

Mali—Third Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for a Modification of Performance Criteria—Staff Report; Joint IMF/IDA Debt Sustainability Analysis; Press Release; and Statement by the Executive Director for Mali

In the context of the third review of the three-year Arrangement under the Extended Credit Facility, the following documents have been released and are included in this package:

- The staff report for the Third Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for a Modification of Performance Criteria, following discussions that ended on November 11, 2009 (last day of mission) with Malian officials on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on December 28, 2009. 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.
- Joint IMF/IDA Debt Sustainability Analysis for Low Income Countries
- A Press Release summarizing the views of the Executive Board as expressed during its February 3, 2010, 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.*

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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INTERNATIONAL MONETARY FUND

MALI

**Third Review Under the Three-Year Arrangement
Under the Extended Credit Facility
and Request for a Modification of Performance Criteria**

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

Approved by Roger Nord and Tom Dorsey

December 28, 2009

Discussions: The discussions were held in Bamako during October 30–November 11, 2009. The staff team comprised Messrs. Maret (head), Camard, Razafimahefa, and Féler (Resident Representative). Mrs. Siegel (HRD) participated in the first week of the mission. The team met Prime Minister Modibo Sidibé, Minister of Finance and Economy Sanoussi Touré, National Director of the Central Bank of West African States (BCEAO) Tatam Ly, other Ministers and senior officials, representatives of civil society and the private sector, university students, and Mali’s development partners.

ECF arrangement: The three-year ECF arrangement was approved, along with the 2008 Article IV Consultation, on May 28, 2008, in the amount of SDR 27.99 million (30 percent of quota). The first and second reviews were completed on December 10, 2008, and July 6, 2009, respectively. The authorities are requesting the fourth disbursement under the arrangement (SDR 2.00 million).

Staff views: The Staff is recommending completion of the review on the following basis:

- All quantitative performance criteria for end-June 2009 were met.
- All structural benchmarks for the review were observed (one with a slight delay).
- The program is expected to remain on track at end-2009.
- The draft 2010 budget provides an adequate foundation to begin the program’s third year, with exceptional resources from privatization used appropriately.

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ACRONYMS

BCEAO	Central Bank of West African States
BDM	<i>Banque de Développement du Mali</i> (Development Bank of Mali)
BHM	<i>Banque de l'Habitat du Mali</i> (Housing Bank of Mali)
BIM	<i>Banque Internationale du Mali</i> (International Bank of Mali)
CMDT	<i>Compagnie Malienne pour le Développement des Textiles</i> (Cotton Ginning Company of Mali)
DeMPA	Debt Management Performance Assessment
ECF	Extended Credit Facility
EdM	<i>Énergie du Mali</i> (Energy Company of Mali)
HIPC	Highly Indebted Poor Countries
MEFP	Memorandum of Economic and financial policies
MDRI	Multilateral Debt Relief Initiative
MDGs	Millennium Development Goals
OdN	<i>Office du Niger</i> (Authority in charge of irrigation and extension services in the Niger river inland delta)
PAGAM-GFP	<i>Programme d'action gouvernementale d'amélioration et de modernisation de la gestion des finances publiques</i> (Government Action Program for Improving and Modernizing Public Finance)
PC	Performance criterion
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	<i>Société de Télécommunications du Mali</i> (Telephone Company of Mali)
TMU	Technical Memorandum of Understandings
VAT	Value-added tax
WAEMU	West African Economic and Monetary Union

EXECUTIVE SUMMARY

Overall performance under the ECF-supported program in 2009 has been satisfactory. All quantitative targets were met at end-June 2009 and, based on preliminary data, at end-September 2009. The authorities appear to be on track to meet end-2009 targets, including a substantial reduction of domestic payment arrears and float. The impact of the global crisis has remained very moderate, with growth projected to reach 4.3 percent and average inflation falling to close to 2 percent. The balance of payments has been buttressed by buoyant gold prices, large privatization receipts (4 percent of GDP), and the SDR allocations. The authorities have implemented all of the structural measures targeted for end-September (one with a modest delay).

The receipt of large privatization revenues poses a new challenge to Mali's record of sound macroeconomic management. The authorities have announced detailed plans to use this money over the next three years to stimulate economic growth through clearly identified one-off projects that will not contribute to the government's recurring costs once the revenue windfall has been utilized.

In this context, the 2010 program incorporates a moderate and temporary fiscal expansion that is driven by the use of privatization revenue to target an economic growth of about 5 percent. The resulting deterioration of the external balance of payments will be limited and inflation is targeted to remain moderate.

Underlying medium-term fiscal consolidation will continue, with the 2010 underlying basic fiscal deficit (excluding use of privatization revenues) set to decline to around 1 percent of GDP from a projected 1½ percent of GDP in 2009. To achieve this, the authorities aim to strengthen revenue collection and to keep prudent levels of expenditure. They also stand ready to rein in public spending further if necessary. As final decisions have not yet been made on the full extent of privatization-related spending and on agricultural policy for 2010/11, the authorities have committed to a supplementary budget law that will reflect these upcoming decisions while keeping the underlying basic fiscal deficit at around 1 percent of GDP. The revised budget law and fiscal framework will be presented at the time of the fourth review.

Staff supports the authorities' request for completion of the third review.

I. BACKGROUND

1. **Mali's fifth PRGF/ECF arrangement was approved in mid-2008 in the context of the 2008 food and fuel crisis.** It aims at achieving further fiscal consolidation and setting the stage for sustained poverty reduction through higher growth rates. Previous arrangements had sought to develop the country's public finances and to support a broad range of structural reforms. Considerable progress was made: the tax to GDP ratio rose from 9 percent in 1995 to nearly 15 percent in 2006; public financial management capacity improved apace; and fiscal consolidation took place while implementing the country's poverty reduction strategy. Many public enterprises were shifted to private ownership, and advances were made in various other areas. Yet, progress toward the Millennium Development Goals remained uneven, and the economy is still highly vulnerable to exogenous shocks.

2. **Implementation of the ECF-supported program has been challenged by the global financial crisis and the ensuing global slowdown.** The new program aims to continue prudent fiscal policies and complementary reforms. In particular, it aims to bring reforms of previous programs to their conclusion; to strengthen growth prospects, notably through appropriate policy decisions regarding public financial support to agriculture; and to provide an enabling policy framework to address the external and climatic shocks to which Mali remains highly vulnerable. The 2008 food and oil crisis challenged program implementation, but performance was broadly satisfactory (Tables 1 and 6-9, Box 1). While annual inflation surged to 13 percent in 2008, a good harvest yielded growth of 5 percent, and buoyant gold exports prevented a greater deterioration of the external current account balance. The basic fiscal deficit (overall deficit excluding grants and foreign-financed capital and HIPC spending) was limited to 1 percent of GDP, but accompanied by a significant buildup in the domestic payment float by the end of 2008.

Box 1. The 2008 Progress Report on the Poverty Reduction Strategy (PRSP)

On September 3, 2009, the Council of Ministers approved the 2008 PRSP progress report. The report noted the difficulties presented first by the food and fuel shocks and later by the global financial crisis, yet acknowledged that some of the measures taken to attenuate their impact— notably tax exemptions—were not well targeted and had a limited effect to protect the poor. The report recognizes the importance of the excellent 2008 harvest in avoiding stronger impacts from these shocks, and attributes much of the strong rise in production to the government's Rice Initiative. Going forward, the report makes a range of recommendations, including further efforts to develop social protection programs, provided that they are well targeted; measures to reduce Mali's vulnerability to external shocks; and acceleration of the statistics master plan.

3. **The sharp rise in the payment float and the emergence of domestic arrears in 2008 needed to be addressed in the context of the program for 2009.** To this effect, the government revised its fiscal program, identified lower-priority spending items that could be frozen, and implemented a strict regulation of spending. The basic fiscal deficit target for 2009 was revised accordingly, from 2 percent to 1½ percent of GDP at the time of the second ECF review.

II. RECENT ECONOMIC DEVELOPMENTS AND 2009 PROGRAM IMPLEMENTATION

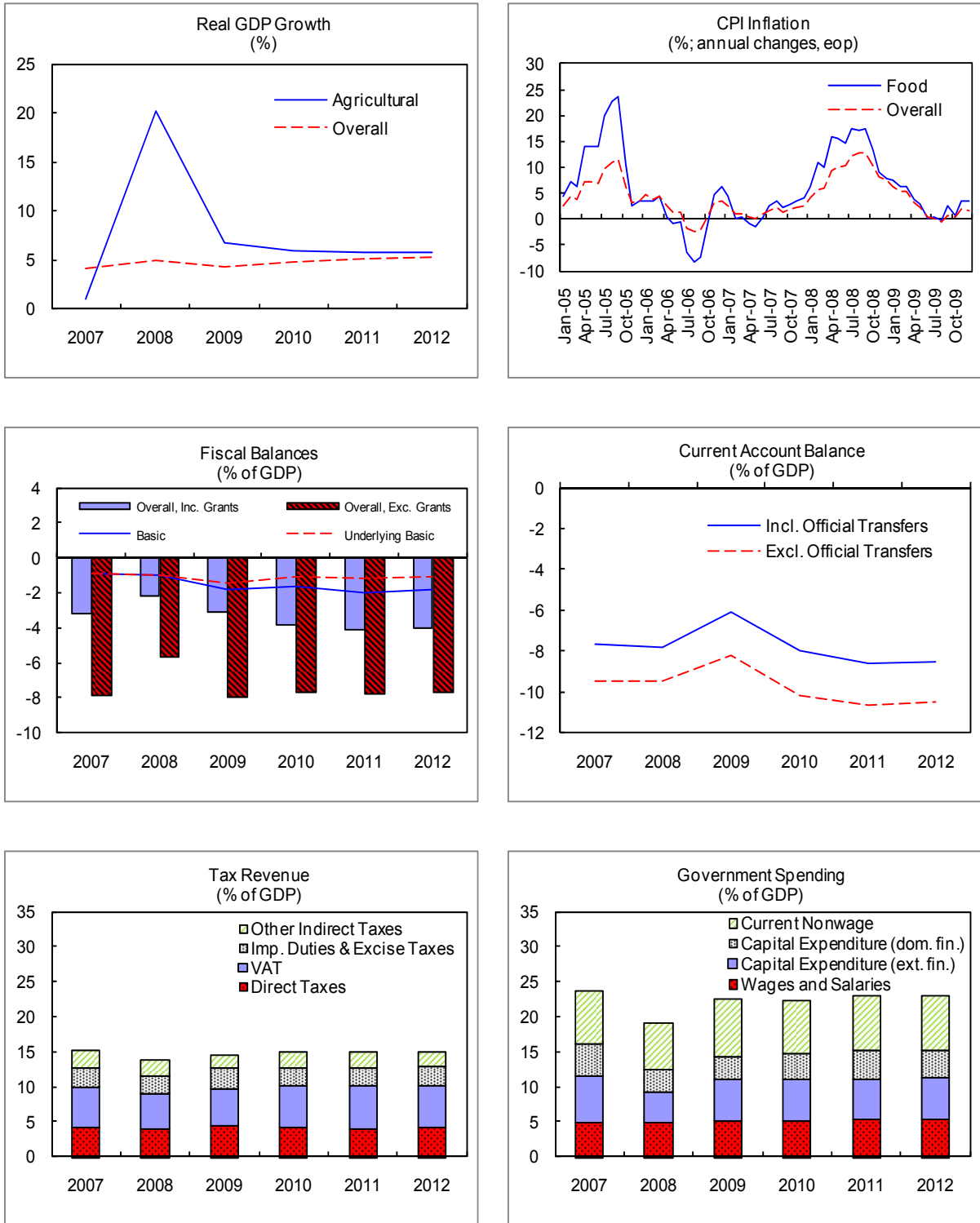
4. **Economic performance in the first three quarters of 2009 has been relatively good** (Letter of Intent—LOI, paras. 2-7). Mali has not been directly affected by the financial crisis, and the unwinding of the 2008 fuel and food shocks has played an important role in offsetting the negative effects of the global downturn. Inflation has declined to less than 2 percent; growth projections have been revised upward to 4.3 percent; and the balance of payments has been robust, buoyed by increasing gold export prices (Table 1, Figure 1). All quantitative performance criteria and benchmarks through end-June were observed (Table 2). The authorities have continued to make adequate progress on the structural reform agenda, and observed all of the structural benchmarks for the third program review (though logistical problems delayed the opening of the medium taxpayer office from September to November, Table 4). Preliminary data suggest the end-September quantitative benchmarks were also observed with comfortable margins. Moreover, the privatization of the state telecom firm SOTELMA was completed in July, bringing in some US\$0.4 billion (4 percent of GDP). Together with the Fund allocations of SDR 74 million in August, this had a strongly positive impact on the balance of payments through the third quarter.

5. **Fiscal performance has been largely as envisaged.** Collections through October suggest that the revenue target for the year will be met. The basic deficit and domestic financing targets (excluding any uses of SOTELMA's privatization receipts, see below) are also expected to be met, as the authorities have maintained a tight grip on expenditure, overperforming substantially in the first half in order to aggressively settle obligations from 2008. Moreover, the program objective of reducing the domestic payment arrears and float by the equivalent of 2 percent of GDP is likely to be overshoot as a result of additional financing provided by the regional central bank (BCEAO) for that purpose in an amount equivalent to the general SDR allocation.¹² The reduction of the domestic payment float has been reported to have a positive impact on the stock of nonperforming loans in the banking

¹ The BCEAO loan has an interest rate of 3 percent and a maturity of ten years.

² The additional arrears clearance is with regards to non-budgetary payment arrears on deposits at the Treasury and recorded in domestic financing. It was not envisaged under the program as a result of financing constraints.

Figure 1. Mali: Macroeconomic Developments, 2007-12



Source: : Malian authorities; and IMF staff estimates

sector. This deleveraging of the private sector is expected to minimize the inflationary impact of the large inflow of funds, while supporting business activity.

III. PROGRAM ISSUES

A. The Macroeconomic Framework for the Medium-Term

6. **The global recovery is expected to translate slowly into improved prospects for Mali.** Despite a challenging international environment, real growth is projected to rise in 2010 to 4.8 percent.³ The primary sector will benefit from a gradual turnaround of the cotton industry and a continuation of limited government subsidies on agricultural inputs. A buoyant construction sector supported by public investment and a short-term expansion of the mining sector will engineer a slight recovery of the secondary sector. Sluggish economic activity and external demand will, however, result in a slower recovery of the services sector.

7. **The main policy challenge over the medium term is to address the projected decline of the mining sector.** The mines that make Mali the third largest gold exporter in Africa will see a substantial decline in output over the next five to ten years as known reserves become depleted. Recent exploration has shown considerable promise for future production of gold and other minerals, such as bauxite, iron, and other minerals. The commercial potential of these deposits, however, as well as the willingness of investors to develop them, has not yet been demonstrated. The projected decline of the sector over the medium term will constrain economic growth, put pressure on the balance of payments, exacerbate the poverty reduction objectives, and complicate fiscal policy.

8. **Maintaining prudent macroeconomic policies and accelerating the structural reform program to unleash private sector development will have to be a priority.** Improved economic governance and the creation of an enabling business environment are required for the success of this economic transition. Fiscal policy will play a key role in supporting the economic adjustment process and the government poverty reduction objectives, but it will have to remain sustainable and keep Mali's indebtedness under control. To this end, it will be important that Mali's underlying basic fiscal balance (that is, excluding use of privatization revenue) be contained to levels that draw little or no financing from the domestic private sector, that public financial management continue to be improved to ensure greater quality of spending, and that external debt management be strengthened. Particular attention will be needed to control the wage bill, despite the recruitment of new teachers and health personnel.

³ Population growth of 3.6 percent is taking a heavy toll on per capita economic income growth.

9. **In the short term, Mali benefits from the availability of SOTELMA privatization receipts that the authorities intend to use wisely to promote their growth and poverty reduction objectives.** These receipts provide additional fiscal space and add an additional cushion to international reserves, but will need to be managed carefully. The authorities intend to use these exceptional resources (net of SOTELMA's severance payments made in 2009) over 2010-12 on non-recurrent spending aimed at raising economic growth. Not all details have yet been worked out, but funds are being allocated to the eight priority areas of President Touré's 2007-12 Economic and Social Development Plan. About one-fourth of the money is destined for infrastructure, agriculture, and the social sectors; one-fourth for counterpart funds to co-finance public investment with donors; another one-fourth for paying down domestic debt; and the balance for housing construction, decentralization, support to small enterprises, and other uses. SOTELMA's privatization receipts have been deposited in a special account at the BCEAO and the authorities have committed to full budgeting of their uses. Over the next three years, these expenditures are expected to add on average 1 percent of GDP per year to the fiscal deficit.

B. The 2010 Program and Fiscal Policy

10. **For 2010, the authorities envisage a moderate fiscal expansion through the use of SOTELMA's privatization revenue, with a view to supporting economic growth of nearly 5 percent** (LOI paras. 14-17). The extent of this fiscal impulse is still under discussion as final decisions on the use of privatization revenue in 2010 have not been made. Thus, although the authorities currently target a basic fiscal deficit that is comparable to the expected 2009 outcome, they are considering further uses of SOTELMA resources that could add up to 1 percentage point of GDP to the deficit. These revisions of the fiscal program would be compatible with the absorption capacity of the economy and would not threaten macroeconomic stability. Average inflation is targeted to decline below 1½ percent and the external current account deficit would deteriorate slightly as a result of a higher energy bill and stable gold exports.

11. **The 2010 finance bill submitted to Parliament aims at supporting economic recovery and offsetting the negative effects of the global recession.** It includes exceptional one-off expenditure financed by SOTELMA resources, equivalent to ½ percent of GDP, and limits the basic deficit to 1.6 percent of GDP (LOI paras. 17-19, Text Table 1). The revenue side will benefit from recent reforms of the tax and customs administration, as well as the authorities' commitment to more flexible domestic fuel prices. The authorities have delayed an envisaged cut (from 35 to 30 percent) in the profit tax rate and other revenue-reducing measures (mostly in the context of recent WAEMU directives), with a view to considering these measures in the context of a broader tax reform that will minimize revenue losses. On the expenditure side, prudent policies are maintained so that current spending remains stable as a ratio to GDP (excluding the 2009 payment of SOTELMA severance program). Notable initiatives include the recruitment of

some 5,000 contractual teachers and the establishment of a health insurance scheme for the formal sector and a medical assistance program for the indigent. Appropriate budgetary allocations have been posted for the restructuring of the Housing Bank of Mali and the 2009/2010 agricultural subsidy program, but budgeting of the 2010/11 subsidy program and support of the cotton sector had to be postponed pending decisions on these policies.

Text table 1: Mali, Fiscal Impulse Resulting for the Use of Privatization Revenue, 2007-2013

	2007	2008	2009	2010	2011	2012	2013
	(in percent of GDP)						
Basic fiscal balance ¹	-0.9	-1.0	-1.8	-1.6	-2.0	-1.8	-1.2
Underlying basic fiscal balance ²	-0.9	-1.0	-1.4	-1.1	-1.1	-1.1	-1.1
including budgetary grants	-0.1	-0.3	-0.3	0.1	-0.1	-0.1	-0.1

1. Revenue minus total expenditure excluding foreign-financed projects and HIPC spending

2. Basic fiscal balance excluding expenditure financed by SOTELMA's privatization revenue

12. **In light of their upcoming decisions regarding additional use of SOTELMA resources and agricultural sector policies, the authorities plan to introduce a revised budget law by end-June 2010** (LOI para. 21). However, although the basic fiscal deficit could increase within a ceiling of 2½ percent of GDP, the authorities have committed to keep the underlying basic deficit (excluding SOTELMA financing) to 1.1 percent of GDP. Budgetary pressures on the underlying fiscal balance will be accommodated through a reallocation of existing budgetary authorizations. The revised budget law will be drawn along these lines and considered in the context of the fourth program review. Staff will closely monitor how the SOTELMA resources are used, with a view to ensuring their earmarking to one-off non-recurrent spending with limited, if any, indirect recurrent spending in the future.

C. Debt Sustainability

13. **Mali reached the HIPC completion point in 2003 and received debt relief under the Multilateral Debt Relief Initiative (MDRI) in January 2006, and was assessed as having a low risk of debt distress in the last Debt Sustainability Analysis (DSA) conducted in 2008** (IMF Country Report No. 08/283, August 2008). Since then, borrowing has been relatively heavy, including from nontraditional donors at or just above the 35 percent concessionality threshold. In addition, the government has increasingly drawn on private domestic financing.

14. **The new DSA, conducted on the basis of end-2008 data, confirms Mali's low risk of debt distress, subject to certain caveats** (Supplement 1 of this report, December 28, 2009). The DSA baseline scenario reflects the medium term

macroeconomic framework mentioned above, including a projected decline in gold exports. Under this scenario, as well as under the alternative scenarios of the standard sensitivity analysis, all key indicators remain within the thresholds of debt sustainability. Alternative scenarios do highlight some vulnerability stemming from the profile of gold exports, whose share in total exports is projected to decline from 75 percent to about 25 percent by 2030. However, only the ratio of the net present value of debt to exports, when subject to a shock in the form of substantial nonconcessional borrowing, would approach (without exceeding) the threshold of 150 percent by 2029. Moreover, in the context of Mali's membership in the CFA franc area, the debt to exports ratio for individual member countries takes on less importance than would otherwise be the case, and the staff consider the risk of eventual debt distress to be low.

15. **The preparation of the DSA did reveal weaknesses in the public debt office.** In particular, the recording of debts canceled through debt relief had not, in several cases, been properly expunged from the debt data (the initial debt stock is, as a result, lower than in the 2008 DSA). However, a Debt Management Performance Assessment (DeMPPA) was recently done for Mali, and both Bank and Fund staffs are working to provide the necessary technical assistance to address identified weaknesses, some of which, like the publication of debt data, could be implemented in the short term.

D. Structural Reforms and the Management of State-Owned Enterprises

16. **Structural reforms under Fund-supported arrangements have been slower than programmed, but substantial advances have been made over the years in a range of areas.** For 2010, program-linked reforms are concentrated in the areas of public financial management (PFM), particularly with regard to treasury operations, and the reform of macrocritical state-owned enterprises, particularly in the financial sector. With regard to PFM, a broad reform program is set out in paragraphs 12-13 and 23-27 of the LOI.

17. **Given the privatization of the International Bank of Mali in 2008 and SOTELMA in 2009, only three major commercial enterprises remain fully in state hands:** CMDT (cotton ginning, LOI para. 10); BHM (housing bank, LOI para. 11) and EDM (power and water). CMDT is set to be privatized in 2010, BHM's privatization is under consideration, and EDM is to remain in state hands following a failed private management contract some years ago. State involvement in the operation, financing, and price-setting of all three is extensive, with each one imposing substantial costs on the budget through subsidies, tax breaks, and operating losses.

18. **Reforms are underway in all three companies, with the heavy involvement of the World Bank, most notably in the privatization of CMDT.** Consequently, the ECF program focuses more narrowly on providing a framework for major strategic decisions to be made, particularly with regard to policies aimed at limiting the fiscal and quasi-fiscal

cost of these companies. This is reflected in the structural benchmarks under the program: the pending decision by the authorities on a privatization strategy for BHM will be discussed at the time of the fourth review, and a follow-up benchmark established; the framework for public support to the cotton industry will be decided by mid-2010. The reform agenda of the energy sector, including subsidy and tariff policy is supported by the Bank under its Poverty Reduction Support Credit (PRSC) and an investment operation supporting the sector.

E. Program Modalities

19. **Program monitoring will be carried out on the basis of the quantitative performance criteria and benchmarks in Tables 2-5.** To better ensure that the SOTELMA privatization receipts do not prevent the underlying fiscal consolidation, the program will be subject to an additional quantitative benchmark on the *underlying* basic fiscal balance, that is, the basic fiscal balance excluding expenditures financed by SOTELMA resources. For end-December 2009, the basic fiscal deficit will be increased by CFAF 16 billion to reflect the severance payments to SOTELMA employees and the underlying basic deficit will be the original target.

20. **While the underlying objectives of the program remain unchanged, it has become necessary to modify the performance criteria on domestic financing of the budget for end-December 2009.** As CFAF 16 billion of the SOTELMA money was used for severance pay for SOTELMA workers, the authorities have requested a corresponding increase in the overall limit on domestic financing. However, because the SOTELMA privatization receipts have been saved in a government account at the BCEAO, the authorities have also proposed to lower the sublimit on bank and market financing by the net amount of SOTELMA receipts (CFAF 164 billion). Staff supports these requests.

IV. STAFF APPRAISAL

21. **The 2009 program remains on track.** All quantitative targets were met at end-June and, based on preliminary information, end-September. All of the four structural benchmarks of the review were observed, though one with a delay.

22. **The global crisis has only had a limited impact on Mali.** Real GDP growth benefited from good rains, and average inflation has declined sharply. Buoyant gold exports have led to a greater-than-projected improvement of the external current account deficit. Moreover, the balance of payments has benefited from 5½ percent of GDP in exceptional external resources: US\$400 million from the privatization of the telecommunications parastatal SOTELMA, and US\$100 million from the SDR allocations. Nevertheless, Mali remains highly vulnerable to climatic and other external shocks.

23. **Given the overperformance at end-September, the 2009 program objectives are likely to be met.** Domestic arrears and pending bills should also be reduced as programmed.

Given the large fiscal impulse implied for the last quarter, the staff has advised that a prudent budgetary management be maintained to prevent a large re-accumulation of pending bills at year-end.

24. The draft 2010 budget provides an adequate foundation for the 2010 program.

Maintaining prudent macroeconomic policies and strengthening the structural reform program will buttress program objectives of an economic growth close to 5 percent and a further decline of inflation to 1½ percent. The structural reform program for 2010 will continue to focus on public financial management and the banking sector.

25. It will be important to ensure that the SOTELMA resources are used on non recurrent expenditures that promote poverty reduction and growth. The authorities intend to prepare a supplementary budget law by mid-2010 that will reflect upcoming decisions on key policy issues and a likely increase in SOTELMA-financed projects. In this regard, it will be important that the underlying basic fiscal deficit be kept to 1.1 percent of GDP.

26. On the basis of the authorities' satisfactory record so far, staff recommends completion of the third review of the current ECF arrangement.

Program of the Government of Mali Supported by an
Arrangement under the Extended Credit Facility

Letter of Intent for the 3rd Review

Bamako, December 23, 2009
Minister of Economy and Finance

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington D.C. 20431
U.S.A.

Dear Mr. Strauss-Kahn:

1. As indicated in the Letter of Intent dated June 19, 2009, the Malian government has continued to implement its economic program satisfactorily in a challenging international environment. Our efforts to maintain macroeconomic stability and continue the implementation of important structural reforms were supported by strong gold prices and the ongoing assistance of our technical and financial partners (TFPs).

A. Implementation of the program in 2009

2. As anticipated during the 2nd program review, the effects of the international crisis have remained limited. The economic and financial objectives of the 2009 program are expected to be met by yearend. Additionally, we took advantage of the situation to strengthen public financial management and our structural reform program. Moreover, our external position has been strengthened by the Fund's allocation of Special Drawing Rights (SDRs) and by the sale of 51 percent of the shares in the national telecommunications company (SOTELMA) to a foreign operator for CFAF 180.4 billion. Apart from CFAF 16 billion already used for severance pay, as provided for in the tender offer, the proceeds of the sale have been deposited in a special account at the Central Bank of West African States (BCEAO). As publicly announced on November 6, 2009, by the President of the Republic, these exceptional resources will be used by 2012 to finance the implementation of a list of activities that support our growth strategy, reflecting the vision set out in the Economic and Social Development Program (PDES). An interministerial committee has been set up under the authority of the Prime Minister to monitor the use of these resources.

2009 Macroeconomic Framework

3. Our real GDP growth for 2009 is projected at 4.3 percent, given the sound performance of rice, cereal, and cotton production as a result of good rainfall and budget support for agriculture. However, the buoyancy of the primary sector was somewhat offset by the decline in value added of the secondary sector as gold production, food processing, and textiles dipped slightly.

4. Year-on-year inflation fell to 0.4 percent in October 2009 following the reversal in international food and fuel prices from their upward spiral in 2008. In this context, the Central Bank of West African States (BCEAO) has loosened monetary conditions at the regional level, reducing the repo and discount rates from 4.75 percent to 4.25 percent and from 6.75 percent to 6.25 percent, respectively, and pursuing liquidity injections operations. Moreover, the required reserve ratio was lowered in many countries of the Union, including Mali, where it was cut from 9 percent to 7 percent. Furthermore, in order to preserve the stability of the regional banking system, the Central Bank of West African States (BCEAO) has supported Member States' efforts to reduce domestic arrears through the on-lending, over ten years, of the CFAF equivalent of the SDR allocations by the IMF in August 2009, including CFAF 49.3 millions for Mali.

5. We expect a slight reduction of the 2009 current account deficit in the balance of payments. The positive impact of the substantial improvement in our terms of trade on our external position will only be partially offset by lower tourism receipts and transfers from migrants. The capital and financial account balance improved significantly in 2009, driven mainly by the partial privatization of SOTELMA and by the SDR allocations, resulting in a marked increase in Mali's contribution to the international reserves of the West African Economic and Monetary Union (WAEMU).

Fiscal policy

6. The government's basic fiscal balance recorded a surplus of CFAF 66.1 billion (1.6 percent of GDP) at end-June 2009, instead of the CFAF 11.7 billion (0.3 percent of GDP) deficit forecast during the 2nd program review. This performance, which was sustained during the 3rd quarter, mirrors both the solid performance of fiscal revenue and our consistent efforts to moderate spending by putting a freeze on the least urgent expenditures. The improvement in the basic fiscal balance made it possible to achieve a reduction in the government's pending payments due to suppliers and Treasury correspondents, down from CFAF 145.7 billion at end-2008 to CFAF 122 billion at end-September 2009. Further, the government reduced its VAT credit arrears to mining companies by CFAF 37.3 billion in the first half of the year. As a result, we have met all the performance criteria for end-June as well as the quantitative benchmarks for end-September 2009 (Table 1).

7. In light of the satisfactory performance in the first three quarters of the year, we saw no need to modify the end-of-year budget objectives except to take account of severance pay

for SOTELMA included in the supplementary budget for 2009 submitted to the National Assembly. Hence, the objective for the basic deficit for 2009 is set at CFAF 78 billion (1.8 percent of GDP), instead of the CFAF 62 billion (1.5 percent of GDP) set at the second program review.

8. For the fourth quarter, the budget allocations frozen over the first nine months of the year were only partially lifted, and the closing of budget commitments on November 30 was enforced. Moreover, we implemented a flexible price fixing policy for petroleum products, considering the recent oil price increases in the world market. These policies, with the raising of CFAF 33 billions on the regional financial market, should allow the attainment of fiscal program objectives for 2009, including the reduction of the payments float to CFAF 66.4 billions by end-year.

Structural reforms

9. With regard to structural reform, we met the following three benchmarks for end-September 2009: (i) alignment of the government's cash flow plan with the budget nomenclature; (ii) preparation of a monthly financial road map for the cotton sector for 2009/10, and (iii) the establishment of a dedicated, targeted subsidy system for agricultural inputs. Some unforeseen logistical problems delayed the start-up of the new tax directorate for medium-sized enterprises (DME), which was also a structural benchmark for end-September. These difficulties have been resolved and the DME has been operational since end-November 2009.

10. Regarding the cotton sector, the tender offer for the privatization of the Malian Textile Development Company (CMDT) will be issued by end December 2009. Negotiations are underway on severance benefits for employees leaving the company.

11. On the restructuring of the national housing bank (BHM), as provided for in our previous Letter of Intent, the government has assumed responsibility for the arrears due to the interbank syndicate (CFAF 0.916 billion). The projected cost of an employee reduction plan aimed at reducing personnel costs by 25 percent, estimated at CFAF 0.8 billion, has been included in the 2009 budget law. Further, on the basis of the restructuring finalized in accordance with the views of the Banking Commission and the BCEAO, the government aims to finalize a strategy and timetable for divestiture of the BHM by the end of the year.

12. In addition, the government continues to strengthen the monitoring of the payment float in the context of improvements in the Treasury's accounting and information systems. Our ongoing efforts to improve our government finance statistics include, in collaboration with the BCEAO, (i) an inventory of the bank accounts included in the net government position and (ii) an improved methodology for recording movements on these accounts, to ensure the appropriate classification in the government accounts summary table (TOFE). These measures should be completed by the end of the year as programmed, by which time we also expect the macroeconomic impact study of the gold mining sector (balance of payments, employment, growth, budget) and its medium-term prospects to be finalized.

13. Furthermore, the government has also taken steps to strengthen the institutional framework for public debt management. In that regard, by decree of September 24, 2009, a national public debt committee was established under the authority of the Minister of Finance with responsibility for coordinating the government's borrowing and public debt management policy with its fiscal and monetary policies. All planned domestic or external debt commitments as well as requests for guarantees from the government or its constituent parts must be submitted for comment to this committee. We continue also our efforts to improve the quality of public debt database.

B. Outlook for 2010

14. The priority of the government remains to promote sustainable economic growth, while preserving macroeconomic stability, so as to continue to improve the living standards of the population and reduce poverty. In that context, we will continue to focus on prudent fiscal management and the deepening of key structural reforms with a view to achieving the objectives contained in our Poverty Reduction Strategy Paper (PRSP). The support of our technical and financial partners remains essential to the pursuit of our efforts in this regard.

15. Real GDP growth is expected to be around 5 percent in 2010, propelled by a good crop season and an upturn in business activity in the secondary and tertiary sectors accompanying a global recovery. The BCEAO will continue to conduct prudent monetary policy at the regional level, with a view to anchoring expectations and stabilizing inflation at around 1.5 percent in Mali in 2010.

16. There is a risk that our external position may deteriorate slightly in 2010 owing mainly to a possible worsening of our trade deficit reflecting a tapering off of export revenues from gold and a rise in our oil bill. We also expect a decline in foreign direct investments from the exceptionally high levels recorded in 2009 arising from the privatization of SOTELMA. Furthermore, our economy remains heavily dependent on good rainfall and is vulnerable to new external shocks, including on terms of trade.

Fiscal policy

17. The government will pursue prudent fiscal policies in 2010. The 2010 draft Budget Law submitted to the National Assembly emphasizes pro-growth investments, while also providing for an increase in current spending in the health and education sectors with a view to achieving the Millennium Development Goals. The draft budget includes a basic fiscal deficit target, exclusive of HIPC, of CFAF 73.2 billion (1.6 percent of GDP). In keeping with the recent announcement by the President of the Republic, an allocation of CFAF 25 billion (0.5 percent of GDP) from the proceeds of the privatization of SOTELMA has been earmarked for financing selected investment projects from the medium-term program. Thus, the underlying basic budget deficit target, that is, excluding the expenses financed from the SOTELMA privatization receipts, is equivalent to 1.1 percent of GDP for 2010.

18. Total revenue is projected to reach CFAF 772 billion, that is, 16.9 percent of GDP versus 16.6 percent of GDP programmed for 2009. This slight increase in the tax burden reflects our firm intention to pass through changes in international oil prices to domestic prices and continue our efforts to improve tax administration, including through the new DME.

19. Total expenditure and net lending is projected at CFAF 1,132 billion, or 24.6 percent of GDP, versus 24.4 percent of GDP programmed for 2009. Within this envelope, current spending is expected to decline by 0.2 percent of GDP from 2009, while capital spending is set to increase significantly, driven mainly by the CFAF 25 billion allocation from the SOTELMA privatization receipts. The 2010 draft Budget Law also takes on board certain structural reform costs, such as the CFAF 11.4 billion needed to strengthen the capital and operating account of the BHM.

20. The overall budget deficit (excluding grants) in the draft budget law for 2010 is 7.7 percent of GDP, and is mainly financed through external grants or concessional loans and the use of SOTELMA privatization receipts. We therefore plan to limit our borrowing from the domestic banking system and the regional financial market to 1 percent of GDP, to ensure debt sustainability in line with the debt sustainability analysis undertaken recently by Fund and Bank staffs.

21. However, the draft Budget Law submitted to the National Assembly does not take account of some foreseeable expenditures whose estimates hinge on decisions or policies that will only be finalized in 2010. This is the case, for instance, of the agricultural input subsidy policy for the 2010/11 crop season, to be defined by the High Council for Agriculture in early 2010; of some employee reduction plans like that of the CMDT; and of possible budget support to relaunch the cotton sector. Moreover, there is a possibility that the deliberations of the committee established to monitor the use of the SOTELMA privatization receipts could lead to an increase in 2010 budget expenditures financed using these exceptional resources.

22. Before the conclusion of the fourth program review, the government will submit a supplementary budget to the National Assembly reflecting these items currently in abeyance, while limiting the underlying basic deficit to 1.1 percent of GDP, and the basic deficit including expenditures financed from the proceeds of the privatization of SOTELMA to 2.5 percent of GDP.

Structural reforms

23. The government intends to deepen its public financial management reforms. The preparation of a new series of reforms is underway with the support of the TFPs so as to consolidate the significant progress made under the government's action plan to improve and modernize public financial management (PAGAM). The new program (PAGAM 2) will focus on ensuring compliance of the legislative and regulatory framework with the new WAEMU directives in order to strengthening budget preparation and execution processes; improve cash management; and increase the transparency and reliability of the accounting

and financial data of the government and its constituent parts. The implementation of this new series of reforms will be overseen by a committee chaired by the Minister of Economy and Finance under the authority of the Prime Minister.

24. In the context of the transition to results-based budgeting, we will also seek by end-June 2010 to (i) put in place the PRED5 expenditure management software (structural benchmark); and (ii) adopt a decree regulating inventory accounting in order to improve the effectiveness of service delivery controls and to improve the computerization of this type of accounting.

25. In addition, the government intends to put in place the necessary tools for forward-looking cash management. At the institutional level, an interministerial cash flow committee will be created under the authority of the Minister of Economy and Finance, and a cash flow committee within the Ministry of Economy and Finance; the National Directorate of the Treasury and Government Accounting (DNTCP) will serve as the permanent technical secretariat (structural benchmark). Furthermore, starting in 2010, commitment plans consistent with the cash flow plan will be prepared to facilitate effective use of the financial instruments available on the regional financial market. We are also committed to improving our government finance statistics and plan to introduce, by end-June 2010, a new government accounts summary table (TOFE) in which the presentation of domestic financing (bank and nonbank) will be consistent with international best practices (structural benchmark).

26. Lastly, in 2010 and over the medium-term we intend to step up our efforts aimed at streamlining public expenditure and strengthening the link between the government's priorities, as outlined in the Poverty Reduction Strategy Paper, and the national budget. This will be done by improving the quality of program budgets and extending the MTEF approach to all departments and sectors. In that context, by end-June 2010, in consultation with the TFPs, we will refine the budget nomenclature for the definition of poverty-reducing spending, which will serve a basis for the monitoring of an upcoming structural benchmark.

27. With regard to tax revenue, the objectives of increasing the overall revenue performance and implementing a tax system conducive to private sector development would require a broadening of the tax base and a review of the exemption regimes. In that context, we are pursuing efforts to modernize our corporate income tax and tax incentive systems with the aim of implementing an in-depth reform that is neutral with respect to revenue. Those measures will be presented to the Government Council by end-September 2010. Further, to ensure more orderly management of VAT credit reimbursements, the government intends to develop an effective and efficient mechanism for such reimbursements, in consultation with Fund staff.

28. Regarding agricultural policy, particular emphasis will be placed on the monitoring and evaluation of the use of input subsidies. Efforts will be made, in 2010, to improve the census of farmers and land areas, as well as strengthen extension and outreach services aimed at improving compliance with technical procedures and proper and regular supplies of inputs.

The government will also adopt, by end-June 2010, a policy paper on the support to the cotton sector after the privatization of the CMDT (structural benchmark).

Modalities for monitoring the program

29. Discussions on the fourth program review will focus on the implementation of the program and the structural reforms for end-December 2009, as well as on the draft supplementary budget law for 2010. Performance under the current program will be evaluated on the basis of Tables 1 to 4 and the attached Technical Memorandum of Understanding. In that context, we request an additional quantitative benchmark on the basic fiscal balance excluding spending financed by the SOTELMA privatization receipts, with effect from December 2009. The fourth program review is expected to be completed by end-June 2010, based on the performance criteria for end-December 2009 and the fifth review is expected to be completed by end-2010, based on the performance criteria for end-June 2010.

30. The Government believes that the policies described in this Letter of Intent are sufficient to achieve program objectives, but stands ready to take any additional measures that may prove necessary for this purpose. Mali will consult with the Fund on the adoption of such measures and prior to any change in the policies set out in this Letter of Intent, in accordance with IMF policies on such consultations. The government is prepared to provide Fund staff with any information required to monitor the implementation of economic and financial policies, including the data set out in the Technical Memorandum of Understanding on progress made in implementing this program. During the program, the Government will not introduce or intensify any exchange restrictions, multiple currency practice, or import restriction for balance of payments purposes, nor conclude any bilateral payment agreements that are inconsistent with Article VIII of the Fund's Articles of Agreement. The government authorizes the Fund to publish this Letter of Intent and the IMF staff report related to this review.

Sincerely yours,

/s/

Sanoussi Touré
Minister of Finance and Economy

Table 1. Mali: Quantitative Performance Criteria and Indicative Targets for 2009¹

	2009										
	March			June			Sept.			Dec.	
	Indic. Targets	Adjusted	Actual	Rev. Perf. Criteria	Adjusted	Actual	Rev. Ind. Targets	Adjusted	Prel.	Perf. Criteria	Rev. Perf. Crit
Quantitative performance criteria¹	(CFAF billions)										
Net domestic financing of the Government (ceiling) ²	10.0	11.8	13.1 ⁷	45.0	40.1	-5.0	50.0	32.9	-4.3	33.4	49.4
<i>Of which:</i> Bank and market financing ²	15.0	16.8	22.3 ⁷	80.0	75.1	55.1	90.0	72.9	-136.9	62.5	-101.5
Cumulative increase in external payments arrears (ceiling) ³	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New external borrowing at terms of one year or more contracted or guaranteed by the government on nonconcessional terms ^{3,4}	0.0	0.0	17.5 ⁸	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) ³	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net tax revenue	140.0	140.0	143.5	290.0	290.0	319.9	430.0	430.0	451.3	603.0	603.0
Financial indicators (floors)											
Basic fiscal balance	-10.0	-10.0	17.1	-20.0	-20.0	66.1	-40.0	-40.0	23.7	-62.0	-78.0
Underlying basic fiscal balance ⁵										...	-62.0
<i>Memorandum items:</i>											
External budgetary assistance during the year ^{1,6}	20.0	...	6.4	38.5	...	13.0	52.0	...	53.2	92.0	92.0
HIPC Initiative debt relief ¹	1.0	...	1.8	6.3	...	9.4	8.1	...	10.8	11.2	11.2

¹ Cumulative figures from the beginning of each year. Noncontinuous performance criteria at end-March and end-September 2009 are quantitative benchmarks. See technical memorandum of understandings for definitions.

² These quantitative targets are before payment of VAT credits in arrears. The revised targets for the end-June, end-September, and end-December 2009 reflect the recapitalization of the Housing Bank of Mali (BHM) for CFAF 19.1 billion in May 2009 and net projected reductions of the payment float by CFAF 45 billion at end-June and end-September 2009, and CFAF 30 billion at end-December 2009 (the program includes an adjustor for any deviations from the targets on the reduction of the payment float).

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

⁴ Grant component equal to or higher than 35 percent.

⁵ Excluding expenditures financed with funds from the privatization of SOTELMA.

⁶ General budget support only.

⁷ The nonobservance of the quantitative indicators for net domestic financing and bank and market financing results from a bond issue that was initiated in December 2008 but effective on January 2, 2009, leading to a downward correction of CFAF 12.3 billion at end-December 2008 and an upward revision of the same amount at end-March 2009 in market financing.

⁸ Part of two CFAF syndicated loans that were signed in April and May 2009 for a total of CFAF 38 billion for the payment of VAT credit arrears and that involved non-Malian banks in the WAEMU and CEMAC CFA franc zones; subsequently resold to Malian banks.

Table 2. Mali: Quantitative Performance Criteria and Indicative Targets for 2010¹

	2010			
	March	June	Sep.	Dec.
	Indic. Targets	Perf. Criteria	Indic. Targets	Indic. Targets
Quantitative performance criteria¹	(CFAF billions)			
Net domestic financing of the Government (ceiling)	0.0	0.0	10.0	30.0
<i>Of which: Bank and market financing</i>	0.0	0.0	10.0	30.0
Cumulative increase in external payments arrears (ceiling) ²	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
New short-term external credits (less than one year) contracted or guaranteed by the government (ceiling) ^{2,3}	0.0	0.0	0.0	0.0
Net tax revenue	130.0	300.0	470.0	670.0
Financial indicators (floors)				
Basic fiscal balance	-30.0	-40.0	-70.0	-75.0
Basic fiscal balance, adjusted ⁴	10.0	0.0	-20.0	-50.0
<i>Memorandum items:</i>				
External budgetary assistance during the year ¹	20.0	50.0	80.0	125.3
HIPC Initiative debt relief ¹	3.1	6.2	9.3	12.4

¹ Cumulative figures from the beginning of each year. Noncontinuous performance criteria at end-March and end-September 2009 are quantitative benchmarks.

See technical memorandum of understandings 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 expenditures financed with funds from the privatization of SOTELMA.

Table 3. Mali: Structural Benchmarks for the Third and Fourth Reviews Under the PRGF Program

Measures	Status
For end-September 2009 (in the context of the 3rd program review)	
1 Put in place the tax center for medium-sized enterprises (CIME) and start up its activities.	Observed at end-November 2009
2 Prepare a government cash flow plan consistent with budget nomenclature (section, economic code) to facilitate (i) quarterly monitoring of budget execution in terms of commitment, validation, payment authorization, and payment of expenditure, and (ii) better alignment of budget execution with available resources.	Observed at end-September 2009
3 Regarding monitoring of the cotton sector and in consultation with the IMF, prepare a monthly financial plan for the 2009/10 crop season of the financial operations (revenue, commitments, payment, debt, amounts unpaid) of the various participants in the sector (producers, CMDT, suppliers, banks, the government).	Observed at end-September 2009
4 Regarding government support for the agricultural sector and preparation of the 2010 budget, put in place a dedicated, targeted input subsidization system for grain and cotton crops, including modalities for implementation, follow-up, and assessment.	Observed at end-September 2009
For end-December 2009 (in the context of the 4th program review)	
1 On the basis of the evaluation of the budgetary payment float at end-March 2008 by the Auditor General and the evaluation of the payment float at end-March 2009 by the Controller General's Office and the Inspectorate General of Finance, put in place a system to monitor budgetary float supported by improvements in the Treasury's accounting, cash flow management, and information systems, in consultation with IMF staff.	
2 By government decision, adopt a strategy and timeframe for government divestment of the Banque de l'Habitat du Mali (BHM).	
3 Finalize the government study on the macroeconomic impact of the gold mining sector (balance of payments, growth, employment, budget) and its medium-term prospects.	
4 In conjunction with the BCEAO, prepare (i) an exhaustive inventory of the bank accounts taken into account in the net government position, and (ii) an appropriate methodology for recording movements on these accounts, based on an accepted classification (such as projects, correspondents, etc.) in the government flow of funds table (TOFE).	

Table 4. Mali: Structural Benchmarks for the Fifth Review Under the PRGF Program

Measures

For end-June 2010

- 1 Implement the new expenditure management software PRED5.

 - 2 Introduce new reporting on the financial operations of the State (the "TOFE" table) which conforms to best international practices, including for the presentation of domestic financing.

 - 3 Create an interministerial committee for treasury management planning under the authority of the Minister of Economy and Finance, with a permanent technical secretariat provided by Treasury

 - 4 Prepare a draft policy paper on the role that the State is likely to play in the cotton sector after the privatization of the CMDT.
-

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, excluding deposits at the BCEAO of the receipts from the sale of SOTELMA. 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 or to nonresident banks domiciled within the West African Economic and Monetary Union.

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, but including both general and sectoral budget support). 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 in 2009 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.

11. The ceiling on the change in net domestic financing of the Government and the sub-ceiling on bank and market financing in 2009 will be adjusted up (down) if the actual net reduction of the payment float exceeds (falls short) of the programmed amounts (CFAF 45 billion at end-June and end-September 2009, and CFAF 30 billion at end-December 2009).

B. Nonaccumulation of External Public Payments Arrears

12. 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.

13. 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

14. 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.

15. 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.

16. 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.

17. 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, the criterion does not apply to (i) financing granted by the IMF, (ii) debt rescheduling transactions of debt existing at the time of the approval of the PRGF arrangement, and (iii) CFA franc debt contracted or guaranteed by the Government with West African Economic and Monetary Union (WAEMU) residents (including CFA debt initially contracted or guaranteed by the Government with WAEMU residents and subsequently acquired by nonresidents).

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

18. The definition in paragraph 2 and 3 of this TMU 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. 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. 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.

F. 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.

G. Floor on the Basic Fiscal Balance, Excluding HIPC Initiative-Related Expenditure and Expenditures Financed with SOTELMA Privatization Receipts

21. The basic fiscal balance, excluding HIPC Initiative-related expenditure and expenditures financed with SOTELMA privatization receipts is defined as in section II.F, with SOTELMA privatization revenues drawn from the special account at the BCEAO deducted.

III. STRUCTURAL MEASURES

22. 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

23. 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)
	Balance of SOTELMA privatization receipts on deposit at the BCEAO	Monthly	End of month + 3 weeks
	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
	Execution of SOTELMA spending	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	
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 and other items net of the BCEAO and the commercial banks.	Monthly	End of month + 8 weeks

Data Type	Tables	Frequency	Time Frame
	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

Table 1. Mali: Selected Economic and Financial Indicators, 2007-12

	2007	2008 Est.	2009		2010 Prog.	2011 Prog.	2012 Proj.
			Prog. 2nd Review	Proj.			
(Annual percentage change)							
National income and prices							
Real GDP	4.3	4.9	4.1	4.3	4.8	5.1	5.3
GDP deflator	2.6	8.6	2.7	4.3	2.6	1.8	2.0
Consumer price inflation (average)	1.5	9.1	2.5	2.2	1.2	1.6	2.0
External sector (percent change)							
Terms of trade (deterioration -)	0.0	5.0	35.0	27.2	-8.4	-1.0	-0.5
Real effective exchange rate (depreciation -)	0.5	8.0	...	...	...	...	...
Money and credit (contribution to broad money growth)							
Credit to the government	0.5	-3.2	10.2	-7.6	5.3	3.9	3.3
Credit to the economy	4.6	5.2	0.2	5.6	6.9	3.6	3.6
Broad money (M2)	9.3	0.5	9.9	15.3	10.5	5.7	5.8
(In percent of GDP, unless otherwise stated)							
Investment and saving							
Gross domestic investment	21.0	20.8	19.3	18.4	19.7	20.9	21.7
<i>Of which</i> : government	8.5	5.7	7.7	6.8	7.2	7.5	7.4
Gross national savings	13.3	12.9	11.4	12.2	11.7	12.3	13.2
<i>Of which</i> : government	2.9	1.8	3.0	1.2	0.5	1.4	1.4
Gross domestic savings	12.0	9.9	10.5	10.7	9.9	10.9	11.9
Central government finance							
Revenue	16.6	15.5	16.7	16.6	16.9	17.0	17.2
Grants	4.7	3.4	5.0	4.9	3.8	3.7	3.7
Total expenditure and net lending	24.5	21.2	25.8	24.7	24.6	24.8	24.9
Overall balance (payment order basis, excluding grants)	-7.9	-5.7	-9.1	-8.0	-7.7	-7.8	-7.7
Basic fiscal balance ²	-0.9	-1.0	-1.6	-1.4	-1.1	-1.2	-1.1
External sector							
Current external balance, including official transfers	-7.7	-7.8	-7.9	-6.1	-8.0	-8.6	-8.5
Current external balance, excluding official transfers	-9.5	-9.5	-9.7	-8.2	-10.2	-10.6	-10.5
Exports of goods and services	26.6	28.4	24.6	27.5	26.8	26.3	26.5
Imports of goods and services	-35.6	-39.3	-33.5	-35.2	-36.6	-36.3	-36.3
Debt service to exports of goods and services	3.4	3.8	4.5	4.0	4.0	2.6	2.6
External debt (end of period)	19.4	19.1	25.0	20.2	22.2	24.2	26.1
Memorandum items:							
Nominal GDP (CFAF billions)	3,425	3,906	4,183	4,248	4,564	4,893	5,251
Overall balance of payments (US\$ millions)	-21.2	-10.3	-3.1	419.6	-90.9	-60.7	-41.7
Gross international reserves (US\$ millions)							
Central Bank of African States (BCEAO)	10,658	10,494	...	...	...	...	...
in percent of broad money	57.8	56.0	...	...	...	...	...
in months of imports	5.9	6.4	...	...	...	...	...
BCEAO Mali (estimate) ³	1,061	1,033	1,258	1,637	1,575	1,507	1,443
in percent of broad money	46.9	48.6	45.3	64.4	56.3	51.3	46.8
in months of imports	4.7	3.9	4.6	3.7	5.5	4.6	4.2
US\$ exchange rate (end of period)	449.9	481.5	477.3	464.5	...	...	...

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

¹ 2006 data after adjustment for MDRI.

² Revenue (excluding grants) less total expenditure (excl. foreign financed investment projects and HIPC Initiative spending).

The projected overshooting of the 2009 program target reflects the cost of SOTELMA's social plan linked to its privatization.

³ For 2009, reflects new SDR allocation and privatization receipts of SOTELMA.

Table 2. Mali: Quantitative Performance Criteria and Indicative Targets for 2009¹

	2009										
	March			June			Sept.			Dec.	
	Indic. Targets	Adjusted	Actual	Rev. Perf. Criteria	Adjusted	Actual	Rev. Ind. Targets	Adjusted	Prel.	Perf. Criteria	Rev. Perf. Crit
Quantitative performance criteria ¹	(CFAF billions)										
Net domestic financing of the Government (ceiling) ²	10.0	11.8	13.1 ⁷	45.0	40.1	-5.0	50.0	32.9	-4.3	33.4	49.4
<i>Of which:</i> Bank and market financing ²	15.0	16.8	22.3 ⁷	80.0	75.1	55.1	90.0	72.9	-136.9	62.5	-101.5
Cumulative increase in external payments arrears (ceiling) ³	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New external borrowing at terms of one year or more contracted or guaranteed by the government on nonconcessional terms ^{3,4}	0.0	0.0	17.5 ⁸	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) ³	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net tax revenue	140.0	140.0	143.5	290.0	290.0	319.9	430.0	430.0	451.3	603.0	603.0
Financial indicators (floors)											
Basic fiscal balance	-10.0	-10.0	17.1	-20.0	-20.0	66.1	-40.0	-40.0	23.7	-62.0	-78.0
Underlying basic fiscal balance ⁵										...	-62.0
Memorandum items:											
External budgetary assistance during the year ^{1,6}	20.0	...	6.4	38.5	...	13.0	52.0	...	53.2	92.0	92.0
HIPC Initiative debt relief ¹	1.0	...	1.8	6.3	...	9.4	8.1	...	10.8	11.2	11.2

¹ Cumulative figures from the beginning of each year. Noncontinuous performance criteria at end-March and end-September 2009 are quantitative benchmarks. See technical memorandum of understandings for definitions.

² These quantitative targets are before payment of VAT credits in arrears. The revised targets for the end-June, end-September, and end-December 2009 reflect the recapitalization of the Housing Bank of Mali (BHM) for CFAF 19.1 billion in May 2009 and net projected reductions of the payment float by CFAF 45 billion at end-June and end-September 2009, and CFAF 30 billion at end-December 2009 (the program includes an adjustor for any deviations from the targets on the reduction of the payment float).

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

⁴ Grant component equal to or higher than 35 percent.

⁵ Excluding expenditures financed with funds from the privatization of SOTELMA.

⁶ General budget support only.

⁷ The nonobservance of the quantitative indicators for net domestic financing and bank and market financing results from a bond issue that was initiated in December 2008 but effective on January 2, 2009, leading to a downward correction of CFAF 12.3 billion at end-December 2008 and an upward revision of the same amount at end-March 2009 in market financing.

⁸ Part of two CFAF syndicated loans that were signed in April and May 2009 for a total of CFAF 38 billion for the payment of VAT credit arrears and that involved non-Malian banks in the WAEMU and CEMAC CFA franc zones; subsequently resold to Malian banks.

Table 3. Mali: Quantitative Performance Criteria and Indicative Targets for 2010¹

	2010			
	March	June	Sep.	Dec.
	Indic. Targets	Perf. Criteria	Indic. Targets	Indic. Targets
Quantitative performance criteria¹	(CFAF billions)			
Net domestic financing of the Government (ceiling)	0.0	0.0	10.0	30.0
<i>Of which:</i> Bank and market financing	0.0	0.0	10.0	30.0
Cumulative increase in external payments arrears (ceiling) ²	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
New short-term external credits (less than one year) contracted or guaranteed by the government (ceiling) ^{2,3}	0.0	0.0	0.0	0.0
Net tax revenue	130.0	300.0	470.0	670.0
Financial indicators (floors)				
Basic fiscal balance	-30.0	-40.0	-70.0	-75.0
Basic fiscal balance, adjusted ⁴	10.0	0.0	-20.0	-50.0
<i>Memorandum items:</i>				
External budgetary assistance during the year ¹	20.0	50.0	80.0	125.3
HIPC Initiative debt relief ¹	3.1	6.2	9.3	12.4

¹ Cumulative figures from the beginning of each year. Noncontinuous performance criteria at end-March and end-September 2009 are quantitative benchmarks. See technical memorandum of understandings for c

² These performance criteria will be monitored on a continuous basis.

³ Grant component equal to or higher than 35 percent.

⁴ Excluding expenditures financed with funds from the privatization of SOTELMA.

Table 4. Mali: Structural Benchmarks for the Third and Fourth Reviews Under the ECF Program

Measures	Macroeconomic rationale	Status
For end-September 2009 (in the context of the 3rd program review)		
1 Put in place the tax center for medium-sized enterprises (CIME) and start up its activities.	Strengthen revenue mobilization.	Observed at end-November 2009
2 Prepare a government cash flow plan consistent with budget nomenclature (section, economic code) to facilitate (i) quarterly monitoring of budget execution in terms of commitment, validation, payment authorization, and payment of expenditure, and (ii) better alignment of budget execution with available resources.	Strengthen public financial management, budget execution, and treasury management.	Observed at end-September 2009
3 Regarding monitoring of the cotton sector and in consultation with the IMF, prepare a monthly financial plan for the 2009/10 crop season of the financial operations (revenue, commitments, payment, debt, amounts unpaid) of the various participants in the sector (producers, CMDT, suppliers, banks, the government).	Improve governance and transparency in the cotton sector with the view to ensuring smooth cotton campaign in 2009-2010 and limit budgetary risks.	Observed at end-September 2009
4 Regarding government support for the agricultural sector and preparation of the 2010 budget, put in place a dedicated, targeted input subsidization system for grain and cotton crops, including modalities for implementation, follow-up, and assessment.	Increase effectiveness and transparency of agricultural policy, prevent open-ended budgetary contributions and ensure monitoring and evaluation of subsidies.	Observed at end-September 2009
For end-December 2009 (in the context of the 4th program review)		
1 On the basis of the evaluation of the budgetary payment float at end-March 2008 by the Auditor General and the evaluation of the payment float at end-March 2009 by the Controller General's Office and the Inspectorate General of Finance, put in place a system to monitor budgetary float supported by improvements in the Treasury's accounting, cash flow management, and information systems, in consultation with IMF staff.	Improve transparency, measurability and management of domestic debt, and prevent occurrence of domestic payment arrears.	
2 By government decision, adopt a strategy and timeframe for government divestment of the Banque de l'Habitat du Mali (BHM).	Increase confidence in and resilience of the banking system, and avoid more costly rescue packages.	
3 Finalize the government study on the macroeconomic impact of the gold mining sector (balance of payments, growth, employment, budget) and its medium-term prospects.	To help policy and decision making in the context of a declining sector (known reserves are equivalent to 10 years of exploitation).	
4 In conjunction with the BCEAO, prepare (i) an exhaustive inventory of the bank accounts taken into account in the net government position, and (ii) an appropriate methodology for recording movements on these accounts, based on an accepted classification (such as projects, correspondents, etc.) in the government flow of funds table (TOFE).	Improve public finance statistics.	

Table 5. Mali: Structural Benchmarks for the Fifth Review Under the ECF Program

Measures	Macroeconomic rationale
For end-June 2010 (in the context of the fifth program review)	
1 Implement the new expenditure management software PRED5.	To improve budgetary management.
2 Introduce new reporting on the financial operations of the State (the "TOFE" table) which conforms to best international practices, including for the presentation of domestic financing.	To strengthen government statistics and reporting.
3 Create an interministerial committee for treasury management planning under the authority of the Minister of Economy and Finance, with a permanent technical secretariat provided by Treasury.	To improve treasury management and its coordination with budgetary management.
4 Prepare a draft policy paper on the role that the State is likely to play in the cotton sector after the privatization of the CMDT.	To set the business environment in the cotton sector in a post-privatization of the state monopoly CMDT.

Table 6. Mali: National Accounts, 2007–12

	2007	2008 Est.	2009		2010 Prog.	2011 Proj.	2012 Proj.
			Prog.	Proj.			
(Annual percentage change, at constant prices)							
Primary sector	2.5	13.2	5.8	5.9	5.3	5.1	5.3
Agriculture	1.0	20.2	6.5	6.7	5.9	5.7	5.8
Food crops, excluding rice	6.4	14.4	6.1	6.1	4.0	5.0	5.0
Rice	2.6	48.5	6.6	6.0	8.0	6.0	6.0
Industrial agriculture, excluding cotton	8.0	22.0	11.9	9.0	9.5	5.0	5.0
Cotton	-41.1	-16.8	5.0	17.3	15.0	15.0	15.0
Livestock	4.6	4.0	4.2	4.2	4.3	4.0	4.0
Fishing and forestry	4.5	3.7	5.7	5.3	4.6	4.3	4.0
Secondary sector	-4.6	-4.6	0.9	3.4	4.7	5.5	5.9
Mining	-8.4	-6.4	-2.4	-0.6	2.6	3.2	4.3
Industry	-12.0	-14.4	-4.2	4.4	3.4	5.9	6.3
Agrobusiness	0.7	-20.0	-5.0	7.4	2.0	5.5	6.0
Textile	-19.9	-34.0	-10.5	-1.5	1.6	3.0	3.5
Others	-19.1	16.2	0.7	5.0	6.0	8.0	8.0
Energy	9.7	10.0	9.0	7.8	8.8	8.0	7.0
Construction and public works	8.7	4.5	7.5	6.0	7.0	7.0	7.0
Tertiary sector	10.4	4.1	4.2	3.3	4.1	4.8	5.2
Transportation and telecommunications	20.9	10.0	7.3	3.0	5.0	6.5	6.5
Trade	12.0	4.4	3.5	3.5	4.5	5.5	6.0
Financial services	5.0	2.0	4.5	3.5	3.5	5.0	5.0
Other nonfinancial services	7.9	1.0	5.1	5.1	4.7	5.0	4.0
Public administration	2.1	1.2	1.8	2.0	1.9	1.7	3.5
GDP (factor cost)	3.9	5.5	4.2	4.3	4.7	5.1	5.3
Indirect taxes	9.5	-2.0	3.0	4.0	6.0	6.0	6.0
GDP (market prices)	4.3	4.9	4.1	4.3	4.8	5.1	5.3
Nonmining real GDP	5.5	5.9	4.6	4.7	4.9	5.3	5.4
(Percentage of GDP, unless otherwise indicated)							
Aggregate demand							
Consumption	88.0	90.1	89.5	89.3	90.1	89.1	88.1
Private consumption	73.9	77.6	75.4	75.5	76.3	75.2	74.0
Public consumption	14.1	12.6	14.1	13.8	13.8	13.9	14.2
Gross investment	21.0	20.8	19.3	18.4	19.7	20.9	21.7
Government	8.5	5.7	7.7	6.8	7.2	7.5	7.4
Non-government	12.5	15.1	11.6	11.5	12.5	13.4	14.3
Net investment	10.3	11.5	9.5	9.5	10.5	11.5	12.5
Changes in inventories	2.2	3.6	2.1	2.0	2.0	1.9	1.8
Net foreign balance	-9.0	-10.9	-8.9	-7.7	-9.8	-10.1	-9.8
Gross national saving	13.3	12.9	11.4	12.2	11.7	12.3	13.2
Of which: domestic saving	12.0	9.9	10.5	10.7	9.9	10.9	11.9
<i>Memorandum items:</i>							
External current account balance ¹	-7.7	-7.8	-7.9	-6.1	-8.0	-8.6	-8.5
Nominal GDP (CFAF billions)	3,425	3,906	4,183	4,248	4,564	4,893	5,251
GDP deflator (annual percent change)	2.6	8.6	2.5	4.3	2.6	1.8	2.0

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

¹ Including official transfers.

Table 7. Mali: Balance of Payments, 2007–12 ¹

	2007	2008 Est.	2009		2010 Prog.	2011 Proj.	2012 Proj.
			Prog. 2nd review	Proj.			
(CFAF billions)							
Current account balance							
Excluding official transfers	-324.5	-370.9	-405.7	-349.0	-463.4	-519.7	-552.3
Including official transfers	-262.2	-305.7	-331.9	-259.9	-363.4	-421.8	-447.3
Trade balance	-113.6	-201.0	-135.8	-76.1	-174.0	-209.8	-205.3
Exports, f.o.b.	733.7	895.2	845.1	978.4	1,010.3	1,065.9	1,164.5
Cotton fiber	109.6	65.6	60.7	60.9	55.2	60.2	73.8
Gold	545.9	656.1	679.8	737.2	752.3	790.4	850.0
Other	78.2	173.4	104.6	180.3	202.9	215.3	240.7
Imports, f.o.b.	-847.2	-1,096.2	-980.9	-1,054.5	-1,184.4	-1,275.7	-1,369.8
Petroleum products	-188.1	-259.6	-180.3	-182.0	-230.1	-253.6	-273.5
Foodstuffs	-125.5	-152.5	-144.0	-143.8	-147.7	-153.9	-158.9
Other	-533.6	-684.1	-656.6	-728.7	-806.6	-868.2	-937.4
Services (net)	-193.7	-224.8	-235.2	-250.2	-272.8	-282.0	-309.1
Credit	176.5	214.0	184.3	191.5	211.2	218.9	228.2
Debit	-370.2	-438.8	-419.5	-441.7	-484.0	-500.8	-537.3
Of which: freight and insurance	-188.6	-265.5	-237.6	-255.4	-286.9	-294.4	-316.1
Income (net)	-143.2	-109.2	-146.5	-155.4	-160.3	-181.9	-184.0
Of which: interest due on public debt	-11.1	-12.5	-12.5	-12.5	-14.8	-10.0	-11.3
Transfers (net)	188.3	229.3	185.6	221.8	243.7	251.9	251.1
Private transfers (net)	126.0	164.1	111.8	132.7	143.6	154.0	146.0
Official transfers (net)	62.3	65.2	73.8	89.1	100.0	97.9	105.0
Of which: budgetary grants	27.9	25.0	46.6	46.6	54.4	48.9	52.5
Capital and financial account	252.0	308.3	330.3	460.3	320.9	393.5	427.6
Capital account (net)	141.7	139.5	181.2	158.2	140.6	152.5	164.4
Capital transfers	141.7	139.5	181.2	158.2	140.6	152.5	164.4
Debt forgiveness	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project grants	134.2	109.2	163.6	140.1	120.7	131.2	141.5
Financial account	104.4	168.8	149.1	302.1	180.3	240.9	263.3
Private (net) ²	17.1	97.2	-3.0	125.5	41.7	75.7	84.3
Direct investment (net)	78.7	81.9	31.6	206.3	60.7	68.4	71.4
Portfolio investment private (net)	-1.0	2.4	4.4	4.4	4.4	4.7	5.1
Other private capital flows	-60.6	12.9	-39.0	-85.2	-23.5	2.6	7.8
Official (net)	87.3	71.6	152.1	176.6	138.7	165.3	179.0
Disbursements	118.7	99.9	186.0	158.0	172.6	188.3	203.1
Budgetary	18.0	29.1	45.9	45.9	29.9	34.3	36.8
Project related	100.7	70.8	140.1	112.1	142.7	154.1	166.4
Monetary authority	0.0	0.0	0.0	52.5	0.0	0.0	0.0
Amortization due on public debt	-31.4	-28.3	-33.9	-33.9	-33.9	-23.1	-24.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	5.9	-7.2	0.0	0.0	0.0	0.0	0.0
Overall balance	-10.1	-4.6	-1.5	200.4	-42.3	-28.4	-19.6
Financing	10.1	4.6	1.5	-200.4	42.3	28.4	19.6
Foreign assets (net)	-0.6	-6.3	-10.0	-211.9	30.0	28.4	19.6
Of which: IMF (net)	2.0	13.4	2.6	1.5	4.3	1.1	-0.9
HIPC Initiative assistance	10.7	10.9	11.5	11.5	12.4	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items:</i>	(Annual percentage changes, unless otherwise specified)						
External trade							
Export volume index	-10.8	-3.4	-3.5	-0.8	3.7	3.7	7.6
Import volume index	6.4	7.6	16.0	11.1	3.4	7.4	5.6
Export unit value	3.4	26.3	15.5	10.1	-0.4	1.7	1.5
Import unit value	3.4	20.3	-14.5	-13.4	8.6	2.7	2.1
Terms of trade	0.0	5.0	35.0	27.2	-8.4	-1.0	-0.5

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.² Reflects mainly investments in the gold sector; includes short-term capital flows.

Table 7. Mali: Balance of Payments, 2007–12 ¹ (concluded)

	2007	2008 Est.	2009		2010 Prog.	2011 Proj.	2012 Proj.
			Prog. 2nd review	Proj.			
(in percent of GDP)							
Current account balance							
Excluding official transfers	-9.5	-9.5	-9.7	-8.2	-10.2	-10.6	-10.5
Including official transfers	-7.7	-7.8	-7.9	-6.1	-8.0	-8.6	-8.5
Trade balance	-3.3	-5.1	-3.2	-1.8	-3.8	-4.3	-3.9
Exports, f.o.b.	21.4	22.9	20.2	23.0	22.1	21.8	22.2
Cotton fiber	3.2	1.7	1.5	1.4	1.2	1.2	1.4
Gold	15.9	16.8	16.3	17.4	16.5	16.2	16.2
Other	2.3	4.4	2.5	4.2	4.4	4.4	4.6
Imports, f.o.b.	-24.7	-28.1	-23.5	-24.8	-26.0	-26.1	-26.1
Petroleum products	-5.5	-6.6	-4.3	-4.3	-5.0	-5.2	-5.2
Foodstuffs	-3.7	-3.9	-3.4	-3.4	-3.2	-3.1	-3.0
Other	-15.6	-17.5	-15.7	-17.2	-17.7	-17.7	-17.9
Services (net)	-5.7	-5.8	-5.6	-5.9	-6.0	-5.8	-5.9
Credit	5.2	5.5	4.4	4.5	4.6	4.5	4.3
Debit	-10.8	-11.2	-10.0	-10.4	-10.6	-10.2	-10.2
<i>Of which</i> : freight and insurance	-5.5	-6.8	-5.7	-6.0	-6.3	-6.0	-6.0
Income (net)	-4.2	-2.8	-3.5	-3.7	-3.5	-3.7	-3.5
<i>Of which</i> : interest on public debt	-0.3	-0.3	-0.3	-0.3	-0.3	-0.2	-0.2
Transfers (net)	5.5	5.9	4.4	5.2	5.3	5.1	4.8
Private transfers (net)	3.7	4.2	2.7	3.1	3.1	3.1	2.8
Official transfers (net)	1.8	1.7	1.8	2.1	2.2	2.0	2.0
<i>Of which</i> : budgetary grants	0.8	0.6	1.1	1.1	1.2	1.0	1.0
Capital and financial account	7.4	7.9	7.9	10.8	7.0	8.0	8.1
Capital account (net)	4.1	3.6	4.3	3.7	3.1	3.1	3.1
Capital transfers	4.1	3.6	4.3	3.7	3.1	3.1	3.1
Debt forgiveness	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project grants	3.9	2.8	3.9	3.3	2.6	2.7	2.7
Financial account	3.0	4.3	3.6	7.1	4.0	4.9	5.0
Private (net) ²	0.5	2.5	-0.1	3.0	0.9	1.5	1.6
Direct investment (net)	2.3	2.1	0.8	4.9	1.3	1.4	1.4
Portfolio investment private (net)	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Other private capital flows	-1.8	0.3	-0.9	-2.0	-0.5	0.1	0.1
Official (net)	2.6	1.8	3.6	4.2	3.0	3.4	3.4
Disbursements	3.5	2.6	4.4	3.7	3.8	3.8	3.9
Budgetary	0.5	0.7	1.1	1.1	0.7	0.7	0.7
Project related	2.9	1.8	3.3	2.6	3.1	3.1	3.2
Monetary authority	0.0	0.0	0.0	1.2	0.0	0.0	0.0
Amortization due	-0.9	-0.7	-0.8	-0.8	-0.7	-0.5	-0.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	0.2	-0.2	0.0	0.0	0.0	0.0	0.0
Overall balance	-0.3	-0.1	0.0	4.7	-0.9	-0.6	-0.4
Financing	0.3	0.1	0.0	-4.7	0.9	0.6	0.4
Foreign assets (net)	0.0	-0.2	-0.2	-5.0	0.7	0.6	0.4
<i>Of which</i> : IMF (net)	0.1	0.3	0.1	0.0	0.1	0.0	0.0
HIPC Initiative assistance	0.3	0.3	0.3	0.3	0.3	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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.² Reflects mainly investments in the gold sector; includes short-term capital flows.

Table 8. Mali: Central Government Consolidated Financial Operations, 2007-12

	2007	2008	2009		2010	2011	2012
			Prog. 2nd review	Proj.			
(CFAF billions)							
Revenue and grants	730.3	741.5	907.3	917.0	947.5	1,011.3	1,096.6
Total revenue	569.9	607.3	697.1	706.8	772.5	831.2	902.6
Budgetary revenue	509.4	540.6	625.6	635.3	701.0	754.5	819.6
Tax revenue	487.2	519.4	599.6	609.3	674.1	725.5	788.1
Direct taxes	142.8	149.7	175.4	181.4	187.7	196.3	212.6
Indirect taxes	344.4	369.7	424.2	427.9	486.3	529.1	575.5
VAT	194.4	200.8	230.2	232.1	275.7	298.0	322.3
Excises on petroleum products	36.6	35.2	37.7	37.7	22.5	24.6	26.9
Import duties	62.4	64.3	86.5	87.6	91.0	100.8	111.3
Other indirect taxes	85.1	91.9	77.3	77.3	99.1	105.7	115.1
Tax refund	-34.1	-22.5	-7.5	-6.8	-2.0	-2.0	-2.1
Nontax revenue	22.2	21.2	26.0	26.0	26.9	29.1	31.5
Special funds and annexed budgets	60.5	66.7	71.5	71.5	71.5	76.7	83.0
Grants	160.4	134.2	210.2	210.2	175.1	180.1	194.0
Projects	79.6	54.6	117.5	94.0	79.8	86.2	93.0
Sectoral	50.6	54.6	46.1	46.1	40.9	44.9	48.5
General	27.9	25.0	46.6	46.6	54.4	48.9	52.5
MDRI grants	2.3	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending	839.0	828.2	1,077.1	1,047.4	1,122.6	1,212.9	1,306.2
Budgetary expenditure	826.1	753.9	994.6	966.9	1,039.8	1,140.2	1,227.1
Current expenditure	437.1	459.1	562.4	581.1	602.3	650.0	711.3
Wages and salaries	162.9	186.0	217.1	217.1	235.8	256.5	277.3
Goods and services	161.3	164.7	179.1	201.3	214.1	226.2	253.9
Transfers and subsidies	99.1	94.3	135.7	146.9	133.4	152.1	163.6
Interest	13.9	14.1	14.8	15.8	19.9	15.2	16.5
Of which: domestic	2.7	1.6	2.3	3.3	5.1	5.1	5.1
Capital expenditure	389.0	294.9	432.2	385.9	437.5	490.2	515.8
Externally financed	227.6	172.8	303.7	252.2	263.3	285.2	307.8
Domestically financed	161.4	122.1	128.5	133.7	174.2	205.0	208.0
Special funds and annexed budgets	60.5	66.7	71.5	71.5	71.5	76.7	83.0
Net lending	-47.6	7.6	11.0	9.0	11.3	-4.0	-4.0
Overall fiscal balance (excl. grants)	-269.1	-220.9	-380.1	-340.6	-350.2	-381.7	-403.6
Overall fiscal balance (incl. grants)	-108.7	-86.7	-169.9	-130.4	-175.1	-201.6	-209.6
Adjustment to cash basis	5.2	49.2	-87.6	-93.8	-3.5	10.4	5.3
Overall balance (cash basis, incl. grants)	-103.5	-37.5	-257.5	-224.2	-178.6	-191.2	-204.3
Financing	103.5	37.5	257.5	224.3	178.6	191.2	204.3
External financing (net)	98.0	82.5	163.6	135.6	151.0	165.3	179.0
Loans	118.7	99.9	186.0	158.0	172.6	188.3	203.1
Project loans	100.7	70.8	140.1	112.1	142.7	154.1	166.4
Budgetary loans	18.0	29.1	45.9	45.9	29.9	34.3	36.8
Amortization	-31.4	-28.3	-33.9	-33.9	-33.9	-23.1	-24.1
Debt relief	10.7	10.9	11.5	11.5	12.4	0.0	0.0
Domestic financing (net)	5.5	-45.0	93.9	88.7	27.6	25.9	25.3
Banking system	11.5	-32.6	104.6	-77.9	62.9	50.9	45.3
Net credit to the government	11.5	-32.6	104.6	-77.9	62.9	50.9	45.3
IMF (net)	1.9	12.5	3.0	3.0	2.1	1.5	-0.9
Central bank credit (net)	-1.1	-2.3	-2.4	46.9	-2.5	-5.0	-4.9
Other	10.6	-42.8	104.0	-127.8	63.3	54.4	51.1
Other domestic financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts	0.7	39.1	13.0	180.4	3.3	0.0	0.0
Other financing	-6.7	-51.5	-23.7	-13.8	-38.6	-25.0	-20.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items</i>	56.6	65.0	104.0	104.0	96.7	83.2	89.3
Basic fiscal balance	-30.8	-37.3	-65.0	-77.0	-74.5	-96.5	-95.7
Underlying basic fiscal balance	-30.8	-37.3	-65.0	-61.0	-49.5	-56.5	-58.7
Domestic government saving	72.3	81.5	63.1	54.2	98.7	104.5	108.3
External budgetary assistance	45.9	54.1	92.5	92.5	84.3	83.2	89.3
Wage bill over tax revenue	33.4	35.8	36.2	35.6	35.0	35.4	35.2

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

Table 8. Mali: Central Government Consolidated Financial Operations, 2007-12 (concluded)

	2007	2008	2009		2010	2011	2012
			Prog. 2nd review	Proj.			
(in percent of GDP)							
Revenue and grants	21.3	19.0	21.7	21.6	20.8	20.7	20.9
Total revenue	16.6	15.5	16.7	16.6	16.9	17.0	17.2
Budgetary revenue	14.9	13.8	15.0	15.0	15.4	15.4	15.6
Tax revenue	14.2	13.3	14.3	14.3	14.8	14.8	15.0
Direct taxes	4.2	3.8	4.2	4.3	4.1	4.0	4.0
Indirect taxes	10.1	9.5	10.1	10.1	10.7	10.8	11.0
VAT	5.7	5.1	5.5	5.5	6.0	6.1	6.1
Excises on petroleum products	1.1	0.9	0.9	0.9	0.5	0.5	0.5
Import duties	1.8	1.6	2.1	2.1	2.0	2.1	2.1
Other indirect taxes	2.5	2.4	1.8	1.8	2.2	2.2	2.2
Tax refund	-1.0	-0.6	-0.2	-0.2	0.0	0.0	0.0
Nontax revenue	0.6	0.5	0.6	0.6	0.6	0.6	0.6
Special funds and annexed budgets	1.8	1.7	1.7	1.7	1.6	1.6	1.6
Grants	4.7	3.4	5.0	4.9	3.8	3.7	3.7
Projects	2.3	1.4	2.8	2.2	1.7	1.8	1.8
Sectoral	1.5	1.4	1.1	1.1	0.9	0.9	0.9
General	0.8	0.6	1.1	1.1	1.2	1.0	1.0
MDRI grants	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending	24.5	21.2	25.8	24.7	24.6	24.8	24.9
Budgetary expenditure	24.1	19.3	23.8	22.8	22.8	23.3	23.4
Current expenditure	12.8	11.8	13.4	13.7	13.2	13.3	13.5
Wages and salaries	4.8	4.8	5.2	5.1	5.2	5.2	5.3
Goods and services	4.7	4.2	4.3	4.7	4.7	4.6	4.8
Transfers and subsidies	2.9	2.4	3.2	3.5	2.9	3.1	3.1
Interest	0.4	0.4	0.4	0.4	0.4	0.3	0.3
Of which: domestic	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Capital expenditure	11.4	7.5	10.3	9.1	9.6	10.0	9.8
Externally financed	6.6	4.4	7.3	5.9	5.8	5.8	5.9
Domestically financed	4.7	3.1	3.1	3.1	3.8	4.2	4.0
Special funds and annexed budgets	1.8	1.7	1.7	1.7	1.6	1.6	1.6
Net lending	-1.4	0.2	0.3	0.2	0.2	-0.1	-0.1
Overall fiscal balance (excl. grants)	-7.9	-5.7	-9.1	-8.0	-7.7	-7.8	-7.7
Overall fiscal balance (incl. grants)	-3.2	-2.2	-4.1	-3.1	-3.8	-4.1	-4.0
Adjustment to cash basis	0.2	1.3	-2.1	-2.2	-0.1	0.2	0.1
Overall balance (cash basis, incl. grants)	-3.0	-1.0	-6.2	-5.3	-3.9	-3.9	-3.9
Financing	3.0	1.0	6.2	5.3	3.9	3.9	3.9
External financing (net)	2.9	2.1	3.9	3.2	3.3	3.4	3.4
Loans	3.5	2.6	4.4	3.7	3.8	3.8	3.9
Project loans	2.9	1.8	3.3	2.6	3.1	3.1	3.2
Budgetary loans	0.5	0.7	1.1	1.1	0.7	0.7	0.7
Amortization	-0.9	-0.7	-0.8	-0.8	-0.7	-0.5	-0.5
Debt relief	0.3	0.3	0.3	0.3	0.3	0.0	0.0
Domestic financing (net)	0.2	-1.2	2.2	2.1	0.6	0.5	0.5
Banking system	0.3	-0.8	2.5	-1.8	1.4	1.0	0.9
Net credit to the government	0.3	-0.8	2.5	-1.8	1.4	1.0	0.9
IMF (net)	0.1	0.3	0.1	0.1	0.0	0.0	0.0
Central bank credit, net	0.0	-0.1	-0.1	1.1	-0.1	-0.1	-0.1
Other	0.3	-1.1	2.5	-3.0	1.4	1.1	1.0
Other domestic financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts	0.0	1.0	0.3	4.2	0.1	0.0	0.0
Other financing	-0.2	-1.3	-0.6	-0.3	-0.8	-0.5	-0.4
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items</i>							
Basic fiscal balance	-0.9	-1.0	-1.6	-1.8	-1.6	-2.0	-1.8
Underlying basic fiscal balance	-0.9	-1.0	-1.6	-1.4	-1.1	-1.2	-1.1
Domestic government saving	2.1	2.1	1.5	1.3	2.2	2.1	2.1
External budgetary assistance	1.3	1.4	2.2	2.2	1.8	1.7	1.7

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

¹ Total revenue less current noninterest spending and net lending, excluding grants, externally financed capital expenditures, and HIPC-financed spending.

Table 9: Monetary Survey, 2007-12

	2007 Dec	2008 Dec	2009			2010 Dec. Prog.	2011 Dec. Proj.	2012 Dec. Proj.
			Sept Prel	Dec Prog. 2nd review	Dec Proj.			
(In billions of CFA francs)								
Net Foreign Assets	526.4	496.2	699.5	516.2	718.1	698.1	674.7	660.1
BCEAO	460.5	466.8	636.6	476.8	678.7	648.7	620.4	600.7
Commercial Banks	65.9	29.4	62.9	39.4	39.4	49.4	54.4	59.4
Net Domestic Assets	491.9	527.4	388.8	609.2	461.9	605.8	703.7	798.5
Credit to the government (net)	-123.5	-156.2	-319.3	-51.6	-234.1	-171.2	-120.2	-74.9
BCEAO, net	-0.1	5.5	-206.6	...	...	...	...	...
Commercial banks	-122.9	-161.7	-112.7	...	...	...	...	...
Other	-0.5	0.0	0.0	...	...	...	...	...
Credit to the economy	618.3	671.2	738.4	673.7	728.9	809.9	856.8	906.3
Other items (net)	-2.9	12.4	-30.3	-12.9	-32.9	-32.9	-32.9	-32.9
Money supply (M2)	1,018.3	1,023.6	1,088.3	1,125.4	1,180.0	1,303.9	1,378.4	1,458.6
Currency outside banks	323.9	317.1	291.4	348.6	354.0	391.2	413.5	437.6
Bank deposits	694.4	706.6	796.9	776.8	826.0	912.7	964.9	1,021.0
Memorandum item:								
Base Money (M0)	467.5	491.1	443.5	515.2	540.2	596.9	631.0	667.7
Gross international reserves BCEAO	477.4	497.3	666.8	510.0	760.1	734.6	707.3	682.6
in percent of broad money	46.9	48.6	61.3	45.3	64.4	56.3	51.3	46.8
(In percent of beginning-of-period broad money)								
Contribution to the growth of broad money								
Money supply (M2)	9.3	0.5	6.3	9.9	15.3	10.5	5.7	5.8
Net foreign assets	0.3	-3.0	19.9	2.0	21.7	-1.7	-1.8	-1.1
BCEAO	0.1	0.6	16.6	1.0	20.7	-2.5	-2.2	-1.4
Commercial banks	0.2	-3.6	3.3	1.0	1.0	0.8	0.4	0.4
Net domestic assets	9.0	3.5	-13.5	8.0	-6.4	12.2	7.5	6.9
credit to the central government	0.5	-3.2	-15.9	10.2	-7.6	5.3	3.9	3.3
Credit to the economy	4.6	5.2	6.6	0.2	5.6	6.9	3.6	3.6
Other items net	3.9	1.5	-4.2	-2.5	-4.4	0.0	0.0	0.0
(Variation in percent, unless otherwise specified)								
Memorandum items:								
Money supply (M2)	9.3	0.5	6.3	9.9	15.3	10.5	5.7	5.8
Base money (M0)	4.0	5.0	-9.7	4.9	10.0	10.5	5.7	5.8
Credit to the economy	7.5	8.5	10.0	0.4	8.6	11.1	5.8	5.8
Velocity (GDP/M2)	3.4	3.8	3.9	3.7	3.6	3.5	3.6	3.6
Money Multiplier (M2/M0)	2.2	2.1	2.5	2.2	2.2	2.2	2.2	2.2
Currency outside banks / M2	31.8	31.0	26.8	31.0	30.0	30.0	30.0	30.0

Sources: BCEAO; and Fund staff estimates and projections.

Table 10. Mali: WAEMU Convergence Criteria, 2007-12

Criterion	2007	2008	2009 Prog.	2009 Proj.	2010 Proj.	2011 Proj.	2012 Proj.	
(Ratios in percent, unless otherwise indicated)								
Primary criteria								
Basic fiscal balance / GDP	>=0	-0.9	-1.0	-1.6	-1.4	-1.1	-1.2	-1.1
Inflation (annual average percentage change)	<=3	1.5	9.1	2.5	2.2	1.2	1.6	2.0
Total nominal debt / GDP	<=70	19.4	21.6	38.7	22.5	23.8	25.3	26.9
Domestic arrears accumulation (CFAF billions)	<=0	0.0	0.0	0.0	-87.6	0.0	0.0	0.0
External arrears accumulation (CFAF billions)	<=0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Secondary criteria								
Wages / fiscal revenue	<=35	33.4	35.8	36.2	35.6	35.0	35.4	35.2
Domestically financed investment / fiscal revenue	>=20	31.7	22.6	20.5	21.0	24.9	27.2	25.4
Current account deficit, excl. current official transfers /	<=5	-9.5	-9.5	-9.7	-8.2	-10.2	-10.6	-10.5
Tax revenue / GDP	>=17	14.2	13.3	14.3	14.3	14.8	14.8	15.0

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

Table 11. Mali: Schedule of Disbursements Under the ECF 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 ECF arrangement.
SDR 5.00 million	December 10, 2008	December 22, 2008	Observance of the performance criteria for June 30, 2008, and completion of the first review under the arrangement
SDR 2.00 million	July 6, 2009	July 13, 2009	Observance of the performance criteria for December 31, 2008, and completion of the second review under the arrangement
SDR 2.00 million	January 11, 2009	February 1, 2010	Observance of the performance criteria for June 30, 2009, and completion of the third review under the arrangement
SDR 2.00 million	May 15, 2010	June 1, 2010	Observance of the performance criteria for December 31, 2009, and completion of the fourth review under the arrangement
SDR 2.00 million	November 15, 2010	December 1, 2010	Observance of the performance criteria for June 30, 2010, and completion of the fifth review under the arrangement
SDR 2.00 million	May 15, 2011	June 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 Extended Credit Facility arrangement.

INTERNATIONAL MONETARY FUND
AND
INTERNATIONAL DEVELOPMENT ASSOCIATION
MALI

Joint IMF/IDA Debt Sustainability Analysis For Low Income Countries

Prepared by the Staffs of the World Bank and the International Monetary Fund

Approved by Roger Nord and Tom Dorsey
and Sudhir Shetty and Carlos Braga (World Bank)

December 28, 2009

The 2009 debt sustainability analysis (DSA) indicates that Mali remains at a low risk of external debt distress.¹ The outlook remains broadly in line with the previous DSA, completed in May 2008 on the basis of end-2006 data, despite a less favorable baseline scenario linked to a stronger relative decline of the gold mining sector. Under baseline projections, none of the external debt indicators breach the policy dependent thresholds over the long run. Under scenarios that include shocks, the country would approach the thresholds for the ratios of the present value of debt to exports and to GDP. The fiscal DSA indicates sustainable debt dynamics even under stress.

The analysis highlights the need for prudent macroeconomic and financial policies, as stress tests suggest some potential threats to external debt sustainability. Debt vulnerabilities have increased somewhat as a result of taking into account more explicitly the decline over the next five to ten years of Mali's existing gold production, the country's main source of foreign exchange. One potential threat for public debt sustainability is borrowing on non-concessional terms. Mali should continue to finance its fiscal deficit primarily through external grants and concessional loans, and avoid recourse to costly medium- and long-term debt, external or domestic. Prudent fiscal policies, structural reforms to create an enabling environment for private sector development and to reduce vulnerability to shocks, and a strengthening of debt management would help Mali further reduce its risk of debt distress.

¹ A preliminary version of this DSA was discussed with the Malian authorities, who share staff views regarding the risk of debt distress.

I. BACKGROUND AND MACROECONOMIC ASSUMPTIONS

1. **As a result of the Highly Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI), Mali's stock of external debt has declined significantly since 2002.**² Mali's stock of public and publicly guaranteed external debt declined from 90 percent of GDP in 2002 to 19 percent at end-2008. Total public external debt at end-2008 is estimated at US\$1.55 billion, with a net present value (NPV) estimated at the equivalent of 12 percent of GDP, 42 percent of exports, and 77 percent of budgetary revenue. These estimates are lower than the projections made for 2008 in the last DSA, mostly on the basis of a lower debt accumulation than projected and downward revisions to data on the stock of debt, reflecting more systematic recording of the cancellation of loans through debt relief.

2. **The baseline scenario reflects prudent macroeconomic projections and sound fiscal performance** (Box 1).³ The medium-term outlook envisages continued macroeconomic stability and sustained economic growth, supported by continued structural reforms and borrowing on concessional terms. Growth is expected to remain around the recent trend rate of 5 percent, despite a 20 percent decline in gold production by 2020 (it remains relatively stable thereafter).⁴ This decline results in slower growth of exports, larger current account deficits, and marginally lower GDP growth than in previous DSA exercises. The fiscal deficit (including grants), upon which net public borrowing depends, is projected to hover around 3½ percent of GDP throughout the DSA period.

² HIPC debt relief was granted by all multilaterals, Paris Club bilateral creditors, and three non-Paris Club creditors (Saudi Arabia, Kuwait and China). Negotiations with four countries are still ongoing.

³ The Poverty Reduction Strategy Paper (PRSP) is based on an annual economic growth of 7 percent. The teams assumed a more conservative approach, taking into account the historical trends, the projected decline of the gold mining sector, and the related difficult economic transition that requires a higher momentum of structural reforms.

⁴ Gold output accounted for about 7 percent of GDP and 75 percent of exports in 2009. Staff has analyzed an alternative baseline scenario with economic growth slightly above 4½ percent per year to illustrate a slower growth response of sectors, such as agriculture, to ongoing structural reforms and development policies; under this scenario, prudent macroeconomic policies help to keep the risk of debt distress at a low level; in the sensitivity analysis, only the ratio of the present value of debt to exports breaches slightly the threshold of 150 percent after 2025 under a most extreme shock hypothesis. This alternative baseline points to the need to monitor new indebtedness and to implement effective growth strategies in the future.

Box 1. Mali: Debt Sustainability Analysis, Macroeconomic Assumptions, 2009-2029

- Real GDP growth is projected to average 5 percent per year during 2009-19, in line with historical trends over the previous decade, before increasing to 5½ percent per year over 2019-29. The primary sector is projected to grow at 5-5½ percent a year as a result of supportive agricultural development policies. Agrobusiness, energy and construction activities will pull the secondary sector, despite the stability of the gold mining sector over time. Transportation and trade will remain the pillars of the tertiary sector. With population growth currently over 3½ percent, the baseline thus assumes limited per capita income growth (and therefore no decline in the grant element of lending).
- Consumer price inflation is projected to remain at about 2 percent per year, in line with the WAEMU convergence criterion.
- The basic fiscal deficit (total revenue minus total expenditure, excluding foreign financed capital projects and HIPC spending) hovers around 1 percent of GDP, in line with projected budgetary assistance. Including foreign-financed capital expenditure, the overall fiscal deficit remains stable around 7 percent of GDP. It is financed in equal parts by grants and loans. A temporary fiscal stimulus over the period 2009-12 is financed by the exceptional privatization receipts of the telecommunication parastatal SOTELMA. New public sector external borrowing is projected to carry a nominal interest rate of about 1 percent, with an average grant element of 45 percent. No new domestic medium or long-term borrowing is assumed other than the rollover of credit from the central bank.
- The current account balance is projected to deteriorate on average by nearly one percentage point of GDP to 10 percent of GDP over 2009-19, reflecting at first the fiscal stimulus and then the decline in gold exports. The current account improves slightly thereafter, as the stability of gold exports is more than compensated by growth in other exports, including food, cotton, and other minerals. The baseline assumes a successful transition of the economy from a dependence on gold exports—equivalent to 17 percent of GDP in 2009 and projected to decline to below 5 percent of GDP in 2029—to a more diversified economic base, with other exports rising from 6 to 12 percent of GDP over the same period.

II. RESULTS OF THE EXTERNAL DEBT SUSTAINABILITY ANALYSIS

3. **Mali's external debt ratios are projected to increase gradually over time, but remain well below the applicable indicative debt thresholds over the period 2009–29** (Figure 1 and Table 1a).⁵ The debt ratios under the baseline scenario are broadly of the same

⁵ Based on the World Bank three-year average CPIA ratings, Mali is classified as a 'medium performer'. Consequently, the external debt burden thresholds relevant for Mali are (i) NPV of debt-to-exports ratio of 150 percent; (ii) NPV of debt-to-revenue of 250 percent; (iii) NPV of debt-to-GDP of 40 percent; and (iv) debt service-to-exports and revenue ratios of 20 and 30 percent, respectively.

magnitude as the ones of the previous DSA, but higher than under the historical scenario, which reflects the relative deterioration of projected economic performance compared with the past. Although the initial debt burden in 2008 is lower than had been projected in the previous DSA, the slower growth in exports (averaging 2 percent per year lower over the 20-year projection horizon) results in debt indicators that are similar. The NPV of debt is expected to climb from 13 percent of GDP in 2009 to 26 percent in 2029. As production from existing gold mines declines, the NPV of debt-to-exports ratio is projected to increase from 42 percent in 2008 to 122 percent in 2029. Debt service is not expected to exceed 5 percent of exports over the projection period.

4. **Sensitivity tests show that Mali's debt service capacity is relatively robust to the standard shocks** (Table 1b). Under an alternative scenario that assumes higher interest rates on public sector loans—in effect, recourse to less concessional external borrowing—the NPV of debt to exports ratio reaches 145 percent in 2029, uncomfortably near the threshold. The same ratio reaches 140 percent under an export-shock scenario that lowers permanently the ratio of exports to GDP by about 2 percentage points. The ratios of NPV of debt to GDP and debt service to exports remain comfortably below the thresholds under alternative scenarios with the full range of shocks.

5. **With no indicative threshold breached under a variety of scenarios, Mali remains at low risk of external debt distress.** One indicative threshold is approached after 20 years under the assumption of less concessional borrowing, but all other indicators are favorably placed. This outcome, however, relies on the implementation of prudent macroeconomic policies and structural reforms aiming at addressing the projected decline of the gold mining sector. Taking into account that Mali's economy remains highly vulnerable to external shocks, the risk of debt distress will have to be monitored regularly.

III. RESULTS OF THE PUBLIC DEBT SUSTAINABILITY ANALYSIS

6. **In the baseline scenario, Mali's public debt increases moderately over the projection period** (Figure 2 and Table 2a). Domestic debt is projected to decline to negligible levels, as there is no domestic financing of the budget. The NPV of debt to revenue (and grants) ratio is projected to increase from 76 percent in 2008 to 108 percent in 2029 (and to 131 percent excluding grants). The debt service to revenue ratio excluding grants is projected to remain below 6 percent from 2012 onward, following repayment of a medium-term loan taken from a consortium of sub-regional banks to clear domestic arrears. Thus, Mali's public debt is considered manageable from a fiscal perspective, as long as the authorities implement a cautious debt strategy and avoid recourse to domestic term financing.

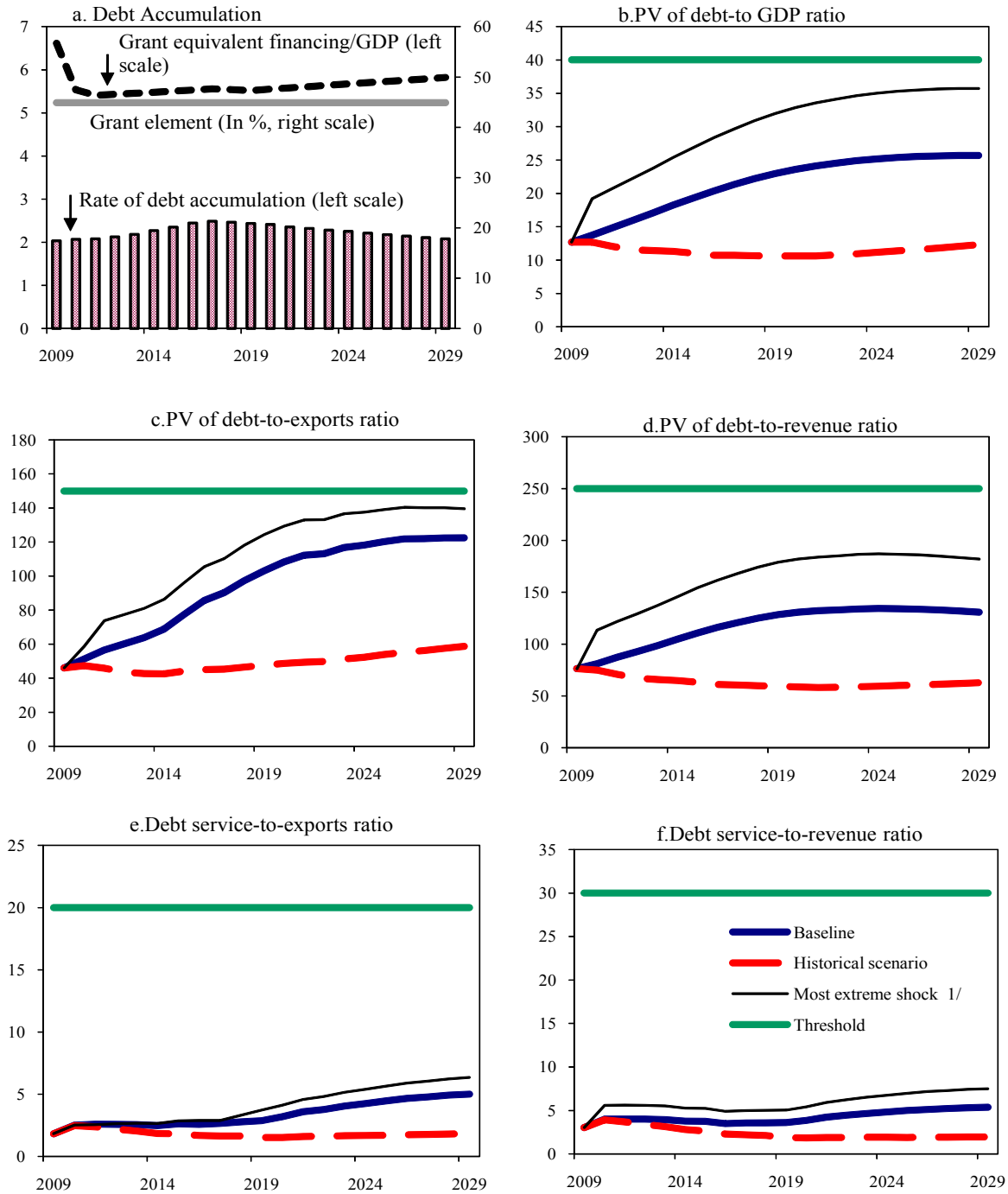
7. **Sensitivity analyses shows that Mali's public debt servicing capacity could become impaired in the face of shocks** (Table 2b). Specifically, reducing economic growth by an average of 1 percent per year would, with less buoyant fiscal revenues, raise public debt service ratios to levels that could potentially prove burdensome. However, with a relatively even profile of debt service after the amortization in 2010-12 of the regional

borrowing to reduce payment arrears, debt service ratios would remain comfortable under this scenario. Nevertheless, the sensitivity analysis underscores the importance of continuing to pursue prudent macroeconomic policies to achieve high GDP growth rates and low public sector deficits.

IV. CONCLUSION

8. **Mali's risk of external debt distress remains low, with debt indicators comparable to the 2008 DSA.** None of the debt burden thresholds are breached over the 20-year projection period, under either the baseline scenario or with the standard sensitivity analysis. Nevertheless, to ensure continued debt sustainability, it would be important for Mali to work to broaden the export base in the coming years, as well as to deepen fiscal consolidation, enhance competitiveness, and follow a prudent borrowing strategy.

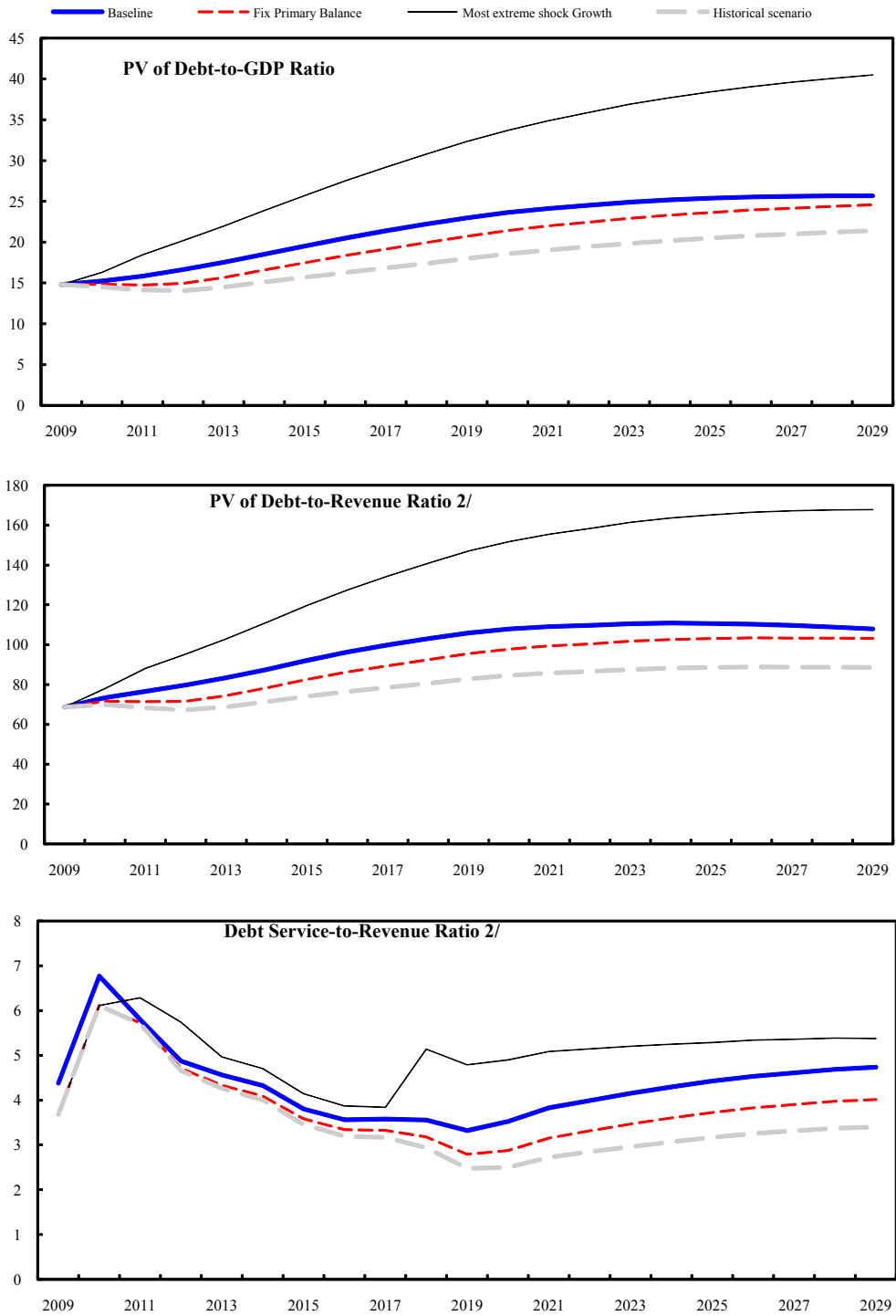
Figure 1. Mali: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2009-2029 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2019. In figure b. it corresponds to a One-time depreciation shock; in c. to a Exports shock; in d. to a One-time depreciation shock; in e. to a Terms shock and in figure f. to a One-time depreciation shock

Figure 2.Mali: Indicators of Public Debt Under Alternative Scenarios, 2009-2029 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2019.

2/ Revenues are defined inclusive of grants.

Table 1a. External Debt Sustainability Framework, Baseline Scenario, 2006-2029 1/
(In percent of GDP, unless otherwise indicated)

	Actual			Historical Average 7/	Standard Deviation	Projections									
	2006	2007	2008			2009	2010	2011	2012	2013	2014	2009-2014 Average	2019	2029	2015-2029 Average
External debt (nominal) 1/	18.9	19.4	19.1			20.2	22.2	24.2	26.1	28.0	30.0		36.8	39.8	
o/w public and publicly guaranteed (PPG)	18.9	19.4	19.1			20.2	22.2	24.2	26.1	28.0	30.0		36.8	39.8	
Change in external debt	-31.9	0.5	-0.3			1.1	2.0	2.0	1.9	1.9	1.9		1.0	0.0	
Identified net debt-creating flows	-6.3	-1.3	-2.6			-0.7	3.1	3.4	3.3	2.7	2.7		2.4	0.8	
Non-interest current account deficit	-0.4	3.4	2.7	3.4	2.8	4.8	5.1	5.7	5.6	5.1	5.2		4.9	3.7	
Deficit in balance of goods and services	5.1	9.0	10.9			7.7	9.8	10.1	9.8	9.4	9.3		10.9	11.3	
Exports	30.0	26.6	28.4			27.5	26.8	26.3	26.5	26.7	26.5		22.3	21.0	
Imports	35.1	35.6	39.3			35.2	36.6	36.3	36.3	36.2	35.8		33.2	32.3	
Net current transfers (negative = inflow)	-5.3	-5.5	-5.9	-4.7	0.7	-5.2	-5.3	-5.1	-4.8	-4.9	-4.5		-4.7	-5.1	
o/w official	-2.7	-1.8	-1.7			-2.1	-2.2	-2.0	-2.0	-2.0	-2.0		-2.0	-2.2	
Other current account flows (negative = net inflow)	-0.2	-0.1	-2.3			2.4	0.7	0.8	0.6	0.6	0.4		-1.3	-2.5	
Net FDI (negative = inflow)	-1.2	-2.3	-2.1	-2.2	1.0	-4.9	-1.3	-1.4	-1.4	-1.4	-1.3		-1.1	-0.9	
Endogenous debt dynamics 2/	-4.7	-2.3	-3.2			-0.7	-0.7	-0.9	-1.0	-1.1	-1.1		-1.5	-1.9	
Contribution from nominal interest rate	0.5	0.4	0.3			0.2	0.2	0.2	0.2	0.2	0.2		0.3	0.3	
Contribution from real GDP growth	-2.4	-0.7	-0.8			-0.8	-0.9	-1.1	-1.2	-1.3	-1.3		-1.7	-2.2	
Contribution from price and exchange rate changes	-2.8	-2.0	-2.8			0.5	-1.0	-0.3	-0.3	-0.3	-0.3		-0.7	-0.8	
Residual (3-4) 3/	-25.5	1.8	2.3			1.8	-1.1	-1.4	-1.3	-0.8	-0.8		-1.4	-0.9	
o/w exceptional financing	-34.6	-0.3	-0.3			-0.3	-0.3	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	12.1			12.7	13.7	14.9	16.0	17.1	18.3		23.0	25.7
In percent of exports	...	...	42.7			46.1	51.4	56.6	60.2	63.8	68.8		103.2	122.4
PV of PPG external debt	...	...	12.1			12.7	13.7	14.9	16.0	17.1	18.3		23.0	25.7
In percent of exports	...	...	42.7			46.1	51.4	56.6	60.2	63.8	68.8		103.2	122.4
In percent of government revenues	...	...	77.9			76.3	81.2	87.4	92.8	98.5	104.8		128.6	130.8
Debt service-to-exports ratio (in percent) 5/	5.4	6.7	3.7			1.8	2.5	2.6	2.6	2.6	2.5		2.9	5.0	
PPG debt service-to-exports ratio (in percent)	5.4	6.7	3.7			1.8	2.5	2.6	2.6	2.6	2.5		2.9	5.0	
PPG debt service-to-revenue ratio (in percent)	9.3	10.6	6.7			3.0	4.0	4.0	4.0	3.9	3.8		3.6	5.4	
Total gross financing need (Billions of U.S. dollars)	0.0	0.2	...			0.0	0.4	0.5	0.6	0.5	0.6		0.8	1.4	
Non-interest current account deficit that stabilizes debt ratio	31.5	2.9	3.0			3.7	3.1	3.7	3.7	3.2	3.3		3.9	3.7	
Key macroeconomic assumptions															
Real GDP growth (in percent)	5.3	4.3	5.0	4.9	3.8	4.3	4.8	5.3	5.2	5.2	5.0	5.0	5.2	5.9	
GDP deflator in US dollar terms (change in percent)	5.9	12.0	16.7	6.8	9.6	-2.7	5.2	1.4	1.2	1.1	0.9	1.2	2.0	2.0	
Effective interest rate (percent) 6/	1.1	2.2	2.1	1.4	0.6	0.8	1.0	1.0	0.9	0.9	0.9	0.9	0.8	0.8	
Growth of exports of G&S (US dollar terms, in percent)	36.4	3.5	30.9	15.2	15.0	-1.6	7.1	4.7	7.6	7.3	5.1	5.0	4.7	8.2	
Growth of imports of G&S (US dollar terms, in percent)	17.2	18.3	35.4	15.1	14.7	-9.0	14.4	6.0	6.6	5.9	4.9	4.8	5.9	8.2	
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	44.9	44.9	44.9	44.9	44.9	44.9	44.9	44.9	44.9
Government revenues (excluding grants, in percent of GDP)	17.3	16.7	15.5	...	...	16.6	16.9	17.0	17.2	17.3	17.4	...	17.9	19.6
Aid flows (in Billions of US dollars) 8/	0.6	0.6	0.5	...	...	0.8	0.7	0.8	0.8	0.9	1.0	...	1.3	3.0
o/w Grants	0.3	0.3	0.3	...	...	0.4	0.4	0.4	0.4	0.4	0.5	...	0.7	1.6
o/w Concessional loans	0.3	0.2	0.2	...	...	0.3	0.4	0.4	0.4	0.5	0.5	...	0.7	1.4
Grant-equivalent financing (in percent of GDP) 9/	...	...	...	...	...	6.6	5.5	5.4	5.4	5.5	5.5	...	5.5	5.8
Grant-equivalent financing (in percent of external financing) 9/	...	...	...	...	...	76.3	72.6	71.8	71.8	71.8	71.7	...	72.5	74.1
<i>Memorandum items:</i>															
Nominal GDP (Billions of US dollars)	6.1	7.2	8.8	...	...	8.9	9.8	10.5	11.1	11.9	12.6	...	17.7	37.7
Nominal dollar GDP growth	11.5	16.8	22.5	...	...	1.5	10.2	6.7	6.5	6.4	6.0	6.2	7.3	8.1
PV of PPG external debt (in Billions of US dollars)	...	...	1.0	...	...	1.2	1.3	1.5	1.8	2.0	2.3	...	4.0	9.6
(Pvt-PVt-1)/GDPT-1 (in percent)	...	...	...	...	...	2.0	2.1	2.1	2.1	2.2	2.3	2.1	2.4	2.1

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

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

5/ Debt service after 2008 fully reflects HIPC and MDRI debt relief.

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

7/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

8/ Defined as grants, concessional loans, and debt relief.

9/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Table 1b. Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2009-2029
(In percent)

	Projections						
	2009	2010	2011	2012	2013	2019	2029
PV of debt-to GDP ratio							
Baseline	13	14	15	16	17	23	26
A. Alternative Scenarios							
A1. Key variables at their historical averages in 2009-2029 1/	13	13	12	12	11	11	12
A2. New public sector loans on less favorable terms in 2009-2029 2	13	14	16	17	18	26	30
B. Bound Tests							
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	13	14	16	17	18	25	28
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	13	15	17	18	19	25	26
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	13	15	17	18	19	26	29
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	13	15	16	17	18	24	26
B5. Combination of B1-B4 using one-half standard deviation shocks	13	15	16	17	18	25	27
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	13	19	21	22	24	32	36
PV of debt-to-exports ratio							
Baseline	46	51	57	60	64	103	122
A. Alternative Scenarios							
A1. Key variables at their historical averages in 2009-2029 1/	46	47	46	44	43	48	59
A2. New public sector loans on less favorable terms in 2009-2029 2	46	53	59	64	69	117	145
B. Bound Tests							
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	46	51	56	60	64	103	122
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	46	59	74	77	81	124	140
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	46	51	56	60	64	103	122
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	46	54	62	66	69	108	124
B5. Combination of B1-B4 using one-half standard deviation shocks	46	53	56	59	63	100	118
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	46	51	56	60	64	103	122
PV of debt-to-revenue ratio							
Baseline	76	81	87	93	99	129	131
A. Alternative Scenarios							
A1. Key variables at their historical averages in 2009-2029 1/	76	75	71	67	66	59	63
A2. New public sector loans on less favorable terms in 2009-2029 2	76	83	92	99	107	146	155
B. Bound Tests							
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	76	84	94	100	106	138	140
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	76	87	102	107	112	139	133
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	76	88	98	104	111	144	147
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	76	86	96	101	107	134	132
B5. Combination of B1-B4 using one-half standard deviation shocks	76	88	95	101	107	138	139
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	76	113	122	129	137	179	182

Table 1b. Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2009-2029 (continued)
(In percent)

	Projections						
	2009	2010	2011	2012	2013	2019	2029
Debt service-to-exports ratio							
Baseline	1.84	2.53	2.59	2.59	2.56	2.89	5.02
A. Alternative Scenarios							
A1. Key variables at their historical averages in 2009-2029 1/	2	2	2	2	2	2	2
A2. New public sector loans on less favorable terms in 2009-2029 2	2	3	3	3	3	4	6
B. Bound Tests							
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	2	3	3	3	3	3	5
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	2	3	3	3	3	4	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	2	3	3	3	3	3	5
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	2	3	3	3	3	3	5
B5. Combination of B1-B4 using one-half standard deviation shocks	2	3	3	3	2	3	5
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	2	3	3	3	3	3	5
Debt service-to-revenue ratio							
Baseline	3	4	4	4	4	4	5
A. Alternative Scenarios							
A1. Key variables at their historical averages in 2009-2029 1/	3	4	4	3	3	2	2
A2. New public sector loans on less favorable terms in 2009-2029 2	3	4	4	4	4	5	7
B. Bound Tests							
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	3	4	4	4	4	4	6
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	3	4	4	4	4	4	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	3	4	5	5	4	4	6
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	3	4	4	4	4	4	6
B5. Combination of B1-B4 using one-half standard deviation shocks	3	4	4	4	4	4	6
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	3	6	6	6	6	5	8
<i>Memorandum item:</i>							
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	42	42	42	42	42	42	42

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.

3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).

4/ Includes official and private transfers and FDI.

5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.

6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 2a. Mali: Public Sector Debt Sustainability Framework, Baseline Scenario, 2006-2029
(In percent of GDP, unless otherwise indicated)

	Actual			Average 5/ Standard Deviation	Estimate					Projections					
	2006	2007	2008		2009	2010	2011	2012	2013	2014	2009-14 Average	2019	2029	2015-29 Average	
Public sector debt 1/	18.9	19.4	21.6												
o/w foreign-currency denominated	18.9	19.4	19.1												
Change in public sector debt	-31.9	0.5	2.3												
Identified debt-creating flows	-41.6	-0.2	-0.2												
Primary deficit	2.1	2.8	1.9	2.2	0.7										
Revenue and grants	22.3	21.3	19.0												
<i>of which: grants</i>	5.0	4.6	3.4												
Primary (noninterest) expenditure	24.4	24.1	20.8												
Automatic debt dynamics	-9.1	-2.5	-0.8												
Contribution from interest rate/growth differential	-3.5	-0.9	-0.9												
<i>of which: contribution from average real interest rate</i>	-1.0	-0.1	0.0												
<i>of which: contribution from real GDP growth</i>	-2.5	-0.8	-0.9												
Contribution from real exchange rate depreciation	-5.6	-1.6	0.1												
Other identified debt-creating flows	-34.6	-0.4	-1.3												
Privatization receipts (negative)	0.0	0.0	-1.0												
Recognition of implicit or contingent liabilities	0.0	0.0	0.0												
Debt relief (HIPC and other)	-34.6	-0.4	-0.3												
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0												
Residual, including asset changes	9.8	0.7	2.5												0.2
Other Sustainability Indicators															
PV of public sector debt	0.0	0.0	14.7												
o/w foreign-currency denominated	0.0	0.0	12.1												
o/w external	...	...	12.1												
PV of contingent liabilities (not included in public sector debt)	...	...	...									
Gross financing need 2/	3.7	4.6	2.9												
PV of public sector debt-to-revenue and grants ratio (in percent)	0.0	0.0	77.2												
PV of public sector debt-to-revenue ratio (in percent)	0.0	0.0	94.2												
o/w external 3/	...	...	77.9												
Debt service-to-revenue and grants ratio (in percent) 4/	7.2	8.5	5.5												
Debt service-to-revenue ratio (in percent) 4/	9.3	10.8	6.7												
Primary deficit that stabilizes the debt-to-GDP ratio	34.0	2.3	-0.4												
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	5.3	4.3	5.0	4.9	3.8	4.3	4.8	5.3	5.2	5.2	5.0	5.0	5.2	5.9	5.5
Average nominal interest rate on forex debt (in percent)	1.1	2.2	2.1	1.4	0.6	0.8	1.0	1.0	0.9	0.9	0.9	0.9	0.8	0.8	0.8
Average real interest rate on domestic debt (in percent)	...	...	...									
Real exchange rate depreciation (in percent, + indicates depreciation)	-11.8	-9.1	0.6	-5.6	9.3	-6.0	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	5.1	2.6	8.6	3.6	3.7	4.3	2.6	1.8	2.0	2.0	2.1	2.5	2.0	2.0	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	0.1	0.0	-0.1	0.1	0.1	0.2	0.0	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.1
Grant element of new external borrowing (in percent)	...	...	...	...	...	44.9	44.9	44.9	44.9	44.9	44.9	44.9	44.9	44.9	...

Sources: Country authorities; and staff estimates and projections.

1/ [Indicate coverage of public sector, e.g., general government or nonfinancial public sector. Also whether net or gross debt is used.]

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

3/ Revenues excluding grants.

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

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 2b. Mali: Sensitivity Analysis of Key indicators of Public Debt 2009-2029

	Projections							
	2009	2010	2011	2012	2013	2014	2019	2029
PV of Debt-to-GDP Ratio								
Baseline	15	15	16	17	18	19	23	26
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	15	15	14	14	14	15	18	21
A2. Primary balance is unchanged from 2009	15	15	15	15	16	17	21	25
A3. Permanently lower GDP growth 1/	15	16	16	18	19	21	30	48
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2010-2011	15	16	18	20	22	24	32	40
B2. Primary balance is at historical average minus one standard deviations in 2010-2011	15	15	15	16	17	18	22	26
B3. Combination of B1-B2 using one half standard deviation shocks	15	15	15	16	18	19	26	32
B4. One-time 30 percent real depreciation in 2010	15	20	20	20	20	20	22	23
B5. 10 percent of GDP increase in other debt-creating flows in 2010	15	22	22	23	24	24	28	29
PV of Debt-to-Revenue Ratio 2/								
Baseline	69	73	77	80	83	88	106	108
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	69	70	68	67	69	71	83	89
A2. Primary balance is unchanged from 2009	69	72	71	72	74	78	96	103
A3. Permanently lower GDP growth 1/	69	75	79	84	90	97	135	195
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2010-2011	69	78	88	95	103	111	147	168
B2. Primary balance is at historical average minus one standard deviations in 2010-2011	69	72	72	76	79	84	103	108
B3. Combination of B1-B2 using one half standard deviation shocks	69	72	72	78	84	90	119	135
B4. One-time 30 percent real depreciation in 2010	69	96	95	94	94	95	102	95
B5. 10 percent of GDP increase in other debt-creating flows in 2010	69	105	108	109	112	115	128	120
Debt Service-to-Revenue Ratio 2/								
Baseline	4	7	6	5	5	4	3	5
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	4	6	6	5	4	4	2	3
A2. Primary balance is unchanged from 2009	4	6	6	5	4	4	3	4
A3. Permanently lower GDP growth 1/	4	6	6	5	5	5	4	7
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2010-2011	4	6	6	5	5	5	4	7
B2. Primary balance is at historical average minus one standard deviations in 2010-2011	4	6	6	5	4	4	3	4
B3. Combination of B1-B2 using one half standard deviation shocks	4	6	6	5	5	4	3	5
B4. One-time 30 percent real depreciation in 2010	4	7	7	6	6	6	5	7
B5. 10 percent of GDP increase in other debt-creating flows in 2010	4	6	6	6	5	5	5	5

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.



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FOR IMMEDIATE RELEASE
February 3, 2010

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Third Review Under ECF Arrangement for Mali

The Executive Board of the International Monetary Fund (IMF) today completed the second review of Mali's economic performance under a program supported by the Extended Credit Facility (ECF)¹. The Board's decision allows the government to request a further disbursement amounting to SDR 2 million (about US\$3.1 million), which would bring total disbursements to Mali to SDR 21.99 million (about US\$34.1 million).

The Executive Board also approved the authorities' request for a modification of performance criteria related to the domestic financing of the budget for end-December 2009.

The ECF 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\$45.7 million).

At the conclusion of the Executive Board's discussion on Mali's ECF, Mr. Murilo Portugal, Deputy Managing Director and Acting Chair, stated:

“The global recession has had only a limited impact on Mali, and economic performance in 2009 has been good, with solid GDP growth and low inflation. Buoyant gold exports have led to a greater-than-projected improvement of the external current account deficit, and the balance of payments has also benefited from large privatization revenues and the SDR allocations. The 2009 program has remained on track. Nevertheless, Mali remains vulnerable to climatic and other external shocks.

¹ The Extended Credit Facility (ECF) has replaced the Poverty Reduction and Growth Facility (PRGF) as the Fund's main tool for medium-term financial support to low-income countries by providing a higher level of access to financing, more concessional terms, enhanced flexibility in program design features, and more focused streamlined conditionality. Financing under the ECF currently carries a zero interest rate, with a grace period of 5½ years, and a final maturity of 10 years. The Fund reviews the level of interest rates for all concessional facilities every two years.

“The authorities remain committed to prudent economic policies. The draft 2010 budget provides an adequate foundation for continued progress. Maintaining sound macroeconomic policies and further strengthening the structural reform effort will buttress program objectives of economic growth close to 5 percent and a further decline of inflation. The structural reform program for 2010 will focus on public financial management and the banking sector.

“It will be important to ensure that the revenue from the privatization of the state telecom company SOTELMA, equivalent to 4 percent of GDP, be used for investments on nonrecurrent expenditures that promote poverty reduction and growth. In this regard, the authorities’ intention to keep the underlying fiscal deficit excluding privatization-financed spending to about 1 percent of GDP is welcome,” added Mr. Portugal.

Statement by Laurean Rutayisire, Executive Director for Mali

February, 2010

1. We appreciate the constructive policy dialogue that the Fund continues to maintain with our Malian authorities, particularly in the context of the program supported by the Extended Credit Facility (ECF).
2. Economic developments in Mali were broadly positive in 2009. Amid a difficult external environment, real GDP is estimated to have grown at a rate of 4.3 percent, largely driven by the primary sector. After peaking in the previous year, average consumer price inflation has continued to follow a downward trend and was contained below 3 percent. The resilience of the economy to external shocks improved significantly as a result of the implementation by the authorities of appropriate structural reforms. As part of these reforms those aimed at enhancing the business environment were key in attracting foreign direct investment, including the purchase by a foreign investor of shares in the telecommunications company, SOTELMA. Coupled with sound macroeconomic policies, the authorities' reform efforts which also supported effectively the cotton sector contributed to the significant improvement in the country's external position.

Program Performance

1. Laying the foundations of this strong economic performance was an almost flawless program implementation during the period covered by the third program review. Program performance on the quantitative front has been satisfactory, notably with all quantitative targets being met at end-June 2009 and, based on preliminary data, at end-September 2009. In particular, the authorities took the necessary steps to meet all quantitative performance criteria, notably those related to net domestic financing, net tax revenues, and external borrowing and payment arrears. Moreover, their continuous efforts to contain public expenditures and strengthen revenue mobilization led to a significant improvement in the basic fiscal balance at the end of the second and third quarter of 2009. Consequently, the authorities were able to fulfill their stated commitment to substantially reduce the level of domestic payment float in line with program commitments.
2. On the structural front, the authorities secured progress, meeting all structural benchmarks set forth for this third review. More specifically, the authorities took steps to strengthen revenue mobilization and public financial management, notably by developing a cash-flow plan consistent with budget nomenclature and by establishing a tax center for medium-sized enterprises. Moreover, the authorities' efforts to improve governance of the cotton sector and better target subsidies granted to the agricultural sector while containing fiscal risks.

Policy and Reform Agenda for 2010

5. The Letter of Intent annexed to the staff report has provided the authorities with an opportunity to reiterate their strong commitment to implement prudent macroeconomic policies and to continue making headway in the implementation of their reform program.

Fiscal Policy and Reform

1. On the fiscal front, the authorities' agenda will continue to focus on strengthening public financial management and tax administration. In this respect, sustained improvement in public financial management will rank high on the authorities' priority reform program, building on the existing action plan for improving and modernizing public financial management (PAGAM). The authorities will also continue to work toward improving treasury management and better aligning the reporting of public finance statistics to best practices.
2. Previous efforts to strengthen tax administration have notably contributed to the strong revenue performance registered in 2009. Going forward, revenue mobilization is expected to be boosted notably by recent actions taken by the authorities, including the establishment of the new tax center for medium-sized enterprises.
3. On the expenditure side, it is the authorities' firm intention to ensure a transparent and efficient use of the proceeds from the sale of SOTELMA, and close monitoring of their use will be ensured by an interministerial committee placed under the authority of the Prime Minister. Part of these resources is expected to finance a number of pro-growth investment projects, consistent with the authorities' Economic and Social Development Plan. In this connection, capital expenditures are projected to claim a larger share of GDP this year although total expenditures in percent of GDP will remain virtually unchanged. This is reflective of the authorities' determination to continue to exert a strict control over current expenditures and in this endeavor the planned introduction of a new expenditure management system is opportune.

Monetary Policy and Financial Sector Reform

1. In the conduct of monetary policy the regional central bank, BCEAO, will continue to adhere to a prudent stance. This will continue to support the projected low rate of inflation in 2010 which is in line with the related convergence criterion set at the regional level.
2. In the financial sector, the authorities are proceeding with their work aimed at strengthening the resilience of the banking system and stimulating private sector involvement, notably through the restructuring of the housing bank, BHM. At the same time, the BCEAO will stand ready to take necessary actions to preserve the health of the banking sector while ascertaining that banks avail themselves with adequate liquidity.

Other Structural Reforms

1. Other key aspects of the authorities' ongoing reform agenda include improving the management and monitoring of domestic debt and enhancing fiscal transparency. In order to materialize these objectives, efforts were initiated to establish a monitoring system for the budgetary float and a national public debt committee was established last September and tasked with coordinating the government's borrowing and macroeconomic policies. At the same time, steps were taken to improve public finance statistics and tackle the anticipated depletion of known gold reserves, through notably a thorough account of the government's net position and a study of the macroeconomic impact of the gold sector.
2. The authorities will proceed with the reform of state-owned enterprises, namely the cotton-ginning company, CMDT, the housing bank, BHM, and the electricity and water company, EDM. In this regard, we welcome the focus of the ECF-supported program on providing a framework for key strategic decisions to be made in relation with these companies, notably with a view to limiting the fiscal risks arising from these companies.

Conclusion

1. Great strides have been made by the Malian authorities in advancing their reform agenda set in the context of Fund-supported programs notwithstanding the slow implementation in some areas that has occasionally arisen from unforeseen circumstances. This performance reflects the authorities' strong attachment to sound program implementation. But it also warrants continued support from the Fund, particularly in the face of the challenging prospects of Mali's economy.
2. In light of Mali's strong program performance, we call on Directors to support the completion of the third review of the ECF and to consider favorably the authorities' request for modification of the end-December 2009 performance criteria related to domestic financing of the budget.