term fiscal program seeks to support the authorities' poverty reduction strategy, while preserving macroeconomic stability, including debt sustainability. The revenue strategy aims at increasing tax revenue to 17 percent of GDP over time, in line with the West African Economic and Monetary Union (WAEMU) convergence criterion. Total expenditure is projected to remain stable, at slightly less than 25 percent of GDP, over 2004-07. The authorities also intend to continue strengthening the performance and competitiveness of the financial system.

GDP is projected to grow by 4.7 percent during the first annual program under the new PRGF arrangement before rising to 6.1 percent in 2005. The overall fiscal deficit is projected to reach 7.5 percent of GDP in 2004. Total government revenue is projected to increase to 17 percent in 2004 from 16.6 percent of GDP in 2003 while total spending is projected to rise by 2.8 percent of

GDP to 24.5 percent in 2004. Total expenditure on health and education would increase to 6.3 percent of GDP in 2004 from 5.9 percent in 2003.

The agenda for the structural reforms in 2004 will focus on the implementation of measures to improve public sector management, continue the decentralization and devolution of public sector activities, to push ahead with the privatization program, and to reform the cotton sector.

Mali became a member of the IMF on September 27, 1963. Its quota is SDR 93.30 million (about \$136.5 million), and its outstanding use of IMF resources totals SDR 103.56 million (about US\$151.5 million).

Mali: Selected Economic and Financial Indicators, 2000-07

	2000	2001	2002	2003	2004	2005	2006	2007
		Actual		Est.		Projections		
(Annual percentage change, unless otherwise indicated)								
National income and prices								
Real GDP	-3.2	12.1	4.3	6.0	4.7	6.1	6.6	5.6
Nominal GDP (in billions of CFA francs)	1,899.	2,212.	2,329.	2,540.	2,699.	2,925.	3,180.	3,440.
	2	6	9	5	3	1	1	7
GDP deflator	9.0	3.9	1.0	2.9	1.5	2.1	2.0	2.4
Consumer price index (annual average)	-0.7	5.2	5.0	-1.3	2.5	2.5	2.5	2.5
External sector								
Exports, f.o.b.	9.1	36.9	17.6	-10.0	10.9	5.5	13.0	3.5
Imports, f.o.b.	13.1	27.7	-8.5	2.2	7.5	7.9	10.7	5.9
Export volume	-1.2	24.9	31.7	-10.4	3.6	4.6	9.5	2.3
<i>Of which: nonmining</i>	-7.5	-23.0	47.3	0.2	17.4	1.4	5.5	6.2
Import volume	1.7	29.8	-10.4	3.4	8.3	7.7	8.7	4.5
Terms of trade	-0.7	2.3	-9.5	1.5	7.1	1.1	1.8	-0.1
Nominal effective exchange rate (average)	-4.3	3.2	1.5	4.2	...	...	...	...
Real effective exchange rate (average)	-7.4	3.7	4.9	1.2	...	...	...	...
Central government finance								
Total revenue	-1.5	18.6	19.2	13.7	8.9	10.4	13.5	9.9
Total expenditure and net lending 1/	-0.5	14.2	16.0	2.0	19.8	9.0	9.6	8.3
Current expenditure	2.6	39.7	10.3	2.5	15.9	9.2	9.8	8.1
Capital expenditure and net lending 1/	-3.8	-10.3	24.6	1.4	25.0	8.8	9.4	8.6
Money and credit								
Credit to the government 2/	-4.2	4.6	-1.8	-7.3	0.5	...	...	...
Credit to the rest of economy	-2.4	19.0	21.6	17.4	9.1	...	...	...
Broad money (M2)	11.9	19.3	28.4	21.3	9.6	...	...	...
Velocity (GDP/M2)	4.7	4.0	3.7	3.3	3.2	...	...	...
Interest rate (in percent; end of period) 3/	6.5	6.5	6.5	5.0	...	...	...	...
Investment and saving								
Gross domestic investment 4/	22.2	27.0	18.5	22.7	20.6	20.9	20.3	21.1
Government	7.8	6.1	7.0	6.3	7.7	7.8	7.9	8.0
Nongovernment	14.5	20.9	11.6	17.1	13.1	13.3	12.6	13.3
Gross domestic saving	11.6	17.6	18.5	19.0	17.1	17.1	17.1	17.2
Government	0.5	-0.6	0.0	1.4	0.4	0.6	1.3	1.6
Nongovernment	11.1	18.2	18.4	17.6	16.7	16.5	15.9	15.7
Central government finance								
Total revenue	13.8	14.1	15.9	16.6	17.0	17.3	18.1	18.4
Total expenditure and net lending 1/	21.5	21.1	23.2	21.7	24.5	24.6	24.8	24.8
Overall balance (payment order basis, including grants)	-2.9	-3.2	-3.6	-0.7	-4.0	-4.5	-4.0	-3.7
Overall balance (payment order basis, excluding grants)	-7.7	-7.0	-7.3	-5.1	-7.5	-7.3	-6.7	-6.5

Mali: Selected Economic and Financial Indicators, 2000-07

	2000	2001	2002	2003	2004	2005	2006	2007
		Actual		Est.		Projections		
Basic fiscal balance 5/	-0.6	-1.7	-1.3	-0.2	-1.2	-1.1	-0.6	-0.3
Basic fiscal balance 6/	-0.6	-0.2	0.1	1.1	-0.1	-0.1	0.4	0.6
External sector								
Current external balance, including official transfers	-9.6	-10.3	-3.0	-4.0	-4.3	-6.2	-6.1	-6.2
Current external balance, excluding official transfers	-12.0	-12.5	-4.3	-6.5	-5.1	-6.3	-6.1	-6.2
Debt-service ratio 7/								
Before debt relief	12.8	9.9	10.0	10.5	10.5	10.8	9.3	9.9
After debt relief	12.2	6.3	6.3	6.0	6.4	6.9	5.8	6.6
(In millions of US dollar, unless otherwise indicated)								
Overall balance of payments	39.2	-44.8	119.1	156.2	-99.7	-	-	-
Gross international reserves	381.3	348.9	594.5	827.5	870.0	144.1	110.0	117.7
(in months of next year's imports) 8/	3.8	4.2	6.4	7.1	7.0	6.7	6.6	6.4
Exports (in percent of GDP)	24.1	29.0	31.9	26.1	26.9	26.2	27.1	26.0
Imports (in percent of GDP)	34.7	38.3	32.0	30.5	40.1	40.0	30.4	30.0
U.S. dollar rate (end of period)	705.0	744.3	625.5	589.1	...	...	...	...

Sources: Malian authorities; and IMF estimates and projections.

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

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

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

4/ Excluding PESAP; series might hence be slightly different from national accounts series on investment.

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

6/ Defined as footnote 6 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.

Statement by Damian Ondo Mañe, Executive Director for Mali
June 23, 2004

I – Introduction

On behalf of my Malian authorities, I would like to thank Fund staff for their comprehensive set of papers and management for continuous support. With the support received under the last PRGF arrangement, which expired in August 2003, my Malian authorities have made significant progress toward strengthening economic stability and creating an enabling environment for private sector-led growth through implementing various structural reforms. Mali also reached the HIPC completion point and benefited from HIPC debt relief.

In spite of these achievements, Mali's economy is however still facing vulnerabilities. As well as its landlockedness, Mali's economic performance continues to be susceptible to the vagaries of the Sahelian weather, an export base, which is limited and dominated by gold and cotton with volatile international prices, and the crisis in Côte d'Ivoire. The incidence of poverty also remains high.

In order to deal with these challenges, my Malian authorities are determined to continue with further fiscal consolidation, deepening structural reforms, intensifying diversification of the economy, and strengthening PRSP implementation. To complement these efforts, my authorities are requesting a successor PRGF arrangement with low access for 2004-07. In this vein, the new government which was formed on May 2, 2004 has fully endorsed the macroeconomic policies and objectives set out for 2004-07 as well as the measures to be implemented in 2004 under the new PRGF.

II – Recent Economic Developments

Macroeconomic developments in 2003 were satisfactory despite the regional difficult environment due to the crisis in Côte d'Ivoire. Good weather conditions have favored food and cotton output. Cereal production was 34 percent higher and the cotton crop 46 percent higher in 2003 than in 2002. In addition, the country benefited from higher gold prices while improved access to seaports in neighboring countries reduced the negative impact of the Ivorian crisis. Overall, real GDP growth reached 6 percent in 2003 against 4.3 percent in 2002, and the consumer price index dropped by 1.3 percent, mainly due to a fall in food prices, owing to the record cereal harvest and price reductions for electricity, water and telecommunications.

In the **fiscal area**, the objectives were exceeded, with the overall deficit falling to 5.1 percent of GDP compared with a target of 8.2 percent. The financing of this deficit stemmed from loans and grants related to development projects as well as budgetary support. The government revenue rose to 16.6 percent of GDP owing to greater efforts in collecting income taxes and tax payments made by the mining companies. The total expenditure decreased from 23.7 percent of GDP in 2002 to 21.7 percent in 2003, well below the target of

25.4 percent, while outlays for social sectors increased. This performance reflected the government measures to limit non-essential spending and keep up the investment budget within the PRSP framework. Moreover, the current expenditure dipped in 2003 as a share of GDP. Strongly determined to streamline the public expenditure management and to fight corruption, the authorities have created an Auditor General position. The task assigned to this high-level watchdog is to assess public policies and control the use of public resources by the government and public institutions.

On the **monetary front**, the regional Central Bank (BCEAO) implemented a tight monetary policy consistent with the CFA franc's fixed exchange rate with the Euro and maintaining inflation under control. As regards the banking sector soundness, it is worthy to note that non-performing loans have been declining. In addition, most banks have complied with the key prudential ratios while the microfinance institutions recorded significant progress in terms of membership, deposits and loans.

In the **structural reform area**, substantial progress has been achieved notably with regard to implementation of a new budget classification and preparation of a manual of budget execution procedures. Furthermore, collaboration between the Treasury and the Central Bank has been strengthened through the monthly financial statement preparation, and the fiscal information coverage has improved. Regarding the privatization agenda, the authorities have agreed with their partners on a timetable for the creation of three or four private companies to replace the cotton company CMDT under the cotton sector reform. The management of the railroad company was successfully privatized while efforts to reach an agreement on the privatization of the cottonseed-oil-company HUICOMA are still underway.

On **trade and regional integration**, Mali has stepped up efforts to diversify the access routes to the seaports in order to overcome difficulties that occurred with the crisis in Côte d'Ivoire. Moreover, the WAEMU's common external tariff adopted in 2000 was fully implemented. On the convergence front, one can note the fulfillment of all but two regional criteria, that is the tax receipts-to-GDP ratio and the external current account deficit.

In the **external sector**, the current account deteriorated in 2003 due to the increase in transport costs and the falling of tourism revenues, which have had a negative impact on the services account. However, owing to the increase of exports, debt relief under the enhanced HIPC initiative and external budgetary support, the balance of payments recorded a significant overall surplus enabling Mali to contribute further to the gross international reserves of the regional Central Bank, which have risen to more than seven months of imports. In order to sustain these performances, the authorities are fully determined to diversify the country's export base. To this end, private investors recently established a new spinning factory and new gold mines are scheduled to operate in 2005 and 2006. On the external debt, the debt service ratio has declined, owing to higher exports earnings. In addition, we would like to underline that Mali has maintained good relationships with the donor community. Last March, at a Roundtable Conference held in Geneva donors pledged USD 2.4 billion in assistance to support my authorities' medium-term economic and financial program.

III – The Medium-Term Framework

For the medium term, the strategy for economic growth and poverty reducing policies will be guided by the sole frame of reference for the authorities, the Poverty Reduction Strategy Paper, which was adopted in May 2002. The PRSP annual progress report indicates that, despite challenges mostly related to capacity, important progress has been made in strengthening institutions and governance, increasing the access to health, education and other social services, and advancing infrastructure development notably in the areas of electricity, railways, roads, and airport.

Maintaining a stable macroeconomic environment and pursuing reforms based on priorities around three-fold development (institutional, human capital and physical infrastructure) constitute their strategy to achieve strong and sustainable growth conducive to poverty reduction. The reforms will be conducted with the view to deregulate and diversify the Malian economy while encouraging the development of the private sector. Based on this strategy and strongly and broadly supported by my authorities, the macroeconomic objectives for 2004-07 are to achieve an average annual real GDP growth rate of at least 5 percent, an annual inflation of less than 3 percent and a current account deficit (excluding official transfers) of less than 7 percent of GDP.

As regards **fiscal policy**, in accordance with the stated medium-term objectives, the program seeks to increase government resources and improve the management and prioritization of public expenditure while favoring the development of the private sector. Thus on the revenue side, my authorities intend to expand the tax base by reducing exemptions, strengthening tax administration, and developing a property tax system. On the expenditure side, actions will comprise improving management and prioritization, and my authorities will reallocate funds towards priority programs set out in the PRSP. They will also ensure adequate human and financial resources for local governments using the central budget and the development of a local tax system. The broader process of decentralization and downsizing of central administration will help reduce expenditure inefficiencies and wastes. The government will also pursue a policy aimed at maintaining the wage bill to less than 5 percent of GDP and containing recruitment to the needs of the social sectors and to other fiscal objectives. Along with this prudent fiscal policy which also includes the continuation of efforts to improve procedures for the design, execution and monitoring of budget operations, my authorities will seek to improve governance through the strengthening of public spending controls and audits.

The **monetary policy**, which is conducted in the context of the regional central bank, will aim at keeping inflation below 3 percent, consistent with the parity of the CFA franc with the euro. **Financial sector reform** will seek improvement in the performance and competitiveness of the financial system, through a wide range of measures including the divestiture of government and the BCEAO from the capital of three commercial banks (Banque Internationale pour le Mali, Banque de Développement du Mali, and Banque Commerciale du Sahel); ensuring the compliance of banks with all prudential ratios following the banking commission's recommendations; pursuing the legal and regulatory

framework of the financial system; improving human capacity in the judicial recovery of bank debt; and encouraging further the use of real property as bank collateral. As regards nonbank financial institutions, key measures include improving the supervisory capabilities for the microfinance sector, strengthening the regulatory framework and capacity of the insurance sector, and restoring the financial viability of the social security and the civil service retirement institutions through their restructuring.

Concerning **structural reforms**, my authorities intend to enhance competitiveness and the diversification of the economy, with the view to create an environment conducive to the development of the private sector. The objective is to achieve strong and sustainable growth by increasing the economy's flexibility and its ability to withstand exogenous shocks. The analysis of the growth potential of key sectors and their impact on poverty reduction will serve as the basis for this policy. As detailed in the authorities' Memorandum of Economic and Financial Policies for 2004-07, structural reforms will be pursued on several fronts, of which the simplification of administrative procedures for enterprises and that of regulatory and tax framework; continuation of the enhancement of the judicial system; compliance with regional legislation on indirect taxation and support for investments; further liberalization of the cotton sector and other sectors of the economy; and expansion of the basic economic infrastructure and increase of its efficiency.

The strategy also encompasses the development of skilled human resources, particularly in the education and health sectors, with ten-year programs in each of these two areas. Vocational and continuing education programs will also be developed to respond to the sectoral demands and to the need for permanent human capacity improvement. Other measures will involve reducing labor market constraints and ensuring that the pay structure provides sufficient incentives for investment in the two key sectors of education and health.

Privatization is another key priority in the government's strategy, with emphasis on the cotton and telecommunications sectors but also the completion of the process in the pharmaceutical sector, the reduction of government's equity stake in the sugar and river transport companies, and the granting of a concession to operate the Malian airport company.

Beyond the mobilization of domestic resources along the lines described above, maintaining the current **debt sustainability** beyond 2015 will require intensifying economic diversification with the view to boost exports; seeking concessional terms in any new debt; and favoring grants over loans for the financing of investment needs so as to bring the share of grants in external financing from 40 percent currently to 60 percent over the medium term. We call on the international community to help Mali achieve these objectives.

The limited capacities facing the country induce the authorities to request the continuation of **technical assistance** from the Fund and other development partners to improve the reliability of economic statistics in virtually all areas.

As regards **poverty reduction**, my authorities are strongly determined to pursue the fight against poverty through a strategy that includes the private sector and rural area-led growth.

The PRSP endorsed by stakeholders has identified key priority areas on which to focus projects and programs for poverty reduction. The first progress report covering 2002-2003 clearly highlights commendable achievements in health and education sectors as well as governance and institutional and infrastructure development.

Fully aware that the attainment of the poverty reduction objectives will be assured if sectoral actions in these areas are pursued and strategies in other sectors are similarly articulated and implemented, my authorities will continue to use their PRSP framework as the main guide of their policies and actions, and build on the current momentum in the period ahead.

IV – Conclusion

To reiterate, Mali has under past Fund-supported programs, implemented sound macroeconomic policies and achieved a remarkable economic performance as outlined in the *ex post* assessment of the country's programs. In spite of the progress made, there remain challenges that need to be tackled in order to boost economic growth, stimulate economic diversification and reduce poverty. My authorities are strongly determined to build on past and recent progress and persevere in their reforms and adjustment endeavors. In so doing, they are hopeful that they can rely on assistance from the international community to which they renew their appreciation. They request a new three-year arrangement under the PRGF with limited access.