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Mali—First Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Requests for Waiver of Nonobservance of Performance Criteria, and Deletion and Modification of Performance Criteria—Staff Report; Staff Statement; Press Release; and Statement by the Executive Director for Mali

In the context of the first review under the three-year arrangement under the Poverty Reduction and Growth Facility and requests for a waiver of nonobservance of performance criteria, and deletion and modification of performance criteria, the following documents have been released and are included this package:

- The staff report for the First Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Request for Waiver of Performance Criteria, and Deletion and Modification of Performance Criteria, prepared by a staff team of the IMF, following discussions that ended on September 11, 2008 with Malian officials on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on November 19, 2008. 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 December 10, 2008, updating information on recent developments.
- A Press Release summarizing the views of the Executive Board as expressed during its December 10, 2008 discussion of the staff report that completed the review and 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 Malian authorities.*
Memorandum of Economic and Financial Policies by the Malian authorities*
Technical Memorandum of Understanding*
*Also included in the Staff Report

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

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MALI

First Review of the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Requests for Waiver of Nonobservance of Performance Criteria, and Deletion and Modification of Performance Criteria

Prepared by the African Department
(In consultation with other departments)

Approved by Emilio Sacerdoti and Anthony Boote

November 19, 2008

Arrangement: A PRGF arrangement for 30 percent of quota (SDR 27.99 million) was approved in May 2008 with a disbursement of 14 percent of quota; completion of the first review would allow the Fund to disburse an additional 5 percent of quota (SDR 5 million).

Program review: This report recommends completion of the first review of the PRGF arrangement based on Mali's performance and understandings reached on the macroeconomic and structural program.

Mission: Bamako September 1–11, 2008; concluded in Washington, October 13–15, 2008. The mission met with Mr. Abou-Bakar Traoré, Minister of Finance; Mr. Amadou Abdoulaye Diallo, Minister of Economy, Industry and Commerce; Mr. Idrissa Traoré, National Director of the BCEAO; other senior officials; and representatives of the private sector, the trade unions, and development partners.

Mission team: Mr. Lane (head), Mr. Anayiotos, Mr. Camard, Mr. Kpodar (all AFR), and Mr. Feler (resident representative designate).

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ACRONYMS

BCEAO	Central Bank of West African States
BDM	*Banque de Développement du Mali* (Development Bank of Mali)
BHM	*Banque de l'Habitat du Mali* (Housing Bank of Mali)
BIM	*Banque Internationale du Mali* (International Bank of Mali)
CRM	*Caisse des Retraites du Mali* (Civil Service Pension Fund)
CMDT	*Compagnie Malienne pour le Développement des Textiles* (Cotton Ginning Company of Mali)
EdM	*Énergie du Mali* (Energy Company of Mali)
EITI	Extractive Industries Transparency Initiative
FSAP	Financial Sector Assessment Program
FSDS	Financial Sector Development Strategy
MEFP	Memorandum of Economic and financial policies
MDRI	Multilateral Debt Relief Initiative
MDGs	Millennium Development Goals
OdN	*Office du Niger* (Authority in charge of irrigation and extension services in the Niger river inland delta)
PAGAM-GFP	*Programme d'action gouvernementale d'amélioration et de modernisation de la gestion des finances publiques* (Government Action Program for Improving and Modernizing Public Finance)
PEFA	Public expenditure and financial accountability
PRGF	Poverty Reduction and Growth Facility
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
REER	Real effective exchange rate
SOTELMA	*Société de Télécommunications du Mali* (Telephone Company of Mali)
TMU	Technical Memorandum of Understandings
WAEMU	West African Economic and Monetary Union

EXECUTIVE SUMMARY

Economic developments: Economic growth in 2008–09 is projected to recover to close to trend, thanks to favorable weather, high farm-gate prices and policies supporting food production. The food and fuel price shocks that peaked mid-year have begun to moderate, partly because of the authorities supply side measures and declining oil prices. However, new risks are emerging from the global credit crisis and its spillover effects onto global growth, commodity markets and exchange rates.

Program performance: All end-June quantitative targets were met. The authorities are requesting two waivers of non-observance of structural performance criteria: in response to exceptional fuel import price increases, the authorities did not observe the continuous performance criterion on fuel taxation during the period June-September; a call for bids for the state telecommunications company is delayed temporarily.

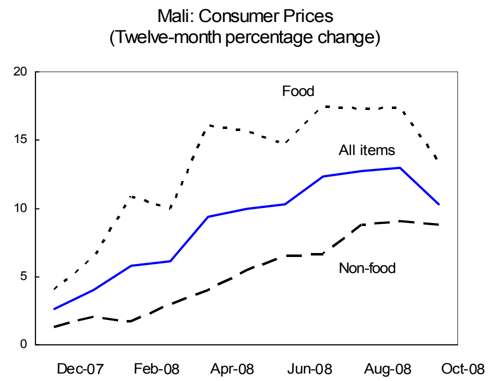
Priorities: The authorities need to be vigilant on the fiscal front because policies have relaxed due to external food and fuel price shocks and higher than expected non-debt financing. The program includes measures to raise revenue, strengthen within-year budget tracking, and better coordinate regional debt issuance. Progress in structural reforms, especially in the finance and energy sectors, and reducing barriers to private sector development will also be crucial. Cotton needs special attention if it is to continue to be a major source of export revenue.

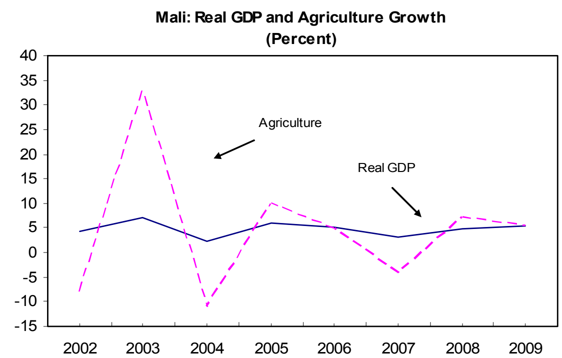
Risks: The financial crisis and risks of global recession pose a substantial challenge to Mali's good record of economic stability and growth. Although the short term impact will strengthen the terms of trade, a global slowdown would weaken aid, remittances and foreign investment flows and undercut medium-term growth prospects.

Given their record and actions, the staff supports the authorities' request for waivers of non-observance for two structural performance criteria (floor on oil products taxation and the call for bids for the sale of the state telecommunication company) and the modification of one performance criterion (net domestic financing) and recommends completion of the first review.

I. Recent Developments and Program Performance

1. Economic developments in Mali so far in 2008 have been dominated by an inflationary surge from rising food and fuel import prices, similar to neighboring countries (text chart and Figure 1). By September, as inflation began to moderate, domestic economic prospects brightened, particularly in agriculture. The direct impact of the global financial crisis has so far been limited.



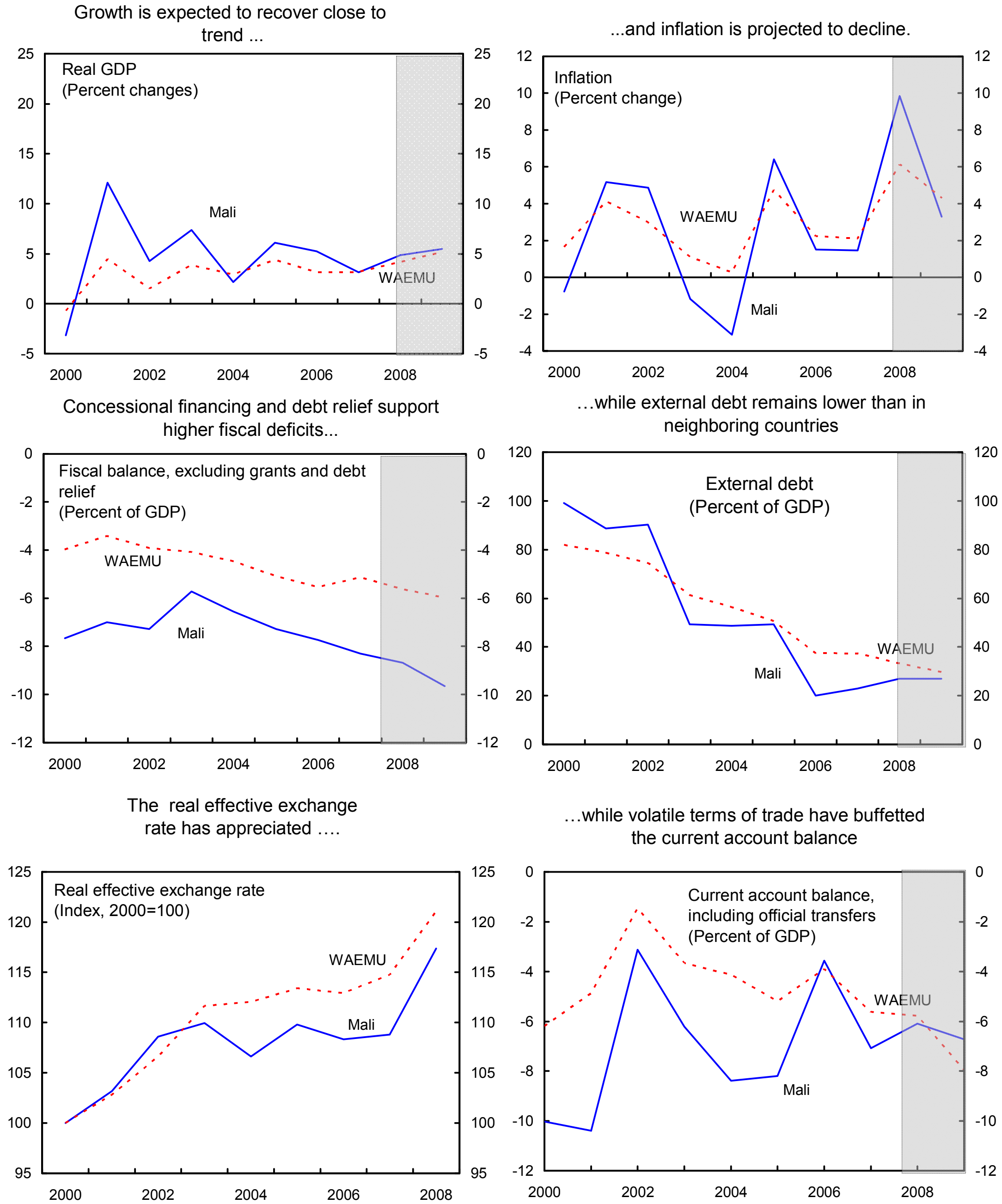


2. Real GDP growth is projected to recover nearly to its medium-term trend in 2008–09 (text chart and Tables 1–2) supported by favorable weather, high farm-gate prices and policies promoting food production. Institutional weaknesses and financing difficulties, however are pushing cotton growers into other crops.

3. External developments have been marked so far in 2008 by a real effective exchange rate appreciation similar in magnitude to the regional average. The appreciation results from a strengthening of the Euro, to which the CFA franc is pegged, and higher inflation than in trading partners. Second round effects on wages have been muted, somewhat lessening competitiveness concerns. Rising oil prices have been the principal factor weighing on the current account balance, although a decline of cotton exports has also contributed (Table 3).

4. The 2008 fiscal program was on track through end-June 2008**.** As noted in the authorities' letter of intent, revenue collection began slowly in part because of fuel tax reductions and exemptions on food import taxes that were introduced to cushion consumers against rising prices. As a result, the continuous performance criterion on fuel taxes was not observed in the period June-September. The authorities responded to the revenue shortfall by freezing nonessential spending starting in May and reversed the tax cuts in September-October.

Figure 1. Mali and WAEMU: Macroeconomic Developments and Short-Term Outlook. 2000-9[1]



Sources: Malian authorities; World Economic Outlook; and IMF staff estimates and projections.
1/ Data for 2008-9 respresent staff estimates, except for the real exchange rate which reflects actual data as of July 2008.

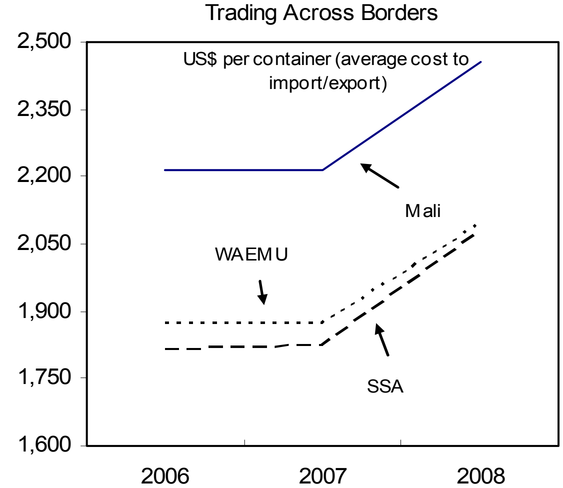
5. Structural reforms in the program advanced more slowly than expected. The call for bids for shares in the state telecommunications company (SOTELMA) is facing a temporary delay relative to the structural performance criterion for September mainly because more companies than expected were pre-qualified to bid – the conditionality is reset for end-

December 2008. For technical reasons, September structural benchmarks for reform plans for the Niger river irrigation authority and to separate the electricity and water company (EDM) into two operating units have also been delayed. However, there has been progress in other areas: Parliament approved a law authorizing the sale of CMDT and the sale of a commercial bank to a foreign bank is close to completion; it will bring in more than was expected, with receipts equivalent to 1 percent of GDP.

II. Economic and Structural Policies for 2008–09

A. Poverty Reduction

Trading Across Borders



6. The authorities have sought to mitigate the social impact of rising food and fuel prices especially given the social unrest reported in neighboring countries. World Bank simulations suggest that increased cereal prices alone could push about 2 percent of the population of Mali below the poverty line, and fuel price increases have increased the already high costs of international trade (text chart). The staff have supported the authorities policy response (Box 1), except for the food export restrictions, on the understanding that the fiscal measures are temporary and efforts are made to develop better-targeted support mechanisms. Consistent with this understanding, tax measures on food were removed at the end of September and fuel taxes were increased in September and October close to program objectives.

Box 1. Mali: Policy Response to Rising Food and Oil Prices

To counter rising food and oil prices, the authorities have taken measures to boost the market supply of food and cushion price increases on the demand side; they have

- provided financial support to rice production through fertilizer and machinery subsidies;
- released food from village food banks;
- temporarily banned export of rice, corn, millet and sorghum (not comprehensively applied and expected to be lifted by end-2008);
- removed import taxes on limited quantities of rice, milk powder, and cooking oil imports through September 2008; and
- temporarily reduced taxation of petroleum products, particularly diesel.

Although the measures have been costly (an estimated 1.8 percent of GDP in lost revenue) and have had adverse cross-border impacts on food supply, the authorities defend them as the price of avoiding the social unrest that has hit neighboring countries. Looking ahead, the authorities intend to evaluate experience and seek assistance in designing support targeted to vulnerable and difficult to reach groups. Bank and Fund staff will attend a workshop planned for December.

B. Fiscal Management

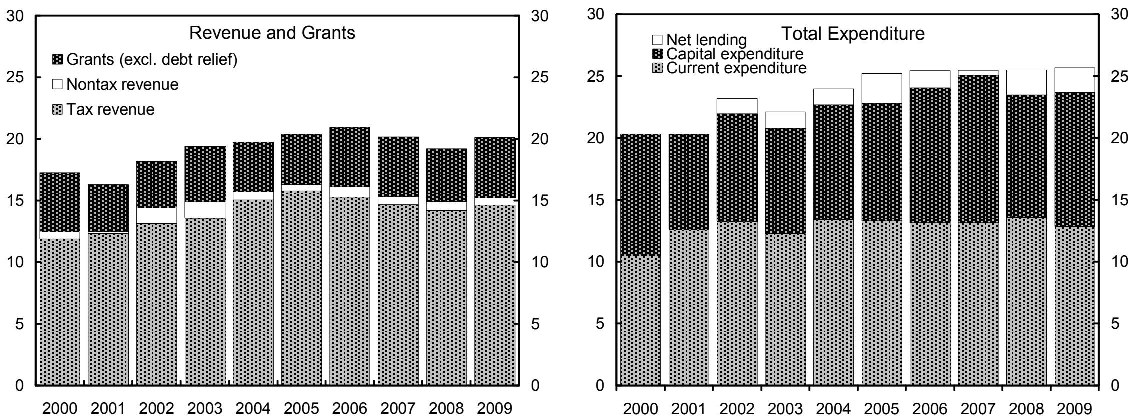
7. The PRGF-supported program envisaged that the government would submit a revised 2008 budget to the National Assembly that would reduce spending by nearly 2 percent of GDP relative to the original 2008 Budget Law. In September the authorities submitted to Parliament a revised budget as a prior action for the review but with downward revisions that were ½ percent of GDP less than the program envisaged. Staff agree with the authorities' that the revised budget is consistent with the program, on the understanding that there will be underexecution of domestically financed capital expenditure and that no adjustment to program domestic financing is required.

8. The authorities recognize that not passing rising energy costs through to retail prices is not a sustainable policy and this was the rationale for setting a program floor on fuel taxes. However, fuel taxes were below the floor during June-September 2008. The authorities note that the pass-through of very volatile international prices to retail prices needs to take social stability into account. Given the difficulties with a formula-based approach to setting fuel taxes, staff and authorities reached understandings on replacing conditionality on fuel taxes with targets on cumulative net tax revenue and on consultation with staff on corrective measures if conditionality is not met. The authorities also committed not to lower fuel prices while fuel taxes are below budget levels and are recouping earlier lost revenues.

9. The authorities are close to concluding an agreement with the principal gold mines to settle VAT and import duty refunds due on 2006–07 gold exports by issuing bonds to a commercial bank equivalent to about 1½ percent of GDP (see text table). Staff support the authorities' request to add an adjuster to the domestic financing ceiling solely to reflect these transactions. Without timely agreement on these refunds, future tax payments from the gold sector would be in question.

10. The draft budget for 2009 submitted to Parliament in September recoups revenue lost in 2008 (Figure 2 and Table 4). Staff agrees that measures outlined in the Letter of Intent to raise fuel taxes, reduce VAT exemptions, reinforce customs and tax administrations will bring a rebound in revenues to nominal program levels. Higher external grants and loans support investment above program levels. Privatization proceeds carried over from 2008 enable an expansion of domestically financed growth-enhancing projects in agriculture and regional infrastructure not envisaged in the PRGF-supported program. Additionally, support for CMDT and the electricity company raises net lending by 0.4 percent of GDP.

Figure 2. Mali: Government Revenue and Spending Indicators, 2000-08
(Percent of GDP)



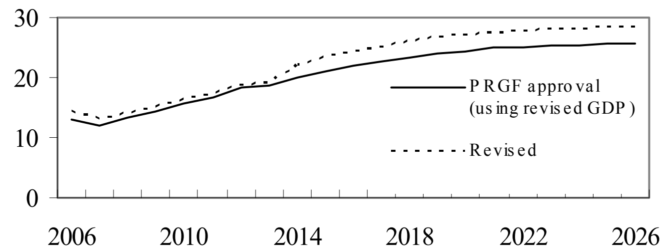
Sources: Malian authorities; and IMF staff estimates.

Mali: Fiscal Operations, 2008–09

	2008		2009	
	PRGF	Revised Program	PRGF	Revised Program
	In Percent of GDP			
Revenue & grants	21.1	20.3	22.3	21.9
Grants	4.3	4.3	4.0	4.9
Expenditure & net lending	25.5	24.7	25.2	26.7
Current expenditure	13.6	12.6	14.5	13.5
Capital expenditure	10.2	10.1	9.0	10.9
Balance (commitment basis)	-4.4	-4.3	-2.9	-4.8
Clearance of Arrears	…	1.7	…	…
Balance (cash basis)	-4.4	-6.0	-2.9	-4.8
External financing	3.3	3.3	2.7	3.8
Domestic financing	0.9	1.4	-0.2	0.7
Privatization	0.2	1.2	0.3	0.3
Memorandum item:				
Basic balance	-1.9	-1.8	-0.7	-2.0
Memorandum item:				
Nominal GDP (CFAF bns)	3,538	3,779	3,818	4,111

11. The authorities expect that the higher fiscal deficits in 2008–09 relative to the program can be sustainably financed. In 2009, unexpected privatization receipts equivalent to 1 percent of GDP and higher budget support will cover most of the additional financing need, with a small residual financing need to be met by issuing bonds on the regional market. Staff analysis confirms that the additional borrowing will not significantly affect Mali's public debt sustainability indicators (text chart). The higher deficits also imply a delay in achievement of the regional convergence criterion of basic fiscal balance from 2010 to 2011 (Table 5). Staff supports the changes in the fiscal program, in particular additional infrastructure investments and support to the energy and cotton sectors pending ongoing structural reforms. However, staff noted the high costs of borrowing on the regional market other than in limited amounts.

Mali: NPV of Public Debt-to-GDP Ratio



12. The authorities' fiscal objectives will be supported by better management of public finances. As outlined in the Letter of Intent, reforms in budget and treasury management will be implemented in 2009 (with extensive Fund technical assistance). With all the necessary legal texts now enacted, implementation of the new public procurement code will soon begin. Under the Extractive Industries Transparency Initiative, the first audit report—of 2006 mineral taxation—is being drafted; publication is slated for early 2009.

C. Structural Reform Agenda

13. For 2009, structural reform conditionality in the program is limited to actions in the areas of banking, energy pricing, and cotton that can make a contribute meaningfully to continued economic stability and growth (Table 6). The authorities' Letter of Intent details the supporting, noncritical measures that are envisaged (Attachment I, ¶¶13–18).

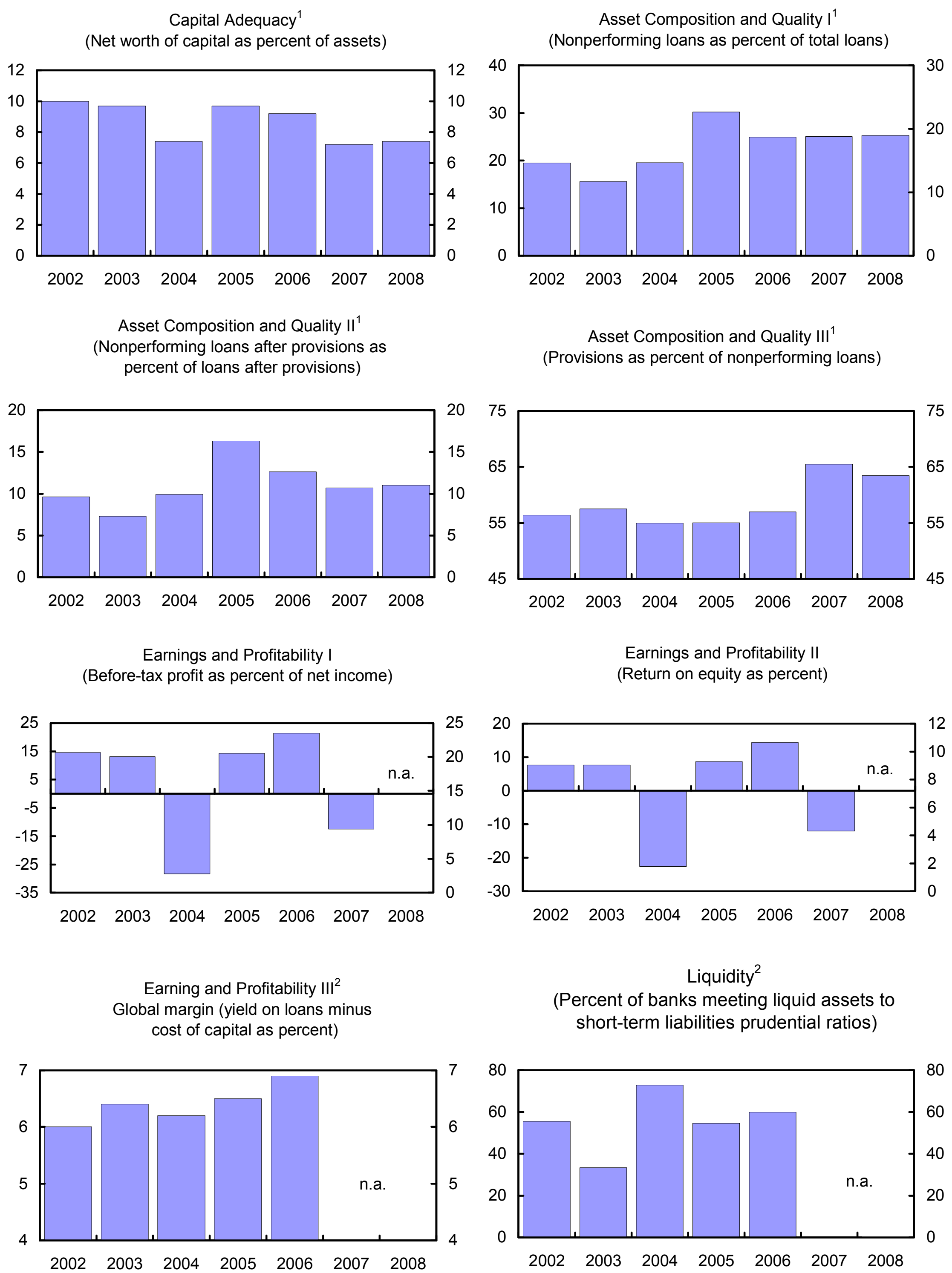
14. The Financial Sector Development Strategy approved by the Council of Ministers in July aims to strengthen the banking system and increase private sector participation. Although financial soundness indicators are stable, nonperforming loans are high and there has been regulatory forbearance on some prudential indicators (Figure 3).

15. To reinforce financial soundness and prevent further recourse to public funding for liquidity purposes, by the end of March 2009 the authorities intend to present a plan to the regional Banking Commission to restructure the troubled housing bank, BHM, (performance criterion) and prepare it for privatization later in 2009. A successful restructuring could underpin the expansion of housing market finance that has stalled in recent years.

16. Substantial difficulties in the cotton sector have cut production by nearly half over the past two seasons ahead of the planned sale of the state cotton ginner, CMDT. Relatively low farm gate prices have reduced planting and lower output has led to financing difficulties in cotton ginneries. CMDT requires budget financing—the equivalent of ½ percent of GDP is budgeted for 2009. Following the completion of technical work to divide CMDT into four regional operating companies and a holding company, the government intends to announce a revised schedule for the transition phase to privatization that will clarify the roles for all parties involved in financing the 2009/10 season (structural benchmark for end-December 2008). The call for bids for sale of shares in the CMDT operating companies is expected during 2009. Staff proposes to consider cotton sector finances in more depth, especially the assumption of CMDT debt by the government, in the second PRGF review.

17. Inadequate electrification constitutes a major impediment to economic development. With increased dependence on thermal power stations, rising fuel prices and unchanged tariffs since 2004, a tariff adjustment is overdue. To improve the financial situation of the power company, Energie du Mali, the energy regulator is to approve a new electricity tariff structure (end-March 2009 structural benchmark).

Figure 3. Mali: Financial Soundness Indicators, 2002-08



Source: BCEAO.

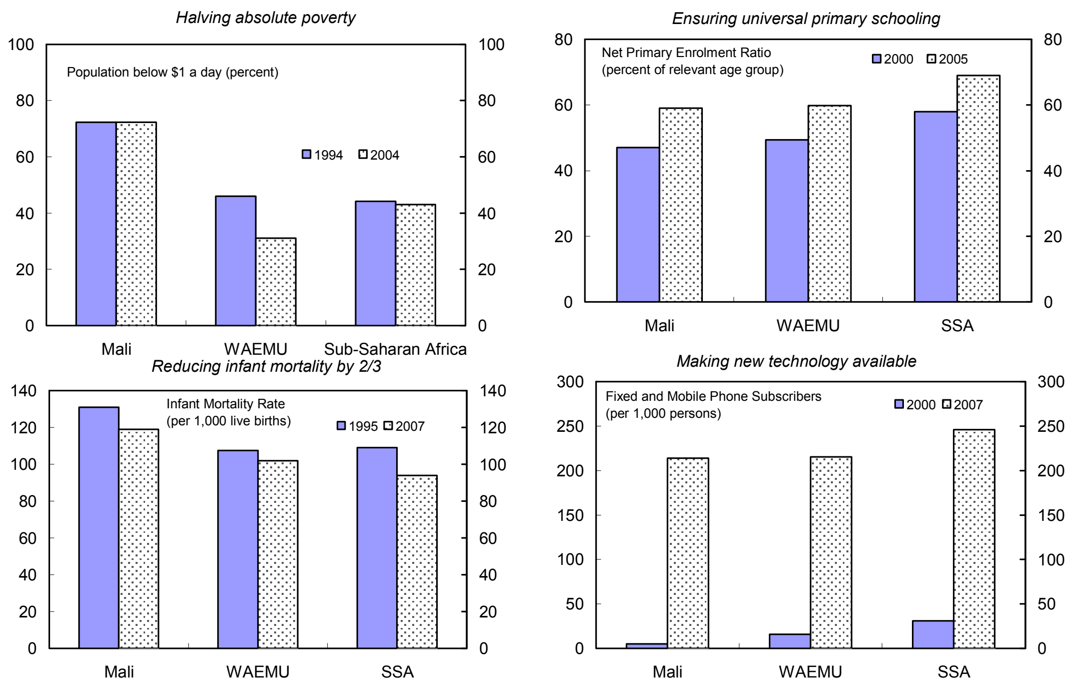
[1] Data up to June 2008.

[2] Data up to June 2006.

III. Medium-term Outlook and Risks

18. Staff and authorities have made no substantive adjustments to the medium-term economic outlook except for fiscal balances through 2010 (Table 7). The gap between PRSP projections of growth and lower recent trends results in a growing divergence between poverty alleviation goals and the results. As discussed in previous staff reports, the uneven pace of structural reforms makes it difficult to move the growth rate to a faster track; progress toward the MDGs remains slow in many areas (Table 7 and Figure 4).

Figure 4. Mali: Selected Millennium Development Goals for 2015 [1]



Source: The World Bank, available at http://ddp-ext.worldbank.org/ext/GMIS/home.do?siteId=2.
[1] When data are not available, the charts use data from the nearest available year.

19. The global financial crisis poses new and substantive challenges. Though in the short term, the impact may well be positive through strengthening the terms of trade, spillover effects of financial crisis on global growth and investment could be numerous: for instance lower remittances, reduced aid, less regional liquidity and reduced foreign investment (Box 2). Staff and authorities are now exploring the longer-term ramifications, but it is already clear that risks are elevated, caution and flexibility in budget execution may be necessary and the adverse circumstances may delay future structural reforms, such as privatization.

Box 2. Mali: Transmission of the Global Financial Crisis

Mali's limited integration into international capital markets has insulated the economy from most direct effects of the global credit crisis. Mali does not rely on short-term capital (except trade credit), trading in securitized assets is rare, and the domestic banking system has adequate liquidity. Nonetheless, heightened risk aversion in the West African Economic and Monetary Union could reduce the scope for Mali to raise budget financing regionally, and make trade financing more difficult.

The short-term effects of the financial crisis may be positive for Mali: the terms of trade are likely to strengthen because of lower food and fuel import prices. These changes are likely to outweigh declines in gold and cotton prices on the export side. Moreover, the strengthening of the US dollar has dampened the impact of the large recent decline in commodity prices.

However, beyond the immediate commodity market effects, the extent to which global financial market problems spill over into lower world output has important medium-term implications for low-income African economies like Mali.

- **Remittances would drop if European labor markets weaken: migrant workers' incomes are strongly correlated with the business cycle**. The reduction of cash incomes in remittance-dependent regions would have significant welfare effects, notably on nutrition, and services paid for in cash, such as health and education.

- **A reduction of aid budgets in the US and European Union member states would have a more significant fiscal impact**. Gross aid flows amount to 10 percent of GDP and over a third of government spending. Aid reductions would primarily affect investment spending, but lower budget support grants could especially affect health and education, although the program adjusts for within-year shortfalls of budgetary assistance.

- **Finally, global recession would likely reduce foreign direct and portfolio investment**. The effects are difficult to quantify, but prospects for concluding major privatizations in cotton, finance and telecommunications may diminish.

IV. Program Issues

20. The Letter of Intent describes progress in implementing the PRGF-supported program and requests completion of the first PRGF review. All quantitative performance criteria for end-June 2008 have been observed (Attachment I). The authorities request (i) a waiver for nonobservance of the continuous structural performance criterion on fuel taxation in response to exceptionally high international fuel prices and because the deviation is expected to be temporary; (ii) deletion of the aforementioned performance criterion on fuel taxes and introduce a new quantitative performance criterion on cumulative net tax revenues from December 2008; (iii) a waiver for nonobservance of the performance criterion on the call for

bids for state shareholdings in the telecommunications operator SOTELMA as delays are temporary; and (iv) modification of the performance criterion on domestic financing of the budget to adjust for the issuance of bonds related to the tax refunds due to mining companies.

V. Staff Appraisal

21. The policy measures Mali implemented to counter food and oil price shocks in 2008 set an appropriate balance between boosting supply and cushioning the impact on demand through temporary tax reductions. A continuing challenge is to design (with the help of development partners) a more targeted and less costly support scheme for vulnerable and difficult to reach groups. The authorities also need to move expeditiously to remove de jure export restrictions on food products.

22. The revised 2008 and 2009 budgets together with clearance of sizeable tax refunds result in a higher fiscal deficit and a delay in achieving the regional fiscal convergence criterion. However, taking into account unexpectedly high privatization revenues, grants and concessional financing, there is no substantial impact on medium-term fiscal sustainability. The authorities would nonetheless benefit from more clearly expressing their medium-term fiscal objectives so that they can align expectations with likely available resources.

23. The delays to the structural reform program are unfortunate but have arisen largely because of circumstances beyond the authorities' control, or because of institutional weaknesses. The 2009 reform program targets a number of critical actions in banking, energy and agriculture that when implemented, would re-establish reform momentum, reduce fiscal risks and support accelerated growth.

24. The current financial crisis and the risk of global recession pose a substantial challenge to Mali's solid record of macroeconomic stability and growth. Although the short-term impact will likely strengthen the terms of trade, a global slowdown would depress aid, remittances and foreign investment flows and undercut medium-term growth prospects. With elevated downside risks, caution and flexibility may be needed in budget execution. Some structural reforms, such as privatization, may be delayed. Nonetheless, the authorities have a track record of adjusting well to external shocks.

25. On the basis of the authorities' satisfactory record so far, staff recommends completion of the first review of the current PRGF arrangement and approval of the requests for waivers, deletion and modification of performance criteria.

Table 1. Mali: Selected Economic and Financial indicators, 2005-10[1]

	2005	2006	2007	2008		2009	2010
		Revised	Est.	PRGF	Rev. Prog.	Prog.	Proj.
			(Annual percentage change)				
Real GDP	6.1	5.3	3.1	5.4	4.9	5.3	4.3
GDP deflator	2.1	5.1	2.8	2.0	8.5	3.3	2.4
Consumer price inflation (average)	6.4	1.5	1.4	2.5	9.2	2.5	1.9
External sector (percent change)							
Terms of trade (deterioration -)	-10.7	20.8	4.6	25.1	3.3	-0.1	-1.6
Real effective exchange rate (depreciation -)	3.9	3.1	3.2	…	…	…	…
Money and credit (contribution to broad money growth)							
Credit to the government	4.3	-12.1	1.3	5.3	7.2	...	...
Credit to the economy	-1.1	11.5	7.5	3.7	0.5	...	...
Broad money (M2)	9.5	10.9	9.3	8.4	3.1	...	...
			(Percent of GDP)				
Investment and saving							
Gross domestic investment	22.3	23.7	23.7	23.3	24.9	25.2	24.9
Of which : government	7.1	8.2	8.9	7.3	7.2	8.4	8.0
Gross national savings	14.1	20.1	16.7	17.3	18.4	17.1	17.2
Of which : government	2.0	3.2	3.0	2.1	2.2	2.6	0.1
Gross domestic savings	13.7	19.0	15.3	19.0	15.3	15.3	14.6
Central government finance							
Revenue	17.9	17.7	17.2	17.1	16.0	17.1	17.4
Grants	4.1	39.7	4.8	4.3	4.3	4.9	4.9
Total expenditure and net lending	25.2	25.4	26.9	25.8	24.7	26.7	25.7
Overall balance (payment order basis, excluding grants)	-7.3	-7.7	-8.4	-8.7	-8.6	-9.7	-8.3
Basic fiscal balance [2]	-0.2	0.3	-1.1	-1.9	-1.8	-2.0	-0.8
External sector							
Current external balance, including official transfers	-8.2	-3.6	-7.1	-6.0	-6.1	-6.7	-7.6
Current external balance, excluding official transfers	-10.4	-6.3	-9.0	-7.5	-8.0	-8.0	-9.0
Exports of goods and services	25.6	31.2	28.2	29.3	25.1	23.6	22.4
Imports of goods and services	-34.2	-35.9	-36.7	-33.6	-34.7	-33.5	-32.6
Debt service to exports of goods and services	7.4	3.7	3.4	3.4	3.4	3.6	5.0
External debt (end of period)	49.4	20.0	22.9	26.9	25.2	27.1	29.1
			(Units indicated)				
Nominal GDP (CFAF billions)	2,829	3,131	3,321	3,538	3,779	4,111	4394
Overall balance of payments (US$ millions)	96.4	119.7	-19.7	-5.3	-15.1	1.7	23.7
Money market interest rate in percent (end of period)	5.0	5.0	5.0	…	…	…	…
Gross international reserves (US$ millions)	942	1,182	1,189	1,217	1,205	1,235	1,279
Months of next year's imports	5.8	5.6	5.2	5.8	5.0	4.9	5.0
US$ exchange rate (end of period)	541.5	514.9	511.9	...	...	...	...

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

[1] 2006 data after adjustment for MDRI.

[2] Revenue (excluding grants) less total expenditure (excluding foreign financed investment projects and HIPC initiative related spending).

Table 2. Mali: National Accounts, 2005–10

	GDP Weight (2002, percent)	2005	2006	2007 Est.	2008 Proj.	2009 Proj.	2010 Proj.
		(Annual percentage change, at constant prices)					
Primary sector	32.3	7.0	4.4	5.0	9.1	4.9	5.0
Agriculture	17.4	9.9	4.7	5.7	12.1	5.5	5.7
Food crops, excluding rice	10.7	14.9	10.0	6.0	6.0	5.0	6.0
Rice	3.5	11.1	6.0	5.5	39.5	5.0	5.5
Industrial agriculture, excluding cotton	0.9	6.0	3.0	5.0	9.2	4.3	5.0
Cotton	2.4	-9.8	-22.2	3.8	-13.6	18.0	3.8
Livestock	9.8	3.0	4.0	4.0	5.0	4.0	4.0
Fishing and forestry	5.1	4.0	3.8	4.1	5.4	4.2	4.1
Secondary sector	25.4	7.9	8.2	3.5	-5.3	4.2	3.5
Mining	11.4	18.9	17.8	-3.0	-4.9	3.1	-3.0
Industry	7.6	1.1	0.9	11.5	-22.4	-0.6	11.5
Energy	1.9	6.0	10.0	5.0	11.2	10.0	5.0
Construction and public works	4.4	4.0	3.0	5.0	8.0	7.0	5.0
				0.0			
Tertiary sector	34.5	4.2	9.4	3.8	7.3	4.7	3.8
Transportation and telecommunications	4.9	13.0	16.0	5.0	15.2	8.5	5.0
Trade	3.7	12.1	14.0	5.0	8.6	5.0	5.0
Financial services	4.8	2.3	6.0	3.3	7.3	5.0	3.3
Other nonfinancial services	-0.2	4.7	4.0	4.0	5.4	5.0	4.0
Public administration	8.7	6.3	2.5	-0.2	0.2	0.2	-0.2
GDP (factor cost)	92.1	6.1	7.3	4.2	5.1	4.7	4.2
Indirect taxes	7.9	6.0	-15.1	6.2	0.8	14.6	6.2
GDP (market prices)	100.0	6.1	5.3	4.3	4.9	5.3	4.3
Nonmining real GDP	88.6	5.2	4.2	4.9	5.7	5.4	4.9
		(Percentage of GDP, unless otherwise indicated)					
Aggregate demand							
Consumption		85.2	81.0	84.7	84.7	84.7	85.4
Private consumption		76.9	72.7	75.8	76.7	75.9	76.9
Public consumption		8.4	8.3	8.9	8.0	8.8	8.5
Gross investment		23.3	23.7	23.7	24.9	25.2	24.9
Government		7.1	8.2	8.9	7.2	8.4	8.0
Non-government		16.2	15.4	14.8	17.7	16.8	16.9
Net investment		9.5	10.0	13.3	15.0	14.5	14.7
Changes in inventories		6.7	5.4	1.5	2.7	2.3	2.2
Net foreign balance		-8.6	-4.7	-8.4	-9.6	-9.9	-10.3
Gross national saving		14.1	20.1	19.4	18.4	17.1	17.2
Of which : domestic saving		13.7	19.0	17.5	15.3	15.3	14.6
Memorandum items:							
External current account balance[1]		-8.2	-3.6	-7.1	-6.5	-8.2	-7.6
Nominal GDP (CFAF billions)		2,829	3,131	3,321	3,779	4,111	4,394

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

[1] Including official transfers.

Table 3. Mali: Balance of Payments, 2005–10 [1]

	2005	2006	2007	2008	2009	2010
				Revised	Proj.	
Current account balance						
Excluding official transfers	-293	-198	-297	-302	-331	-346
Including official transfers	-232	-112	-235	-230	-277	-286
Exports, f.o.b.	580	812	758	758	766	773
Cotton fiber	140	142	114	66	57	65
Gold	359	587	546	594	598	583
Imports, f.o.b.	-657	-770	-847	-903	-928	-986
Petroleum products	-156	-188	-188	-251	-172	-180
Trade balance	-77	42	-90	-145	-162	-213
Services (net)	-166	-189	-191	-202	-166	-172
Income (net)	-109	-135	-143	-95	-176	-163
Of which: interest due on public debt	-18	-15	-11	-13	-12	-13
Private transfers (net)	59	84	126	139	173	202
Official transfers (net)	61	86	62	71	54	59
Capital and financial account	282	225	225	223	278	298
Capital account (net)	77	1,159	138	146	171	138
Capital transfers	77	1,159	138	146	171	138
Debt forgiveness	0	1,085	0	0	0	0
Project grants	70	68	130	138	163	130
Financial account	205	13	87	77	107	161
Private (net) [2]	127	-100	32	-26	-8	43
Official (net)	79	-913	113	103	115	118
Overall balance	51	63	-10	-8	1	12
Financing	-51	-63	10	8	-1	-12
Foreign assets (net)	-81	-85	-1	-5	-13	-18
Of which: IMF (net)	-11	-61	1	13	3	3
HIPC Initiative assistance	30	22	11	13	12	6
Memorandum items:	(Annual percentage changes)					
External trade						
Export volume index	19.1	3.0	-11.1	-13.3	1.4	0.5
Import volume index	7.6	4.2	9.6	-3.0	9.8	2.7
Export unit value	-5.6	36.0	4.9	15.4	-0.3	0.4
Import price	5.7	12.6	0.3	9.9	-6.3	3.4
Terms of trade	-10.7	18.9	4.6	5.0	6.5	-3.0
	(Percent of GDP, unless otherwise indicated)					
External current account balance						
Including official transfers	-8.2	-3.6	-7.1	-6.1	-6.7	-6.5
Excluding official transfers	-10.4	-6.3	-9.0	-8.0	-8.0	-7.8
External public debt	49.4	20.0	22.9	26.9	29.3	31.0
Debt service to exports of goods and services (after debt relief, in percent)	7.4	3.7	3.4	3.4	3.6	3.5
NPV of debt-to-exports (percent)	105.2	40.6	47.9	54.6	59.0	64.1
Commodity prices:						
Petroleum (crude spot; US$/barrel)	53.4	64.3	71.1	101.3	74.8	80.8
Gold (US$/ounce)	444.9	610.0	696.7	870.0	845.0	875.0
Cotton (US cents/pound), f.o.b	51.2	53.0	59.3	71.0	69.0	69.0

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

[1] Presented according to the *Balance of Payments Manual (5th edition)*; 2006–2010 data after adjustment for MDRI (IMF, IDA, and AfDB).

[2] Reflects mainly investments in the gold sector; includes short-term capital flows and errors and omissions.

Table 4. Mali: Central Government Consolidated Financial Operations, 2005-10 [1]

	2005	2006	2007	2008		2009		2010
				Prog.	Rev. Prog.	Prog.	Rev. Prog.	Proj.
				(CFAF billions)				
Revenue and grants	621.6	1,798.7	730.3	745.7	769.0	852.4	901.3	981.0
Total revenue	506.6	554.2	569.9	594.2	606.2	700.6	701.0	764.0
Budgetary revenue	461.3	504.5	509.4	527.9	539.9	629.0	629.5	687.5
Tax revenue	446.2	478.6	487.2	502.7	504.7	594.1	603.5	659.5
Nontax revenue	15.1	25.9	22.2	25.2	35.2	35.0	26.0	28.1
Special funds and annexed budgets	45.3	49.7	60.5	66.3	66.3	71.5	71.5	76.4
Grants	115.0	1,244.5	160.4	151.5	162.8	151.8	200.3	217.1
Total expenditure and net lending	712.7	796.3	893.2	901.5	932.2	961.8	1,099.1	1,127.3
Budgetary expenditure	644.7	752.6	832.7	830.6	856.3	894.6	1,016.6	1,054.9
Current expenditure	376.6	411.8	437.1	480.2	475.4	552.8	554.6	586.3
Wages and salaries	137.8	147.9	162.9	194.2	194.2	208.9	217.1	…
Interest	18.3	15.5	13.9	13.4	14.7	23.2	14.4	18.3
Of which: d omestic	2.3	1.0	2.7	1.8	1.8	2.0	1.9	5.1
Other current expenditure	220.5	248.4	260.4	272.6	266.5	320.7	323.1	…
Capital expenditure	268.1	340.8	395.6	350.4	380.9	341.8	462.0	468.6
Externally financed	170.0	228.7	227.6	227.7	246.3	221.8	303.5	323.6
Domestically financed	98.1	112.1	168.0	122.7	134.6	120.0	158.5	145.0
Special funds and annexed budgets	45.3	49.7	60.5	66.3	66.3	71.5	71.5	76.4
Net lending	22.7	-6.0	-47.6	4.6	9.6	-4.4	11.0	-4.0
Overall fiscal balance (excl. grants)	-206.1	-242.1	-275.7	-307.3	-326.0	-261.2	-398.1	-363.4
Overall fiscal balance (incl. grants)	-91.1	1,002.4	-113.5	-155.8	-163.2	-109.4	-197.8	-146.3
Adjustment to cash basis	-10.3	0.0	10.0	0.0	-62.0	0.0	0.0	0.0
Overall fiscal balance (cash basis, incl. grants)	-101.4	1,002.4	-103.5	-155.8	-225.2	109.4	-197.8	-146.3
Financing	101.4	-1,002.4	103.5	155.8	225.2	109.4	197.8	146.4
External financing (net)	108.8	-890.5	98.0	115.5	125.5	102.7	155.3	151.9
Of which: budgetary loans	19.3	40.1	18.0	19.5	29.5	25.0	32.4	33.8
amortization	-40.5	-1,053.3	-31.4	-29.1	-29.1	-44.5	-33.9	-35.1
Domestic financing (net)	-7.4	-111.9	5.5	40.3	99.7	6.7	42.5	-5.6
Banking system	33.2	-100.2	11.5	49.7	73.5	-9.4	34.0	-1.4
Privatization receipts	9.7	0.9	0.7	8.1	42.0	12.0	13.0	0.0
Other financing	-50.3	-12.6	-6.7	-17.5	-15.8	4.1	-4.5	-4.2
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items								
External budgetary assistance	94.3	106.3	56.6	78.4	68.4	81.3	86.0	80.5
Basic fiscal balance [2]	-6.2	8.8	-37.4	-66.9	-66.9	-27.2	-83.1	-33.7
Nominal GDP	2,829	3,132	3,321	3,538	3,779	3,818	4,111	4,394

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

[1] Figures for 2008 include impact of CRM reform. Figures for 2007 include CFAF 44 billion recapitalization of CMDT as a capital transfer and reduction in net lending. Figures for 2009 exclude assumption of debt amounts related to the privatization of CMDT and cost of restructuring of the Housing Bank; amounts are not yet clear.

[2] Total revenue less current noninterest spending and net lending, excluding grants, externally financed capital expenditures, and HIPC-financed spending.

Table 4. Mali: Central Government Consolidated Financial Operations, 2005-10 (concluded)[1]

	2005	2006	2007	2008		2009		2010
				Prog.	Rev. Prog.	Prog.	Rev. Prog.	Proj.
				(Percent of GDP)				
Revenue and grants	22.0	57.4	22.0	21.1	20.3	22.3	21.9	21.9
Budgetary revenue	16.3	16.1	15.3	14.9	14.3	18.4	15.3	15.6
*Of which: t*ax revenue	15.8	15.3	14.7	14.2	13.4	16.5	14.7	15.0
Special funds and annexed budgets	1.6	1.6	1.8	1.9	1.8	1.9	1.7	1.7
Grants	4.1	39.7	4.8	4.3	4.3	4.0	4.9	4.9
Total expenditure and net lending	25.2	25.4	26.9	25.5	24.7	25.2	26.7	26.3
Current expenditure	13.3	13.1	13.2	13.6	12.6	14.5	13.5	14.0
Wages and salaries	4.9	4.7	4.9	5.5	5.1	5.5	5.3	5.1
Interest payments	0.6	0.5	0.4	0.4	0.4	0.6	0.3	0.4
Other current expenditure	7.8	7.9	7.8	7.7	7.1	8.4	7.9	7.6
Capital expenditure	9.5	10.9	11.9	9.9	10.1	9.0	10.9	10.7
Externally financed	6.0	7.3	6.9	6.4	6.5	5.8	7.4	7.4
Domestically financed	3.5	3.6	5.1	3.5	3.6	3.2	3.9	3.3
Net lending, special funds & annexed budgets	2.4	1.4	0.4	2.0	2.0	1.8	2.0	1.6
Overall fiscal balance (payment order basis)								
Including grants	-3.2	32.0	-3.4	-4.4	-4.3	-2.9	-4.8	-3.3
Excluding grants	-7.3	-7.7	-8.3	-8.7	-8.6	-6.8	-9.7	-8.3
Adjustment to cash basis	-0.4	0.0	0.3	0.0	-1.6	0.0	0.0	0.0
Overall fiscal balance (cash basis, incl. grants)	-3.6	32.0	-3.1	-4.4	-6.0	-2.9	-4.8	-3.3
External financing (net)	3.8	-28.4	3.0	3.3	3.3	2.7	3.8	3.5
Domestic financing (net)	-0.3	-3.6	0.2	1.1	2.6	0.2	1.0	-0.1
Banking system	1.2	-3.2	0.3	1.4	1.9	-0.3	0.8	0.0
Privatization receipts	0.3	0.0	0.0	0.2	1.1	0.4	0.3	0.0
Other financing	-1.8	-0.4	-0.2	-0.5	-0.4	0.1	-0.1	-0.1
Financing gap	… …		…	…	…	…	…	…
Memorandum items								
External budgetary assistance	3.3	3.4	1.7	1.9	1.9	2.1	2.1	1.8
Public saving	4.4	5.2	5.8	3.4	3.5	4.5	3.6	4.4
Basic fiscal balance[2]	-0.2	0.3	-1.1	-1.9	-1.8	-0.7	-2.0	-0.8
Wages and salaries/fiscal revenues (percent)	30.9	30.9	33.4	38.6	38.5	35.2	36.0	35.2

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

[1] Figures for 2008 include impact of CRM reform. Figures for 2007 include CFAF 44 billion recapitalization of CMDT as a capital transfer and reduction in net lending. Figures for 2009 exclude assumption of debt related to the privatization of CMDT and costs of restructuring of the Housing Bank; amounts are not yet clear.

[2] Total revenue less current noninterest spending and net lending, excluding grants, externally financed capital expenditures, and HIPC-financed spending.

Table 5. Mali: WAEMU Convergence Criteria, 2005-10

	Criterion	2005	2006	2007	2008	2009	2010
				Est.	Proj.	Proj.	Proj.
	(Ratios in percent, unless otherwise indicated)						
Primary criteria							
Basic fiscal balance / GDP	>=0	-0.2	0.3	-1.1	-1.8	-2.0	-0.8
Inflation (annual average percentage change)	<=3	6.4	1.5	1.4	9.2	2.5	1.9
Total nominal debt / GDP	<=70	77.8	40.8	41.8	40.1	40.0	40.6
Domestic arrears accumulation (CFAF billions)	<=0	0.0	0.0	0.0	0.0	0.0	0.0
External arrears accumulation (CFAF billions)	<=0	0.0	0.0	0.0	0.0	0.0	0.0
Secondary criteria							
Wages / fiscal revenue	<=35	30.9	30.9	33.4	38.5	36.0	35.2
Domestically financed investment / fiscal revenue	>=20	22.0	17.3	34.5	26.7	26.3	22.0
Current account deficit, excl. current official transfers / GDP	<=5	10.4	-6.3	-9.0	-8.0	-8.0	-7.8
Tax revenue / GDP	>=17	15.8	15.3	14.7	14.3	14.7	15.0

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

Table 6. Mali: Prior Actions and Structural Measures, 2008–09

	Type	Date	Status (end September 2008)[1/]	Macroeconomic rationale
Continuous measures				
Elimination of all customs exemptions not explicitly provided for by law (unless approved by the Council of Ministers)	Performance criterion	Continuous	Met	To protect tax revenue, level playing field for investors
Maintenance of a minimum threshold for the taxation of oil products	Performance criterion	Continuous. Authorities request to delete and replace with revenue floor PC after 1st Review.	Not met during the period June-September 2008.	To protect core component of tax revenue
Measures pertaining to second disbursement , to be considered at the 1st review				
Submission of a revised 2008 budget to the National Assembly consistent with the PRGF program	Prior action		Met. September 30, 2008. An under utilization of spending allocations of CFAF 20 billion is expected.	To avoid arrears accumulation and/or sequestration of spending
Launch of a call for tenders for the sale of Government shares in SOTELMA	Performance criterion	September 2008	Not met Reset as a performance criterion for end-December, 2008.	To reduce communication costs through increased private sector investment
Adoption by the Council of Ministers of a new institutional public service framework for water and electricity	Benchmark	September 2008	Delayed to March 2009. Consulting firm appointed with delay.	Necessary intermediate step towards supply of power and water supply on a commercial basis.
Adoption by the Council of Ministers of the reform master plan and of a development contract at the Niger Authority	Benchmark	September 2008	Partially met. Development contract approved. Reform master plan to be approved by end-2008.	To encourage additional agricultural investment (small-holder and agro-industrial) to strengthen food security

	Type	Date	Status (end September 2008)[1]	Macroeconomic rationale
Measures proposed for the third disbursement, to be considered at the 2nd review				
Submission to the Regional Banking Commission of a restructuring plan for BHM raising capital and liquidity ratios to WAEMU prudential norms	New performance criterion	March 2009		Increase confidence in the banking system and avoid more costly rescue package
Adoption of a new tariff formula for electricity pricing	New benchmark	March 2009		To assure continued availability of power supply and reduce quasi-fiscal operations
Government announcement of a new timetable for the transition phase before privatization of the CMDT clearly assigning roles for financing the 2009/10 harvest beginning January 2009.	New benchmark	December 2008		Support financing of cotton production and sale.

[1] Note: On the basis of reporting by Malian authorities.

Table 7. Mali: Medium-Term Outlook, 2006–12

	2006 [1]	2007	2008	2009	2010	2011	2012
		Revised	Projections				
	(Annual percentage change)						
Output supply and demand							
Real GDP	5.3	3.1	4.9	5.3	4.3	6.3	4.1
Primary sector	4.4	2.5	9.1	4.9	5.0	6.8	3.7
Secondary sector	8.2	-4.6	-5.3	4.2	3.5	3.8	4.9
Tertiary sector	9.4	10.8	7.3	4.7	3.8	6.7	3.8
Aggregate demand (contribution to output growth)							
Consumption	0.0	6.3	3.7	3.0	4.8	4.9	4.8
Private consumption	-0.4	5.5	4.3	1.7	4.7	4.5	4.2
Public consumption	0.4	0.9	-0.5	1.3	0.1	0.4	0.7
Gross investment	1.6	0.8	2.3	1.7	0.7	1.0	1.5
Government	1.6	1.0	-1.4	1.7	-0.1	0.5	0.7
Nongovernment	0.0	-0.2	3.8	0.0	0.8	0.6	0.8
Changes in inventories	-1.0	-3.9	1.3	-0.3	-0.1	-0.2	0.2
Net foreign balance	3.6	-4.0	-1.6	-0.9	-0.8	0.4	-2.3
Prices, period average							
GDP deflator	5.1	2.8	8.5	3.3	2.4	2.0	2.5
CPI inflation	1.5	1.4	9.2	2.5	1.9	2.5	2.5
Net lending	20.8	4.6	3.3	-0.1	-1.6	-3.2	-3.9
	(Percent of GDP; unless otherwise indicated)						
Overall fiscal balance (excl. grants)							
Investment	23.7	23.7	24.9	25.2	24.9	24.4	24.8
Government	8.2	8.9	7.2	8.4	8.0	8.0	8.3
Nongovernment	15.4	14.8	17.7	16.8	16.9	16.4	16.5
Gross national savings	20.1	16.7	18.4	17.1	17.2	18.0	17.0
Gross domestic saving	19.0	15.3	15.3	15.3	14.6	15.1	13.7
Government	0.4	1.0	1.3	-0.9	0.1	1.0	1.2
Nongovernment	18.6	14.3	14.0	16.2	14.5	14.1	12.5
Central government finance							
Revenue and grants	57.4	22.0	21.7	21.9	22.3	22.5	23.1
Total revenue	17.7	17.2	17.1	17.1	17.4	17.6	18.2
Fiscal revenue	15.3	14.7	14.3	14.7	15.0	15.2	15.7
Non-tax revenue and special accounts	2.4	2.5	2.9	2.4	2.4	2.4	2.4
Grants[2]	39.7	4.8	4.6	4.9	4.9	4.9	5.0
Total expenditure and net lending[3]	25.4	26.9	26.3	26.7	25.7	25.0	25.6
Overall balance (payment order basis, excl. grants)	-7.7	-8.2	-9.2	-9.7	-8.3	-7.4	-7.4
Basic balance[4]	0.3	-1.1	-1.9	-0.7	-2.0	-0.8	0.0
External sector							
Current external balance, including official transfers	-3.6	-7.1	-6.1	-6.7	-6.5	-6.4	-7.8
Current external balance, excluding official transfer	-6.3	-9.0	-8.0	-8.0	-7.8	-6.6	-8.0
Exports of goods and nonfactor services	31.2	28.2	25.1	23.6	22.4	20.6	20.1
Imports of goods and nonfactor services	35.9	36.7	34.7	33.5	32.6	29.9	31.1
Debt service ratio after debt relief	3.7	3.4	3.4	3.6	3.5	3.6	3.6
Gross international reserves							
US$ millions	1,182	1,189	1,205	1,235	1,279	1,339	1,389
In Months of next year's imports	5.6	5.2	5.0	4.9	5.0	4.7	5.0

Source: Malian authorities; and IMF staff estimates and projections

[1] Includes MDRI from IMF and IDA.

[2] Excludes general budgetary grants from 2007 onward.

[3] Data on a payment order basis.

[4] Revenue (excluding grants) less total expenditure (excluding foreign financed investment projects and HIPC initiative

Table 8: Mali: Millennium Development Goals, 1990 - 2007[1]

	1990	1995	2000	2007
Goal 1: Eradicate extreme poverty and hunger				
Employment to population ratio, 15+, total (%)	*75*	*75*	*74*	*70*
Employment to population ratio, ages 15-24, total (%)	*67*	*68*	*65*	*58*
Income share held by lowest 20%	*6.9*	*4.6*	*6.1*	..
Malnutrition prevalence, weight for age (% of children under 5)	..	*38.2*	*30.1*	..
Poverty headcount ratio at national poverty line (% of population)	..	..	*63.8*	..
Prevalence of undernourishment (% of population)	*29*	*32*	..	..
Vulnerable employment, total (% of total employment)	..	*96*	..	..
Goal 2: Achieve universal primary education				
Literacy rate, youth female (% of females ages 15-24)	..	..	*17*	..
Literacy rate, youth male (% of males ages 15-24)	..	..	*32*	..
Persistence to last grade of primary, total (% of cohort)	..	..	86	*73*
Primary completion rate, total (% of relevant age group)	10	13	33	*49*
Total enrollment, primary (% net)	..	..	*47*	*59*
Goal 3: Promote gender equality and empower women				
Proportion of seats held by women in national parliament (%)	..	*2*	12	10
Ratio of female to male enrollments in tertiary education	*15*	..	46	*45*
Ratio of female to male primary enrollment	*59*	..	73	*79*
Ratio of female to male secondary enrollment	*50*	..	54	*61*
Ratio of young literate females to males (% ages 15-24)	..	..	*52*	..
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	..	..	..	..
Goal 4: Reduce child mortality				
Immunization, measles (% of children ages 12-23 months)	43	52	49	*86*
Mortality rate, infant (per 1,000 live births)	140	131	124	*119*
Mortality rate, under-5 (per 1,000)	250	233	224	*217*
Goal 5: Improve maternal health				
Adolescent fertility rate (births per 1,000 women ages 15-19)	..	*207*	202	*183*
Births attended by skilled health staff (% of total)	..	*40*	*41*	..
Contraceptive prevalence (% of women ages 15-49)	..	*7*	*8*	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	*970*
Pregnant women receiving prenatal care (%)	..	*94*	*57*	..
Unmet need for contraception (% of married women ages 15-49)	..	*26*	*29*	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases				
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	..	..
Condom use, population ages 15-24, female (% of females ages 15-24)	..	*3*	*3*	..
Condom use, population ages 15-24, male (% of males ages 15-24)	..	*26*	*26*	..
Incidence of tuberculosis (per 100,000 people)	302	295	288	*280*
Prevalence of HIV, female (% ages 15-24)	..	..	..	1.1
Prevalence of HIV, total (% of population ages 15-49)	..	..	*1.5*	1.5
Tuberculosis cases detected by DOTS (%)	..	16	17	*26*
Goal 7: Ensure environmental sustainability				
Annual freshwater withdrawals, total (% of internal resources)	..	..	*10.9*	..
CO2 emissions (kg per PPP $%of GDP)	0.1	0.1	0.1	..
CO2 emissions (metric tons per capita)	0.1	0.1	0.1	..
Forest area (% of land area)	12	..	11	*10*
Improved sanitation facilities (% of population with access)	35	39	42	*45*
Improved water source (% of population with access)	33	42	51	*60*
Marine protected areas, (% of surface area)	..	..	..	..
Nationally protected areas (% of total land area)	..	..	..	..
Goal 8: Develop a global partnership for development				
Aid per capita (current US$)	62	62	36	*69*
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	14.7	15.8	12.7	*4.3*
Internet users (per 100 people)	..	*0.0*	0.1	0.8
Mobile phone subscribers (per 100 people)	..	..	0.1	20.1
Telephone mainlines (per 100 people)	0.1	0.2	0.4	0.7
Memorandum items				
Fertility rate, total (births per woman)	7.4	7.3	6.9	*6.6*
GNI per capita, Atlas method (current US$)	300	270	260	500
GNI, Atlas method (current US$) (billions)	2.3	2.4	2.6	6.1
Gross capital formation (% of GDP)	23.0	22.9	24.6	23.3
Life expectancy at birth, total (years)	48	49	51	*54*
Literacy rate, adult total (% of people ages 15 and above)	..	..	*19*	..
Population, total (millions)	7.7	8.7	10.0	12.3
Trade (% of GDP)	50.9	57.3	66.2	64.3

Source: World Development Indicators database

[1] Figures in italics refer to periods other than those specified.

Table 9. Mali: Schedule of Disbursements Under the PRGF Arrangement, 2008–11

Amount	Available date	Disbursement date	Conditions for disbursement [1]
SDR 12.99 million	May 28, 2008	June 18, 2008	Executive Board approval of the three-year PRGF arrangement.
SDR 5.00 million	December 3, 2008	December 10, 2008	Observance of the performance criteria for June 30, 2008, and completion of the first review under the arrangement
SDR 2.00 million	May 15, 2009	June 1, 2009	Observance of the performance criteria for December 31, 2008, and completion of the second review under the arrangement
SDR 2.00 million	October 15, 2009	November 1, 2009	Observance of the performance criteria for June 30, 2009, and completion of the third review under the arrangement
SDR 2.00 million	April 15, 2010	May 1, 2010	Observance of the performance criteria for December 31, 2009, and completion of the fourth review under the arrangement
SDR 2.00 million	October 15, 2010	November 1, 2010	Observance of the performance criteria for June 30, 2010, and completion of the fifth review under the arrangement
SDR 2.00 million	April 15, 2011	May 1, 2011	Observance of the performance criteria for December 31, 2010, 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.

Attachment I

Bamako,
November 18, 2008

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, D.C. 20431
USA

Dear Mr. Strauss-Kahn:

1. Macroeconomic management in Mali in 2008 has been buffeted by volatile commodity markets. In particular, elevated prices for imported oil products, fertilizer and rice have required more active fiscal policies to cushion the impact on consumers. At the same time, other sectors have benefited from higher world prices notably gold mining. As a result of favorable weather during the growing season and policies to support the expansion of agricultural production, economic growth appears to have held up fairly well and should stabilize around 5 percent in 2008. Led by higher food prices, consumer price inflation accelerated to over 10 percent by mid-year despite indirect tax breaks to reduce the impact of price shocks on the population. The government, drawing lessons from the sub-region, believes these policies have contributed to maintaining social stability.

2. Against this backdrop, we met all program quantitative performance criteria for end-June 2008. The government has moved forward on schedule with the development contract between the state, the Niger Authority (OdN), and agricultural producers, but the Niger Authority Master Plan is being finalized following consideration by the High Interministerial Council (a program benchmark for end-September). There have been modest setbacks in other parts of the structural reform program. In particular:

a. with oil prices rising exceptionally fast in June and July, it was not possible to observe the performance criterion on minimum taxation of oil products as full and immediate pass-through of international prices could have affected social stability. With a reversal of oil prices in recent months we have recouped most of the shortfall against the program minimum taxation level and we do not intend to lower domestic fuel prices until the tax shortfall is fully recouped. Going forward, we propose revenue performance be assessed against a broad definition of cumulative net tax revenue consistent with budget estimates for 2008-09.

b. the September benchmark on adopting a new institutional framework for water and electricity is now to be met at latest by March 2009 due to delays in preparatory studies;

c. the government will launch the call for bids for the privatization of SOTELMA during the last quarter of 2008. This was a performance criterion for end-September, and the delay reflects in part the numerous expressions of interest from potential bidders and has not materially affected the prospects of concluding the sale.

3. On the basis of the above performance and policies for 2008-09 outlined in this letter, the government is requesting (1) a waiver for non-observance of the continuous structural performance criterion on oil taxation; (2) that the oil taxation performance criterion be deleted following the completion of the first review of the PRGF-supported program and replaced with a new quarterly performance criterion on cumulative net tax revenue; (2) a waiver for non-observance of the performance criterion on the call for bids for state shareholdings in the capital of the telecommunications operator SOTELMA; (3) a modification of the end-December 2008 performance criteria on domestic financing of the budget (see paragraph 8); and (4) completion of the first review of the PRGF-supported program as well as disbursement of the associated program tranche. Table 1 lists the program quantitative performance indicators for 2008–09 as defined in the technical memorandum of understanding.

Macroeconomic Framework

4. As noted above, GDP growth is expected to be maintained at around 5 percent in 2008 due to an expansion of agricultural production and some service sectors are maintaining rapid growth. Private consumption growth remains relatively robust, against weakness in overall investment and net exports. In the external sector, although on balance the terms of trade is largely unchanged in 2008, there is a substantial weakening of the current account balance on account of high fuel prices and lower cotton exports. The financing of the higher current account deficit appears largely in the form of other private and public flows. In the monetary sector, a decline of net foreign assets and a slowing rate of domestic credit expansion has slowed monetary growth, reinforcing the need for actions to strengthen financial intermediation and banking soundness. Overall, financial soundness indicators have been stable in the period 2007 to June 2008.

Poverty Reduction and Food Security

5. The satisfactory implementation of the Poverty Reduction Strategy (PRS) remains a constant concern of the government. The Government of Mali organized the first review of the PRS during 9-10 July 2008 with a slight delay relative to the budgetary calendar due to the donor roundtable in June. Nonetheless, the 2009 budget estimates are consistent with the objectives of the PRS. The 2009 budget raises the allocations for productive and social sectors in order to achieve the objectives of accelerated economic growth and the improvement of social indicators. The share of these two sectors represents two thirds of the total 2009 budget expenditure. In response to the price hikes for petroleum products and basic food items, the government granted temporary exemptions on some products to maintain social stability and consumer purchasing power. A task force will evaluate the socio-economic impact of these exemptions and consider the feasibility of improving the targeting of government support to the most needy.

6. The government attaches a high priority to increasing food security. In this context the Rice Initiative launched in April 2008 aims to substantially increase the production of irrigated and rain fed rice through improved input supply, training, selected input subsidies, the widespread introduction of Nerica rice seeds and the strengthening of producer

associations that assist with the financing and marketing of production. Higher domestic food production will in turn permit a lifting of the ban on the exportation of rice, corn, sorghum and millet introduced in January 2008 by end-2008. Going forward we seek to enhance food trade opportunities at the regional level.

Fiscal Policies

7. Execution of the 2008 budget has not been without difficulty. Early in the year, with oil prices rising to record levels, it was clear that fuel taxation levels would be difficult to maintain. Revenue projections were reduced accordingly, with a corresponding substantial impact on spending. There are weaknesses in some revenue areas, notably arising from temporary tax exemptions for rice, powdered milk and vegetable oil. Over performance is expected in other items, notably gold sector taxes and dividends and domestic VAT, that are projected to be sufficient to reach the revised program revenue targets., On the expenditure side there were delays in the execution of non-priority current spending and capital spending in the first half resulting from the mid-year budget-cutting exercise. The pace of budget execution is expected to improve in the later months of the year, and the government remains committed to its program deficit target. The supplementary budget law recently sent to the National Assembly reflects revenue reductions equivalent to 2 percent of GDP offset by lower expenditures and additional domestic financing. The expected under-utilization of investment project and social plan allocations (linked to privatization) will enable the program spending level and deficit ceiling to be respected and the revised law is consistent with the PRGF-supported program.

8. The government has reached agreement with the major mine operators to issue bonds equivalent to 1.5 percent of GDP over three years to settle payments accrued during 2006 and 2007 for VAT and customs duty refunds on exports of gold. The total settlement is estimated at about CFAF 60 billion (1.5 percent of GDP). As a result of the bond issue, net domestic financing of the government will be higher than initially planned. Accordingly, we request an adjustment in the ceiling for the performance criterion on net domestic financing equivalent to the face value of bonds issued for the settlement of VAT and duty refunds to mining companies.

9. The 2009 Finance Law recently submitted to the National Assembly is aimed at renewing the emphasis on growth-enhancing investments in agriculture and transportation while also raising current spending on sectors that are critical for Millennium Development Goals, notably education and health. Our financing sources have increased due to higher than expected privatization receipts and enhanced donor support following the June 2008 Round Table. Excluding privatization financed investment, our basic budget balance will improve from a deficit of 1.8 percent in 2008 to 1.5 percent of GDP in 2009. We remain committed to achieving the regional convergence criterion of basic budget balance in 2011 making substantial progress.towards this objective in 2010.

10. The tax ratio is projected to recoup much of the decline that resulted from temporary measures introduced during 2008. The measures and actions that underpin higher 2009 revenues include: (1) the application of the normal tax regime following the expiration of temporary duty and VAT exemptions for rice and selected food products in September 2008; (2) higher average per unit taxation of fuel products; (3) strengthened customs administration particularly through scanning of cargoes, the application of ASYCUDA++, redeployment of staff and improved control of customs exemptions; (4) reduction of exemptions through review of provisions in the investment code and the law regulating property development; (5) property tax administration; and (6) applying excises more broadly. In the event that the proposed performance criterion on cumulative net tax revenues is not observed, we will consult with Fund staff on corrective actions.

11. With respect to 2009 spending, increases of 15.9 percent for education and 12 percent for health are planned to support achievement of the Millennium Development Goals. The general wage increase is limited to 5 percent. A recovery in capital spending is planned including through the creation of a special agriculture fund financed by privatization receipts and an expansion of road and bridge construction. The budget envisages an advance to CMDT of CFAF 15 billion for input financing and an advance of CFAF 5 billion to strengthen the financial position of Energie du Mali which is facing elevated fuel costs.

12. The framework for reform of public financial management is the PAGAM/GFP project, supported by multiple donors, which aims to address remaining weaknesses in the

current system, and in particular the need to strengthen within-year budget tracking. As part of efforts to address this, it is expected that the computerized expenditure tracking system (PRED4) will be fully connected by end-2008; therefore, 2009 will be a year for testing and refining the system, for which the Fund is providing assistance. Difficulties at Treasury in monitoring its cash position will be addressed through efforts to improve cash flow projections and real-time tracking of bank accounts, which will be aided by the connection of the Treasury to the interbank payment system. Fund assistance is being requested for institutional strengthening and advice on the appropriate information systems.

Structural Reforms

13. Based on our Financial Sector Development Strategy (FSDS), we are taking steps to further develop Mali's financial sector. In October, we expect to complete the sale of part of the government majority stake in the Banque Internationale du Mali (BIM), with receipts of CFA 39 billion (equivalent to 1.0 percent of GDP). We intend to present a restructuring plan for the troubled housing bank (BHM) to the regional Banking Commission by end-March 2009 (performance criterion) that will return capital adequacy and liquidity ratios to WAEMU regional prudential norms as a basis for future privatization. Actions to achieve these objectives may include: (1) conversion of government deposits to strengthen the capital base; (2) whole or partial transfer of the housing loan portfolio of the Malian Housing Authority to BHM; and (3) injection of new capital to replenish BHM's equity to the regulatory level; and (4) transfer of the impaired loan portfolio to a new asset management vehicle.

14. We also envisage other key actions to strengthen the financial system. To strengthen the pension fund for civil servants (CRM), mainly through changes in contribution rates, a draft CRM reform law will be submitted to the National Assembly during its session beginning in October 2008. Lending for construction will be supported through a review of the land code to improve land titling. To build the political consensus for these reforms, a nationwide consultation is underway, to culminate in a National Land Titling Conference in the first quarter of 2009. The consequent policy measures will be discussed with Fund staff during the second review of the program. In light of weak demand for the June 2008 issue of

10-year treasury bonds, the Ministry of Finance and Central Bank will seek to improve the conditions for issuance of public debt traded in the regional market.

15. We will also persevere in our efforts to improve the commercial orientation and financial performance of the principal remaining state-owned enterprises notably in telecommunications, energy and cotton production to underpin our ambitious growth strategy.

16. The privatization process is well-advanced for the state-owned telecommunications operator, SOTELMA, that faces strong competition in some market segments. The conclusion of the sale is expected in early 2009.

17. A law authorizing the privatization of the cotton ginning company, CMDT, was approved by the National Assembly in August 2008 and technical work to divide the company into four regional operating companies and a holding company is well advanced. The government intends to announce a revised schedule for the transition phase to privatization (a structural benchmark under the program) with clearly assigned roles for all parties involved in financing the 2009/10 harvest beginning in January 2009. The call for bids for sale of shares in the CMDT operating companies is expected during 2009.

18. With the review of the institutional framework for water and electricity service under way, a new regulatory framework for the two services should be in place after the adoption of the recommendations of the review in March 2009. In light of the increasing dependence on thermal power units that has raised unit costs of supply, a review of demand for power and the investment plan , options are being studied for a new tariff structure. It is expected that the Commission for Electricity and Water Regulation will adopt a new tariff structure by end-March 2009 that will contribute to improving the financial situation of the power generation and distribution company (structural benchmark).

19. The Government will provide Fund staff with any information required on progress made in implementing the economic and financial policies and monitoring program objectives. During the program, the Government will not introduce or intensify any exchange restrictions, multiple currency practice, or import restriction for balance of payments of

purposes, nor conclude any bilateral payment agreements that are inconsistent with Article VIII of the Fund's Articles of Agreement. The third program review is scheduled to be completed by end-November 2009 on the basis of the performance criteria at end-June 2009.

20. The government authorizes the Fund to publish this letter, the staff report relating to this request and the Joint Staff Advisory Note relating to implementation of our poverty reduction strategy.

Yours truly,

/s/

Abou-Bakar Traoré
Minister of Finance

Table 1: Mali: Quantitative Performance Criteria and Indicative Targets for 2008-09[1]

	2008					2009			
	March	June		Sep.	Dec.	March	June	Sep.	Dec.
	Prelim.	Perf. Criteria	Actual	Indic. Targets	Perf. Criteria	Indic. Targets	Perf. Criteria	Indic. Targets	Indic. Targets
Quantitative performance criteria [1]				(CFAF billions)					
Net domestic financing of the Government (ceiling)	-20.1	51.2	-47.8	58.1	40.3	10.0	25.0	35.0	43.0
Of which: Bank and market financing	-5.5	61.8	-16.8	73.9	49.7	15.0	25.0	30.0	35.0
Cumulative increase in external payments arrears (ceiling) [2]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New external borrowing at terms of one year or more contracted or guaranteed by the government on nonconcessional terms [2, 3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New short-term external credits (less than one year) contracted or guaranteed by the government (ceiling) [2]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net tax revenue	...	...	...	...	571.0	140.0	290.0	430.0	603.0
Financial indicators (floors)									
Net tax revenue	124.4	205.9	256.5	430.0	...	...	...	...	...
Basic fiscal balance	17.6	-61.7	18.2	-63.0	-67.0	-10.0	-30.0	-50.0	-82.0
Memorandum items:									
External budgetary assistance during the year [1 4]	7.2	27.2	24.8	42.8	55.7	20.0	40.0	60.0	86.0
HIPC Initiative debt relief [1]	0.6	5.7	7.1	8.9	12.7	...	...	...	11.2

[1] Cumulative figures from the beginning of each year. See technical memorandum for definitions.
[2] These performance criteria will be monitored on a continuous basis.
[3] Grant component equal to or higher than 35 percent.
[4] Excluding Fund resources.

Attachment I, Annex I: Technical Memorandum of Understanding

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 loans" for the purposes of this memorandum of understanding are as follows:

(a) Debt is defined in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt (see Decision of the Executive Directors of the IMF No. 12274-00/85, August 24, 2000).

(b) A loan 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 and Financial Indicators

Except as noted, the following financial variables shall constitute performance criteria at end-June and End-December and financial indicators otherwise. The basic fiscal balance is a financial indicator at all test dates.

A. Ceiling on Net Domestic Financing of the Government; Subceiling on Net Domestic Bank and Market Financing of the Government

4. Net domestic financing is 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.

5. Figures on net bank credit to Government are calculated by the BCEAO. Figures on nonbank financing are calculated by the public treasury, and 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 by also including local governments, and selected autonomous government agencies and projects. 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.

7. Nonbank financing of the Government is defined as nonbank market financing and other nonbank financing. Nonbank market financing includes sales net of repayments of Government bills and bonds held outside national banking institutions. Other nonbank financing of the Government includes proceeds from the sale of Government assets, repayments on domestic debt to nonbank creditors, and other net claims on the treasury. The receipts from sale of Government assets are defined as the proceeds from the sale, effectively received by the Government during the fiscal year, of all or part of the shares held by the Government in privatized enterprises. In the event that payments in respect of these sale transactions are expected to extend beyond the fiscal year, the residual will be included in the calculation of nonbank financing of the Government in each of the subsequent years, in accordance with the annual scheduling of the expected payments.

8. Net domestic bank and market financing of the Government is defined as the sum of (i) net bank credit to Government, as defined above, (ii) other Government claims and debts vis-à-vis national banking institutions, and (iii) nonbank financing of the Government through the issuance of securities to nonbanks.

Adjustment factors

9. The ceiling on the change in net domestic financing of the Government will be adjusted down (up) if external budgetary assistance exceeds (falls short of) the program 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). Adjustment will be made at a rate of nil percent for amounts up to

CFAF 10 billion; 50 percent for amounts from CFAF 10 billion up to CFAF 25 billion; and 75 percent for amounts in excess of CFAF 25 billion.

10. The ceiling on the change in net domestic financing of the Government and the sub-ceiling on bank and market financing will be adjusted up in the amount of the face value of the securities issued relating to VAT and duty refund payments accrued during 2006 and 2007 up to a maximum of CFAF 62 billion.

B. Nonaccumulation of External Public Payments Arrears

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.

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

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.

15. Starting on the date of 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.

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

17. The definition in paragraph 12 applies to this performance criterion. 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. In the context of the program, the Government and public enterprises will not contract, or guarantee, short-term external debt. This performance criterion is monitored on a continuous basis.

E. Customs Exemptions not Explicitly Provided for by Law

18. Starting on the date of program approval by the Executive Board of the IMF, the Government shall permit no customs exemption that is not explicitly provided for by law. Exemptions not subject to this provision include, but are not necessarily limited to, those under the Vienna Convention on Diplomatic Relations and similar international conventions governing multilateral institutions; the Mining Code; under the Investment Code; the General Tax Code; the Customs Code; and for the imports of donor-funded projects. Only exceptions that have been (i) duly approved by the Council of Ministers, and (ii) temporary, having a fixed validity period not exceeding 6 months, will be excluded from the limit. This performance criterion is monitored on a continuous basis.

F. Floor on Cumulative Net Tax Revenues

19. Government tax revenues are defined as those that figure in the Table on Government financial operations (TOFE), and include all tax revenues accruing to the ordinary budget. Net tax revenues are gross tax revenues less tax refunds, notably on VAT; however, refunds from prior fiscal years settled under a formal agreement are excluded from this definition. The Government shall report cumulative tax revenues from the start of each year to IMF staff each month in the context of the TOFE. Performance criteria and quantitative performance indicators for cumulative net tax revenues are set in Table 1 attached to the Letter of Intent.

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

20. 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. The floors for the performance indicators for the basic fiscal balance, excluding HIPC Initiative-related expenditure, are set in Table 1 attached to the Letter of Intent.

III. Structural Measures

21. Information relating to the introduction of the measures constituting structural benchmarks and performance criteria will be sent to Fund staff within two weeks of the date of their scheduled implementation.

IV. Additional Information for Program Monitoring

22. The Government will provide IMF staff with information as set out in the following summary table in order to assist in the monitoring of the program.

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)
	Treasury general ledger	Monthly	End of month + 4 weeks
	TOFE of the central Government and consolidated TOFE	Monthly	End of month + 3 weeks (provisional); end of month + 6 weeks (final)
	Budget execution through the expenditure chain as recorded in the automated system	Monthly	End of month + 2 weeks
	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
	Regulatory order setting prices of petroleum products, tax revenues from petroleum products, and subsidies paid	Monthly	End of month
	Imports of petroleum products by type and point of entry	Monthly	End of month + 2 weeks
	Customs exemptions	Monthly	End of month + 4 weeks
	Treasury operations of the CMDT	Monthly	End of month + 4 weeks

Data Type	Tables	Frequency	Time Frame
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 terms	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 education outlays	Quarterly	End of quarter + 4 weeks
	Gross enrollment ratio in primary education, by gender	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

INTERNATIONAL MONETARY FUND

MALI

First Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, and Requests for Waiver of Nonobservance of Performance Criteria, and Deletion and Modification of Performance Criteria

Informational Annex

Prepared by the African Department
(In collaboration with other departments)

Approved by Emilio Sacerdoti and Anthony Boote

November 19, 2008

- **Relations with the Fund.** Describes financial and technical assistance from the Fund and provides information on the safeguards assessment and exchange rate system. Outstanding purchases and loans amounted to SDR 20.99 million (22.5 percent of quota) at end-October 31, 2008.

- **Relations with the World Bank.** Describes the World Bank Group program and portfolio, including a statement of IFC investments.

- **Statistical Issues.** Assesses the quality of statistical data. Data provision for surveillance purposes is adequate overall, but weaknesses in a broad range of economic statistics are hampering the analyses of economic developments.

Contents Page

APPENDIX I. MALI: RELATIONS WITH THE FUND

(As of October 31, 2008)

I. Membership Status: Joined September 27, 1963		Article VIII
II. General Resources Account	SDR Millions	%Quota
Quota	93.30	100.00
Fund holdings of currency	83.65	89.65
Reserve position	9.66	10.36
Holdings Exchange Rate		
III. SDR Department	SDR Millions	%Allocation
Net cumulative allocation	15.91	100.00
Holdings	0.14	0.85
IV. Outstanding Purchases and Loans	SDR Millions	%Quota
PRGF arrangements	20.99	22.5

V. Latest Financial Arrangements

Type	Approval Date	Expiration Date	Amount Approved (SDR Millions)	Amount Drawn (SDR Millions)
PRGF	May 28, 2008	May 27, 2011	27.99	12.99
PRGF	Jun 23, 2004	Nov 30, 2007	9.33	9.33
PRGF	Aug 06, 1999	Aug 05, 2003	51.32	51.32

VI. Projected Payments to Fund

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

	Forthcoming				
	2008	2009	2010	2011	2012
Principal	--	--	0.13	0.53	1.20
Charges/interest	0.16	0.41	0.41	0.41	0.40
Total	0.16	0.41	0.54	0.94	1.60

VII. Implementation of HIPC Initiative

	Original Framework	Enhanced Framework
I. Commitment of HIPC assistance		
Decision point date	Sep 1998	Sep 2000
Assistance committed		
by all creditors (US$ millions) [1]	121.00	417.00
Of which: IMF assistance (US$ millions)	14.00	45.21
(SDR equivalent in millions)	10.80	34.74
Completion point date	Sep 2000	Mar 2003

	Original Framework	Enhanced Framework	Total
II. Disbursement of IMF assistance (SDR millions)			
Assistance disbursed to the member	10.80	34.74	45.54
Interim assistance	--	9.08	9.08
Completion point balance	10.80	25.66	36.46
Additional disbursement of interest income [2]	--	3.73	3.73
Total disbursements	10.80	38.47	49.27

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

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

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 the 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. Implementation of Multilateral Debt Relief Initiative (MDRI)

I. Total Debt Relief (SDR million)[1]	75. 07
Of which: MDRI	62.44
HIPC	12.63

II. Debt Relief by Facility (SDR million)

	Eligible Debt		
	GRA	PRGF	Total
Delivery Date: January 2006	N/A	75.07	75.07

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

IX. Safeguards Assessments

The Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union. The most recent safeguards assessment of the BCEAO was completed on November 4, 2005. The assessment indicated progress has been made in strengthening the bank's safeguards framework since the 2002 assessment and identified some areas where further steps would help solidify it. The BCEAO now publishes a full set of audited financial statements and improvements have been made to move financial reporting closer to International Financial Reporting Standards (IFRS). Furthermore, an internal audit charter has been put in place, mechanisms for improving risk management have been established, and follow-up on internal and external audit recommendations has been strengthened. The results of continuous safeguards monitoring indicate that while certain vulnerabilities remain in internal control systems and legal structure, there has been some progress in other areas, including through: (i) improving the external audit process by adopting a multi-year audit program; (ii) establishing an audit committee; (iii) expanding disclosures on financial positions of WAEMU countries with the Fund in the notes to the annual financial statements; and (iv) further strengthening of the effectiveness of the internal audit function.

X. 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, has no 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.

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

Sharing a common trade policy with other members of WAEMU, Mali has shifted key trade policy-making to the sub-regional level. The common external tariff (CET) was adopted in January 2000. Mali complies with the union's tariff rate structure and has effectively dismantled internal tariffs. WAEMU tariff reform has reduced the simple average custom duty from 22.1 percent in 1997 to 14.6 percent in 2003 (latest available): the maximum rate is 20 percent. Imports to Mali are not subject to quantitative restrictions.

Mali's exports to the European Union generally enjoy non-reciprocal preferential treatment in the form of exemption from import duties under the Everything but Arms initiative. Malian goods enjoy nonreciprocal preferential access to the markets of developed countries other than the European Union under the Generalized System of Preferences. Mali is also eligible to benefits from the United States' African Growth and Opportunity Act. At the WAEMU level, officially Mali experiences no regulatory impediments to its exports.

XI. Article IV Consultations

Mali's Article IV consultation cycle is governed by the provisions of the July 2002 decision on consultation cycles. The Executive Board completed the 2008 Article IV consultation on May 28, 2008.

XII. ROSC/AAP

Regarding the HIPC Assessment Action Plan, a May 2004 mission concluded that progress had been achieved. The number of tightly defined benchmarks observed by Mali had increased from 8 out of 15 in 2001 to 11 out of 16, and significant advances were made in the areas where the benchmarks were not yet met. The report put forward an action plan to strengthen Mali's budget management capacity, with the view to helping Mali meet all 16 indicators in the medium term. One of the priorities the mission identified in many areas was to extend beyond the procedural monitoring of compliance with the rules to emphasize effectiveness and efficiency based on a tighter focus on risk management.

XIII. Technical Assistance

tment	Assistance	of Delivery	Purpose
FAD	Expert	Nov. 2008	*Help establish medium-size taxpayer unit*
FAD	Expert	Oct. 2008	*Assist Treasury computerization*
AFRITAC	Expert	Sept. 2008	*Prepare the source data for the 2006 national accounts*
STA	Staff	July 2008	*Advance GFS 2001 implementation*
AFRITAC	Expert	June 2008	*Strengthen microfinance supervision in Mali*
AFRITAC	Expert	June 2008	*Strengthen real sector statistics in Mali*
FAD	Staff	April 2008	*Strengthening of public accounts*
FAD	Expert	March 2008	*Establishment of medium-size taxpayer unit*
FAD	Staff	Feb. 2008	*Customs administration*
AFRITAC	MFI Expert	Nov. 2007	*Control of microfinance institution.*
AFRITAC	Customs expert	Nov. 2007	*Customs control procedures, and ways to speed up customs clearances*
AFRITAC	Statistics Advisor	Nov. 2007	*Help in ensuring consistency of national accounts data, and checks in national accounts*
AFRITAC	MFI Advisor	Sept. 2007	*Control of microfinance institutions*
FAD/AFRITAC	Staff	Sept. 2007	*Modernization of tax administration and strategy for the next stage of reforms, with focus on priority measures to improve the performances of the tax department*
AFRITAC	Statistics Advisor	Jun-Jul 2007	*Migration to SNA 1993*
AFRITAC	PEM Advisor and expert	Jul. 2007	*National Treasury's accounting and centralization of accounts*
STA/AFRITAC	Staff	Jul. 2007	*Use of GFSM 2001 framework for fiscal policy analysis*
AFRITAC	Statistics Advisor	Mar. 2007	*Gold statistics*
AFRITAC	Debt Advisor	Mar. 2007	*External debt computerization(follow up on 2006 mission)*
AFRITAC	PEM Advisor and expert	Aug. 2006	*Computerization of budget operations*
AFRITAC	STA Advisor	July 2006	*Workshop on the GFS compilation*
AFRITAC	STA Advisor	June 2006	*Gold statistics*
AFRITAC	Expert	Apr. 2006	*Fuel pricing and taxation*
AFRITAC	STA Advisor	Mar. 2006	*Strategy for developing national accounts and consumer price statistics*
AFRITAC	STA Advisor	Mar. 2006	*Statistics for gold sector*
AFRITAC	Customs Advisor	Mar. 2006	*Customs valuation*
AFR/FAD	Staff	Feb. 2006	*Wage policy*
AFRITAC	MFI Advisor	Sept. 2005	*Help CAS/SFD to improve its function, control, and inspection capacity*
AFRITAC	PEM Advisor and expert	Aug. 2005	*Treasury accounting*
LEG	Expert	Aug. 2005	*Anti-money-laundering law*

Appendix II. Mali: IMF-World Bank Relations

(April 8, 2008)[2]

A. Partnership in Mali's development strategy

1. Mali's Growth and Poverty Reduction Strategy Framework (GPRSF) adopted by the Government in December 2006, comprises programs over the 2007-11 period grouped under the following three pillars: (i) infrastructure development and strengthening of the productive sectors (including food security, rural development, SME development, and sustainable natural resources management); (ii) strengthening the structural reform agenda (comprising public sector reforms, investment climate, financial sector, governance, and capacity of the civil society); and (iii) strengthening of social sector services (including promotion of job creation, improved access to basic social services, and HIV/AIDS).

2. The IMF and World Bank staffs maintain a collaborative relationship in supporting the Government's macroeconomic and structural reforms, in line with the guidelines for enhanced Bank-Fund collaboration. This includes participation of Bank staff in the meetings with the Malian authorities on the Fund's program review missions, and IMF staff participation in Bank development policy missions as well as in Bank internal review meetings on key operations or studies. The IMF takes the lead in macroeconomic stabilization and the World Bank in social and structural areas, with close collaboration on a few structural areas that have a particular impact on macroeconomic stability. The Fund's dialogue and conditionality are consistent with the structural programs agreed with the Bank, and the Bank's policy framework with Mali is elaborated consistent with the Governments' macroeconomic framework agreed with the Fund.

B. World Bank Group strategy

3. The World Bank Group's strategy, outlined in the new joint IDA-IFC Country Assistance Strategy (CAS), discussed by the Board of Directors on February 5, 2008 selectively supports key pillars of the 2006 GPRSF. The CAS covers the period FY08-11 and has two strategic objectives: (i) promote rapid and broad-based growth; and (ii) strengthen public sector performance for service delivery. Within the two CAS pillars, the Bank will focus on (a) private sector led growth by addressing key constraints such as productivity, energy, transport, and finance and by linking the country to the rest of the world; b) governance; and (c) capacity development. The Bank also supports Mali under the Bank's Regional Integration Assistance Strategy (2001), notably the programs for connection to the West Africa Power Pool, harmonization of country policies and/or regulatory frameworks (telecommunications, agriculture, and financial sectors), water resource development of the Niger and Senegal Rivers, strengthening of road transport corridors and transit facilitation, and strengthening the regional payments system. The Bank's assistance to Mali in its support to regional integration will be fully aligned with the regional PRS and UEMOA regional economic program (REP) priorities.

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[2] This note is updated on an annual basis by World Bank staff.

4. As of December 2007, the IDA portfolio in Mali consists of 14 operations totaling $622.4 million in net commitments, of which $353.5 million (57 percent) remain undisbursed. Including the regional operations, the portfolio amounts to $723.8 million. Close to 47 percent of the IDA portfolio is concentrated in the rural development sector and more than 22 percent in the transport sector.. Since FY07, the Bank has provided budget support through Poverty Reduction Support Credits (PRSCs) underpinned by a medium-term program. In light of the limited IDA allocations,, the FY08-FY11 CAS envisages yearly PRSCs and self-standing investments in key projects in the energy, agriculture and urban sectors.

5. Recently completed non-lending activities include a Macroeconomic Growth and Water Variability study, Poverty Assessment, Country Procurement Assessment Review (CPAR), a Diagnostic Trade Integrated Framework Study, urban sector review, health and education country status reports, transport and growth study, a Poverty and Social Impact Analysis of the cotton sector, and a Country Economic Memorandum providing analysis on Mali's growth performance and prospects. The Bank has also assisted with development of medium-term expenditure frameworks (MTEF) for health, education, transport, and agriculture-livestock-fisheries sectors. In FY07, the Bank was the lead donor for Mali's Public Expenditure and Financial Accountability (PEFA) review. Ongoing non-lending activities include a Public Expenditure Management and Financial Accountability Review (PEMFAR), and three studies: Demography and Economics, Rural Finance and Governance Diagnostic. Going forward, the Bank will focus on tackling constraints to growth and service delivery. The FY09 indicative knowledge program includes a growth note on mining, a study on remittances, an investment climate assessment (ICA) update, a country environmental assessment and a skills development study.

C. IMF-World Bank collaboration

6. **Areas in which the Fund leads**. The Fund takes the lead in macroeconomic stabilization including macro-fiscal policy, monetary policy, exchange rate policy, and financial stability and risk management.

7. **Areas in which the Bank leads**. The Bank takes the lead in structural areas where both institutions have conditionality, including cotton sector reform, privatization and regulatory reform (telecommunications, banking, financial and energy sectors), pension reform, and measures to improve the investment climate. The Bank also leads in other areas such as: agricultural competitiveness/diversification; rural development (irrigation, roads, support to producer organizations); private sector development (strengthening the investment climate, telecommunications sector, airport improvement, mining regulation and environment management, small-scale mining, access to business services, support to small/medium enterprises); urban development (land/housing market development, water/road infrastructure); transportation policy/infrastructure; energy sector reforms; and social sectors (health, education and social protection, including HIV/AIDS). The Bank's work in structural areas includes analytical work and dialogue on trade and growth policies, which form part of the overall economic policy dialogue. The Bank collaborates closely with other donors in all areas of its sector dialogue with Mali. Harmonized donor support is established in some sections (health, education, *Office du Niger*, cotton) and is being established in other sectors, namely rural water

supply and sanitation. The Bank is lead donor in the dialogue to harmonize donor budget support to Mali.

8. **Areas of shared responsibility**. Both Bank and Fund collaborate in assessing performance of HIPC resource use. Both also monitor progress on budgetary and public expenditure management, yet emphasize different aspects of the Government's reform program in the respective support operations to Mali. The Bank emphasis in this area is on strengthening all phases of the public expenditure system—budget preparation, execution, and controls—to support the Government's objectives of progressive shifts toward result-based budgeting and improved expenditure management. Bank support is at the national level in the finance ministry (global MTEF, integrated information technology system, audit capabilities, budget reporting) and sector ministries (selected sector MTEFs, inter- and intra-sectoral allocations), as well as at de-concentrated levels of the government (IT system, capacity building). The Fund's emphasis is on fiscal management, expenditure management (including financing of transfers to parastatals), revenue enhancing measures, and audit capabilities. Table 1 summarizes the areas of Bank-Fund collaboration in Mali.

Table 1. Bank Fund Collaboration in Mali (ongoing or planned)

Area	Specialized Advice from Fund	Specialized Advice from Bank	Key Instruments
Economic Framework/Management	Fiscal/monetary policy, Economic statistics	Economic growth analysis.	*IMF*: PRGF performance criteria and benchmarks on fiscal and monetary targets; technical assistance. *Bank* PRSC program; Analytical studies
Budget Framework and Public Finance Reforms	Overall budget envelope, Expenditure management, Enhancement of tax and non-tax revenue, Pension reform	Sector MTEFs, Integrated information system, Monitoring of budget execution, Efficiency of public expenditures (education and health sectors), Fiduciary accountability and management, Pension reform.	*IMF*: PRGF performance criteria and benchmarks on overall fiscal balance, customs exemptions and taxation of oil products; technical assistance. *Bank*: PRSC program; Financial sector development project; CPAR; PEMFAR.
Agriculture and Rural Development		Rural development strategy, Agricultural export promotion, Irrigation, Rural roads, Community driven development, Rural water supply and sanitation. Cotton: Reform to improve management of the sector and of the cotton ginning company; and strengthen farmers' role in sector management.	*IMF*: PRGF benchmark on reform and development of Niger Authority. *Bank*: PRSC program; Agricultural services and producer organizations project; Agriculture diversification and competitiveness project; National rural infrastructure project (for rural roads and irrigation); Rural Community Support Project.
Social Sector Reforms/Poverty Monitoring		Reforms in education and health, HIV/AIDS program, Poverty strategy.	*Bank*: Education sector expenditure program (second phase); HIV/AIDS MAP project, PRSC program.
Private Sector Development		Advice in key growth-oriented sectors (telecommunications, banking, energy, urban water, transport services and transit facilitation), Business development services (incl. to SMEs).	*IMF:* PRGF benchmarks on institutional framework for water and electricity, and telecom privatization process. *Bank*: PRSC growth component; Financial sector development project; Support to growth project; Household energy project, and advice on electricity utility; 2nd West Africa Power Pool project; Regional transit facilitation project; Regional air travel security project.
Infrastructure and Other Sectors		Strategy, policy and investment program (transport, energy, health, water).	*Bank*: Transport corridor project; Rural infrastructure project; Household energy and universal access project; 2nd transport sector project (FY07); WAPP; APL 2 Regional water project (Senegal river basin development, and Electricity generation).

Prepared by World Bank staff. Questions may be referred to Ms Bassani (Acting Country Director, 473-2644) or Ms. Sousa (Sr. Economist, 473-2558).

Appendix III. Mali: Statistical Issues
(As of September 30, 2008)

Data provision has some shortcomings, but is broadly adequate for surveillance. Mali has been participating in the General Data Dissemination System (GDDS) since September 2001 and has advanced the implementation of its short- and medium-term plans for improvement. The metadata posted on the Dissemination Standards Bulletin Board (DSBB), last certified in June 2003, require updating.

Real sector

There are weaknesses in the accuracy, coverage, and timeliness of national accounts data. The main reason has been the inadequacy of source data, along with insufficient funding and technical staffing of the National Directorate of Statistics and Data Processing (DSDP). With the support of AFRITAC West, a mission in September 2008 reviewed reliability of the source data of the 2006 national accounts and assisted the NSO in compiling the 2006 national accounts. The work on implementing the *System of National Account*s 1993 (1993 SNA) and rebasing the national account data is ongoing with the support of the West African Economic and Monetary Union (WAEMU) commission and AFRITAC West.

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. Index weights and, possibly, extension of coverage to additional cities are under review.

Government finance statistics

As part of the process of economic integration among the member countries of the WAEMU, the country has made significant progress in bringing its fiscal data in line with the common framework that has been developed with technical assistance from the Fund (the harmonized table of government financial operations – TOFE). However, further efforts are needed to improve the timeliness of the TOFE. Work is progressing with the assistance of STA, AFRITAC West and AFRISTAT to expand the coverage of the TOFE to public agencies and local governments. Fiscal data are re-disseminated on the Bank of Central African States

(BCEAO) and the WAEMU's website, and the Ministry of Economy and Finance launched a website in 2006.

In July 2007 a GFS mission visited Bamako to advance further the implementation of the *Government Finance Statistics Manual 2001*, and subsequently a country page was introduced in the 2007 issue of *GFS Yearbook*. To date the authorities have supplied six years of annual GFS data and they are preparing to disseminate quarterly data to STA for publication in *IFS*. In January 2008, the Minister of Finance issued a decree committing the government to the development of a database which will facilitate the balance sheet approach to analysis of the public sector; among the first steps will be an inventory and appraisal of the fair market value of nonfinancial assets. In July 2008, STA AFRITAC West staff visited Bamako for a short follow-up mission and was provided with complete data on both social security agencies.

Public debt statistics are prepared and monitored by separate agencies: external debt by the National Public Debt Directorate (NPDD) and domestic debt by the National Directorate of the Treasury and Government Accounting. The NPDD uses CS-DRMS accounting software. Debt data and projections are of generally good quality, although there is scope for improving presentation as well as the coverage of debt relief (multilateral and bilateral). A procedure for regularly updating exchange rate projections is needed.

Monetary data

Preliminary monetary data are prepared by the national agency of the BCEAO and released officially by the headquarters of the BCEAO. The dissemination of monthly monetary data from the BCEAO takes four to six weeks consistent with GDDS recommendations. Data are posted on the BCEAO website with a considerably longer lag.

In June 2005, the BCEAO made substantial revisions to the estimates of currency in circulation in member states. The revised method, based on updating sorting coefficients, has been applied retroactively from December 2003. The revised estimates increased the export of CFA franc banknotes from Mali to other member states, from 2003 resulting in a reduction of currency in circulation and a reduction of the counterpart net foreign assets in the BCEAO national balance sheet. Parallel revisions were also made to the balance of payments.

Nonetheless, the national BCEAO balance sheets remain estimates based on the calculation of banknote movements.

In March 2006, as part of the authorities' efforts to implement the *MFSM*'s methodology, the BCEAO reported to STA test data for the central bank for June 2005 for all member countries using the Standardized Report Form (1SR). In response to STA's comments, the BCEAO has recently provided a revised 1SR and indicated that the form for Other Depository Corporations (2SR) is being prepared.

Balance of payments

In December 1998, the responsibility for compiling and disseminating balance of payments statistics was formally assigned to the BCEAO by area-wide legislation adopted by the countries participating in the WAEMU. The BCEAO national agency disseminates balance of payments statistics with a longer lag than that consistent with GDDS guidelines. The BCEAO national agency compiles quarterly balance of payments statements, which, however, are not sufficiently robust for publication.

The foreign assets of the private non banking sector are not well covered in the financial accounts as the surveys of residents' foreign assets remain very partial, and no use is made of an existing alternative source, e.g., BIS statistics.

The April-May 2003 multi sector statistics mission found that the balance of payments compilation system is generally sound and encouraged the authorities to integrate banking settlement sources and disseminate the balance of payments within the recommended timeliness, as set by the GDDS. Implementation of these recommendations is pending. Annual statistics on balance of payments and international investment position are reported to STA on a regular basis.

Poverty Statistics

The PRS Annual Update identifies a key set of poverty indicators for monitoring of the PRS implementation.

Mali: Common Indicators Required for Surveillance
(As of September 30, 2008)

	Date of latest observation	Date received	Frequency of data[7]	Frequency of reporting[7]	Frequency of publication
Exchange Rates	Current	Current	D	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	June 2008	July 2008	M	M	M
Reserve/Base Money	June 2008	July 2008	M	M	M
Broad Money	June 2008	July 2008	M	M	M
Central Bank Balance Sheet	June 2008	July 2008	M	M	M
Consolidated Balance Sheet of the Banking System	June 2008	July 2008	M	M	M
Interest Rates[2]	Current	Current	I	W	M
Consumer Price Index	August 2008	September 2008	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	N/A	N/A			
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	June 2008	Sep 2008	M	Q	A
Stocks of Central Government and Central Government-Guaranteed Debt[5]	2007	Feb 2008	M	J	A
External Current Account Balance	2007	Feb 2008	A	A	A
Exports and Imports of Goods and Services	2007	Feb 2008	A	A	A
GDP/GNP	2007	Sep 2008	A	A	Semi-A
Gross External Debt	2007	Feb 2008	A	A	A
International Investment Position[6]	2006	April 2008			

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Includes external gross financial asset and liability position vis-à-vis nonresidents.
[7] Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).

Statement by the IMF Staff Representative
December 10, 2008

1. **This statement summarizes developments in Mali since the issuance of the staff report.** The information that has become available does not change the thrust of the staff appraisal.

2. **The Malian authorities formed a surveillance committee to monitor the effects of the global financial crisis** (comprising representatives of the Ministry of Finance, the national BCEAO and commercial banks). The committee reports weekly to the government developments in banks' net foreign assets, the treasury position of banks, budget support, and commodity prices. No significant adverse developments relating to the financial crisis have been reported.

3. **Further sharp declines in international oil prices allowed the authorities on November 18 to raise taxation on oil products substantially,** to levels well above the program taxation floors, while still permitting a modest reduction in pump prices.

Mali: Taxation of Fuel Products
(CFAF/liter)

	Prog. Min.	November 2008
Gasolin, all grades *(essence)*	224	300
Diesel fuel *(gasoil)*	93	146
Distillate diesel oil *(DDO)*	110	177
Other fuel (except kerosene)	72	185

Source: Malian authorities.

INTERNATIONAL MONETARY FUND EXTERNAL RELATIONS DEPARTMENT

Press Release No. 08/317
FOR IMMEDIATE RELEASE
December 11, 2008

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes First Review under PRGF Arrangement for Mali and Approves US$7.5 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) has completed the first review of Mali's performance under a program supported by a three-year Poverty Reduction and Growth Facility (PRGF) arrangement. The completion of the review allows for the disbursement of SDR 5 million (about US$7.5 million), which would bring total disbursements under the arrangement to SDR 17.99 million (about US$26.8 million).

The Executive Board also approved the authorities' request for waivers of nonobservance of two structural performance criteria concerning taxation of oil products and the call for tenders for the sale of the state telecommunications company.

The PRGF arrangement with Mali was approved on May 28, 2008 (see Press Release No. 08/126) for an amount of SDR 27.99 million (about US$41.7 million).

Following the Executive Board's discussion, Mr. Murilo Portugal, Deputy Managing Director and Acting Chair, said:

"Economic developments in Mali in the first half of 2008 were dominated by an inflationary surge, now abating, from rising food and fuel prices. Against this difficult backdrop, the Malian authorities are to be commended for implementing sound macroeconomic policies and structural reforms.

"With the likelihood of an increasingly difficult international environment in the coming period, it will be especially important that Mali be able to respond to shocks. Continued reliance on grants, highly concessional financing, and privatization receipts limits the risk of debt distress. A continuing challenge will be to design carefully-targeted schemes to protect the most vulnerable and difficult-to-reach population groups from external shocks.

"With elevated downside risks, added caution and flexibility may be needed in fiscal policy implementation. While the fiscal program has been adjusted to make room for additional growth-enhancing public investment in agriculture and regional infrastructure, fiscal consolidation will continue to be pursued. This will be achieved through increasing government revenue through an improvement in tax administration and policy and a strengthening of public expenditure management.

“The international financial turmoil and the risk of a global recession pose a substantial challenge to maintaining Mali’s macroeconomic stability and growth over the medium term, underlining the need for the authorities to pursue their structural reform agenda. In particular, the government should continue to disengage from commercial activities, including in the cotton, banking, and telecommunications sectors, thereby reducing the fiscal burden of money-losing state enterprises in those sectors. In this context, the Fund welcomes the authorities’ renewed resolve to restructure the housing bank, strengthen the financial operations and expansion prospects of the cotton ginning and energy companies, and complete the privatization of the national telecommunications provider,” Mr. Portugal said.

Statement by Laurean Rutayisire, Executive Director for Mali
December 10, 2008

1. Last May, Mali embarked on a new PRGF-supported program amid a difficult international environment. During the following couple of months, global oil prices peaked and food prices continued to rise relentlessly. In responding to these shocks, the authorities demonstrated sound macroeconomic and financial management under challenging times, as reflected by the fact that all program quantitative performance criteria for end-June 2008 were met. At the same time, they managed to advance their reform agenda, although delays were noted in the implementation of structural measures which stemmed largely from weak institutional capacities and circumstances beyond the authorities' control, as staff rightly noted.

2. The authorities acknowledged the valuable support they continue to receive from the country's partners in dealing with the difficult challenges facing the Malian economy. In particular, they appreciated the excellent policy dialogue that they maintained with the staff, notably during the successive program discussions held in Bamako and Washington. They were also appreciative of the productive discussions held with Management at the time of the Annual Meetings. As usual, they have expressed their consent to the publication of their LOI and the staff report.

Advancing the Structural Reform Agenda

3. The authorities continue to demonstrate their commitment to a sound implementation of the PRGF-supported program, particularly on the structural front. A number of steps were taken recently consistent with the policy intentions they expressed at the time of the program request. In particular, all customs exemptions which were not explicitly backed by law were eliminated. In line with the program, a revised 2008 budget which effected budget cuts in response to tax revenue losses was submitted to the National Assembly. The authorities have elaborated a development contract between the State, farmers, and the *Office du Niger* which is the authority in charge of irrigation and extension services. Although behind schedule, the work underway toward the adoption of a reform master plan for the *Office du Niger* is nearing completion.

4. Against this background, program implementation was adversely affected by price developments in global commodity markets and other unexpected factors. Some delays in the implementation of the structural reform agenda were thus noted which the authorities are promptly taking steps to remedy to. These include the adoption of a new institutional framework for water and electricity and the launch of a call for tenders for the sale of the government's shares in the telecommunications company, *SOTELMA*.

5. As global oil prices peaked in mid-2008, concerns over preserving social stabilityprevented the authorities to maintain the minimum taxation of oil products envisaged under the program, which led to the nonobservance of the related continuous performance

criterion between June and September. Subsequent declines in these prices made it possible for the authorities to increase such taxation significantly above original program targets. In this light, the authorities request a waiver for the nonobservance of the performance criterion on oil taxation. Going forward, they propose the deletion of the structural performance criterion on the maintenance of a minimum threshold for the taxation of oil products and its replacement with a quantitative performance criterion on cumulative net tax revenues. We appreciate the staff's support for the authorities' proposal and believe that such flexibility in the design and monitoring of program conditionality is an example of good practice which all mission teams should be encouraged to demonstrate whenever relevant.

6. The authorities are pursuing other elements of their structural reform agenda. They continue to abide by their previously stated commitment to privatize the cotton ginning company, *CMDT*. The privatization of the company was formally approved by the Parliament last August and work is underway to materialize the authorities' decision to split the company into four regional companies and a holding company. It is expected that the new timetable of the transition phase to the privatization of *CMDT* will be disclosed by the end of December. On top of the planned adoption of the new institutional framework for water and electricity, the authorities also envisage to put in place a new electricity tariff structure in coming months, with the aim at improving the financial position of the electricity company and thus reducing potential fiscal liabilities. They are also determined to continue pressing ahead with the reform of the civil service pension fund, *CRM*, which features notable changes in civil servants' contributions to the pension fund.

Pursuing Fiscal Policy and Reforms

7. Temporary tax exemptions on food imports granted by the government in response to rising food price increases and the delayed increase in the taxation of petroleum products took a toll on revenue performance in 2008. In view of the large fiscal costs of these exemptions, the authorities envisage to conduct a study that will assess the impact of these exemptions and explore avenues for better targeting assistance to most vulnerable consumers. The government initiatives being implemented to tackle food insecurity are expected to boost agricultural production which should enable the prompt removal of the export restrictions on some food items that were introduced earlier this year.

8. In spite of the revenue losses that arose from the tax exemptions, program targets for 2008 are still under reach, notably given the good performance expected in terms of gold sector taxes and dividends and value-added taxes. For 2009, stronger revenue mobilization is expected to result from a number of revenue-enhancing measures. These include notably the strengthening of tax and customs administration, the elimination of temporary tax exemptions for selected food items, and the broadening of the tax base. The authorities also stand ready to take necessary corrective actions in the event the new proposed performance criterion on cumulative tax revenues were to be unmet

9. With the assistance of the country's partners, the authorities will continue to take steps toward improving and modernizing public finance management as well as strengthening the Treasury's management and monitoring capacities. In this regard, they are making progress

in developing a computerized expenditure tracking system and they are also ramping up their efforts to improve the Treasury's cash flow projections and monitoring of bank accounts in real time. The Fund assistance and advice provided in these areas have been thus far helpful and will be even more so going forward.

Weathering the Global Financial Crisis and Strengthening the Financial System

10. Although the direct impact of the global financial crisis has been negligible to date, the authorities along with their regional counterparts have adopted a proactive approach to counter any potential adverse effects of the crisis. A high-level meeting was held last week in Abidjan to develop a plan which can help participating countries to continue to mitigate the impact of the crisis. In parallel, the Malian authorities have put in place a committee tasked with monitoring the effects of the crisis and keeping senior officials updated on a weekly basis.

11. Consistent with the authorities' Financial Sector Development Strategy which aimed notably at increased private sector involvement in the banking sector, the sale of part of the government majority stake in the *Banque Internationale du Mali (BIM)* is being finalized. Going forward, several steps are expected to be taken in the near term as part of the authorities' efforts to strengthen the financial system. In particular, the authorities intend tosubmit to the regional Banking Commission a restructuring plan for the housing bank, *BHM*, which should help improve the bank's capital adequacy and liquidity ratios, bringing them in line with regional prudential norms. The Finance Ministry and the Central Bank are committed to working closely with a view to enhancing the conditions under which Treasury bonds are issued in the regional market.

Conclusion

12. The June 2008 Roundtable Conference organized by the authorities was successful in catalyzing donor support around the authorities' accelerated growth and poverty reduction strategies. It is now to be hoped that the substantial resource commitments made at this occasion will be fully fulfilled as scheduled. On their part, the authorities have already sent a clear signal of their commitment to implement these strategies by allocating a significant part of the 2009 budget to social and productive sectors. As far as the Fund is concerned, the authorities continue to value the productive relations maintained with the institution in the context of the PRGF-supported program.

13. On their behalf, I thus call on Directors to support their requests for (i) a waiver of nonobservance of the performance criterion on oil taxation; (ii) the deletion of the aforementioned criterion and it replacement with a quantitative performance on cumulative net tax revenue; (iii) the modification of the end-December 2008 performance criteria on domestic financing of the budget; and (iv) the completion of this first review of thePRGF-supported program.