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Mali: Fifth Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for Extension of the Arrangement and Rephasing of Disbursement—Staff Report; Joint IDA/IMF Debt Sustainability Analysis; Informational Annex; Staff Statement; Statement by the Executive Director for Mali; and Press Release on the Executive Board Discussion

In the context of the fifth review under the three-year arrangement under the Extended Credit Facility and request for extension of the arrangement and rephasing of disbursement, the following documents have been released and are included in this package:

- The staff report for the Fifth Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for Extension of the Arrangement and Rephasing of Disbursement, prepared by a staff team of the IMF, following discussions that ended on November 10, 2010, with the officials of Mali on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on January 2, 2011. 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 IDA/IMF Debt Sustainability Analysis
- Informational Annex
- A staff statement of January 20, 2001, updating information on recent developments.
- A statement by the Executive Director for Mali.
- A Press Release summarizing the views of the Executive Board as expressed during its January 26, 2001, discussion of the staff report that completed the request and/or review.

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

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MALI

Fifth Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for Extension of the Arrangement and Rephasing of Disbursement

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

Approved by Roger Nord and Thomas Dorsey

January 3, 2011

Discussions. The discussions were held in Bamako during October 28–November 10, 2010. The staff team comprised Mr. Josz (head), Ms. Farahbaksh, and Messrs. Ghazanchyan, Blondy, Féler (resident representative) and Traore (local economist). The team met Prime Minister Modibo Sidibé, Minister of Finance and Economy Sanoussi Touré, Minister of Budget Lassine Bouaré, National Director of the Central Bank of West African States (BCEAO) Tatam Ly, other ministers and senior officials, the Vice-President of the National Assembly's Finance Commission, trade union leaders, as well as representatives from the donor community, the private sector, and civil society.

ECF arrangement. The three-year arrangement under the Extended Credit Facility (ECF) was approved on May 28, 2008, in the amount equivalent to SDR 27.99 million (30 percent of quota). The fourth review was completed on July 16, 2010, along with the conclusion of the 2010 Article IV Consultation. The authorities are requesting the sixth disbursement under the arrangement (SDR 2 million), an extension of the arrangement from May 27, 2011 to December 31, 2011, and a rephasing of the last disbursement (SDR 2 million) into two equal tranches.

Staff views. The staff recommends completion of the review, extension of the arrangement, and rephasing of the last disbursement on the basis of the authorities' achievements and policy intentions.

Contents Page

ACRONYMS

ACCT	Central Treasury Accounting Bureau
ACI	Property Transfer Agency
AFRITAC	West Africa Regional Technical Administration Center
BCEAO	Central Bank of West African States
BHM	*Banque de l'Habitat du Mali* (Housing Bank of Mali)
CFAF	CFA francs
CMDT	*Compagnie Malienne pour le Développement des Textiles* (Cotton Ginning Company of Mali)
DGD	Directorate General of Customs
DGDP	Directorate General of Public Debt
DGI	Directorate General of Taxation
DME	Medium-sized Business Directorate
DNDC	National Directorate of Property Titles
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
EITI	Extractive Industry Transparency Initiative
EPA	Ex-Post Assessment
FSAP	Financial Sector Assessment Program
G-PRSP	Growth and Poverty Reduction Strategy Paper
HIPC	Highly Indebted Poor Countries
MEFP	Memorandum of Economic and financial policies
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
OMH	National Housing Authority
PAGAM-GFP	*Programme d'action gouvernementale d'amélioration et de modernisation de la gestion des finances publiques* (Government Action Program for Improving and Modernizing Public Finance)
PC	Performance criterion
PEFA	Public expenditure and financial accountability
PFM	Public Financial Management
PGT	General Payment Office
PRSP	Poverty Reduction Strategy Paper
RGD	Tax Collection Office
SMEs	Small and mediaum-sized enterprises
SOTELMA	*Société de Télécommunications du Mali* (Telephone Company of Mali)
TFPs	Technical and financial partners
TMU	Technical Memorandum of Understanding
TOFE	Central Government Consolidated Financial Operations Table
VAT	Value-added tax
WAEMU	West African Economic and Monetary Union

Executive Summary

Program performance has been good. Macroeconomic outcomes have been favorable, helped by the able fiscal stewardship of the authorities. All end-June performance criteria and all but two end-June and end-September 2010 indicative targets were met. Three out of four structural benchmarks for the fifth review were observed, albeit with delay. Work is underway to meet the remaining benchmark. The end-year fiscal targets and structural benchmarks are within reach.

The authorities are requesting an extension of the ECF arrangement from May 27, 2011 to end-December 2011 (and a rephasing of the remaining disbursement in two equal tranches) to allow additional time for reaching new understandings on program design and policies. This would also enable the authorities to take full account of the findings of the ongoing Ex-Post Assessment (EPA) of the last seven years of Fund engagement in Mali, before deciding on the future nature of its engagement with the Fund.

The 2011 program aims to sustain economic growth, maintain low inflation, promote fiscal consolidation, and emphasize priority spending under Mali's second Growth and Poverty Reduction Strategy (G-PRSP II) for 2007–11:

- The draft 2011 budget introduced to Parliament is closely aligned with the program's macroeconomic objectives and the G-PRSP II priorities.

- The program's spending envelope is slightly smaller than in the budget (by 0.5 percent of GDP), in anticipation of a supplementary budget that will identify resources to pay for underestimated VAT tax refunds in the draft budget, while keeping the deficit target unchanged.

- The program will advance key reforms in tax policy, tax and customs administration, public financial management (PFM), financial sector development, and the cotton sector.

On the basis of the authorities' achievements and policy intentions, the staff recommends completion of the review, extension of the ECF arrangement, and rephasing of the last disbursement.

I. BACKGROUND

1. **Presidential and parliamentary elections are scheduled for mid-2012 in the context of a deteriorating security situation in northern Mali where terrorist activities have been reported**. Mali's democratic system is to be reinforced by the constitutional reform package announced by the President, which includes the creation of an upper house of Parliament, an audit court, as well as independent media and election watchdogs.

2. **Economic and financial policies are rooted in a participatory growth and poverty reduction strategy process**. The 2009 Progress Report on Mali's second G-PRSP II for 2007-11 highlights progress in most social indicators while indicating the need to improve the targeting and quality of expenditures (Table 11).[1] Drawing on the lessons from the implementation of its first two G-PRSPs, the government is preparing its G-PRSP III for 2012-16, in collaboration with civil society, the private sector, and development partners.

II. RECENT ECONOMIC DEVELOPMENTS AND 2010 PROGRAM IMPLEMENTATION

3. **In 2010, real GDP growth is expected to remain at about 4.5 percent and inflation below 1.5 percent** (Figure 1, Tables 1 and 2). The sharp decline in gold production (-16.5 percent) due to the delayed opening of a new mine should be more than offset by strong growth in agriculture, which has benefited from favorable rainfall. Abundant crops will also maintain low inflation.

4. **Fiscal performance has been consistent with program targets during the first nine months of 2010** (Table 4). By end-September, the basic fiscal balance[2] showed a surplus of 1.2 percent of GDP, compared with a programmed deficit of 2 percent of GDP, due to stronger-than-programmed tax revenues and delays in expenditure, especially on capital outlays. All pending bills outstanding at end-2009 (CFAF 129 billion or 2.8 percent of GDP) were cleared by August 2010. The domestic debt has been revised upwards (by 1.7 percent of GDP in 2010) owing to better recording of bank loans contracted to repay VAT credits in 2009 and callable government guarantees (Table 1).

5. **To meet end-year fiscal targets, the authorities have committed to keep budget execution under tight control** (Memorandum of Economic and Financial Policies (MEFP), ¶6). A possible shortfall in prepayments of corporate income tax may point to a need to under-execute the spending envelope of the 2010 supplementary budget by about CFAF 20 billion (0.4 percent of GDP) in order to meet the end-December performance

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[1] Mali: Poverty Reduction Strategy Paper—Progress Report (forthcoming).

[2] The fiscal policy anchor is the basic fiscal balance (revenue excluding grants minus domestically financed expenditure), which measures the fiscal stance flowing from revenue and expenditure under the authorities' control.

criteria (PC) on net domestic financing of the government. This seems within reach in view of the slow budget execution until September, as well as the Minister of Finance's order to line ministries to stop committing most expenditure at end-November 2010.

6. **The balance of payments is projected to weaken in 2010 following the exceptional surplus recorded in 2009** (Figure 1, Table 6). The current-account deficit, including grants, should increase from 7.5 percent of GDP in 2009 to 8.5 percent of GDP in 2010 owing to lower gold exports. The capital and financial account surplus will fall to 7.7 percent of GDP in 2010, from the exceptional level of 12.3 percent of GDP recorded in 2009 owing to capital inflows from the privatization of the telecom company ($400 million) and the SDR allocations (SDR 74 million). As a result, the overall balance-of-payments should show a deficit of about 0.8 percent of GDP ($71 million), financed by drawing on the reserves of the BCEAO.

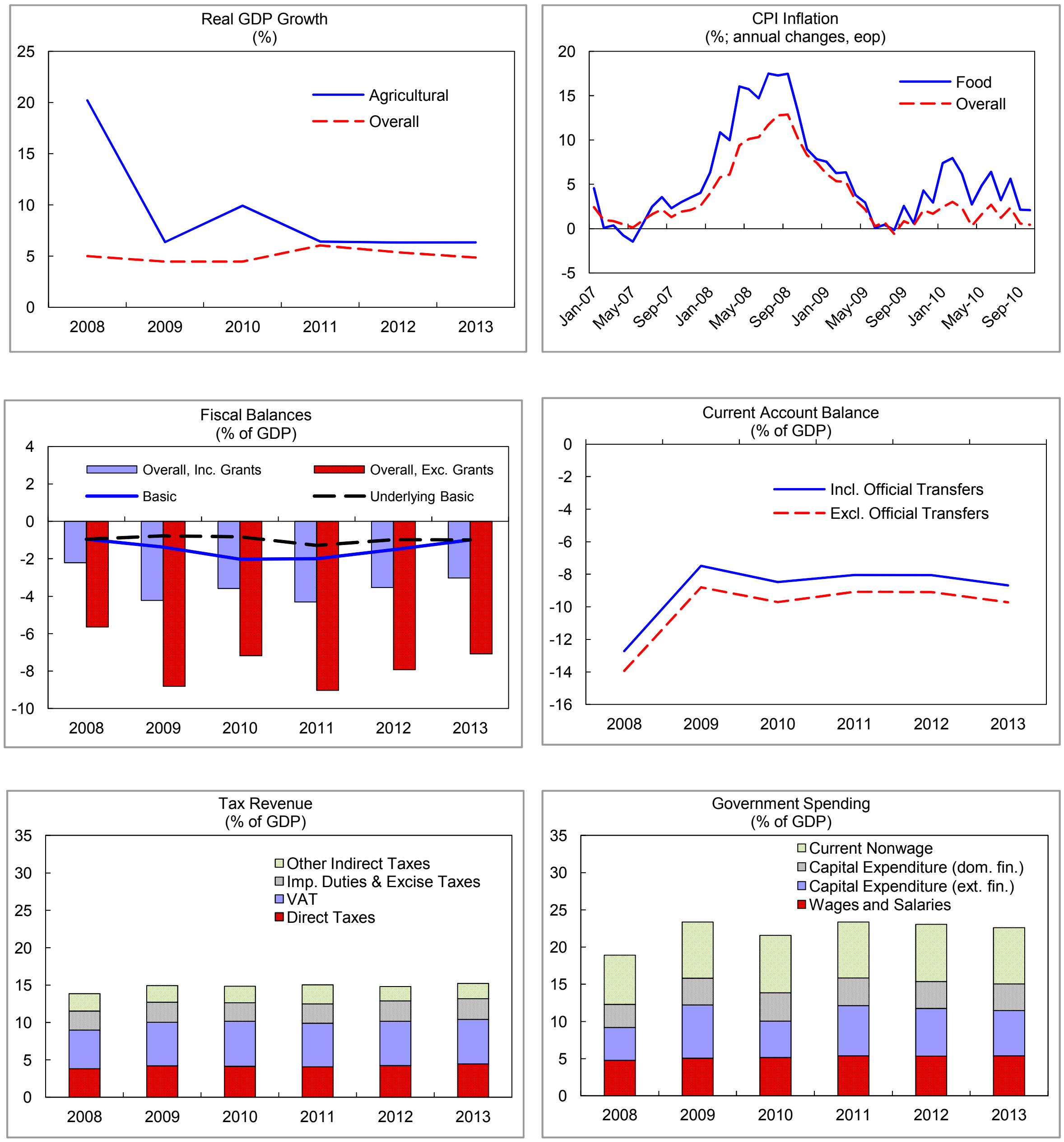
7. **Money supply increased by 2.9 percent during the first nine months of 2010** (Table 7). Credit to the private sector increased by only 1.4 percent, but is expected to grow at a somewhat higher pace during the fourth quarter in response to increased year-end demand for consumer credit during the fourth quarter of 2010.

8. **The high share of non-performing loans has continued to weigh on the profitability of the banking sector** (Table 8). The capital adequacy ratio of the banking system declined slightly in the first nine months of 2010, but remained above the minimum ratio of 8 percent. Non-performing loans net of provisioning were 10 percent of total loans.

9. **All end-June performance criteria and all but two end-June and end-September 2010 indicative targets were met** (MEFP, Table 1 and ¶5). The end-June and end-September floors on priority expenditure were missed owing to the aforementioned overall under execution of public spending. However, the authorities made sure that the under execution of priority spending was significantly less than that of overall spending.

10. **On the structural front, three of the four measures subject to end-June benchmarks have been implemented, albeit with delay** (MEFP, Table 2 and ¶7). Regarding the fourth benchmark, steps are being taken to prepare a new presentation of the fiscal table by May 2011 (¶15; MEFP, ¶¶7 and 27). Good progress has also been made towards meeting the end-December benchmarks (¶14; MEFP, ¶¶8 and 21).

Figure 1. Mali: Macroeconomic Developments, 2008-13



Source: Malian authorities; and IMF staff estimates.

III. PROGRAM ISSUES

A. The Medium-Term Macroeconomic Framework

11. **The medium-term macroeconomic outlook has changed little compared to the 2010 Article IV Staff Report** (Figure 1, Text Table 1, and Tables 1-7).[3] Real GDP growth is expected to hover around 5 percent driven by the agricultural and gold sectors. Gold output should increase sharply in 2011 owing to a new mine, but decline moderately starting in 2013 with the decline in reserves. Assuming good rainfall, inflation should stay comfortably below the West Africa Economic and Monetary Union (WAEMU)'s convergence target of 3 percent. The balance of payments should strengthen in tandem with gold exports in 2011. The fiscal stimulus in 2009-12 financed with revenue of the privatization of the telecom company SOTELMA has set the basic fiscal deficit on a trajectory that diverges from its sustainable level.[4] During that time, fiscal policy will aim to keep the underlying basic fiscal balance (excluding spending financed with SOTELMA privatization revenue) close to its sustainable level.

Text Table 1. Mali: Key Economic Indicators, 2008-13

	2008	2009	2010		2011		2012	2013
		Est.	Prog.[1]	Proj.	Proj.[1]	Prog.	Proj.	
	(In percent of GDP, unless otherwise stated)							
Real GDP	5.0	4.5	5.1	4.5	5.3	6.0	5.4	4.8
Consumer price inflation (average)	9.1	2.2	2.1	1.4	2.6	2.0	2.1	2.3
Revenue	15.5	17.1	16.9	17.0	17.0	16.4	16.8	17.2
Grants	3.4	4.6	3.9	3.6	3.8	4.7	4.4	4.1
Total expenditure and net lending	21.2	25.9	25.5	24.2	24.8	25.4	24.8	24.3
Overall balance (payment order basis, including grants)	-2.2	-4.2	-4.6	-3.6	-4.0	-4.3	-3.5	-3.0
Basic fiscal balance [2]	-1.0	-1.4	-2.4	-2.0	-2.0	-2.0	-1.5	-1.0
Underlying basic fiscal balance [3]	-1.0	-0.8	-1.1	-0.8	-1.0	-1.3	-1.0	-1.0
Debt	21.6	24.2	26.2	28.9	28.0	29.8	30.4	31.0
Current external balance (including official transfers)	-12.7	-7.5	-7.9	-8.5	-9.1	-8.0	-8.0	-8.7
Overall balance of payments	-0.1	5.0	-0.5	-0.8	-0.4	0.4	0.3	0.3

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

[1] IMF Country Report No. 10/255: Mali —2010 Article IV Consultation and Fourth Review Under the Extended Credit Facility (ECF).

[2] Defined in Table 3, footnote 2.

[3] Defined in Table 3, footnote 3.

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[3] IMF Country Report No. 10/255: Mali-2010 Article IV Consultation, Fourth Review Under the Three-Year Arrangement Under the Extended Credit Facility, and Request for Modification of Performance Criteria.

[4] In light of the level of general budgetary assistance expected in the medium term, staff estimates the sustainable level of the basic fiscal deficit at about 1 percent of GDP.

B. Fiscal Policy and Reforms

12. **The draft 2011 budget submitted to Parliament is closely aligned with the program's macroeconomic objectives and the G-PRSP II priorities** (MEFP, ¶¶13-15 and 18). To make room for private sector development, it allows only limited recourse to domestic financing (Text Table 2 and Tables 3 and 5). Tax revenue is targeted to increase by 0.1 percent of GDP compared to the projected 2010 outcome, based on steadfast implementation of revenue administration reforms (MEFP, ¶22). Total expenditure is set to increase (by about 1.7 percent of GDP) owing to higher capital expenditure financed with domestic resources (including SOTELMA privatization revenue; MEFP, Table 6) and by donors. Current expenditure will increase by 10 percent in nominal terms because of higher benefits, recruitment in education and in the security sector (to deal with the terrorist threat in northern Mali), and higher contributions for the civil servants' health insurance and pension plan. The education, health and other social sectors account for 38 percent of domestically financed expenditures, which corresponds to a 15 percent nominal increase compared to the 2010 supplementary budget.

Text Table 2. Mali: Central Government Consolidated Financial Operations, 2010-11

	2010		2011		(b)-(a)
	Prog. [1]	Proj.	Budget (a)	Prog. (b)	
	(in percent of GDP)				
Total revenue and grants	20.9	20.6	21.6	21.1	-0.5
Tax revenue	14.7	14.8	14.9	14.4	-0.5
of which : Tax refund	0.0	0.0	-0.1	-0.6	-0.6
Nontax revenue [1]	2.2	2.3	2.0	2.0	0.0
Grants	3.9	3.6	4.7	4.7	0.0
Total expenditure and net lending (payment orders)	25.5	24.2	25.9	25.4	-0.5
Current expenditure	13.3	13.4	13.4	13.4	0.0
Capital expenditure	10.1	8.7	10.9	10.5	-0.5
Adjustment to cash basis [2]	-1.7	-1.9	-0.1	-0.2	-0.1
Overall fiscal balance (cash)	-6.3	-5.5	-4.4	-4.5	-0.1
External financing	3.5	3.0	3.5	3.5	0.0
Domestic financing	2.8	2.5	0.9	1.0	0.1
Memorandum items					
Basic fiscal balance [3]	-2.4	-2.0	-2.0	-2.0	0.0
Underlying basic fiscal balance [4]	-1.1	-0.8	-1.3	-1.3	0.0

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

[1] Including Special funds and annexed budgets.

[2] Including variation of arrears.

[3] Defined in Table 3, footnote 2.

[4] Defined in Table 3, footnote 3.

13. **The program's spending envelope is slightly smaller than in the 2011 draft budget because of the need to refund underestimated VAT credits to exporters** (Text Table 2, MEFP, ¶¶16-17). The 2011 draft budget includes a tentative figure of CFAF 4 billion (0.1 percent of GDP) for VAT credits to be refunded to gold exporters and other operators in 2011. Since the budget was submitted to Parliament, the domestic taxes

and customs administrations have estimated a figure of CFAF 33 billion (0.6 percent of GDP). Thus, the program targets lower net tax revenue and provides room for payment of the higher VAT refunds by reducing the spending envelope in non-priority sectors (by 0.5 percent of GDP). The authorities plan, by end-April 2011, to present a supplementary budget to Parliament with revenue or expenditure measures that would allow refunding of outstanding VAT credits, while maintaining the underlying basic fiscal deficit target at 1.3 percent of GDP.

14. **Streamlining the tax code and modernizing tax and customs administrations will be critical to increasing tax revenue and improving the business environment** (MEFP, ¶¶19-23). Starting January 1, 2011, the authorities will set aside part of VAT revenue to refund VAT credits. This new mechanism, together with other measures to streamline administration of the VAT and other taxes, will lay the ground for higher revenue and a better business environment.[5] Unfortunately, the proposed new investment code includes a VAT exemption on domestic goods and services that would reduce the tax base and complicate tax administration. In 2011, the authorities will: (i) assess the value of VAT credits accumulated until end-2010, with a view to reimbursing them, budgetary room permitting; (ii) define a mechanism to index domestic fuel prices to changes in international prices to preserve tax revenues while dampening spikes in pump prices; (iii) introduce to Parliament reform measures to simplify the tax code and widen the tax base (proposed structural benchmark; MEFP, Table 4); and (iv) connect the tax and customs administrations to the new public accounting software in the Treasury for better monitoring of revenue collection.

15. **Advancing the agenda in public financial management (PFM) reform will be vital to enhancing the quality of expenditure, strengthening cash management, and improving fiscal transparency** (MEFP, ¶¶24-28)**.** The authorities will continue to implement their rolling action plan updated in close collaboration with donors, with a view to improving budget preparation, monitoring, execution, and audit, and tightening cash management. Under the program, the authorities will: (i) produce an improved table of the central government's consolidated financial operations; (ii) carry out a study of the impact of the transfer of most of the accounts held by government entities at the commercial banks to the BCEAO, with a view to determining an appropriate pace of such transfers (structural benchmarks; MEFP, Table 4); and (iii) incorporate WAEMU's PFM directives into Malian law. They will also strengthen oversight mechanisms to address weaknesses in tax collection

[5] Although Mali is among the 30 countries that have progressed most during the last five years, it still ranks 153 among 183 countries in the 2011 World Bank Doing Business Indicators, owing, among others, to a low ranking in paying taxes (http://www.doingbusiness.org/rankings).

and public resource use highlighted by Mali's Auditor General.[6] Finally, they will produce reports reconciling government and gold mining companies' revenue data to adhere to the Extractive Industry Transparency Initiative (EITI; MEFP, ¶34).

C. Debt Sustainability

16. **Prudent debt management is needed to maintain debt sustainability** (MEFP, ¶¶29-30). The updated debt sustainability analysis (DSA) indicates that the risk of debt distress has shifted from low to moderate because vulnerabilities have increased compared to the 2009 DSA owing to higher volatility of gold exports.[7] Debt sustainability remains most sensitive to export shocks or a hardening of financial terms. Given the anticipated decline in gold exports in the medium-term and the sensitivity of the DSA to financial terms, the government should continue to limit its recourse to external financing to grants and concessional loans. The DSA preparation also highlighted weaknesses in domestic debt recording (¶4), which the authorities will address by setting up and updating a data base of all domestic debt contracted or guaranteed by the government (proposed structural benchmark; MEFP, Table 4).

D. Other Structural Reforms

17. **Accelerated financial sector development is critical for growth and poverty reduction** (MEFP, ¶¶31-32). As part of the implementation of their financial sector development strategy, the authorities plan to: (i) complete the restructuring of the state housing bank, with a view to selling it in 2012; (ii) increase capital requirements of banks and other financial institutions; (iii) establish (small) loan guarantee funds for small and medium size enterprises; (iv) carry out initiatives to mobilize remittances from migrants; and (v) tighten supervision of microfinance institutions.

18. **Progress in cotton sector reform should foster growth** (MEFP, ¶33). The privatization of the cotton ginning company is on track, with six investors shortlisted to provide bids. The government is implementing this privatization in close cooperation with the World Bank to assure the economic and financial viability of the cotton sector.

E. Relations with the Fund

19. **The government requests an extension of the current arrangement until end 2011 and a rephasing of the last disbursement of SDR 2 million in two equal tranches to allow additional time for reaching new understandings on program design and policies**

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[6] According to the 2009 Annual Report of the Auditor General, the government lost CFAF 112 billion (2.5 percent of GDP) during 2006-08 mostly because the Treasury did not collect taxes due but also because of irregular spending procedures.

[7] Mali: Joint IMF/IDA Debt Sustainability Analysis for Low Income Countries (attached).

(Letter of Intent, ¶5). The arrangement expires on May 27, 2011 and the Board will need to discuss an EPA of Fund-supported programs in Mali since 2004 before it may consider a request for a new Fund arrangement. The conclusions of the EPA are expected to be submitted to the Board in the spring of 2011, together with the completion of the sixth review under the arrangement. The extension of the current arrangement would thus also provide time to reflect on the EPA recommendations before considering the next steps of Mali's relations with the Fund, while providing support to Mali's macroeconomic and financial policies.

F. Program Modalities and Risks

20. **The last review of the extended arrangement would be based on PCs at end-June 2011** (MEFP, Table 3). The program also proposes indicative targets for end-March and end-September 2011. The PCs for end-June 2011 are different from prior PCs with, for ease of monitoring, the move: (i) from net domestic financing on the government, including the sub-ceiling on bank and market financing, to just a ceiling on bank and market financing; and (ii) from net to gross tax revenue. Structural benchmarks will apply to macro-critical areas of tax policy and PFM (MEFP, Table 4).

21. **Mali's capacity to repay the Fund is adequate but there are risks to program implementation**. Debt service to the Fund will absorb minimal fractions of government revenue and exports and Mali's risk of debt distress is moderate (¶16 and Table 9). But the pace of fiscal consolidation could slow down owing to the political cycle or to higher-than-budgeted security spending to address terrorism threats. A deterioration of the fiscal situation in donor countries could reduce external aid.[8]

IV. Staff Appraisal

22. **The 2010 program is on track.** All performance criteria at end-June and all but two indicative targets at end-June and end-September were met. Three of the four structural benchmarks were observed, although with delay. Work is ongoing to meet the remaining benchmark during the first semester of 2011. The authorities are keeping budget execution under control to meet the end-year targets. They should get priority expenditures back on track.

23. **The 2011 budget is aligned with the G-PRSP II priorities and the program's macroeconomic objectives**. It appropriately emphasizes the need to mobilize domestic revenues, finance priority spending, and minimize recourse to domestic financing. The program aims for a slightly tighter spending envelope than in the budget, in anticipation of a

[8] Should external support be lower than expected, the program's ceiling on bank and market financing would be adjusted upward by up to CFA 25 billion (0.5 percent of GDP) to accommodate related spending. The adjustor will apply to budgetary grants and loans (Technical Memorandum of Understanding, ¶7).

supplementary budget that will include revenue increases or expenditure cuts in order to allow room for refunding of VAT credits, while keeping the underlying basic fiscal deficit target at 1.3 percent of GDP.

24. **While there has been progress in strengthening PFM, much remains to be done to improve domestic revenue mobilization, cash management, fiscal transparency and oversight**. The authorities need to simplify the tax code and modernize tax and customs administrations in order to increase domestic revenue mobilization and improve the business environment. The planned introduction of a VAT exemption on domestic goods and services in the new investment code is a step in the wrong direction. The authorities also need to reduce the excessive number of accounts held in commercial banks, implement WAEMU directives to increase fiscal transparency, and strengthen oversight to correct weaknesses in revenue collection and budget execution, such as those highlighted by the Auditor General.

25. **Prudent debt management is warranted owing to the decline of gold exports in the medium term**. The authorities should continue to limit their recourse to external financing to grants and concessional loans.

26. **Further progress in financial sector development and cotton sector reforms is needed to foster growth**. The authorities should complete the long-awaited privatization of the cotton ginning company and prepare the state housing bank for sale.

27. **The risks to the program appear manageable**. The authorities have a strong track record of fiscal discipline and are using technical assistance from various sources to strengthen their capacity to implement structural reforms in the core areas of the program.

28. On the basis of the authorities' achievements and policy intentions, staff recommends completion of the fifth review under the current ECF arrangement, extension of the arrangement until end-2011, and rephasing of the remaining disbursement in two equal tranches.

Table 1. Mali: Selected Economic and Financial Indicators, 2008-13

	2008	2009	2010		2011		2012	2013
		Est.	Prog. [1]	Proj.	Proj. [1]	Prog.	Proj.	
			(Annual percentage change)					
National income and prices								
Real GDP	5.0	4.5	5.1	4.5	5.3	6.0	5.4	4.8
GDP deflator	8.8	3.6	3.6	3.6	3.0	3.6	2.5	2.4
Consumer price inflation (average)	9.1	2.2	2.1	1.4	2.6	2.0	2.1	2.3
External sector (percent change)								
Terms of trade (deterioration -)	36.7	27.7	6.6	1.1	4.3	5.1	4.3	1.4
Real effective exchange rate (depreciation -)	8.0	0.3	…	…	…	…	…	
Money and credit (contribution to broad money growth)								
Credit to the government	-3.2	-13.9	10.4	11.4	5.0	6.0	3.0	-0.8
Credit to the economy	5.2	7.2	5.7	1.5	5.4	3.1	3.6	5.5
Broad money (M2)	0.5	16.0	16.7	13.4	9.4	11.5	7.6	5.7
			(In percent of GDP, unless otherwise stated)					
Investment and saving								
Gross domestic investment	17.2	17.6	20.0	17.0	21.0	19.3	20.0	20.8
Of which : government	5.7	8.1	7.5	6.5	7.6	7.8	7.5	7.3
Gross national savings	4.4	10.1	12.1	8.5	11.8	11.3	12.0	12.1
Of which : government	0.9	0.2	1.5	0.1	1.5	-0.6	0.3	0.9
Gross domestic savings	2.8	9.5	10.3	8.0	12.1	12.4	13.1	14.0
Central government finance								
Revenue	15.5	17.1	16.9	17.0	17.0	16.4	16.8	17.2
Grants	3.4	4.6	3.9	3.6	3.8	4.7	4.4	4.1
Total expenditure and net lending	21.2	25.9	25.5	24.2	24.8	25.4	24.8	24.3
Overall balance (payment order basis, including grants)	-2.2	-4.2	-4.6	-3.6	-4.0	-4.3	-3.5	-3.0
Basic fiscal balance [2]	-1.0	-1.4	-2.4	-2.0	-2.0	-2.0	-1.5	-1.0
Underlying basic fiscal balance [3]	-1.0	-0.8	-1.1	-0.8	-1.0	-1.3	-1.0	-1.0
Domestic debt [4]	2.5	3.0	2.0	3.7	1.9	3.7	3.2	2.7
External sector								
Current external balance (including official transfers)	-12.7	-7.5	-7.9	-8.5	-9.1	-8.0	-8.0	-8.7
Current external balance (excluding official transfers)	-13.9	-8.8	-10.2	-9.7	-11.2	-9.1	-9.1	-9.7
Exports of goods and services	28.7	26.6	28.9	25.1	30.6	29.5	29.2	27.8
Imports of goods and services	43.0	34.6	38.5	34.1	39.5	36.5	36.1	34.6
Debt service to exports of goods and services	3.7	4.1	3.7	4.2	2.3	1.8	2.6	3.0
External debt	19.1	21.2	24.2	25.2	26.1	26.1	27.2	28.2
Memorandum items:								
Nominal GDP (CFAF billions)	3,913	4,233	4,609	4,582	5,005	5,032	5,432	5,831
Overall balance of payments (US$ millions)	-9.9	447.6	-44.1	-70.7	-41.0	36.6	30.3	30.0
Money market interest rate in percent (end of period)	6.8	...	...	...	...	...	...	...
Gross international reserves (US$ millions)								
Central Bank of West African States (BCEAO)	10,721	13,631	...	...	...	...	...	...
in percent of broad money	55.0	58.7	...	...	...	...	...	...
in months of imports of g. and s.	6.1	6.9	...	...	...	...	...	...
BCEAO Mali (imputed) [5]	1,033	1,602	1,389	1,376	1,343	1,435	1,448	1,461
in percent of broad money	48.6	60.6	51.5	52.0	45.8	48.9	46.1	44.2
US$ exchange rate (end of period)	481.5	449.3	...	...	...	...	...	...
Gold Price (US$/fine ounce London fix)	872	973	1,183	1,183	1,221	1,221	1,245	1,281
Petroleum price (crude spot)(US$/bbl)	97.0	61.8	78.3	76.2	78.8	78.8	82.3	84.8

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

[1] IMF Country Report No. 10/255: Mali —2010 Article IV Consultation and Fourth Review Under the Extended Credit Facility (ECF).

[2] Total revenue excluding grants and privatization receipts, less total expenditure plus net lending, excluding capital expenditure financed by foreign donors and lenders and HIPC Initiative-related expenditures.

[3] Basic fiscal balance excluding spending financed by privatization revenue of the telecom company SOTELMA.

[4] Includes BCEAO statutory advances, government bonds, treasury bills, and other debts.

[5] For 2009, reflects new SDR allocation and privatization receipts of SOTELMA.

Table 2. Mali: National Accounts, 2008-13

	Share [1]	2008	2009	2010		2011		2012	2013
			Est.	Prog . [2]	Proj.	Proj . [2]	Prog.	Proj.	
	(Annual percentage change, at constant prices)								
Primary sector	32.6	13.2	5.6	5.3	7.7	5.3	5.7	5.5	5.5
Agriculture	13.6	20.2	6.4	5.9	9.9	5.5	6.4	6.3	6.3
Food crops, excluding rice	3.1	14.4	5.6	4.0	10.0	5.0	6.3	6.5	6.5
Rice	3.1	48.5	6.0	8.0	9.0	5.0	5.5	5.5	5.5
Industrial agriculture, excluding cotton	1.0	22.0	9.0	9.5	10.0	5.0	5.0	5.0	5.0
Cotton	1.0	-16.8	16.8	15.0	14.0	15.0	15.0	10.0	10.0
Livestock	8.5	4.0	4.2	4.3	4.3	4.0	4.3	4.4	4.4
Fishing and forestry	0.7	3.7	5.3	4.6	4.4	4.3	4.6	3.4	3.4
Secondary sector	20.4	-4.6	3.5	4.5	-2.2	8.0	12.3	6.5	3.7
Mining	6.7	-6.4	1.5	-1.7	-16.5	11.0	21.2	5.9	-1.9
Industry	2.6	-14.4	0.9	7.4	2.6	5.6	9.1	7.5	6.2
Agrobusiness	0.0	-20.0	8.0	8.4	7.0	5.5	5.5	5.5	5.5
Textile	1.3	-34.0	5.0	15.0	4.5	3.0	17.0	15.0	10.0
Others	1.3	16.2	-9.2	0.5	-4.4	8.0	8.0	3.7	3.7
Energy	1.9	10.0	10.0	11.0	10.0	8.0	10.0	9.4	9.4
Construction and public works	4.9	4.5	6.0	7.0	7.0	6.5	6.5	4.7	4.7
Tertiary sector	36.9	4.3	3.5	5.2	4.6	4.3	3.9	4.8	4.9
Transportation and telecommunications	5.6	10.0	1.9	5.0	5.0	4.5	4.5	4.5	4.5
Trade	14.3	4.4	4.5	7.4	5.5	5.0	4.5	6.8	6.8
Financial services	0.8	2.0	3.5	3.5	3.5	5.0	3.5	3.5	3.5
Other nonfinancial services	6.9	1.0	5.3	4.7	4.0	5.0	4.0	4.0	4.0
Public administration	9.7	2.0	1.9	1.9	3.0	2.3	2.0	2.0	2.0
Banking services	-0.4	5.5	4.0	3.0	3.5	8.0	3.2	3.2	3.2
Indirect taxes	10.1	-2.0	5.9	5.0	4.3	6.0	4.4	4.4	4.4
GDP (market prices)	100.0	5.0	4.5	5.1	4.5	5.3	6.0	5.4	4.8
Memorandum items:									
Nominal GDP (in CFAF billions)		3,913	4,233	4,609	4,582	5,005	5,032	5,432	5,831
GDP deflator (annual percent change)		8.8	3.6	3.6	3.6	3.0	3.6	2.5	2.4

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

[1] Share of 2007 Nominal GDP.

[2] IMF Country Report No. 10/255: Mali —2010 Article IV Consultation and Fourth Review Under the Extended Credit Facility (ECF).

Table 3. Mali: Central Government Consolidated Financial Operations, 2008-13

	2008	2009	2010		2011			2012	2013
		Est.	Prog . [1]	Proj.	Proj . [1]	Budget	Prog.	Proj.	
	(in CFAF billions)								
Revenue and grants	741.5	918.9	962.2	945.5	1,040.3	1,086.9	1,062.6	1,152.5	1,242.1
Total revenue	607.3	725.0	780.5	780.5	851.7	849.1	824.8	914.9	1,005.7
Budgetary revenue	540.6	653.2	709.0	709.0	774.0	777.6	753.3	837.0	921.3
Tax revenue	519.4	624.3	677.1	677.1	739.1	747.5	723.2	804.2	885.7
Direct taxes	149.7	177.1	188.7	188.7	200.0	204.5	204.5	228.9	259.5
Indirect taxes	369.7	447.2	488.3	488.4	539.1	543.0	518.7	575.3	626.2
VAT	200.8	247.4	276.7	276.7	303.3	288.8	293.1	322.5	346.8
Excises on petroleum products	35.2	23.1	22.5	22.5	24.9	23.9	23.9	27.0	30.6
Import duties	64.3	90.1	91.0	91.0	102.8	106.6	106.6	120.6	131.7
Other indirect taxes	91.9	93.6	100.1	100.1	108.2	127.7	127.7	105.2	117.1
Tax refund	-22.5	-7.0	-2.0	-2.0	-2.0	-4.0	-32.6	-35.2	-37.8
Nontax revenue	21.2	28.9	31.9	31.9	34.9	30.1	30.1	32.8	35.5
Special funds and annexed budgets	66.7	71.8	71.5	71.5	77.6	71.5	71.5	77.9	84.4
Grants	134.2	193.9	181.8	165.0	188.6	237.8	237.8	237.6	236.4
Projects	54.6	96.5	79.8	88.4	86.2	154.6	154.6	151.4	147.4
Budgetary support	79.6	97.4	102.0	76.6	102.4	83.2	83.2	86.2	89.0
Of which: general	25.0	51.9	54.4	51.7	50.1	47.1	47.1	50.8	54.6
Of which: sectoral	54.6	45.5	47.6	24.9	52.3	36.1	36.1	35.4	34.4
Total expenditure and net lending (payment orders basis)	828.2	1,097.8	1,174.5	1,109.6	1,243.2	1,303.6	1,279.4	1,344.8	1,418.2
Budgetary expenditure	753.9	1,004.4	1,075.5	1,010.7	1,169.6	1,224.1	1,199.9	1,270.9	1,337.8
Current expenditure	459.1	549.0	611.8	611.8	662.0	673.2	673.2	725.1	773.1
Wages and salaries	186.0	213.5	235.7	235.7	253.5	269.8	269.8	288.7	312.2
Goods and services	164.7	190.2	214.1	213.2	229.0	224.8	224.8	252.5	262.6
Transfers and subsidies	94.3	129.6	140.1	140.1	161.5	153.5	153.5	164.5	177.7
Interest	14.1	15.7	22.7	22.7	17.9	25.1	25.1	19.3	20.7
Of which: domestic	1.6	3.3	7.9	7.9	7.9	8.0	8.0	4.9	5.3
Capital expenditure	294.9	455.4	463.7	398.9	507.6	550.9	526.7	545.8	564.7
Externally financed	172.8	303.2	270.0	223.9	292.6	340.1	340.1	348.0	354.9
Domestically financed	122.1	152.2	193.6	174.9	215.0	210.8	186.6	197.8	209.7
Special funds and annexed budgets	66.7	71.8	71.5	71.5	77.6	71.5	71.5	77.9	84.4
Net lending	7.6	21.6	27.4	27.4	-4.0	8.0	8.0	-4.0	-4.0
Overall fiscal balance (excl. grants)	-220.9	-372.8	-394.0	-329.1	-391.6	-454.5	-454.5	-429.9	-412.5
Overall fiscal balance (incl. grants)	-86.7	-178.9	-212.2	-164.1	-202.9	-216.7	-216.7	-192.3	-176.1
Variation of arrears	0.0	0.0	-29.0	-39.3	-4.3	-6.0	-10.3	0.0	0.0
Adjustment to cash basis	49.2	-26.0	-78.1	-49.1	0.0	0.0	0.0	-28.8	2.9
Overall balance (cash basis, incl. grants)	-37.5	-204.8	-290.3	-252.5	-207.2	-222.7	-227.0	-221.0	-173.2
Financing	37.5	204.8	290.3	252.5	207.2	222.7	227.0	221.0	173.2
External financing (net)	82.5	180.3	163.3	137.7	163.6	177.9	177.9	176.4	185.4
Loans	99.9	200.8	184.9	159.2	189.1	187.3	187.3	202.2	217.0
Project loans	70.8	161.1	142.6	110.6	154.0	149.4	149.4	161.3	173.1
Budgetary loans	29.1	39.7	42.2	48.6	35.0	37.9	37.9	40.9	43.9
Amortization	-28.3	-33.5	-33.9	-33.9	-25.4	-23.4	-23.4	-25.7	-31.7
Debt relief	10.9	13.0	12.4	12.4	0.0	14.0	14.0	0.0	0.0
Domestic financing (net)	-45.0	24.5	127.0	114.8	43.6	44.8	49.1	44.6	-12.2
Banking system	-32.6	-142.8	123.6	134.9	68.8	76.1	80.4	44.6	-12.2
Net credit to the government	-32.6	-142.8	123.6	134.9	68.8	76.1	80.4	44.6	-12.2
IMF (net)	12.5	1.5	4.3	4.3	1.5	3.7	2.7	-0.9	-2.3
Central bank credit (net)	-2.3	49.4	-2.5	-2.5	-5.0	0.0	-2.6	-2.5	-2.4
Other	-42.8	-193.7	121.8	133.1	72.2	76.0	80.3	48.0	-7.5
Privatization receipts	39.1	180.4	3.3	0.2	0.0	3.3	3.3	0.0	0.0
Other financing	-51.5	-13.1	0.1	-20.3	-25.2	-34.6	-34.6	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items									
Basic fiscal balance [2]	-37.3	-58.1	-111.6	-92.8	-99.0	-100.4	-100.4	-81.8	-57.6
Underlying basic fiscal balance [3]	-37.3	-32.7	-50.5	-38.0	-49.0	-64.4	-64.4	-53.3	-57.6
General budgetary assistance	54.1	91.6	96.6	100.3	85.1	85.0	85.0	91.7	98.5
Nominal GDP	3,913	4,233	4,609	4,582	5,005	5,032	5,032	5,432	5,831

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

[1] IMF Country Report No. 10/255: Mali —2010 Article IV Consultation and Fourth Review Under the Extended Credit Facility (ECF).

[2] Total revenue excluding grants and privatization receipts, less total expenditure plus net lending, excluding capital expenditure financed by foreign donors and lenders and HIPC Initiative-related expenditures.

[3] Basic fiscal balance excluding spending financed by privatization revenue of the telecom company SOTELMA.

Table 4. Mali: Central Government Consolidated Financial Operations, 2010

	March	June		Sept		Dec	
	Est.	Prog.[1]	Est.	Prog.[1]	Est.	Prog.[1]	Proj.
				(in CFAF billions)			
Revenue and grants	216.4	433.0	454.5	697.6	689.1	962.3	945.5
Total revenue	185.0	351.2	408.1	565.9	590.7	780.5	780.5
Budgetary revenue	164.2	319.0	368.7	514.0	532.3	709.0	709.0
Tax revenue	154.8	304.7	343.0	490.9	503.0	677.1	677.1
Direct taxes	43.4	84.9	111.8	136.8	153.2	188.7	188.7
Indirect taxes	111.4	219.8	231.2	354.1	349.8	488.4	488.4
VAT	60.3	124.5	125.7	200.6	200.3	276.7	276.7
Excises on petroleum products	5.3	10.1	13.4	16.3	20.0	22.5	22.5
Import duties	22.8	41.0	45.8	66.0	70.7	91.0	91.0
Other indirect taxes	23.5	45.1	47.5	72.6	61.0	100.1	100.1
Tax refund	-0.6	-0.9	-1.2	-1.5	-2.2	-2.0	-2.0
Nontax revenue	9.4	14.3	25.7	23.1	29.3	31.9	31.9
Special funds and annexed budgets	20.8	32.2	39.4	51.8	58.4	71.5	71.5
Grants	31.4	81.8	46.4	131.8	98.4	181.8	165.0
Projects	15.9	35.9	17.9	57.9	51.7	79.8	88.4
Budgetary support	15.5	45.9	28.5	73.9	46.7	101.9	76.6
Of which: general	7.6	24.5	17.4	39.4	35.6	54.4	51.7
Of which: sectoral	7.9	21.4	11.1	34.5	11.1	47.6	24.9
Total expenditure and net lending	217.5	542.0	401.5	866.8	683.8	1,174.4	1,109.6
Budgetary expenditure	188.4	498.9	358.8	794.4	622.9	1,075.5	1,010.7
Current expenditure	112.1	307.1	246.3	462.3	402.8	611.8	611.8
Wages and salaries	50.0	117.9	113.8	176.8	170.4	235.7	235.7
Goods and services	30.5	106.0	75.9	159.9	132.2	213.2	213.2
Transfers and subsidies	27.7	70.5	51.3	107.8	90.9	140.1	140.1
Interest	4.0	12.7	5.3	17.7	9.3	22.7	22.7
Of which: domestic	1.5	4.4	0.0	6.2	0.0	7.9	7.9
Capital expenditure	76.3	191.9	112.5	332.2	220.1	463.7	398.9
Externally financed	54.5	131.0	67.8	198.9	140.9	270.0	223.9
Domestically financed	21.8	60.8	44.7	133.2	79.2	193.6	174.9
Special funds and annexed budgets	20.8	32.2	39.4	51.8	58.4	71.5	71.5
Net lending	8.3	10.9	3.3	20.6	2.5	27.4	27.4
Overall fiscal balance (excl. grants)	-32.5	-190.8	6.6	-301.0	-93.1	-393.9	-329.1
Overall fiscal balance (incl. grants)	-1.1	-109.0	53.0	-169.2	5.3	-212.1	-164.1
Variation of arrears	0.0	0.0	-1.8	0.0	-1.8	-29.0	-39.3
Adjustment to cash basis	-54.4	-47.7	-83.6	-57.1	-108.2	-49.1	-49.1
Overall balance (cash basis, incl. grants)	-55.5	-156.7	-32.4	-226.3	-104.7	-290.2	-252.5
Financing	55.5	161.5	32.4	226.3	104.7	290.2	252.5
External financing (net)	36.3	81.7	65.2	112.6	106.1	163.3	137.7
Loans	37.5	93.7	69.3	129.4	122.7	184.8	159.2
Project loans	37.5	71.3	46.9	107.0	78.8	142.6	110.6
Budgetary loans	0.0	22.4	22.4	22.4	43.9	42.2	48.6
Amortization	-2.6	-19.0	-10.5	-26.5	-24.2	-33.9	-33.9
Debt relief	1.3	6.9	6.4	9.7	7.6	12.4	12.4
Domestic financing (net)	19.3	79.8	-32.8	113.7	-1.4	127.0	114.8
Banking system	46.9	94.3	61.0	113.7	58.3	123.6	134.9
Net credit to the government	46.9	94.3	61.0	113.7	58.3	123.6	134.9
IMF (net)	1.5	0.7	1.5	1.8	2.9	4.3	4.3
Central bank credit (net)	0.0	-1.2	-1.2	-1.9	-1.9	-2.5	-2.5
Other	45.4	94.8	60.7	113.7	57.3	121.8	133.1
Privatization receipts	0.0	4.8	0.1	0.0	0.2	3.3	0.2
Other financing	-27.6	-19.3	-93.9	0.0	-59.9	0.0	-20.3
Financing gap	0.0	4.8	0.0	0.0	0.0	0.0	0.0
Memorandum items							
Basic fiscal balance [2]	23.3	-52.8	80.8	-92.4	55.4	-111.5	-92.8
Underlying basic fiscal balance [3]	23.3	-38.8	106.7	-48.4	81.3	-51.7	-38.0
External budgetary assistance	15.5	68.3	50.9	96.4	90.6	144.1	125.2
Government bank and market financing	46.9	99.3	62.7	128.7	56.7	138.6	154.4

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

[1] IMF Country Report No. 10/255: Mali —2010 Article IV Consultation and Fourth Review Under the Extended Credit Facility (ECF).

[2] Defined in Table 3, footnote 2.

[3] Defined in Table 3, footnote 3.

Table 5. Mali: Central Government Consolidated Financial Operations, 2008-13

	2008	2009	2010		2011			2012	2013
		Est.	Prog . [1]	Proj.	Proj . [1]	Budget	Prog.	Proj.	
				(in percent of GDP)					
Revenue and grants	19.0	21.7	20.9	20.6	20.8	21.6	21.1	21.2	21.3
Total revenue	15.5	17.1	16.9	17.0	17.0	16.9	16.4	16.8	17.2
Budgetary revenue	13.8	15.4	15.4	15.5	15.5	15.5	15.0	15.4	15.8
Tax revenue	13.3	14.7	14.7	14.8	14.8	14.9	14.4	14.8	15.2
Direct taxes	3.8	4.2	4.1	4.1	4.0	4.1	4.1	4.2	4.5
Indirect taxes	9.4	10.6	10.6	10.7	10.8	10.8	10.3	10.6	10.7
VAT	5.1	5.8	6.0	6.0	6.1	5.7	5.8	5.9	5.9
Excises on petroleum products	0.9	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Import duties	1.6	2.1	2.0	2.0	2.1	2.1	2.1	2.2	2.3
Other indirect taxes	2.3	2.2	2.2	2.2	2.2	2.5	2.5	1.9	2.0
Tax refund	-0.6	-0.2	0.0	0.0	0.0	-0.1	-0.6	-0.6	-0.6
Nontax revenue	0.5	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.6
Special funds and annexed budgets	1.7	1.7	1.6	1.6	1.6	1.4	1.4	1.4	1.4
Grants	3.4	4.6	3.9	3.6	3.8	4.7	4.7	4.4	4.1
Projects	1.4	2.3	1.7	1.9	1.7	3.1	3.1	2.6	2.5
Budgetary support	2.0	2.3	1.0	1.7	1.0	1.7	1.7	1.5	1.5
Of which: general	0.6	1.2	1.2	1.1	1.0	0.9	0.9	0.9	0.9
Of which: sectoral	1.4	1.1	1.0	0.5	1.0	0.7	0.7	0.7	0.6
Total expenditure and net lending (payment order basis)	21.2	25.9	25.5	24.2	24.8	25.9	25.4	24.8	24.3
Budgetary expenditure	19.3	23.7	23.3	22.1	23.4	24.3	23.8	23.4	22.9
Current expenditure	11.7	13.0	13.3	13.4	13.2	13.4	13.4	13.3	13.3
Wages and salaries	4.8	5.0	5.1	5.1	5.1	5.4	5.4	5.3	5.4
Goods and services	4.2	4.5	4.6	4.7	4.6	4.5	4.5	4.6	4.5
Transfers and subsidies	2.4	3.1	3.0	3.1	3.2	3.1	3.1	3.0	3.0
Interest	0.4	0.4	0.5	0.5	0.4	0.5	0.5	0.4	0.4
Of which: domestic	0.0	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Capital expenditure	7.5	10.8	10.1	8.7	10.1	10.9	10.5	10.0	9.7
Externally financed	4.4	7.2	5.9	4.9	5.8	6.8	6.8	6.4	6.1
Domestically financed	3.1	3.6	4.2	3.8	4.3	4.2	3.7	3.6	3.6
Special funds and annexed budgets	1.7	1.7	1.6	1.6	1.6	1.4	1.4	1.4	1.4
Net lending	0.2	0.5	0.6	0.6	-0.1	0.2	0.2	-0.1	-0.1
Overall fiscal balance (excl. grants)	-5.6	-8.8	-8.5	-7.2	-7.8	-9.0	-9.0	-7.9	-7.1
Overall fiscal balance (incl. grants)	-2.2	-4.2	-4.6	-3.6	-4.0	-4.3	-4.3	-3.5	-3.0
Variation of arrears			-0.6	-0.9		-0.1	-0.2	0.0	0.0
Adjustment to cash basis	1.3	-0.6	-1.1	-1.1	-0.1	0.0	0.0	-0.5	0.1
Overall balance (cash basis, incl. grants)	-1.0	-4.8	-6.3	-5.5	-4.1	-4.4	-4.5	-4.1	-3.0
Financing	1.0	4.8	6.3	5.5	4.1	4.4	4.5	4.1	3.0
External financing (net)	2.1	4.3	3.5	3.0	3.3	3.5	3.5	3.2	3.2
Loans	2.6	4.7	4.0	3.5	3.8	3.7	3.7	3.7	3.7
Project loans	1.8	3.8	3.1	2.4	3.1	3.0	3.0	3.0	3.0
Budgetary loans	0.7	0.9	0.9	1.1	0.7	0.8	0.8	0.8	0.8
Amortization	-0.7	-0.8	-0.7	-0.7	-0.5	-0.5	-0.5	-0.5	-0.5
Debt relief	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.0	0.0
Domestic financing (net)	-1.2	0.6	2.8	2.5	0.9	0.9	1.0	0.8	-0.2
Banking system	-0.8	-3.4	2.7	2.9	1.4	1.5	1.6	0.8	-0.2
Net credit to the government	-0.8	-3.4	2.7	2.9	1.4	1.5	1.6	0.8	-0.2
IMF (net)	0.3	0.0	0.1	0.1	0.0	0.1	0.1	0.0	0.0
Central bank credit, net	-0.1	1.2	-0.1	-0.1	-0.1	0.0	-0.1	0.0	0.0
Other	-1.1	-4.6	2.6	2.9	1.4	1.5	1.6	0.9	-0.1
Privatization receipts	1.0	4.3	0.1	0.0	0.0	0.1	0.1	0.0	0.0
Other financing	-1.3	-0.3	0.0	-0.4	-0.5	-0.7	-0.7	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items									
Basic fiscal balance [2]	-1.0	-1.4	-2.4	-2.0	-2.0	-2.0	-2.0	-1.5	-1.0
Underlying basic fiscal balance [3]	-1.0	-0.8	-1.1	-0.8	-1.0	-1.3	-1.3	-1.0	-1.0
General budgetary assistance	1.4	2.2	2.1	2.2	1.7	1.7	1.7	1.7	1.7
Nominal GDP (in billions of CFAF)	3,913	4,233	4,609	4,582	5,005	5,032	5,032	5,432	5,831

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

[1] IMF Country Report No. 10/255: Mali —2010 Article IV Consultation and Fourth Review Under the Extended Credit Facility (ECF).

[2] Defined in Table 3, footnote 2.

[3] Defined in Table 3, footnote 3.

Table 6. Mali: Balance of payments, 2008-2013 [1]

	2008	2009	2010		2011		2012	2013
		Est.	Prog . [2]	Proj.	Proj . [2]	Prog.	Proj.	
	(in CFAF billions)							
Current account balance								
Excluding official transfers	-545.2	-372.5	-469.2	-444.9	-561.5	-456.6	-493.4	-566.3
Including official transfers	-497.6	-316.4	-365.2	-388.6	-457.5	-404.5	-437.1	-506.0
Trade balance	-306.1	-127.9	-152.8	-152.8	-87.3	-3.8	-2.2	-4.4
Exports, f.o.b.	917.6	935.4	1,128.4	975.3	1,320.6	1,301.8	1,396.9	1,425.6
Cotton fiber	65.6	68.8	80.2	78.5	91.9	105.2	113.5	125.5
Gold	652.1	737.7	817.6	722.6	983.9	1,010.5	1,085.6	1,090.0
Other	199.9	128.9	230.6	174.3	244.7	186.0	197.9	210.2
Imports, f.o.b.	-1,223.7	-1,063.3	-1,281.2	-1,128.1	-1,407.9	-1,305.5	-1,399.1	-1,430.0
Petroleum products	-261.2	-210.4	-236.4	-280.5	-265.4	-313.8	-347.6	-367.5
Foodstuffs	-153.0	-149.1	-139.2	-165.7	-139.1	-168.0	-177.3	-185.7
Other	-809.5	-703.9	-905.6	-681.9	-1,003.5	-823.8	-874.3	-876.8
Services (net)	-255.2	-212.4	-291.6	-261.4	-355.5	-346.1	-372.0	-389.6
Credit	203.4	188.6	202.1	173.9	211.4	184.3	191.5	197.7
Debit	-458.7	-401.0	-493.7	-435.3	-566.9	-530.4	-563.6	-587.3
Of which : freight and insurance	-266.3	-199.6	-281.2	-219.4	-324.9	-301.3	-322.9	-335.4
Income (net)	-140.0	-170.7	-160.3	-169.4	-265.9	-246.3	-262.4	-319.6
Of which: interest due on public debt	-16.2	-11.2	-14.8	-14.8	-10.0	-17.1	-14.4	-15.4
Transfers (net)	203.7	194.6	239.6	195.0	251.3	191.7	199.5	207.7
Private transfers (net)	156.2	138.5	135.6	138.8	147.2	139.6	143.2	147.3
Official transfers (net)	47.5	56.1	104.0	56.2	104.0	52.1	56.2	60.4
Of which: budgetary grants	25.0	51.9	54.4	51.7	50.1	47.1	50.8	54.6
Capital and financial account	109.2	527.2	343.5	353.1	436.8	423.2	452.7	521.5
Capital account (net)	147.3	165.0	169.8	134.9	184.6	199.0	195.7	191.4
Capital transfers	147.3	165.0	169.8	134.9	184.6	199.0	195.7	191.4
Of which: project grants	109.2	142.0	127.4	113.3	138.6	190.7	186.8	181.8
Financial account	302.1	362.1	173.7	218.3	252.3	224.2	257.0	330.0
Private (net) [3]	230.5	142.3	22.8	93.0	88.6	60.3	80.5	144.6
Direct investment (net)	80.5	201.4	52.5	87.2	73.7	95.8	103.4	111.0
Portfolio investment private (net)	3.4	4.4	4.6	4.8	5.0	5.2	5.6	6.1
Other private capital flows	146.6	-63.5	-34.4	1.0	10.0	-40.7	-28.5	27.6
Official (net)	71.6	219.8	151.0	125.3	163.6	163.9	176.4	185.4
Disbursements	99.9	200.8	184.9	159.2	189.1	187.3	202.2	217.0
Budgetary	29.1	39.7	42.2	48.6	35.0	37.9	40.9	43.9
Project related	70.8	161.1	142.6	110.6	154.0	149.4	161.3	173.1
Monetary authority	0.0	52.5	0.0	0.0	0.0	0.0	0.0	0.0
Amortization due on public debt	-28.3	-33.5	-33.9	-33.9	-25.4	-23.4	-25.7	-31.7
Errors and omissions	43.9	0.0	-0.4	0.0	-0.5	0.0	0.0	0.0
Overall balance	-4.4	210.8	-22.1	-35.5	-21.2	18.7	15.6	15.5
Financing	4.4	-210.8	22.1	35.5	21.2	-18.7	-15.6	-15.5
Foreign assets (net)	-6.5	-223.8	9.7	23.1	21.2	-32.7	-15.6	-15.5
Of which: IMF (net)	13.4	1.5	4.4	2.9	1.1	2.7	-0.9	-2.3
HIPC Initiative assistance	10.9	13.0	12.4	12.4	0.0	14.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	(in percent of GDP, unless otherwise stated)							
Current account balance								
Excluding official transfers	-13.9	-8.8	-10.2	-9.7	-11.2	-9.1	-9.1	-9.7
Including official transfers	-12.7	-7.5	-7.9	-8.5	-9.1	-8.0	-8.0	-8.7
	(Annual percentage xchange, unless otherwise specified)							
External trade								
Export volume index	-3.9	-8.1	3.9	-2.6	9.1	18.5	6.4	2.0
Import volume index	54.8	-15.5	1.1	-1.9	12.7	11.3	10.8	3.9
Export unit value	25.5	10.9	19.2	7.1	7.3	12.6	0.9	0.0
Import unit value	-8.2	3.1	11.9	5.9	2.9	7.1	-3.3	-1.3
Terms of trade	36.7	27.7	6.6	1.1	4.3	5.1	4.3	1.4

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

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

[2] IMF Country Report No. 10/255: Mali —2010 Article IV Consultation and Fourth Review Under the Extended Credit Facility (ECF).

[3] Reflects mainly investments in the gold sector and, in 2009, the privatization of SOTELMA; includes short-term capital flows.

Table 7. Mali: Monetary Survey, 2008-2013

	2008	2009	2010			2011		2012	2013
		Est.	Prog . [1]	Sept Est.	Proj.	Proj . [1]	Prog.	Proj.	
					(in CFAF billions)				
Net Foreign Assets	496.4	742.4	749.7	726.5	749.8	736.0	782.5	798.1	813.5
BCEAO	467.1	638.3	628.6	592.0	615.2	607.5	648.0	663.5	679.0
Commercial Banks	29.4	104.0	121.1	134.5	134.5	128.6	134.5	134.5	134.5
Net Domestic Assets	527.2	445.5	636.5	495.3	597.8	780.7	719.7	818.9	896.4
Credit to the government (net)	-156.2	-299.0	-175.3	-240.6	-164.1	-106.5	-83.7	-39.1	-51.3
BCEAO, net	5.5	-113.4	…	537.9	…	…	…	…	…
Commercial banks	-161.7	-185.5	…	-778.5	…	…	…	…	…
Other	0.0	-0.1	…	-0.1	…	…	…	…	…
Credit to the economy	671.2	745.0	812.3	755.6	762.4	887.7	803.8	858.5	948.2
Other items (net)	12.2	-0.5	-0.5	-19.7	-0.5	-0.5	-0.5	-0.5	-0.5
Money supply (M2)	1,023.6	1,187.9	1386.2	1,222.1	1,347.6	1,516.8	1,502.2	1,617.0	1,709.9
Currency outside banks	317.1	304.5	355.4	324.0	345.5	388.8	385.1	414.5	438.3
Bank deposits	706.6	883.4	1030.9	898.1	1,002.1	1,128.0	1,117.1	1,202.5	1,271.6
Memorandum item:									
Base Money (M0)	491.1	543.8	634.6	535.0	616.9	694.4	687.7	740.3	782.8
Gross international reserves BCEAO	497.5	719.7	714.5	682.4	701.1	694.4	734.9	745.5	755.9
in percent of broad money	48.6	60.6	51.5	55.8	52.0	45.8	48.9	46.1	44.2
					(In percent of beginning-of-period broad money)				
Contribution to growth of broad money									
Money supply (M2)	0.5	16.0	16.7	2.9	13.4	9.4	11.5	7.6	5.7
Net foreign assets	-2.9	24.0	0.6	-1.3	0.6	-1.0	2.4	1.0	1.0
BCEAO	0.6	16.7	-0.8	-3.9	-1.9	-1.5	2.4	1.0	1.0
Commercial banks	-3.6	7.3	1.4	2.6	2.6	0.5	0.0	0.0	0.0
Net domestic assets	3.5	-8.0	16.1	4.2	12.8	10.4	9.0	6.6	4.8
Credit to the central government	-3.2	-13.9	10.4	4.9	11.4	5.0	6.0	3.0	-0.8
Credit to the economy	5.2	7.2	5.7	0.9	1.5	5.4	3.1	3.6	5.5
Other items net	1.5	-1.2	0.0	-1.6	0.0	0.0	0.0	0.0	0.0
					(Variation in percent, unless otherwise specified)				
Memorandum items:									
Money supply (M2)	0.5	16.0	16.7	2.9	13.4	9.4	11.5	7.6	5.7
Base money (M0)	5.0	10.7	16.7	-1.6	13.4	9.4	11.5	7.6	5.7
Credit to the economy	8.5	11.0	9.0	1.4	2.3	9.3	5.4	6.8	10.4
Velocity (GDP/M2)	3.8	3.6	3.3	2.8	3.4	3.3	3.4	3.4	3.4
Money Multiplier (M2/M0)	2.1	2.2	2.2	2.3	2.2	2.2	2.2	2.2	2.2
Currency outside banks / M2	31.0	25.6	25.6	26.5	25.6	25.6	25.6	25.6	25.6
Variation in net credit to government (bln CFAF)	-32.6	-142.8	123.6	58.4	134.9	68.8	80.4	44.6	-12.2

Sources: BCEAO; and Fund staff estimates and projections.

[1] IMF Country Report No. 10/255: Mali —2010 Article IV Consultation and Fourth Review Under the Extended Credit Facility (ECF).

Table 8. Mali: Financial Soundness Indicators for the Banking Sector, 2002-10 [1]

	2002	2003	2004	2005	2006	2007	2008	2009	2010 Sept
Capital Adequacy									
Capital (net worth) in percent of assets	10.0	9.7	7.4	9.7	9.2	7.2	7.4	8.7	8.1
Asset composition and quality									
Nonperforming loans in percent of total loans	19.5	15.6	19.6	30.2	25.0	25.1	25.3	22.0	23.7
Nonperforming loans net of provisions in percent of total credits net of provisions	9.6	7.3	9.9	16.3	12.6	10.7	9.3	9.1	10.2
Provisions as percent of nonperforming loans	56.4	57.5	55.0	55.0	57.0	65.5	66.9	64.4	63.4
Earnings and profitability									
Net profit (before tax) in percent of net income	14.6	13.1	-28.3	14.3	13.5	-13.9	15.9	8.4	8.4
Return on equity	7.7	7.6	-22.6	8.7	8.7	-12.1	13.3	13.2	6.7
Global margin (yield on loans minus cost of capital)	6.0	6.4	6.2	6.5	7.0	7.3	7.9	9.0	7.9
Liquidity									
Liquid assets/short term liabilities	55.6	33.3	72.7	54.5	60.0	80.0	73.3	69.2	84.6

Source: BCEAO, and IMF staff estimates.

[1] Ratios calculated on the basis of average stocks of the period.

Table 9. Mali: Indicators of Capacity to Repay the Fund, 2008–14 [1]

	2008	2009	2010	2011	2012	2013	2014
	(in millions of SDRs)						
Fund obligations based on existing credit							
Principal	0.0	0.0	0.0	0.5	1.2	2.9	5.2
Charges and interest	0.5	0.5	0.0	0.1	0.2	0.2	0.1
Fund obligations based on existing and prospective credit							
Principal	0.0	0.0	0.0	0.5	1.2	2.9	5.2
Charges and interest	0.5	0.6	0.0	0.1	0.2	0.2	0.1
Total obligations based on existing and prospective credit							
In millions of SDRs	0.5	0.6	0.0	0.6	1.4	3.1	5.3
In billions of CFA francs	0.7	0.8	0.0	0.8	1.7	3.9	6.7
In percent of government revenue	0.1	0.1	0.0	0.1	0.2	0.4	0.6
In percent of exports of goods and services	0.1	0.1	0.0	0.1	0.1	0.2	0.4
In percent of debt service [2]	0.3	0.5	0.0	0.3	0.7	1.5	2.5
In percent of GDP	0.0	0.0	0.0	0.0	0.0	0.1	0.1
In percent of quota	0.5	0.6	0.0	0.6	1.4	3.3	5.7
Outstanding Fund credit [2]							
In millions of SDRs	26.0	28.0	31.8	35.3	34.1	31.2	26.0
In billions of CFA francs	36.9	38.5	41.9	45.5	43.7	39.7	32.9
In percent of government revenue	6.1	5.3	5.4	5.5	4.8	3.9	3.0
In percent of exports of goods and services	3.3	3.4	3.6	3.1	2.7	2.4	2.0
In percent of debt service [2]	18.0	27.7	17.3	16.2	18.5	15.7	12.4
In percent of GDP	0.9	0.9	0.9	0.9	0.8	0.7	0.5
In percent of quota	27.9	30.0	34.1	37.8	36.6	33.5	27.9
Repayments and Repurchases	18.0	2.0	3.9	3.5	-1.2	-2.9	-5.2
Disbursements	18.0	2.0	4.0	4.0	0.0	0.0	0.0
Repayments and Repurchases	0.0	0.0	0.1	0.5	1.2	2.9	5.2
Memorandum items:	(in billions of CFA francs, unless otherwise indicated)						
Nominal GDP	3913	4233	4582	5032	5432	5831	6266
Exports of goods and services	1121	1124	1149	1486	1588	1623	1675
Government revenue	607	725	780	825	915	1006	1091
Debt service [2]	205	139	242	281	236	252	266
CFA francs/SDR (period average)	482	449	...	...	...	...	...

Sources: IMF staff estimates and projections.

[1] Assumes ECF (formerly PRGF) access in an amount of SDR 27.99 million.

[2] Total debt service includes IMF repurchases and repayments.

Table 10. Mali: Schedule of Disbursements Under the ECF Arrangment, 2008-2011

Amount	Available date	Conditions for disbursement [1]
SDR 12.99 million	May 28, 2008	Executive Board approval of the three year ECF arrangement.
SDR 5.00 million	December 10, 2008	Observance of the performance criteria for June 30, 2008, and the completion of the first review under the arrangement.
SDR 2.00 million	July 6, 2009	Observance of the performance criteria for December 31, 2008, and the completion of the second review under the arrangement.
SDR 2.00 million	January 11, 2010	Observance of the performance criteria for June 30, 2009, and the completion of the third review under the arrangement.
SDR 2.00 million	July 16, 2010	Observance of the performance criteria for December 31, 2009, and the completion of the fourth review under the arrangement.
SDR 2.00 million	January 26, 2011	Observance of the performance criteria for June 30, 2010, and the completion of the fifth review under the arrangement.
SDR 1.00 million	May 15, 2011	Observance of the performance criteria for December 31, 2010, and the completion of the sixth review under the arrangement.
SDR 1.00 million	December 1, 2011	Observance of the performance criteria for June 30, 2011, and the completion of the seventh review under the arrangement.

Source : International Monetary Fund

[1] In addition to the generally applicable conditions under the Extended Credit Facility arrangement.

Table 11. Mali: Millennium Development Goals 1990-2008

	1990	1995	2000	2005	2008
Goal 1: Eradicate extreme poverty and hunger	**2015 target = halve 1990 $1 a day poverty and malnutrition rates**				
Employment to population ratio, 15+, total (%)	49	48	49	47	47
Employment to population ratio, ages 15-24, total (%)	40	39	40	36	35
GDP per person employed (constant 1990 PPP $)	1,874	1,929	2,094	2,463	2,608
Income share held by lowest 20%	7	5	6	7	7
Malnutrition prevalence, weight for age (% of children under 5)	..	38	30	28	28
Poverty gap at $1.25 a day (PPP) (%)	13	53	26	19	19
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	40	86	61	51	51
Vulnerable employment, total (% of total employment)	..	96	..	..	..
Goal 2: Achieve universal primary education	**2015 target = net enrollment to 100**				
Literacy rate, youth female (% of females ages 15-24)	..	..	17	31	31
Literacy rate, youth male (% of males ages 15-24)	..	..	32	47	47
Persistence to last grade of primary, total (% of cohort)	..	..	86	73	79
Primary completion rate, total (% of relevant age group)	12	15	31	44	57
Total enrollment, primary (% net)	23	31	45	61	75
Goal 3: Promote gender equality and empower women	**2015 target = education ratio to 100**				
Proportion of seats held by women in national parliaments (%)	..	2	12	10	10
Ratio of female to male primary enrollment (%)	60	68	74	78	83
Ratio of female to male secondary enrollment (%)	49	49	55	61	64
Ratio of female to male tertiary enrollment (%)	15	17	47	53	45
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	..	..	..	35	..
Goal 4: Reduce child mortality	**2015 target = reduce 1990 under 5 mortality by two-thirds**				
Immunization, measles (% of children ages 12-23 months)	43	52	49	68	68
Mortality rate, infant (per 1,000 live births)	139	132	120	109	103
Mortality rate, under-5 (per 1,000)	250	233	217	202	194
Goal 5: Improve maternal health	**2015 target = reduce 1990 maternal mortality by three-fourths**				
Adolescent fertility rate (births per 1,000 women ages 15-19)	..	..	167	164	161
Births attended by skilled health staff (% of total)	..	40	41	49	49
Contraceptive prevalence (% of women ages 15-49)	..	7	8	8	8
Maternal mortality ratio (modeled estimate, per 100,000 live births)	1,200	1,100	980	880	830
Pregnant women receiving prenatal care (%)	..	94	57	70	70
Unmet need for contraception (% of married women ages 15-49)	..	26	29	31	31
Goal 6: Combat HIV/AIDS, malaria, and other diseases	**2015 target = halt, and begin to reverse, AIDS and other major diseases**				
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	..	32	32
Condom use, population ages 15-24, female (% of females ages 15-24)	..	3	3	4	4
Condom use, population ages 15-24, male (% of males ages 15-24)	..	26	26	29	29
Incidence of tuberculosis (per 100,000 people)	270	290	300	310	320
Prevalence of HIV, female (% ages 15-24)	..	..	..	1	1
Prevalence of HIV, male (% ages 15-24)	..	..	..	0	0
Prevalence of HIV, total (% of population ages 15-49)	0	1	1	2	2
Tuberculosis case detection rate (all forms)	12	11	13	13	15
Goal 7: Ensure environmental sustainability	**2015 target = various**				
CO2 emissions (kg per PPP $ of GDP)	0	0	0	0	0
CO2 emissions (metric tons per capita)	0	0	0	0	0
Forest area (% of land area)	12	11	11	10	10
Improved sanitation facilities (% of population with access)	26	29	32	35	36
Improved water source (% of population with access)	29	36	44	51	56
Marine protected areas (% of total surface area)	..	..	..	..	0
Terrestrial protected areas (% of total surface area)	..	..	..	..	2
Goal 8: Develop a global partnership for development	**2015 target = various**				
Net ODA received per capita (current US$)	55	57	27	59	76
Debt service (PPG and IMF only, % of exports, excluding workers' remittances)	15	16	13	4	5
Internet users (per 100 people)	0	0	0	1	2
Mobile cellular subscriptions (per 100 people)	0	0	0	6	27
Telephone lines (per 100 people)	0	0	0	1	1
Other					
Fertility rate, total (births per woman)	7	7	7	7	7
GNI per capita, Atlas method (current US$)	260	250	250	440	610
GNI, Atlas method (current US$) (billions)	2	2	3	5	8
Gross capital formation (% of GDP)	23	23	25	23	22
Life expectancy at birth, total (years)	43	44	46	47	48
Literacy rate, adult total (% of people ages 15 and above)	..	..	19	26	26
Population, total (billions)	0	0	0	0	0
Trade (% of GDP)	50.9	57.3	66.2	62.9	61.8

Source: World Bank, World Development Indicators(http://ddp-ext.worldbank.org/ext/ddpreports).

APPENDIX I. LETTER OF INTENT

Bamako, December 31, 2010

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

Dear Mr. Strauss-Kahn:

1. The fourth review of our economic and financial program, supported by an arrangement under the Extended Credit Facility (ECF), was completed favorably by the IMF Executive Board on July 16, 2010.

2. The attached Memorandum on Economic and Financial Policies (MEFP) describes recent developments in the Malian economy and the progress made in implementing our program during the second and third quarters of 2010. This memorandum also sets out the economic and financial policies that the Malian government intends to pursue in 2011.

3. The government's ongoing efforts to strengthen the tax and customs administration and to control public expenditure enabled it to meet all the performance criteria and indicative targets for end-June 2010, with the exception of the floor on social spending. The same is true of the indicative targets for end-September 2010. The under execution of social spending is due to a delay in the execution of all expenditure, which the government is determined to rectify by the end of the year.

4. In 2011, the government will continue conducting a prudent fiscal policy, carry out reforms in all areas of fiscal management, and further its efforts to develop the financial sector and restructure the cotton sector. In view of our overall achievements and based on the measures spelled out in the attached MEFP, we request the favorable conclusion of the fifth review under our ECF-supported program and the related sixth disbursement, amounting to the equivalent of SDR 2 million.

5. In addition, the government requests that the IMF Executive Board kindly extend this arrangement under the ECF from its current expiration date of May 27, 2011 to end-2011, and that it reschedule the disbursement of the equivalent of SDR 2 million slated for the sixth review in two equal tranches, under a sixth review to be completed by May 15, 2011 based on end-December 2010 performance criteria and under a seventh review to be completed by

December 1, 2011 based on end-June 2011 performance criteria. The government also requests the establishment of end-June 2011 performance criteria. We believe that such an extension will enable us to take fuller account of the findings of the retrospective analysis of seven years of cooperation between Mali and the IMF currently being conducted by IMF staff, before deciding on a new multiyear economic and financial program eligible for IMF support.

6. The government believes that the measures and policies described in the attached MEFP are appropriate for attaining the objectives of its program in 2011. It will take any additional steps necessary to that end. Mali will consult with the IMF on the adoption of such measures and before any revision of the policies described in the attached MEFP, in accordance with the IMF's policies on such consultations. The government will provide Fund staff with any required information referred to in the Technical Memorandum of Understanding concerning progress made under the program. During the program, the government will not introduce or strengthen any exchange controls, multiple exchange rate practices, or import restrictions for balance of payments purposes, or conclude any bilateral payment agreements that are inconsistent with Article VIII of the Fund's Articles of Agreement.

7. The government intends to make public the contents of the IMF staff report, including this letter, the attached MEFP, the Technical Memorandum of Understanding, as well as the debt sustainability analysis and the informational annex. It therefore authorizes the IMF to publish these documents on its website following the conclusion of the fifth review by the IMF Executive Board.

Sincerely yours,

/s/
Sanoussi TOURE
Minister of Economy and Finance

Attachments:
- Memorandum on Economic and Financial Policies
- Technical Memorandum of Understanding

ATTACHMENT I. MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES FOR 2010–11

1. The present memorandum of economic and financial policies describes recent developments in Mali and sets out the country's economic and financial policies in 2010 and 2011 as part of the fifth review under the three-year arrangement under the Extended Credit Facility (ECF).

I. RECENT ECONOMIC DEVELOPMENTS AND PROGRAM IMPLEMENTATION DURING THE LAST THREE QUARTERS OF 2010, AND OUTLOOK FOR THE END OF THE YEAR

2. In 2010, real GDP growth is expected to remain at approximately 4.5 percent. The sharp decline in gold production (-16.5 percent) due to the delay in commencing the operation of a new mine should be more than offset by the strong growth in the agricultural sector, which has benefited from favorable levels of rainfall and positive conditions for the crop season, including the government's financial support for farmers in the form of input subsidies. The positive conditions for the crop season are expected to hold inflation, which averaged 1.2 percent on an annualized basis as of end-November, below 1.5 percent for the year as a whole.

3. The balance-of-payments current-account deficit, including grants, is projected to widen to 8.5 percent of GDP. That deficit will be almost entirely financed by net capital inflows, particularly through foreign aid and foreign direct investment. As a result, the overall balance-of-payments result should show a deficit of about CFAF 36 billion (US$71 million), financed by drawing on the foreign exchange reserves of the Central Bank of West African States (BCEAO).

4. The money supply increased by 2.9 percent during the first nine months of 2010, driven by credit to the government. Credit to the private sector increased by only 1.4 percent during the same period, but is expected to grow at a somewhat higher pace during the fourth quarter in response to increased year-end demand for consumer credit. For 2010 as a whole, the money supply should increase by 13 percent on account of credit to the government. The most recent data available on the stability of the financial sector indicate a banking sector capital adequacy ratio of more than 8 percent.

5. Government finances have been consistent with program targets during the first nine months of the year. By end-September, the basic budget balance showed a surplus of CFAF 55 billion (1.2 percent of GDP), versus a projected shortfall of CFAF 92 billion (2 percent of GDP). The underlying basic budget balance (excluding spending financed by income from the privatization of SOTELMA) has also not been executed fully (a surplus of CFAF 81 billion or 1.8 percent of GDP) compared with the figure programmed (a shortfall of CFAF 48 billion or 1 percent of GDP). This result is attributable to the strong performance of tax revenue and delays in expenditure, especially capital outlays. All payments outstanding from 2009, amounting to CFAF 129 billion, were cleared during the first eight months of

2010. All performance criteria and indicative targets for end-June and end-September were observed, except for the floors for priority expenditure, whose execution posted a shortfall of CFAF 25 billion compared with the amount programmed for end-September (see Table 1). This delay will be made up by the end of the year.

6. The government will take all measures necessary to keep budget execution on track to fulfill the program up to the end of the year. The inspection of budget execution as of end-October, carried out with Fund staff, showed that full execution of spending called for under the supplementary 2010 budget could result in exceeding the ceiling on net domestic financing by banks and the market in the amount of CFAF 20 billion owing to a likely shortfall on the advance tax installments paid by mining companies from now until end–year, compared with the amounts programmed. If necessary, the government will regulate expenditures up to an appropriate level so as to comply with performance criteria to the end of the year. The government will refund value-added tax (VAT) credit arrears up to a minimum of CFAF 39 billion, and will limit payment float to a maximum of CFAF 80 billion by end-2010. For FY 2010, commitments can be accepted only up to November 30 except for expenditure in the areas of personnel, communications, energy, study grants, shared utility costs (*charges communes*), sectoral budget support expenditures, and expenditures charged to HIPC resources, for which commitments can be accepted up to December 31, 2010. This represents significant progress compared with FY 2009, when commitments for capital expenditures could be accepted right up to December 31. Payment orders will be accepted up to January 31, 2011. To improve budget management further in 2011, payment orders will be accepted only up to December 31, 2011, and the payments themselves will have to be made by January 31, 2012, in line with the WAEMU directive in this regard, which is to be incorporated into Malian law by end-2011 (¶26).

7. Three of the four measures covered by the structural benchmarks planned for completion by end-June 2010 have been implemented (Table 2):

- The expenditure management software (PRED 5) was put into operation on September 1, 2010.

- A new layout for the Central Government Consolidated Financial Operations Table (TOFE) is now being developed with technical assistance from Fund staff and West AFRITAC. Regular production of the TOFE using this new layout has nevertheless been delayed, particularly because of a lack of detailed information about government accounts in commercial banks. In collaboration with the BCEAO, the Treasury will, by end-May 2011, prepare the end March 2011 TOFE according to a new layout as described below (¶27).

- The institutional cash-flow management framework has been defined. The Technical Committee on Cash Flow Management was established pursuant to a ministerial decision on October 25, 2010, to perform weekly monitoring of the cash-flow plan and to propose to the Minister of Economy and Finance any measures necessary regarding government cash flow. If necessary, that committee can propose any necessary decisions to the Inter-Ministerial Committee to Monitor the Macroeconomic Framework chaired by the Prime Minister.

- The Policy Letter to Support the Cotton Sector, which sets out guidelines for promoting the cotton sector in Mali following the privatization of subsidiaries of the *Compagnie malienne pour le développement des textiles* (Malian Textile Development Company, CMDT), was finalized in August 2010 and approved by the Council of Ministers on October 8, 2010.

8. The government has also taken the necessary action to establish structural benchmarks to be put in place by the end of the year (Table 2):

- The government is finalizing a strategy to assure the regular refund of VAT credits from January 1, 2011 (¶21).

- The Ministry of Economy and Finance is preparing an assessment of the restructuring of the Malian Housing Bank (BHM), including the use of public funds transferred to the BHM during the first half of 2010 to restart its lending activity. This assessment will incorporate the conclusions of the technical assistance provided by West African Regional Technical Assistance Center (AFRITAC) in July and September 2010.

- To strengthen revenues further while rationalizing and modernizing tax legislation, the Directorate General of Taxation (DGI) will, by the end of the year, prepare a memorandum proposing the strategy for reforming the tax system based on types of taxes. In particular, it will take account of the diagnostic analyses performed and the recommendations put forward by the technical assistance mission from the Fund's Fiscal Affairs Department in September 2010.

- The Treasury's new integrated accounting application and its interface with PRED 5 will be placed in operation in the General Payments Office (PGT) of the Treasury, the accounting office which processes 80 percent of national budget expenditure, by January 3, 2011.

II. The Program in 2011

A. Implementation of the Growth and Poverty Reduction Strategy Paper (G-PRSP)

9. Implementation of Phase II of the G-PRSP (2007 to 2011) is regarded as satisfactory. This is demonstrated by the results obtained in 2008 and 2009 in which most indicators, particularly social indicators, posted significant progress. It was possible to achieve these results thanks to the application of the budget policy consistent with the G-PRSP's

objectives. Nevertheless, progress remains to be made, particularly in targeting the allocation and improving the quality of expenditure (effectiveness and efficiency) in 2011, the final year of G-PRSP II, and beyond.

10. In 2011, high-priority measures will focus chiefly on activities in six areas which will receive special emphasis out of the 14 high-priority areas indicated in G-PRSP II. The six areas are as follows: education; health; food security and rural development; the development of small and medium-sized enterprises; the furtherance of reforms in the business environment; and the promotion of democratic governance and public freedoms.

11. At the end of G-PRSP II, the government plans to establish a new G-PRSP covering the period from 2012 to 2016. G-PRSP III, like the earlier G-PRSPs, will provide a framework for the government's economic, financial, and sectoral policies. Preparation of the new G-PRSP will be participatory, involving civil society, the private sector, and technical and financial partners (TFPs). Work on preparing G-PRSP III should begin by end-2010, and continue through the first half of 2011. The new document should be available by the time work begins on drafting the 2012 budget, which is to reflect G-PRSP III's budget measures.

B. Macroeconomic framework

12. In 2011, real GDP growth is expected to be 6 percent as a result of higher gold production and farm output, as well as higher gold and cotton prices. Provided that levels of rainfall are favorable, inflation should remain comfortably within WAEMU convergence target of 3 percent. Budget policy will remain prudent, and will aim to hold the underlying basic budget balance at 1.3 percent of GDP. The increase in gold exports should make it possible to improve the trade balance and the overall balance-of-payments result, and to generate a positive contribution to the BCEAO's foreign exchange reserves. The growth in net foreign assets, credit to the government and credit to the private sector should increase the money supply at a somewhat faster pace than nominal GDP growth, in line with the deepening of financial intermediation observed in recent years.

C. Economic and financial policies

Budget policy and reforms

Fiscal policy

13. The government has committed itself to pursuing a prudent budget policy. The 2011 draft budget presented in Parliament on October 1 calls for a deficit in the underlying basic budget balance of CFAF 64 billion (1.3 percent of GDP). Net tax revenue is forecasted at CFAF 748 billion (14.9 percent of GDP), representing a slight increase in the tax ratio from 14.8 percent expected in 2010. The increase in revenue is derived mainly from better administration of taxpayers and of import transactions by the DGI and the Directorate General of Customs (DGD). The government also plans to introduce a new 2 percent charge

on telephone communications, whose impact on revenue should be largely offset by allocating the proceeds of the employers' payroll tax to the Malian Housing Authority (OMH) to finance social housing (¶32).

14. Total expenditure and net lending are limited to CFAF 1,304 billion (25.9 percent of GDP compared with 24.2 percent of GDP expected in 2010). Within that ceiling, current expenditure is to increase by 10 percent because of higher bonuses and benefits, additional personnel recruitment in education and in the security sectors (to deal with the terrorist threat in the north of the country), and higher contributions for the mandatory health insurance and pension plan for civil servants. With CFAF 370 CFA billion of domestic resources (i.e., disregarding external financing for the special investment budget) dedicated to the high-priority sectors of education, health, and other social sectors, which corresponds to 38 percent of total domestically funded spending, and an increase of 15 percent over the 2010 supplementary budget, the 2011 draft budget is evidence of the high priority that the government has given to implementing G-PRSP II.

15. The total deficit, on a cash basis and not including grants, should therefore amount to CFAF 461 billion (9.2 percent of GDP, compared with an expected deficit of 9.1 percent of GDP in 2010). This deficit will be financed using grants and external concessional borrowings of up to CFAF 416 billion (8.3 percent of GDP) and through domestic financing in the amount of CFAF 45 billion (0.9 percent of GDP).

16. The fiscal program agreed with IMF staff slightly departs from the 2011 draft budget because of the two following reasons :

- *The reimbursement of value added tax (VAT) credits*. At the time the 2011 draft budget was being drawn up, the government did not have all the information necessary to estimate the VAT credits to be refunded to gold exporting companies and other operators in 2011. Pending a more precise estimate, the 2011 draft budget used a tentative figure of CFAF 4 billion for tax refunds. Since then, in collaboration with IMF staff, the DGI and DGD have estimated a figure of CFAF 33 billion. The government now plans, by end-April 2011, to present a supplementary budget to propose measures to increase revenue or reduce expenditure to an appropriate degree with a view to maintaining the deficit target for the underlying basic budget balance at 1.3 percent of GDP. In the mean time, the fiscal program envisages a cut in domestically financed capital expenditure in non-priority sectors in an amount of 24 billion (0.5 percent of GDP).

- *The reimbursement of arrears from previous fiscal years*. Beyond the reimbursement of arrears in the 2011 draft budget for CFAF 6 billion, the government will clear arrears in a minimum amount of CFAF 4.3 billion. The total amount of CFA 10.3 billion stems, for 8 billion, from accumulated VAT credits, and, for 2.3 billion, from the payment of activated guarantees. By end-February 2011, the government will determine the value of VAT credits accrued but not paid as of December 31, 2010 (¶21). The government undertakes to reexamine the amount of arrears to be paid in 2011 in the light of the results of that determination and the full listing of commitments, pledges, and guarantees prepared by the Directorate General of Public Debt (DGDP, ¶30), and to take that new information into account in drafting the supplementary budget. In the mean time, the fiscal program envisages an increase of the reimbursement of arrears by CFA 4.3 billion (0.1 percent of GDP) compared to the 2011 draft budget and an increase of domestic financing by the same amount.

17. Consequently, the overall domestic financing requirement in the program totals CFAF 49 billion (1.0 percent of GDP). This will be covered mainly by using income from the privatization of SOTELMA in the amount of CFAF 36 billion (0.7 percent of GDP).

18. Income from the privatization of SOTELMA will continue to be dedicated primarily to capital expenditure. Such expenditure as proposed in the draft 2011 budget will focus mainly on projects in the areas of infrastructure (roads, transport, communication), agriculture, human resources development, and private sector development (funds to guarantee credits and promote investment, Table 6).

Reforms in public financial management

Tax policy

19. In light of the tax reform strategy established by the DGI (¶8), the government will, by June 30, identify the fiscal measures to be included in the 2012 draft budget and will, in that 2012 draft budget, propose an action plan for the next three years aimed at modernizing and simplifying tax legislation and bringing it into line with regional directives (proposed structural benchmark, Table 4). Without waiting for this to be done, the government will take the necessary steps to make a lasting improvement in the workings of the VAT as described below (¶21).

20. By February 28, 2011, the government will do a study to implement a mechanism to index gasoline prices at the pump to changes in supplier prices, so that the government's tax revenue will remain stable while nevertheless dampening spikes in pump prices. The current policy of lowering petroleum taxes or narrowing operators' margins when supplier prices increase has brought about large shortfalls in government budget revenues, estimated at CFAF 62 billion (1.6 percent of GDP) in 2008, CFAF 7 billion (0.2 percent of GDP) in 2009, and CFAF 13 billion (0.3 percent of GDP) in the first nine months of 2010.

Tax and customs administration

21. In 2011, priority will be given to putting reforms in place that will make a lasting improvement in the workings of the VAT, which accounts for about 40 percent of tax revenue. To that end, the government will implement the following measures:

- Starting January 1, 2011, all VAT revenue collected by DGD from gold mining companies on their imports and 10 percent of VAT collected by DGI will be deposited into a Treasury account with the BCEAO. The proceeds of this account will be used solely to refund VAT credits. Such a mechanism will make it possible to make regular refunds of VAT credits owed to gold mining companies on their imports CFAF, and to other operators, estimated at, respectively, CFAF 21 and 11 billion in 2011.

- By February 28, 2011, the DGI will determine the value of VAT credits accumulated as of December 31, 2010, remaining to be refunded by the government (¶16).[1] These results will be validated by all stakeholders and will be used to determine the timing and other modalities of reimbursement.

- As of June 30, 2011, the import tax regime enjoyed by two mining companies (which provides for a reduced 6 percent rate without entitlement to a refund of VAT credit) and the VAT exemption enjoyed by the subcontractors of mining companies will end. This means that all gold mining companies and their subcontractors will be subject to the standard VAT regime at the sole rate of 18 percent after that.

- As of June, 30, 2011, the application threshold will be raised from CFAF 30 million to CFAF 50 million to simplify the collection of VAT.

- As of September 30, 2011, the system of withholding of VAT at source will end for all government administrations and companies with the exception of the Treasury. The Treasury will stop withholding of VAT at source by end-June 2012.

- Not later than by the time the 2012 draft budget is presented to Parliament, the government will propose amendments to tax legislation to bring Malian legislation on VAT into line with the WAEMU directive on VAT.

22. The DGI and DGD will pursue their efforts to improve tax and customs administration, with technical assistance from the IMF. The DGI will continue to pay special attention to the functioning of the new Medium-Size Business Directorate (DME), which will take steps to follow up systematically on taxpayers that do not abide by their filing obligations. Similarly, the DGD will introduce automated selectivity in customs inspections from the beginning of 2012 onward. To that end, the DGD will set up a technical Risk Management Section which will complete all the necessary preparatory tasks in 2011. Strengthening tax administration resources will also make it necessary to modernize the

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[1] A detailed examination of the data in the DGI's information system (SIGTAS) seems to show an accumulation of CFAF 154 billion (3.3 percent of GDP) in VAT credits as of January 31, 2010. These data are subject to confirmation because they may include VAT credits already refunded, VAT payments not eligible for a refund, or coding errors.

National Directorate of Property Titles and the Land Registry (DNDC), established in 2002, and to build up its capacities.

23. The Treasury's new integrated accounting application and its interface with the DGD (ASYCUDA) and DGI (SIGTAS) applications will be put into service in the District of Bamako tax collection office (RGD) by November 30, 2011.

Management of public expenditure and transparency of public finance

24. The preliminary results of the Public Expenditure and Financial Accountability (PEFA) assessment done in 2010 show the progress made in the public expenditure management system in Mali, particularly in regard to budget credibility and comprehensiveness and the preparation of budget legislation. Nevertheless, there are some persistent weaknesses regarding the monitoring of domestic arrears, accounting, and external auditing.

25. To build on the progress made thus far, the government adopted a new action plan in July 2010 to strengthen and modernize the management of public finance (PAGAM-GFP II), covering the period from 2011-15. The action plan is organized around four strategic objectives: sustainable optimization of revenues; budget preparation and execution consistent with international standards; accountability of stakeholders and increasing transparency of public finance; and further decentralization.

26. This action plan reflects the government's desire to play a leading role in implementing WAEMU directives in the area of public expenditure. The government is committed to incorporating WAEMU Directives 5 to 10 of 2009 in Malian laws and regulations in regard to transparency, budgets, public accounting, budget nomenclature, the government's chart of accounts, and the TOFE by October 31, 2011.

27. In the short term, the government also hopes to pursue its efforts in improving budget execution, managing cash flow and internal debt, and strengthening accounting, external auditing, and government finance statistics:

- *Changes in borrowing during the year will be reported in consolidated fashion in draft supplementary budgets or draft legislation to settle accounts.* All regulatory measures to alter borrowings during the course of the year (decrees concerning advances, transfers, payments, carry-overs, cancellations, etc.) will be provided as reference information attached to the first draft supplementary budget following the measure in question or, if there is no such supplementary budget, attached to the draft legislation concerned with the settlement of accounts (*loi de règlement*) for the corresponding fiscal year.

- *A key step will be made toward establishing a Single Treasury Account.* Beginning in January 2011, the Treasury will produce a full status report on the bank accounts of government entities held with commercial banks and the BCEAO. It will be updated every month in the case of those entities covered by the TOFE and every three months for other entities. Some accounts that are held with commercial banks will be closed. An impact study on the transfer from commercial banks to the BCEAO of all accounts held by government entities situated in Bamako, Mopti, and Sikasso (except for project accounts whose establishment is explicitly provided for under agreements concluded with technical and financial partners) will be carried out by June 30, 2011 (proposed structural benchmark, Table 4). Accounts held with commercial banks by services within the Ministry of Economy and Finance in Bamako, Mopti, and Sikasso will be transferred to the BCEAO according to a timetable based on the results of that study.

- *The quality of accounts will be progressively strengthened.* Abnormal balances found on current accounts, third-party accounts, and financial accounts of the Central Treasury Accounting Bureau (ACCT), the PGT, and the RGD will be cleared by June 30, 2011.

- *The production and auditing of the government's annual accounts will be speeded up.* For the accounts prior to 1991, the government will implement strategy flowing from the results of a study to be completed by end-December 2010. The judgment of the accounts of 1992-2006 will be integrated in the yearly action plans of PAGAM-GFP II. The government adopted draft legislation validating the 2007-09 accounts and will adopt draft legislation validating the 2010 accounts before September 30, 2011.

- *Work will continue on improving government financial statistics*. As of May 31, 2011, changes will be made to the TOFE as described in the Technical Memorandum of Understanding (TMU, ¶22; proposed structural benchmark, Table 4).

- *Tracking of payment times will be strengthened.* The new PRED 5 expenditure management software will be used to ensure that payments are made within 90 days after payment orders have been issued. For this purpose, monthly reports will be produced.

Internal and external oversight

28. Internal and external oversight mechanisms have shown a number of administrative weaknesses in the management of Mali's public finances. At the internal level, the Office of the Inspector General of Public Services has highlighted the fact that there are not enough procedures manuals and they are not being used. At the external level, the Office of the Auditor General has drawn attention to large sums outstanding to be recovered by the Treasury. To remedy these problems, the government is working swiftly to adopt a national

internal oversight strategy for the period 2011-15, with the support of several technical and financial partners. Similarly, the government is determined to improve procedures for recovering outstanding sums, and has asked for technical assistance from the IMF in regard to the accounting of revenue (¶23) in the first quarter of 2011.

Debt management

29. From the updated debt sustainability analysis prepared with IMF and World Bank staff, it is clear that Mali's risk of debt distress has shifted from low to moderate because its debt sustainability has become more vulnerable to external shocks. This increased vulnerability stems from the volatility of gold exports, which increased more than was expected in the previous analysis. The update also confirmed that Mali's debt sustainability depends on pursuing a prudent macroeconomic policy anchored on maintaining the deficit level, in terms of the basic budget balance, at close to 1 percent of GDP. The government therefore reiterates its commitment to cover its external financing requirement preferably by means of grants and concessional borrowings having a level of concessionality of at least 35 percent.

30. To strengthen domestic debt management, the Minister of Economy and Finance has just assigned the DGDP the task of producing a full list of all the agreements under which the government has contracted domestic debt or given a commitment to guarantee external debt, with deadlines and maturity dates, so that this information can be recorded in public debt data and budgets (proposed structural benchmark, Table 4). The DGDP has started working on this by contacting ministries and local banks. These efforts have already made it possible to identify callable guarantees in the amount of CFAF 19 billion (0.4 percent of GDP), for which the payment schedule is now being negotiated with creditors.

Policy for the development of the financial sector

31. The government will continue to implement its development strategy for the financial sector adopted in 2008, taking into account the Financial Sector Assessment Program (FSAP) recommendations of the same year. The strategy has four main pillars:

- strengthening and developing the banking and capital markets sector;
- strengthening and developing nonbanking financial institutions;
- consolidating, strengthening, and developing the microfinance sector; and
- improving the legal and judicial framework.

32. In 2011, the government will place high priority on the following measures:

- *Restructuring the BHM:* implementing the restructuring plan adopted on December 30, 2009, calls for the government to withdraw its equity stake in the BHM by 2012. A tender is being prepared with the support of the World Bank to recruit a consultant to implement the privatization. Until then, the Ministry of Economy and Finance and the BCEAO are closely following the BHM's operations to ensure that the government resources made available to it for recapitalization (up to CFAF 11.4 billion in 2010) and the allocation to the BHM of funds from the national budget to finance social housing (up to CFAF 7 billion in 2011) will result in productive loans.

- *Raising the minimum capital requirements for banks and other financial institutions*: the increase in the minimum capital requirement under WAEMU regulations (CFAF 5 billion as of December 31, 2010, and CFAF 10 billion as of some future time to be determined) will be regularly monitored by the BCEAO.

- *Putting in place mechanisms to guarantee loans to small and medium-size enterprises (SMEs)*: a mechanism to provide partial guarantees in the amount of $26 million (0.3 percent of GDP) has been set up with two banks, in collaboration with the International Finance Corporation (IFC). The government has set up a fund in the amount of CFAF 595 million (less than 0.1 percent of GDP) to provide partial guarantees during 2009-13 to facilitate access to bank financing for 200 SMEs. The government has also launched two studies to set up a guarantee fund and an investment fund for the private sector.

- *Setting up a corporation to manage the banks' real estate holdings*: the purpose of this entity will be to buy real estate assets received by banks as a result of the execution of guarantees so as to take them off the banks' books. In agreement with the World Bank, it has been decided to assign this role to the Property Transfer Agency (ACI), a State enterprise whose purpose is to clean up property holdings and sell them.

- *Developing microfinance*: microfinance will be promoted by adopting new regulations concerned with decentralized financial systems and implementing a national microfinance development plan, in collaboration with technical and financial partners.

- *Enabling the financial sector to mobilize remittances from migrants*: this effort will focus on a study and a workshop on initiatives and mechanisms relating to remittances from migrants.

Reform of the cotton sector

33. The government plans to complete the privatization of the CMDT in 2011. Six potential investors visited the sites of four CMDT subsidiaries from October 27 to November 5, 2010. Bids are to be submitted by December 20, 2010, and the selected bidders are to be announced in April 2011, so that they can take control of the subsidiaries in May 2011, before the start of the 2011-12 crop season. The government will watch this privatization operation closely to ensure that it takes place in optimal conditions, to assure the continued economic and financial viability of the cotton sector.

Governance

34. Moved by the desire to make the mining sector an engine of development and a means of combating poverty, Mali applied to join the Extractive Industries Transparency Initiative (EITI) in 2006. As part of that process, Mali produced an initial report on reconciling flows of payments by mining companies against government revenues for the 2006 fiscal year, on the basis of external auditors' findings. From the results contained in that report, the assessor named by the EITI Secretariat concluded that Mali had made significant progress but was not yet compliant. Drawing lessons from that first report, the government has started work on preparing a second report concerned with mining revenue in 2007 and 2008 with a view to joining the EITI by end-2012.

III. Program Monitoring

35. The 2011 program will be evaluated on the basis of performance criteria and indicative targets for end-June, continuous performance criteria (Table 3), and structural benchmarks (Table 4). These criteria are defined in the Technical Memorandum of Understanding (TMU), which also specifies the nature and frequency of the information to be supplied in order to assure the proper monitoring of the program.

36. Discussions for the sixth review of the program will focus on the implementation of structural reforms regarding public financial management, while those for the seventh review will focus on the preparation of the 2012 draft budget, taking into account the need to anchor the government's finances on an underlying basic deficit of close to 1 percent of GDP.

Table 1. Mali: Quantitative Performance Criteria and Indicative Targets for 2010 [1]

	March				June				Sep.				Dec.
	Indic. Targets	Adjusted Targets	Prel.	Status	Perf. Criteria	Adjusted Targets	Prel.	Status	Indic. Targets	Adjusted	Prel.	Status	Perf. Criteria
						(in CFAF billions)							
Quantitative performance criteria													
Net domestic financing of the Government (ceiling) [2]	0.0	52.4	19.3	Met	79.8	128.7	-32.8	Met	113.7	176.0	-1.4	Met	127.0
Of which: Bank and market financing [2]	0.0	52.4	46.9	Met	99.3	148.2	62.7	Met	128.7	191.0	56.7	Met	138.6
Cumulative increase in external payments arrears (ceiling) [3]	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0
New external borrowing at terms of one year or more contracted or guaranteed by the government on nonconcessional terms (ceiling) [3]	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0
New short-term external credits (less than one year) contracted or guaranteed by the government on nonconcessional terms (ceiling) [3]	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0
Net tax revenue (floor)	130.0	…	154.8	Met	304.7	…	343.0	Met	490.9	…	503.0	Met	677.1
Indicative targets													
Basic fiscal balance (floor)	-30.0	…	23.3	Met	-52.8	…	80.8	Met	-92.4	…	55.4	Met	-111.5
Basic fiscal balance, underlying (floor) [4]	10.0	…	23.3	Met	-38.8	…	106.7	Met	-48.4	…	81.3	Met	-51.7
Priority spending (floor)	…	…	…		117.0	…	97.3	Not met	175.0	…	150.0	Not met	235.0
Memorandum items:													
External budgetary assistance	20.0	…	15.5		68.3	…	50.9	…	96.4	…	90.6		144.1
Pending bills reduction	-2.0	…	-54.4		-43.7	…	-83.6	…	-48.7	…	-108.2		-49.1
VAT credits refunds	0.0	…	0.0		0.0	…	-1.8	…	0.0	…	-2.8		-29.0

Source: Malian authorities.

[1] Cumulative figures from the beginning of the year. Noncontinuous targets at end-March and end-September 2010 are indicative targets. See Technical Memorandum of Understanding (TMU) of June 28, 2010 for definitions.

[2] The targets for these performance criteria and indicative targets are subject to adjustment for external budgetary assistance, reduction of pending bills and payment of VAT credits. See TMU of June 28, 2010 for more details.

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

[4] Excluding expenditure financed with revenue from the privatization of SOTELMA.

Table 2. Mali: Structural Benchmarks for the Fifth and Sixth Reviews Under the ECF Program

	Measures	Macroeconomic rationale	Status
For end-June 2010 (in the context of the fifth program review)			
1	Implement the new expenditure management software PRED 5.	To improve budgetary management.	Met on September 1
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.	Work in progress
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.	Met on October 25
4	Prepare a draft policy paper on the role of the State 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 monopsony CMDT.	Met in August
For end-December 2010 (in the context of the sixth program review)			
1	Implement a system for the management and timely payment of Value Added Tax (VAT) credits to eligible companies.	To prevent accumulation of VAT credit arrears and ensure neutrality of VAT on exports.	
2	Produce an evaluation of restructuring of the Housing Bank of Mali (BHM), including the use of State funds transferred to the BHM in the first half of 2010 to relaunch its lending activities.	To ensure that the BHM is effectively on a recovery track.	
3	Elaborate a program for the reform of the tax system, aiming at a greater mobilization of revenue while ensuring greater rationalization and modernization of the tax laws, including through reconsideration of tax exemptions.	To simplify and make the tax system more buoyant, while implementing regional directives.	
4	Implement the new public accounting software in the Treasury with the necessary links to the budget application software to ensure monitoring of spending from commitment to payment, including the stock of pending bills.	To ensure improved recording and reporting of financial operations of the State.	

Source: Malian authorities.

Table 3. Mali: Proposed Quantitative Performance Criteria and Indicative Targets, 2011 [1]

	March	June	Sep.	Dec.
	Indic. Targets	Perf. Criteria	Indic. Targets	Proj.
	(CFAF billions)			
Quantitative performance criteria				
Government bank and market financing (ceiling) [2]	118.4	189.8	179.2	66.5
Cumulative increase in external payments arrears (ceiling) [3]	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 (ceiling) [3]	0.0	0.0	0.0	0.0
New short-term external credits (less than one year) contracted or guaranteed by the government on nonconcessional terms (ceiling) [3]	0.0	0.0	0.0	0.0
Gross tax revenue (floor)	181.4	362.9	559.4	755.8
Indicative targets				
Basic fiscal balance (floor)	-26.0	-62.7	-79.9	-100.4
Basic fiscal balance, underlying (floor) [4]	-17.0	-44.7	-52.9	-64.4
Priority spending (floor)	50.8	112.8	188.3	271.4
Memorandum items:				
External budgetary assistance	73.9	74.5	94.1	121.1
Pending bills reduction	-80.0	-80.0	-80.0	0.0
Tax refunds	-7.7	-15.4	-24.0	-32.6
Arrears payment	-5.2	-10.3	-10.3	-10.3

Sources: Malian authorities; and IMF staff projections.

[1] Cumulative figures from the beginning of the year. Noncontinuous targets at end-March and end-September 2010 are indicative targets. See Technical memorandum of understanding (TMU) for definitions.

[2] The targets for this performance criterion or indicative target are subject to adjustment for external budgetary assistance, reduction of pending bills, tax refunds, and arrears payment. See TMU for more details.

[3] These performance criteria will be monitored on a continuous basis since the beginning of the year.

[4] Excluding expenditure financed with revenue from the privatization of SOTELMA.

Table 4. Mali: Proposed Structural Benchmarks for the ECF Program, 2011

Measures	Macroeconomic rationale	Timing
In the context of the seventh program review		
Prepare a data base of: (i) all the domestic debt contracts signed by the governement including the stock of the debt at end-2010, and the quarterly interest payments and amortization due; and (ii) the debts guaranteed by the government.	Strengthen domestic debt management.	28-Feb
Present the Central Government Consolidated Financial Operation (TOFE) at end-March 2011 according to the presentation decribed in paragraph 22 of the Technical Memorandum of Understanding (TMU).	Strenghten fiscal transparency.	31-May
Do a study to analyze the impact of transferring all outstanding balances of accounts held by line ministries in commercial banks, except of accounts established by contracts with donors in the context of externally-financed projects, to the Treasury Single Account at the BCEAO.	Strengthen cash management.	30-Jun
Introduce in the draft 2012 budget law a reform of the tax system, aiming at a greater mobilization of revenue while ensuring greater rationalization and modernization of the tax laws, including through a reduction of tax exemptions.	Strenghten revenue mobilization and the business environment.	30-Sep

Table 5. Mali: Central Government Consolidated Financial Operations, 2011

	March Prog.	June Prog.	Sept Prog.	Dec Prog.
	(in CFAF billions)			
Revenue and grants	244.4	465.2	753.4	1,062.6
Total revenue	199.1	398.3	611.6	824.8
Budgetary revenue	181.3	362.5	557.9	753.3
Tax revenue	173.7	347.5	535.4	723.2
Direct taxes	51.1	102.3	153.4	204.5
Indirect taxes	122.6	245.2	382.0	518.7
VAT	69.0	138.0	215.6	293.1
Excises on petroleum products	5.4	10.8	17.3	23.9
Import duties	24.0	48.0	77.3	106.6
Other indirect taxes	31.9	63.9	95.8	127.7
Tax refund	-7.7	-15.4	-24.0	-32.6
Nontax revenue	7.5	15.1	22.6	30.1
Special funds and annexed budgets	17.9	35.8	53.6	71.5
Grants	45.3	66.9	141.8	237.8
Projects	38.7	77.3	116.0	154.6
Budgetary support	45.8	46.4	66.0	83.2
Of which: general	17.2	17.8	34.4	47.1
Of which: sectoral	28.6	28.6	31.6	36.1
Total expenditure and net lending (payment order basis)	331.4	649.5	960.7	1,279.4
Budgetary expenditure	311.5	609.8	901.1	1,199.9
Current expenditure	160.3	335.9	501.5	673.2
Wages and salaries	63.7	127.4	198.6	269.8
Goods and services	53.3	113.1	164.5	224.8
Transfers and subsidies	37.4	83.4	121.0	153.5
Interest	5.9	12.1	17.5	25.1
Of which: domestic	2.5	2.5	4.4	8.0
Other current expenditure	151.2	273.9	399.5	526.7
Capital expenditure	151.2	273.9	399.5	526.7
Externally financed	104.6	180.6	259.6	340.1
Domestically financed	46.6	93.3	139.9	186.6
Special funds and annexed budgets	17.9	35.8	53.6	71.5
Net lending	2.0	4.0	6.0	8.0
Overall fiscal balance (excl. grants)	-132.2	-251.3	-349.1	-454.5
Overall fiscal balance (incl. grants)	-87.0	-184.4	-207.3	-216.7
Variation of arrears	-5.2	-10.3	-10.3	-10.3
Adjustment to cash basis	-80.0	-80.0	-80.0	0.0
Overall balance (cash basis, incl. grants)	-172.1	-274.7	-297.6	-227.0
Financing	172.1	274.7	297.6	227.0
External financing (net)	62.5	97.6	131.9	177.9
Loans	65.5	102.8	140.2	187.3
Project loans	37.4	74.7	112.1	149.4
Budgetary loans	28.1	28.1	28.1	37.9
Amortization	-4.6	-13.1	-17.9	-23.4
Debt relief	1.6	7.9	9.6	14.0
Domestic financing (net)	109.7	177.1	165.7	49.1
Banking system	98.6	161.1	154.0	80.4
Net credit to the government	98.6	161.1	154.0	80.4
IMF (net)	1.4	1.2	1.1	2.7
Central bank credit (net)	-0.6	-1.3	-1.9	-2.6
Other	97.8	161.1	154.8	80.3
Privatization receipts	0.0	0.0	3.3	3.3
Other financing	11.1	16.0	8.4	-34.6
Financing gap	0.0	0.0	0.0	0.0
Memorandum items				
Basic fiscal balance [1]	-26.0	-62.7	-79.9	-100.4
Underlying basic fiscal balance [2]	-17.0	-44.7	-52.9	-64.4
External budgetary assistance	73.9	74.5	94.1	121.1
Government bank and market financing	118.4	189.8	179.2	66.5

Sources: Ministry of Finance; and IMF staff projections.

[2] Total revenue excluding grants and privatization receipts, less total expenditure plus net lending, excluding capital expenditure financed by foreign donors and lenders and HIPC Initiative-related expenditures.

[3] Basic fiscal balance excluding spending financed by privatization revenueof the telecom company SOTELMA.

Table 6: Use of Revenue from the Sale of 51 percent of the Telecom Company SOTELMA

	2009	2010	2011	2012	Total
			(in CFA millions)		
Arrears payment	9,500	23,000	0	9,500	42,000
Non Banks	0	21,000	0	3,000	24,000
Banks	9,500	2,000	0	6,500	18,000
Human resource development	1,000	11,253	5,255	0	17,508
Youth, education, jobs	0	9,300	5,255	0	14,555
Higher education	0	3,900	3,755	0	7,655
Construction of university facilities in Bamako and Ségou	0	3,188	3,755	0	6,943
Research competitiveness fund	0	500	0	0	500
University of Bamako interconnection	0	212	0	0	212
Secondary education, professional training, youth, and jobs	0	5,400	1,500	0	6,900
Construction and equipment, technical high schools and IFPs (1)	0	4,400	1,000	0	5,400
Building financial capacities of the Youth Employment Agency (APEJ)	0	1,000	500	0	1,500
Health and social development	1,000	1,953	0	0	2,953
Supplemental funding for construction of Mopti Hospital	0	1,000	0	0	1,000
Supplemental funding for construction of Sikasso Hospital	1,000	0	0	0	1,000
Computer equipment, manadatory health insurance	0	953	0	0	953
Infrastructure and equipment	0	7,747	11,263	0	19,010
Roads and bridges	0	3,375	3,875	0	7,250
Kayes: Paving of 6 km of Bafoulabé-Mahina road	0	1,000	0	0	1,000
Koulikoro: Paving of 5 km of roads	0	1,000	0	0	1,000
Kidal: Paving of 5 km of roads	0	375	875	0	1,250
Bamako: Construction of Yirimadio hospital access road	0	1,000	0	0	1,000
Sikasso: Brodge ovet the Baoulé between Manankoro-Tienfinzo	0	0	3,000	0	3,000
Communication and transportation	0	4,372	7,388	0	11,760
1 outdoor broadcasting van, 12 cameras	0	1,950	0	0	1,950
1 production van with four cameras	0	700	0	0	700
1 audio production and broadcasting van	0	45	105	0	150
1 Fly and vehicle accessories	0	108	252	0	360
1 terrestrial broadcasting station	0	669	931	0	1,600
Acquisition of second national television (ORTM) channel	0	0	4,000	0	4,000
Acquisition of 2 flatboats for the Malian Navigation Company (COMANAV)	0	900	2,100	0	3,000
Agricultural development	0	13,675	225	0	13,900
Municipal works	0	3,330	225	0	3,555
Maintenance upgrade outreach infrastructures Niger Office	0	4,100	0	0	4,100
Contribution to National Agricultural Development Fund	0	5,000	0	0	5,000
Support for development/assistance measures		445	0		445
PRODEVALAIT (2)	0	800	0	0	800
Improving living conditions	0	18,206	5,708	0	23,914
Contribution to the National Fund for Local Government Investment	0	6,000	4,000	0	10,000
Rehabilitation of military barracks	0	3,292	1,708	0	5,000
Social-interest housing program	0	6,500	0	0	6,500
Development of Diafrana Ko	0	1,614	0	0	1,614
Construction of the fiftieth anniversary monument	0	800	0	0	800
Financial support for development of small and medium-size enterprises and industries	0	0	6,000	0	6,000
Establishment of a private sector guarantee fund	0	0	3,000	0	3,000
Establishment of a national investment fund	0	0	3,000	0	3,000
Economic reform and improved governance	0	6,900	0	0	6,900
Restructuring of the government-controlled mortgage bank (Banque de l'Habitat de Mali, BHM)	0	5,000	0	0	5,000
Support for the national civil-registration census (recensement administratif à vocation d'état civil, RAVEC)	0	1,900	0	0	1,900
Miscellaneous projects	0	0	7,579	0	7,579
Public investments in partnership with donors and lenders	0	0	0	28,577	28,577
Establishment of the technology hub	0	0	. . .	. . .	. . .
Connection of secondary cities to the national road network, over 100 Km	0	0	. . .	. . .	. . .
Construction of a second bridge in Kayes	0	0	. . .	. . .	. . .
Improvement and development of the Lake Faguibine System	0	0	. . .	. . .	. . .
Improvement of the Bamako Sénou industrial park	0	0	. . .	. . .	. . .
Implementation of modern land register for the cities of Bamako and Kati	0	0	. . .	. . .	. . .
Strengthening logistical capacities of the armed forces and regional governments	0	0	. . .	. . .	. . .
Restructuring plan	15,000	0	0	0	15,000
Total	25,500	80,781	36,030	38,077	180,388

1/ IFP: Professional training institutions

2/ Project to Develop and Promote Dairy Production in Mali.

ATTACHMENT II. TECHNICAL MEMORANDUM OF UNDERSTANDING

1. This memorandum of understanding defines the quantitative performance criteria and indicative targets for the program supported by the Extended Credit Facility (ECF) in 2011. It also specifies the frequency and deadlines for reporting data 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 government of the Republic of Mali and does not include local governments, the central bank, or any other public entity with autonomous legal personality that is not included in the Central Government Consolidated Financial Operations Table (TOFE).

3. For the purposes of this memorandum of understanding, the terms "debt" and "concessional loans" are defined as follows:

(a) The definition of debt is set out in Executive Board Decision No. 6230-(79/140), Point 9, as revised on August 31, 2009 (Decision No. 14416-(09/91).

(b) A loan is considered concessional if, on the initial contract signing date, the ratio of the present value of the loan, calculated on the basis of the reference interest rates, to the nominal value of the loan is less than 65 percent (i.e., a grant element exceeding 35 percent). The rates used in this assessment are the commercial interest reference rates (CIRR) for borrowing currencies established by the Organization for Economic Cooperation and Development (OECD). For debts with a maturity of more than 15 years, the ten-year average 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. The same margins used by the OECD for differing repayment periods are added to the 10-year and 6-month average rates (0.75 percent for repayment periods of less than 15 years, 1 percent for 15 to 19 years, 1.15 percent for 20 to 29 years, and 1.25 percent for 30 years or more).

II. PERFORMANCE CRITERIA AND INDICATIVE TARGETS

4. Except as noted, the following financial targets will constitute performance criteria for end-June 2011 and indicative targets for end-March and end-September 2011.

A. Ceiling on Net Domestic Financing of the Government by Banks and the Financial Market

5. **Net domestic financing of the government by banks and the financial market** is defined as the sum of (i) the net government position as defined below, and (ii) financing of the government through the issuance (net of redemptions) of securities to legal entities or

individuals outside the banking system or to nonresident banks domiciled in the West African Economic and Monetary Union (WAEMU).

6. The net government position is defined as the balance between government claims and debts vis-à-vis the central bank and commercial banks. The scope of the net government position is that used by the Central Bank for West African States (BCEAO) and is consistent with the IMF's general practice in this area. It implies a broader definition of the government than that specified in paragraph 2 and includes local governments and certain government administrative agencies and projects. Government claims include the CFAF cash balance, postal checking accounts, secured liabilities, and all deposits of government agencies with the BCEAO and commercial banks, with the exception of government industrial and commercial agencies (EPIC) 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 the net government position. The net government position vis-à-vis the State is calculated by the BCEAO.

Adjustment factors

7. The ceiling on net domestic financing of the government by banks and the financial market will be adjusted downward if **external budget support** exceeds program projections (Memorandum of Economic and Financial Policies (MEFP), Table 3). Budget support is defined as grants, loans, and debt relief operations (excluding project loans and grants, IMF resources, and debt relief under the HIPC Initiative, but including general and sectoral budget support). The adjustment factor will be applied at the rate of 0 percent for amounts up to CFAF 25 billion; and 100 percent for amounts in excess of CFAF 25 billion. The ceiling on net domestic financing of the government by banks and the financial market will be adjusted upward if external budget support falls short of program projections. The adjustment factor will be applied at the rate of 100 percent up to a threshold of CFAF 25 billion and at the rate of 0 percent for larger amounts.

8. The ceiling on net domestic financing of the government by banks and the financial market in 2010 will be adjusted upward (downward) if the **net reduction in pending bills** exceeds (is less than) the programmed amounts (MEFP, Table 3). Pending bills are defined as payment orders not paid by the DNCT in the context of budget execution or on miscellaneous correspondent and depositor accounts, regardless of their age.

9. Finally, the ceiling on net domestic financing of the government by banks and the financial market in 2010 will be adjusted upward (downward) for the **payment of VAT credits, other tax refunds, and arrears from previous fiscal years** exceeding (under) the programmed amounts (MEFP, Table 3).

B. Non-accumulation of External Public Payments Arrears

10. The stock of external payments arrears is defined as the sum of payments due but not paid on external liabilities of the government and the external debt owed or guaranteed by the government. The definition of external debt provided in paragraph 3(a) applies here.

11. During the program, the government undertakes not to accumulate external payments arrears (except with regard to debt being renegotiated or rescheduled). The performance criterion on the non-accumulation of external payments arrears will be applied on a continuous basis throughout the program period.

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

12. This performance criterion applies not only to debt as defined in Executive Board Decision No. 6230-(79/140), Point 9, as revised on August 31, 2009 (Decision No. 14416-(09/91), but also to commitments contracted or guaranteed and for which no value has been received.

13. For the purposes of this performance criterion, the concept of government includes the government as defined in paragraph 2, government administrative agencies (EPA), government scientific and technical agencies, public professional entities, government industrial and commercial agencies (EPIC), public enterprises, and local governments.

14. A ceiling of zero is set for non-concessional borrowing. This performance criterion is monitored on a continuous basis.

15. The government undertakes not to contract or guarantee any external debt having a maturity of one year or more and a grant element of less than 35 percent as defined in paragraph 3 (b). However, this performance criterion does not apply to: (i) financing granted by the IMF; (ii) debt rescheduling transactions existing on the date of approval of the program by the IMF Executive Board; and (iii) CFAF debt contracted or guaranteed by the government with residents of the WAEMU, including CFAF debt originally 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

16. The definition in paragraphs 2 and 3 also 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 with the proceeds of cotton exports, and debt-relief operations are excluded from this performance criterion. Treasury bills and bonds issued in CFAF on the WAEMU regional market are also excluded from this performance criterion.

During the program, the government and public enterprises will not contract or guarantee short-term non-concessional external debt. This performance criterion is monitored on a continuous basis.

E. Floor on Gross Tax Revenue

17. Gross tax revenue of the government is defined as the revenue appearing in the TOFE and includes all tax revenue in the national budget, before deduction of tax refunds generated in 2011, particularly VAT credits accumulated in 2011.

F. Floor on the Basic Fiscal Balance

18. The basic fiscal balance is defined as the difference between total net revenue, excluding grants and privatization receipts, and total expenditure cleared for payment plus net lending, excluding capital expenditure financed by foreign creditors or donors and HIPC expenditure.

G. Floor on the Basic Fiscal Balance Excluding Expenditure Financed with SOTELMA Privatization Receipts

19. The basic fiscal balance expenditure financed with SOTELMA privatization receipts is defined in accordance with the basic fiscal balance defined in paragraph 18, less expenditure financed with SOTELMA privatization receipts drawn from the special account at the BCEAO.

H. Floor on Priority Poverty-Reducing Expenditure

20. Priority poverty-reducing expenditure is defined as the sum of the expenditure of the Ministry of Elementary Education, the Ministry of Secondary and Higher Education and Scientific Research, the Ministry of Health, and the Ministry of Social Development. It excludes capital expenditure financed by external technical and financial partners in the form of projects.

III. Structural Measures

21. Information on the introduction of measures constituting structural benchmarks will be sent to IMF staff no later than two weeks after the date set for their implementation.

22. As of May 31, 2011, **changes** will be made **to the Central Government Consolidated Financial Operations Table (TOFE)** as described below. Revenues and expenditures recorded in suspense accounts will be recorded above the line as revenues or expenditures without being broken down. As part of the adjustment to cash basis, a distinction will be made between transactions under previous fiscal years and transactions under the current fiscal year, as well as, in the latter case, a distinction between the “float” (less than three months) and types of arrears (more than three months) with respect to budget

expenditures (including VAT credits and calls upon guarantees and pledges). Within the entry “net domestic financing,” a distinction will be made between bank financing, privatization income, and other financing sources. Bank financing includes changes in the net government position vis-à-vis the central bank, the IMF, and resident commercial banks. In showing operations with commercial banks, a distinction will be made between the Treasury, the National Social Insurance Administration (INPS), and other government entities. Within Treasury transactions, deposits and withdrawals on the SOTELMA privatization income account will be specifically identified. Other financing will consist mainly of checks that have not been cashed, advance tax installments received in the current year for the following year, the regularization of advance tax installments received the previous year for the current year, operations with nonresident WAEMU creditors, and changes in deposits from Treasury correspondents.

IV. Additional Information for Program Monitoring

23. To facilitate program monitoring, the government will provide IMF staff with the information indicated in the following summary table.

Summary of Reporting Requirements

Type of data	Tables	Frequency	Reporting deadline
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 position of other government agencies' accounts with the banking system) and breakdown of nonbank financing	Monthly	End of month + 3 weeks (provisional); end of month + 6 weeks (final)
	Balance of the account recording SOTELMA privatization receipts on deposit with the BCEAO	Monthly	End of month + 3 weeks
	Aggregate Treasury balance	Monthly	End of month + 6 weeks
	Central government TOFE 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 the revenue and expenditure recorded in the TOFE	Monthly	End of month + 6 weeks
	Separate report on HIPC-financed expenditure	Monthly	End of month + 6 weeks
	Execution of the capital budget	Quarterly	End of quarter + 8 weeks
	Tax revenue as recorded in the TOFE Showing tax refunds (including VAT credits)	Monthly	End of month + 6 weeks
	Wage bill as recorded in the TOFE	Monthly	End of month + 6 weeks
	Basic fiscal balance as recorded in the TOFE	Monthly	End of month + 6 weeks
	Customs exemptions	Monthly	End of month + 4 weeks
	Order setting the prices of petroleum products, tax revenue from petroleum products, and total exemptions granted	Monthly	End of month

Type of data	Tables	Frequency	Reporting deadline
	Imports of petroleum products by type and point of entry	Monthly	End of month + 2 weeks
	CMDT cash transactions	Monthly	End of month + 4 weeks
	Expenditure cleared for payment but not paid 90 days after issuance of the payment order	Monthly	End of month + 1 week
Monetary and financial data	Summary accounts of the BCEAO, summary accounts of banks, accounts of monetary institutions	Monthly	End of month + 4 weeks (provisional); end of month + 8 weeks (final)
	Foreign assets and liabilities and breakdown of other items net of the BCEAO and of commercial banks	Monthly	End of month + 8 weeks
	Lending and deposit interest rates, BCEAO policy rate, 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 the balance of payments	Variable	8 weeks following each revision
External debt	Breakdown of all new external borrowing	Monthly	End of month + 4 weeks
	Debt service, indicating amortization, interest expenses, and relief obtained under the HIPC Initiative	Monthly	End of month + 4 weeks
CSCRP	Priority poverty-reducing expenditure as defined in ¶ 20.	Quarterly	End of quarter + 4 weeks

INTERNATIONAL DEVELOPMENT ASSOCIATION
AND
INTERNATIONAL MONETARY FUND

MALI

Joint IDA/IMF Debt Sustainability Analysis Under the Debt Sustainability Framework for Low-Income Countries

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

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The updated DSA indicates that the risk of debt distress shifts from low to moderate because of increased vulnerabilities owing to higher volatility of gold exports than anticipated in the 2009 DSA. With the expected decline in gold exports in the medium term and the uncertain prospects for export diversification, Mali's debt sustainability needs to remain under close scrutiny and to continue to be supported by prudent financial policies.

I. BACKGROUND

A. Recent Developments in Public External Debt

1. **As a result of the enhanced Highly Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI), Mali's stock of external debt has declined significantly**. Mali's stock of public and publicly guaranteed external debt declined from 103 percent of GDP in 2000 to 19 percent in 2006 owing to enhanced HIPC debt relief in 2002 and MDRI debt relief in 2006 (Text Table 1). At end-2009, it had increased to 21 percent of GDP owing mainly to new loans by the International Development Association (IDA), the African Development Bank (ADB), the Islamic Development Bank (IsDB) and the IMF (mainly through an allocation of SDR 74 million). All of Mali's external debt is public and the bulk is owed to multilateral creditors, mainly IDA, AfDB and IsDB.

Text Table 1: Mali: External Debt Stock at Year-End, 2000-2009
(in billions of CFAF)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total	1939.7	1968.6	1156.1	1165.0	1180.1	1468.9	604.1	663.4	746.0	907.6
(percent of GDP)	102.6	89.0	52.0	47.5	44.8	50.8	18.9	19.4	19.1	21.2
Multilateral	1439.5	1508.6	827.3	741.5	878.3	1198.8	357.3	470.1	593.5	740.1
IMF	105.9	110.1	100.1	94.5	78.8	65.7	4.1	6.1	18.5	67.6
World Bank/IDA	327.6	343.3	106.0	176.5	268.3	383.5	83.8	216.3	262.5	313.2
African Development Bank	394.6	330.4	116.9	239.2	289.4	379.7	121.4	133.7	117.6	138.7
Islamic Development Bank	50.5	45.3	40.6	36.4	54.7	63.9	31.4	57.3	73.8	93.4
Others	520.8	679.5	463.6	154.9	187.0	290.6	64.0	131.6	123.9	127.2
Bilateral	500.2	460.0	328.8	423.5	301.9	270.0	246.8	193.3	149.7	164.6
Paris Club official debt	142.3	127.5	30.6	7.6	16.9	17.7	13.0	15.6	4.4	4.4
Non-Paris Club official debt	357.9	332.4	298.2	415.8	285.0	252.3	233.8	177.7	145.3	160.2
Other Creditors	7.3	7.4	4.3	4.4	4.4	5.5	2.3	2.5	2.8	2.9

Source: Malian authorities, staff estimates.

B. Recent Developments in Public Domestic Debt

2. **Mali's domestic public debt is small** (3 percent of GDP in 2009, Text Table 2). It has increased since 2007 owing to the issuance of treasury bills and bonds on the regional market of the West African Economic and Monetary Union (WAEMU), and commercial bank loans to reimburse accumulated VAT credits to mining companies.

Text Table 2: Mali: Public Domestic Debt Stock at Year-End, 2000-2009
(in billions of CFAF)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total	44.1	58.5	48.7	37.5	36.0	61.6	45.4	80.2	99.0	127.6
(percent of GDP)	2.3	2.6	2.2	1.5	1.4	2.1	1.4	2.3	2.5	3.0
Debt to the Central Bank	26.2	25.8	25.1	23.1	20.3	17.9	15.3	13.1	10.7	7.7
Central Bank Statutory Advances	23.2	23.2	23.2	21.7	19.7	17.5	15.3	13.1	10.7	7.7
Other debt to the Central Bank	3.0	2.6	1.9	1.4	0.7	0.4	0.0	0.0	0.0	0.0
Debt to the banking sector	17.8	32.7	23.6	67.3	15.7	43.6	30.0	67.1	88.3	119.9
Government securities	9.5	9.5	9.5	9.5	9.5	9.5	9.5	0.0	53.3	86.3
Non-negotiable debt to the banking sector	8.3	23.2	14.1	57.8	6.2	34.1	20.5	67.1	35.0	33.6

Source: Malian authorities.

C. Debt Burden Thresholds Under the Debt Sustainability Framework

3. **Mali is a medium policy performer for the purpose of debt burden thresholds under the Debt Sustainability Framework (DSF)**. Mali's rating on the World Bank's Country Policy and Institutional Assessment (CPIA) averaged 3.68 (on a scale of 1 to 6) during 2007–09. The corresponding debt burden thresholds are shown in Text Table 3.

Text Table 3. External Public Debt Burden Thresholds for "Medium Policy Performers" under the Debt Sustainability Framework	
Present value of external debt in percent of:	
GDP	40
Exports	150
Revenue	250
External debt service in percent of:	
Exports	20
Revenue	30

II. Baseline Scenario Underlying the Debt Sustainability Analysis

4. **The central feature of Mali's medium- and long-term macroeconomic outlook is the steady decline of annual gold production expected to be picked up only in part by other exports**. The baseline scenario assumes a slight increase of trend growth as agriculture more than offsets the trend decline of gold production (Box 1). Inflation is expected to remain moderate on account of the continuation of the implementation of prudent fiscal

Box 1. Mali: Macroeconomic Assumptions Under the Baseline Scenario, 2010–30

- **Real GDP** growth is projected to average 5.2 percent per year, slightly above the trend observed during the last 10 years (4.8 percent). Gold output is expected to decline by about 2 percent annually starting in 2013. Higher agricultural production is expected to outweigh this decline over time owing to cotton and other agricultural sector reforms. With population growth currently over 3.5 percent, the baseline scenario thus assumes limited per capita income growth (and therefore no decline in the grant element of lending).
- **Consumer price inflation** is projected to remain below the WAEMU convergence criterion of 3 percent.
- **The basic fiscal deficit** (domestic revenue (i.e. excluding grants) minus domestically financed expenditure) is expected to hover around 1 percent of GDP, and to be fully financed by external budgetary assistance. In 2009-12, the basic fiscal deficit departs slightly form that trend as a temporary fiscal stimulus is implemented with the proceeds of the privatization of the state telecom company SOTELMA. Including foreign-financed capital expenditure, the overall fiscal deficit (excluding grants) is projected to remain around 7 percent of GDP and to be financed by grants for 60 percent and loans for the balance. Public sector external debt is expected to carry an effective interest rate of less than 1 percent, slightly less than the historic average of 1.3 percent. No new domestic medium or long-term borrowing is assumed other than the rollover of treasury bills and bonds.
- **The current account deficit** is projected to stay close to 8 percent of GDP over 2010–30. Gold exports volumes are expected to decline steadily over time and the share of gold in total exports should fall from 74 percent in 2010 to about 30 percent in 2030. This decline is projected to be compensated by a gradual increase of other exports (including food, cotton, and other minerals) and a reduction of imports.

policies with limited recourse to domestic financing. The current account deficit is expected to remain stable, as the decline in gold exports is compensated by an increase of other exports including food and other minerals and a decrease in imports.

III. Debt Sustainability Analysis

A. External Debt

5. **Under baseline assumptions, all external debt and debt-service ratios remain below the policy-dependent thresholds throughout the projection period** (Figure 1). The present value (PV) of external debt is expected to climb from 16 percent of GDP in 2010 to 19 percent in 2030 (Figure 1b, Table 1a). As production from existing gold mines declines and other exports' growth only partly compensates for that decline, the PV of the external debt-to-exports ratio is projected to increase from 62 percent in 2010 to 113 percent in 2030, well below the threshold of 150 percent (Figure 1c, Table 1a). With projected increase in tax revenue collection by about 2.6 percent of GDP during the projection period, the PV of the external debt-to-revenue ratio is projected to hover around 90 percent of GDP, which is significantly below the threshold of 250 percent (Figure 1d, Table 1a).

6. **Mali's external debt sustainability is most sensitive to an export shock or a hardening of financial terms**. Under a bound test that reduces exports *growth* temporarily in 2011-12 with the effect of reducing exports *levels* permanently by 30 percent, the PV of the debt-to-exports ratio would exceed the threshold in the year 2017 and remain high until the end of the projection period (Figure 1c; Table 1b, Scenario B2). Under a hardening of financial terms, the PV of debt-to-exports ratio would also breach the threshold significantly in the second half of the projection period and for a protracted period of time (Table 1b, Scenario A2).

B. Public Debt

7. **The inclusion of domestic debt does not alter the assessment of Mali's debt sustainability**. Given the small size of Mali's domestic debt and the continuation of limited recourse to domestic financing embedded in the base line scenario, the public debt sustainability analysis closely mirrors the external debt sustainability analysis (Figure 2 and Table 2a). The PV of debt-to-GDP ratio increases from 19 percent in 2010 to 20 percent in 2030.

8. **Mali's total public debt sustainability is most sensitive to a growth shock.** In particular, reducing trend growth by about ¾ of one percent would increase the PV of debt to GDP to 39 percent in 2030 (Figure 2; Table 2b, Scenario A3).

C. Comparison with Previous Debt Sustainability Analysis

9. **Mali's debt vulnerabilities have increased compared to the 2009 DSA, as the volatility of gold exports has amplified**. The present DSA begins with a higher initial external debt (up by about 2 percent of GDP in 2009, Text Table 1) than the previous DSA completed in December 2009 on the basis of end-2008 data.[1] This increase stems mostly from multilateral creditors (IDA, IMF, African Development Bank, Islamic Development Bank). The baseline scenario remains broadly in line with the previous DSA. As in last year's DSA, none of the debt indicators breach the external public debt burden thresholds throughout the projection period under the baseline scenario. But in contrast to the previous DSA, the PV of debt-to-exports ratio now permanently crosses the sustainability threshold under the export shock (¶6) owing to increased volatility of gold exports. This difference illustrates the sensitivity of Mali's external debt sustainability to gold sector developments and the diversification of exports.

D. The Authorities' Views

10. **The authorities broadly concurred with the results of the DSA analysis but expressed more optimism about the medium-term export outlook**. They acknowledged that the debt vulnerabilities have increased somewhat compared to the last DSA owing to the increased volatility of gold exports. But they expressed more optimism about the medium-term exports outlook owing to efforts underway to sustain gold production beyond the next five to seven years, and projects at various stages of development for mining diversification (cement, phosphate, uranium, bauxite, manganese, copper, nickel, …). They also underscored that the revival of the cotton industry could improve exports too.

IV. Debt Distress Classification and Conclusions

11. **The updated DSA indicates that the risk of debt distress has shifted from low to moderate because exports volatility has increased compared to the 2009 DSA**. As in last year's DSA, none of the debt burden thresholds are breached over the 20-year projection period under the baseline scenario. But, contrary to last year's DSA, debt sustainability has become sensitive to an export shock as the volatility of gold exports has increased. Given the expected decline in gold exports in the medium term and the uncertain prospects for export diversification, Mali's debt sustainability needs to remain under close scrutiny, and the government should continue to limit its recourse to external financing to grants and concessional loans.

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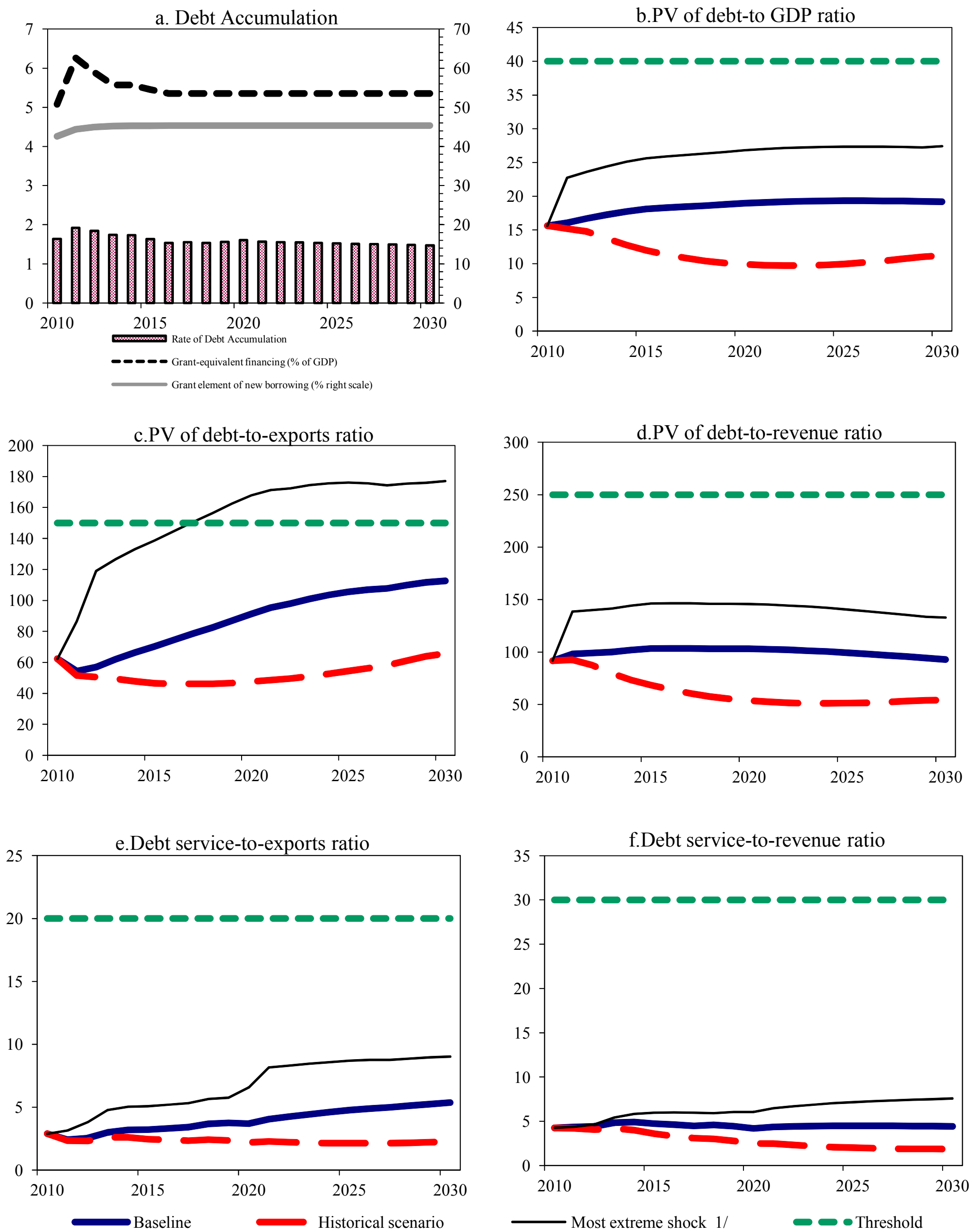
[1] IMF Country Report No.10/64, Mali - Third Review Under the Three-Year Arrangement Under the Extended Credit Facility - Staff Report; Joint IMF/IDA Debt Sustainability Analysis.

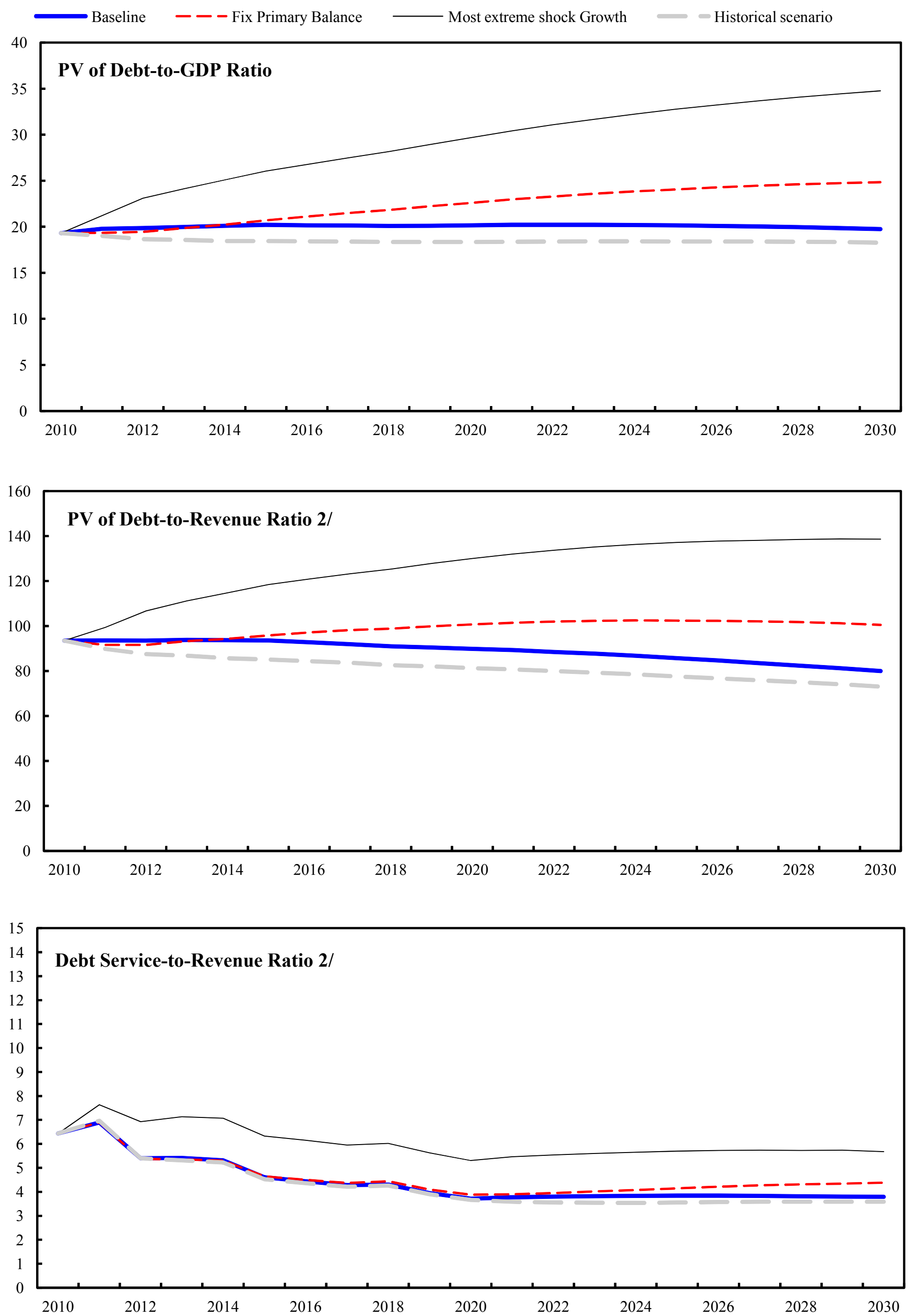
Figure 1. Mali: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2010-2030 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2020. 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 Exports shock and in figure f. to a Terms shock

Figure 2.Mali: Indicators of Public Debt Under Alternative Scenarios, 2010-2030 1/



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in 2020.
2/ Revenues are defined inclusive of grants.

Table 1a.: External Debt Sustainability Framework, Baseline Scenario, 2007-2030 1/

(In percent of GDP, unless otherwise indicated)

	Actual			Historical Average 6/	Standard Deviation	Projections									
	2007	2008	2009			2010	2011	2012	2013	2014	2015	2010-2015 Average	2029	2030	2016-2030 Average
External debt (nominal) 1/	**19.4**	**19.1**	**21.2**			**25.2**	**26.1**	**27.2**	**28.2**	**29.2**	**29.8**		**31.0**	**30.8**	
o/w public and publicly guaranteed (PPG)	19.4	19.1	21.2			25.2	26.1	27.2	28.2	29.2	29.8		31.0	30.8	
Change in external debt	0.5	-0.3	2.1			4.1	0.9	1.1	1.0	0.9	0.6		-0.1	-0.1	
Identified net debt-creating flows	-1.3	4.3	-1.1			3.2	0.9	1.4	2.4	2.4	2.0		0.1	0.0	
Non-interest current account deficit	**3.4**	**9.6**	**3.8**	**4.3**	**3.2**	**5.7**	**4.0**	**4.4**	**5.3**	**5.3**	**5.0**		**3.3**	**3.3**	3.9
Deficit in balance of goods and services	9.0	14.3	8.0			9.0	7.0	6.9	6.8	7.0	6.9		7.9	7.9	
Exports	26.6	28.7	26.6			25.1	29.5	29.2	27.8	26.7	25.8		17.2	17.0	
Imports	35.6	43.0	34.6			34.1	36.5	36.1	34.6	33.7	32.6		25.1	25.0	
Net current transfers (negative = inflow)	-5.5	-5.2	-4.6	-4.7	0.5	-4.3	-3.8	-3.7	-3.6	-3.5	-3.4		-2.2	-2.1	-2.6
o/w official	-1.8	-1.2	-1.3			-1.2	-1.0	-1.0	-1.0	-1.0	-1.0		-1.0	-1.0	
Other current account flows (negative = net inflow)	-0.1	0.5	0.4			1.0	0.9	1.1	2.1	1.8	1.4		-2.4	-2.6	
Net FDI (negative = inflow)	**-2.3**	**-2.1**	**-4.8**	**-2.6**	**1.0**	**-1.9**	**-1.9**	**-1.9**	**-1.9**	**-1.9**	**-1.9**		**-1.9**	**-1.9**	-1.9
Endogenous debt dynamics 2/	**-2.4**	**-3.3**	**-0.1**			**-0.7**	**-1.2**	**-1.0**	**-1.0**	**-1.0**	**-1.1**		**-1.3**	**-1.3**	
Contribution from nominal interest rate	0.3	0.3	0.3			0.2	0.3	0.3	0.3	0.3	0.3		0.2	0.2	
Contribution from real GDP growth	-0.7	-0.8	-0.8			-0.9	-1.4	-1.3	-1.2	-1.3	-1.4		-1.5	-1.6	
Contribution from price and exchange rate changes	-2.0	-2.8	0.4			…	…	…	…	…	…		…	…	
Residual (3-4) 3/	**1.8**	**-4.6**	**3.2**			**0.9**	**-0.1**	**-0.3**	**-1.4**	**-1.5**	**-1.4**		**-0.1**	**-0.1**	
o/w exceptional financing	-0.3	-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/	...	...	13.3			15.6	16.1	16.7	17.3	17.8	18.1		19.2	19.2	
In percent of exports	...	...	50.3			62.3	54.4	57.1	62.0	66.4	70.3		111.6	112.6	
PV of PPG external debt	**...**	**...**	**13.3**			**15.6**	**16.1**	**16.7**	**17.3**	**17.8**	**18.1**		**19.2**	**19.2**	
In percent of exports	**...**	**...**	**50.3**			**62.3**	**54.4**	**57.1**	**62.0**	**66.4**	**70.3**		**111.6**	**112.6**	
In percent of government revenues	**...**	**...**	**77.9**			**91.7**	**98.1**	**99.1**	**100.0**	**102.0**	**103.3**		**94.4**	**92.9**	
Debt service-to-exports ratio (in percent)	**6.5**	**3.5**	**2.5**			**2.9**	**2.4**	**2.5**	**3.0**	**3.2**	**3.2**		**5.3**	**5.4**	
PPG debt service-to-exports ratio (in percent)	**6.5**	**3.5**	**2.5**			**2.9**	**2.4**	**2.5**	**3.0**	**3.2**	**3.2**		**5.3**	**5.4**	
PPG debt service-to-revenue ratio (in percent)	**10.4**	**6.4**	**3.8**			**4.3**	**4.4**	**4.4**	**4.8**	**4.9**	**4.7**		**4.4**	**4.4**	
Total gross financing need (Billions of U.S. dollars)	0.2	0.8	0.0			0.4	0.3	0.3	0.5	0.5	0.5		0.8	0.9	
Non-interest current account deficit that stabilizes debt ratio	2.9	9.9	1.7			1.7	3.1	3.3	4.3	4.4	4.4		3.3	3.4	
Key macroeconomic assumptions															
Real GDP growth (in percent)	4.3	5.0	4.5	4.8	3.8	4.5	6.0	5.4	4.8	4.9	5.0	5.1	5.4	5.4	5.2
GDP deflator in US dollar terms (change in percent)	12.0	16.9	-2.0	7.1	9.3	-2.7	1.7	1.9	1.9	1.9	2.0	1.1	2.4	1.4	2.3
Effective interest rate (percent) 5/	1.9	1.9	1.7	1.3	0.5	1.2	1.1	1.0	1.0	1.0	0.9	1.0	0.8	0.8	0.9
Growth of exports of G&S (US dollar terms, in percent)	3.5	32.3	-5.1	14.2	15.9	-4.0	27.0	6.4	1.7	2.7	3.2	6.1	6.0	5.7	4.7
Growth of imports of G&S (US dollar terms, in percent)	18.3	48.4	-17.6	14.0	20.0	0.2	15.3	6.4	2.3	4.3	3.5	5.3	6.7	6.3	5.7
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	42.6	44.4	45.0	45.2	45.3	45.3	44.6	45.3	45.3	45.3
Government revenues (excluding grants, in percent of GDP)	16.6	15.5	17.1			17.0	16.4	16.8	17.2	17.4	17.5		20.4	20.6	19.1
Aid flows (in Billions of US dollars) 7/	0.6	0.5	0.8			0.6	0.8	0.9	0.9	0.9	1.0		2.6	2.8	
o/w Grants	0.3	0.3	0.4			0.3	0.5	0.5	0.5	0.5	0.5		1.5	1.6	
o/w Concessional loans	0.2	0.2	0.4			0.3	0.4	0.4	0.4	0.4	0.4		1.2	1.2	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			5.1	6.3	5.9	5.6	5.6	5.5		5.4	5.4	5.4
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			71.8	76.5	76.0	75.2	75.3	76.3		77.4	77.4	77.4
Memorandum items:															
Nominal GDP (Billions of US dollars)	7.2	8.8	9.0			9.1	9.8	10.6	11.3	12.1	12.9		36.3	38.8	
Nominal dollar GDP growth	16.8	22.7	2.4			1.6	7.8	7.4	6.8	6.9	7.0	6.3	7.9	6.9	7.6
PV of PPG external debt (in Billions of US dollars)			1.3			1.4	1.6	1.8	1.9	2.1	2.3		7.0	7.5	
(PVt-PVt-1)/GDPt-1 (in percent)						1.6	1.9	1.8	1.7	1.7	1.6	1.7	1.5	1.5	1.5
Gross workers' remittances (Billions of US dollars)	0.1	0.1	0.1			0.1	0.1	0.1	0.1	0.1	0.1		0.3	0.3	
PV of PPG external debt (in percent of GDP + remittances)	...	...	13.2			15.5	15.9	16.5	17.1	17.6	18.0		19.1	19.0	
PV of PPG external debt (in percent of exports + remittances)	...	...	48.5			60.1	52.8	55.4	60.0	64.3	68.0		106.1	107.0	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	2.4			2.8	2.4	2.5	2.9	3.1	3.1		5.0	5.1	

Sources: Country authorities; and staff estimates and projections.

1/ Includes central government gross debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) 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/ Current-year interest payments divided by previous period debt stock.

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

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

8/ 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, 2010-2030
(In percent)

	Projections							
	2010	2011	2012	2013	2014	2015	**2020**	2030
PV of debt-to GDP ratio								
Baseline	16	16	17	17	18	18	**19**	19
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	16	15	15	14	13	12	**10**	11
A2. New public sector loans on less favorable terms in 2010-2030 2/	16	17	19	20	22	23	**27**	31
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	16	17	18	19	19	20	**21**	21
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	16	20	25	25	25	26	**25**	22
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	16	17	18	19	19	20	**20**	21
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	16	16	16	17	17	18	**19**	19
B5. Combination of B1-B4 using one-half standard deviation shocks	16	19	22	22	23	23	**23**	21
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	16	23	24	24	25	26	**27**	27
PV of debt-to-exports ratio								
Baseline	62	54	57	62	66	70	**91**	113
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	62	51	50	49	48	47	**48**	66
A2. New public sector loans on less favorable terms in 2010-2030 2/	62	58	64	73	81	88	**129**	185
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	62	54	57	62	66	70	**91**	113
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	62	86	119	127	133	139	**168**	177
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	62	54	57	62	66	70	**91**	113
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	62	54	56	61	65	69	**90**	113
B5. Combination of B1-B4 using one-half standard deviation shocks	62	74	86	92	98	102	**127**	144
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	62	54	57	62	66	70	**91**	113
PV of debt-to-revenue ratio								
Baseline	92	98	99	100	102	103	**103**	93
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	92	93	88	80	73	68	**54**	54
A2. New public sector loans on less favorable terms in 2010-2030 2/	92	104	111	117	124	130	**145**	152
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	92	103	108	109	111	113	**113**	103
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	92	121	148	146	146	146	**136**	105
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	92	102	107	108	110	112	**111**	101
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	92	97	97	98	100	102	**102**	93
B5. Combination of B1-B4 using one-half standard deviation shocks	92	114	130	130	131	131	**125**	104
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	92	139	140	142	144	146	**146**	133

Table 1b.Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2010-2030 (continued)

(In percent)

Debt service-to-exports ratio

Baseline	3	2	3	3	3	3	**4**	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	3	2	2	3	3	2	**2**	2
A2. New public sector loans on less favorable terms in 2010-2030 2/	3	2	3	3	4	4	**5**	9
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	3	2	3	3	3	3	**4**	5
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	3	3	4	5	5	5	**7**	9
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	3	2	3	3	3	3	**4**	5
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	3	2	3	3	3	3	**4**	5
B5. Combination of B1-B4 using one-half standard deviation shocks	3	3	3	4	4	4	**5**	7
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	3	2	3	3	3	3	**4**	5

Debt service-to-revenue ratio

Baseline	4	4	4	5	5	5	**4**	4
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	4	4	4	4	4	4	**2**	2
A2. New public sector loans on less favorable terms in 2010-2030 2/	4	4	5	5	6	6	**6**	8
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	4	5	5	5	5	5	**5**	5
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	4	4	5	6	6	5	**5**	5
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	4	5	5	5	5	5	**5**	5
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	4	4	4	5	5	5	**4**	4
B5. Combination of B1-B4 using one-half standard deviation shocks	4	4	5	5	5	5	**5**	5
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	4	6	6	7	7	7	**6**	6
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	44	44	44	44	44	44	**44**	44

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, 2007-2030
(In percent of GDP, unless otherwise indicated)

	Actual			Average 5/	Standard Deviation	Estimate	Projections								
	2007	2008	2009			2010	2011	2012	2013	2014	2015	2010-15 Average	2020	2030	2016-30 Average
Public sector debt 1/	21.7	21.6	24.2			28.9	29.8	30.4	31.0	31.5	31.9		32.0	31.4	
o/w foreign-currency denominated	19.4	19.1	21.2			25.2	26.1	27.2	28.2	29.2	29.8		30.8	30.8	
Change in public sector debt	1.4	-0.1	2.6			4.7	0.9	0.6	0.6	0.5	0.4		0.1	-0.2	
Identified debt-creating flows	-0.8	-1.9	-3.2			4.1	1.5	1.5	1.1	1.0	0.8		0.5	0.3	
Primary deficit	2.8	1.9	3.9	2.2	1.1	3.1	3.9	3.2	2.7	2.7	2.5	3.0	2.4	2.3	2.4
Revenue and grants	21.3	19.0	21.7			20.6	21.1	21.2	21.3	21.5	21.6		22.4	24.7	
of which: grants	4.8	3.4	4.6			3.6	4.7	4.4	4.1	4.1	4.1		4.1	4.1	
Primary (noninterest) expenditure	24.1	20.8	25.6			23.8	25.0	24.4	24.0	24.2	24.1		24.8	27.0	
Automatic debt dynamics	-2.6	-1.1	-2.5			1.2	-2.1	-1.7	-1.6	-1.7	-1.7		-1.9	-2.1	
Contribution from interest rate/growth differential	-1.0	-1.2	-0.9			-1.0	-1.7	-1.6	-1.6	-1.7	-1.7		-1.8	-1.9	
of which: contribution from average real interest rate	-0.1	-0.2	0.0			0.0	0.0	-0.1	-0.2	-0.2	-0.3		-0.3	-0.3	
of which: contribution from real GDP growth	-0.8	-1.0	-0.9			-1.0	-1.6	-1.5	-1.4	-1.4	-1.5		-1.5	-1.6	
Contribution from real exchange rate depreciation	-1.6	0.1	-1.6			2.2	-0.4	0.0	0.0	0.0	0.0		...	...	
Other identified debt-creating flows	-1.0	-2.7	-4.6			-0.3	-0.3	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	-1.0	-4.3			0.0	-0.1	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	-1.0	-1.7	-0.3			-0.3	-0.2	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	2.2	1.8	5.8			0.6	-0.7	-0.9	-0.4	-0.5	-0.4		-0.4	-0.4	
Other Sustainability Indicators															
PV of public sector debt	2.3	2.5	16.4			19.3	19.8	19.8	20.0	20.1	20.2		20.2	19.7	
o/w foreign-currency denominated	0.0	0.0	13.3			15.6	16.1	16.7	17.3	17.8	18.1		19.0	19.2	
o/w external	...	...	13.3			15.6	16.1	16.7	17.3	17.8	18.1		19.0	19.2	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	4.6	2.9	4.6			5.2	6.7	6.4	5.8	5.7	5.2		4.4	3.9	
PV of public sector debt-to-revenue and grants ratio (in percent)	11.0	13.4	75.4			93.6	93.6	93.5	93.8	93.7	93.7		89.8	80.0	
PV of public sector debt-to-revenue ratio (in percent)	14.1	16.3	95.5			113.3	120.6	117.8	115.9	115.5	115.3		109.7	95.7	
o/w external 3/	…	…	77.9			91.7	98.1	99.1	100.0	102.0	103.3		103.1	92.9	
Debt service-to-revenue and grants ratio (in percent) 4/	8.5	5.5	3.4			6.4	6.9	5.4	5.4	5.3	4.6		3.7	3.8	
Debt service-to-revenue ratio (in percent) 4/	10.9	6.7	4.3			7.8	8.9	6.8	6.7	6.5	5.7		4.5	4.5	
Primary deficit that stabilizes the debt-to-GDP ratio	1.3	2.0	1.3			-1.6	3.0	2.6	2.0	2.2	2.2		2.3	2.5	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	4.3	5.0	4.5	4.8	3.8	4.5	6.0	5.4	4.8	4.9	5.0	5.1	5.0	5.4	5.2
Average nominal interest rate on forex debt (in percent)	1.9	1.9	1.7	1.3	0.5	1.2	1.1	1.0	1.0	1.0	0.9	1.0	0.9	0.8	0.9
Average nominal interest rate on domestic debt (in percent)	6.0	2.0	3.3	4.4	2.2	6.3	4.6	3.8	3.8	3.7	3.5	4.3	3.5	3.6	3.5
Average real interest rate (in percent)	-0.6	-0.9	0.1	-1.1	0.7	0.0	-0.2	-0.5	-0.7	-0.8	-0.8	-0.5	-1.0	-1.0	-1.0
Average real interest rate on foreign-currency debt (in percent)	-2.7	-2.1	-1.5	-2.3	0.6	-1.5	-1.4	-1.7	-1.9	-1.9	-1.9	-1.7	-1.9	-1.9	-1.9
Average real interest rate on domestic debt (in percent)	3.4	-6.3	-0.2	0.0	0.0	2.6	0.9	1.3	1.4	1.2	1.1	1.4	1.1	1.1	1.1
Real exchange rate depreciation (in percent, + indicates depreciation)	-9.1	0.4	-8.5	-4.7	9.2	11.1	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	2.6	8.8	3.6	4.0	3.4	3.6	3.6	2.5	2.4	2.4	2.4	2.8	2.3	2.5	2.4
Growth of real primary spending (deflated by GDP deflator, in percent)	0.0	-0.1	0.3	0.1	0.1	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.1	0.1
Grant element of new external borrowing (in percent)	...	...	...	…	…	42.6	44.4	45.0	45.2	45.3	45.3	44.6	45.3	45.3	...

Sources: Country authorities; and staff estimates and projections.
1/ Includes central government gross debt.
2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.
3/ 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 for Key Indicators of Public Debt 2010-2030

	Projections							
	2010	2011	2012	2013	2014	2015	2020	2030
PV of Debt-to-GDP Ratio								
Baseline	19	20	20	20	20	20	20	20
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	19	19	19	19	18	18	18	18
A2. Primary balance is unchanged from 2010	19	19	19	20	20	21	23	25
A3. Permanently lower GDP growth 1/	19	20	20	21	21	22	26	38
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2011-2012	19	21	23	24	25	26	30	35
B2. Primary balance is at historical average minus one standard deviations in 2011-2012	19	19	20	20	20	20	20	20
B3. Combination of B1-B2 using one half standard deviation shocks	19	20	20	21	21	22	24	28
B4. One-time 30 percent real depreciation in 2011	19	26	25	24	23	23	20	17
B5. 10 percent of GDP increase in other debt-creating flows in 2011	19	25	25	25	25	25	24	22
PV of Debt-to-Revenue Ratio 2/								
Baseline	94	94	94	94	94	94	90	80
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	94	90	88	87	86	85	81	73
A2. Primary balance is unchanged from 2010	94	92	92	93	94	96	101	101
A3. Permanently lower GDP growth 1/	94	95	96	98	100	102	114	151
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2011-2012	94	99	107	111	115	118	130	139
B2. Primary balance is at historical average minus one standard deviations in 2011-2012	94	92	92	92	92	92	89	79
B3. Combination of B1-B2 using one half standard deviation shocks	94	92	93	96	98	101	107	111
B4. One-time 30 percent real depreciation in 2011	94	121	116	113	109	106	90	69
B5. 10 percent of GDP increase in other debt-creating flows in 2011	94	120	119	118	117	116	107	88
Debt Service-to-Revenue Ratio 2/								
Baseline	6	7	5	5	5	5	4	4
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	6	7	5	5	5	5	4	4
A2. Primary balance is unchanged from 2010	6	7	5	5	5	5	4	4
A3. Permanently lower GDP growth 1/	6	7	5	6	5	5	4	6
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2011-2012	6	7	6	6	6	5	4	6
B2. Primary balance is at historical average minus one standard deviations in 2011-2012	6	7	5	5	5	5	4	4
B3. Combination of B1-B2 using one half standard deviation shocks	6	7	6	6	5	5	4	5
B4. One-time 30 percent real depreciation in 2011	6	8	7	7	7	6	5	6
B5. 10 percent of GDP increase in other debt-creating flows in 2011	6	7	6	6	6	5	4	4

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.

INTERNATIONAL MONETARY FUND

MALI

Fifth Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for Extension of the Arrangement and Rephasing of Disbursement—Informational Annex

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

Approved by Roger Nord and Thomas Dorsey

January 3, 2011

- **Relations with the Fund.** Describes financial and technical assistance from the Fund and provides information on the safeguards assessment and exchange rate system.

- **Joint Management Action Plan (JMAP).** Describes the priorities and main activities of the World Bank Group and areas of cooperation with the IMF in their work with Malian authorities.

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

Contents Page

I. Mali: Relations with the Fund

(As of November 30, 2010)

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

II. General Resources Account	SDR Millions	%Quota
Quota	93.30	100.00
Fund holdings of currency	83.32	89.30
Reserve position	9.99	10.71

III. SDR Department	SDR Millions	%Allocation
Net cumulative allocation	89.36	100.00
Holdings	73.44	82.18

IV. Outstanding Purchases and Loans	SDR Millions	%Quota
ECF arrangements	31.86	34.14

V. Latest Financial Arrangements

Type	Approval Date	Expiration Date	Amount Approved (SDR Millions)	Amount Drawn (SDR Millions)
ECF[1]	May 28, 2008	May 27, 2011	27.99	23.99
ECF[1]	Jun 23, 2004	Nov 30, 2007	9.33	9.33
ECF[1]	Aug 06, 1999	Aug 05, 2003	51.32	51.32

1/ Formerly PRGF.

VI. Projected Payments to Fund [2/]

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

		Forthcoming			
	2010	2011	2012	2013	2014
Principal		0.53	1.20	2.90	5.20
Charges/interest	0.01	0.06	0.14	0.13	0.12
Total	0.01	0.59	1.33	3.03	5.32

2/ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

VII. Implementation of HIPC Initiative

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

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

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

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

VIII. Implementation of Multilateral Debt Relief Initiative (MDRI)

I. MDRI-eligible debt (SDR million)[1]	75. 07
Financed by: MDRI Trust	62.44
Remaining HIPC resources	12.63

II. Debt Relief by Facility (SDR million)

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

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

IX. Safeguards Assessments

The Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union (WAMU). The most recent safeguards assessment of the BCEAO was completed on March 1, 2010. The 2010 update assessment found that the BCEAO continues to have controls in place at the operational level. The overall governance framework needed nonetheless to be strengthened by the addition of an audit committee to ensure that the Board of Directors exercises appropriate oversight over the control structure, including the audit mechanisms and financial statements. The Institutional Reform of the WAEMU and the BCEAO completed after the approval of the safeguards report stipulated creation of the Audit Committee. Efforts to implement fully the International Financial Reporting Standards reporting framework should also be pursued.

X. Exchange Rate Arrangement

Mali is a member of the WAEMU. The exchange system, common to all members of the union, has no restrictions on the making of payments and transfers for current international transactions. The union's common currency, the CFA franc, was pegged to the French franc at the rate of CFAF 50 = F 1 from 1948 until early 1994. Effective January 12, 1994, the CFA franc was devalued, and the new parity set at CFAF 100 = F 1. Effective January 1, 1999, the CFA franc was pegged to the Euro at a rate of CFAF 655.96 = EUR 1.

As of June 1, 1996, Mali and other members of WAEMU accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Fund's Articles of Agreement.

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

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

XI. Article IV Consultations

Mali's Article IV consultation cycle is governed by the provisions of the July 2002 decision on consultation cycles. The Executive Board completed the 2010 Article IV consultation (EBS/10/132) on July 16, 2010. The next Article IV consultation is expected to be completed by July 2012.

XII. Technical Assistance

Department	Type of Assistance	Time of Delivery	Purpose
AFRITAC	Expert	Sept 2010	Tax Administration
FAD	Staff	Sept 2010	Tax Policy
AFRITAC	Banking Supervision Advisor	June 2010	Restructuring of a government owned bank
AFRITAC	Expert	May 2010	Program budgeting
AFRITAC	Expert	May 2010	Customs administration
AFRITAC	Expert	April 2010	Land registry administration
MCM	Staff	April 2010	Public Debt Management
FAD	Expert	April 2010	Tax Administration
FAD	Expert	March 2010	Expenditure administration
AFRITAC	STA Advisor	Feb. 2010	Compile the financing data of the TOFE
AFRITAC	STA Advisor	August 2009	Workshop on the use of GFSM 2001 methodology to compile GFS data
FAD	Expert	June 2009	Tax Administration
FAD	Expert	Nov. 2008	Help establish medium-size taxpayer unit
AFRITAC	STA Advisor	Oct. 2008	Workshop on the current TOFE
FAD	Expert	Oct. 2008	Assist Treasury computerization
AFRITAC	Expert	Sept. 2008	Prepare the source data for the 2006 national accounts
STA	Staff	July 2008	Advance GFS 2001 implementation
AFRITAC	Expert	June 2008	Strengthen microfinance supervision in Mali
AFRITAC	Expert	June 2008	Strengthen real sector statistics in Mali
FAD	Staff	April 2008	Strengthening of public accounts
FAD	Expert	March 2008	Establishment of medium-size taxpayer unit
FAD	Staff	Feb. 2008	Customs administration

XIII. Resident Representative

Mr. Alain Feler has been the Fund Resident Representative in Bamako since November 2008.

II. RELATIONS WITH THE BANK

The JMAP Bank–Fund Matrix

Title	Products	Provisional Timing of Missions	Provisional Delivery Dates
	A. Mutual Information on Relevant Work Programs		
Bank Work Program	Poverty Reduction Strategy Credit (PRSC) 5	Identification: September 2010 Pre-appraisal: December 2010 Appraisal and negotiations: January, 2011	March 2011
	Governance and Budget Decentralization Technical Assistance	Preparation: September 2010 Pre-appraisal: December 2010 Appraisal and negotiations: January 2011	March 2011
	Poverty and Gender Notes Economic Sector Work	Data cleaning and tabulations: December 2010 Workshop to discuss preliminary poverty profile: February 2011	December 2011
	PEFA Update	Launch workshop: July 2010 Workshop to discuss preliminary PEFA results: September 2010 Workshop to discuss draft PEFA Update report: October 2010	February 2011
	Growth Notes		December, 2010
Fund Work Program	Sixth ECF Review	March 2011	June 2011
	Seventh ECF Review/possible discussion of a new arrangement	September 2011	December 2011
	Treasury Advisor	January 2011	April 2011
	B. Requests for Work Program Inputs		
Fund request to the Bank	Comments on the composition of the 2012 Budget and linkages between budget allocations and the G-PRSP	September 2011	September 2011
Bank request to the Fund	Information on recent macroeconomic developments, macroeconomic projections and analysis for 2011 and the medium term	November 2010 March 2011 September 2011	January 2011 June 2011 December 2011

Title	Products	Provisional Timing of Missions	Provisional Delivery Dates
		C. Agreement on Joint Products	
Joint Work Program	Joint Bank-Fund Debt Sustainability Analysis	September 2010 November 2010	January 2011
	Joint Bank-Fund advice on G-PRSP Progress Report	June 2010	
	Joint Bank-Fund Staff Advisory Note on G-PRSP III	September 2011	December 2011

III. MALI-STATISTICAL ISSUES APPENDIX

(As of November 30, 2010)

A. Assessment of Data Adequacy for Surveillance

General: Data provision has some shortcomings, but is broadly adequate for surveillance. The metadata has been posted on the Dissemination Standards Bulletin Board (DSBB) since June 2003. Fiscal Transparency ROSC mission was conducted in July 2001 (July 17-31, 2001). The country report was published in February 2002 (IMF Country Report No. 02/23).

National Accounts: The economic accounts of Mali are prepared by the National Institute of Statistics (*INSTAT*), in accordance with the *System of National Accounts 1968 (SNA68)* and adapted to certain characteristics specific to Mali. They are compiled on an annual basis. There are, however, weaknesses in the accuracy, coverage, and timeliness of national accounts data. The main reason has been the inadequacy of source data, along with insufficient funding and technical staffing of the DNSI. The work on implementing the *System of National Account*s 1993 (1993 SNA) is ongoing, with the support of the West African Economic and Monetary Union (WAEMU) Commission and AFRITAC West. At this time, the new base year, 2006, has been completed, and 2007 is near completion. It is expected that a new national accounts series spanning 1997-2007 will be available by early 2011.

Price statistics: In concert with other WAEMU member countries, the INSTAT has been compiling and publishing a harmonized consumer price index (CPI) for Bamako on a monthly basis since early 1998. The CPI was rebased in 2008, with a new basket of products and revised weights.

Government finance statistics: As part of the process of economic integration among the member countries of the WAEMU, the country has made significant progress in bringing its fiscal data in line with the common framework that has been developed with technical assistance from the Fund (the harmonized table of government financial operations – TOFE). However, further efforts are needed to improve the timeliness of the TOFE, and the consistency of some of its source data. Work is progressing with the assistance of STA and AFRITAC West to develop compiling tools, implement the regional statistics guideline adopted in June 2009, and train the Malian officials on the GFS methodology. Fiscal data are disseminated on the Bank of Central African States (BCEAO), and the National Institute of Statistic (INSTAT) and the WAEMU's website. In February 2010, AFRITAC West staff visited Mali to assist the authorities in the compilation of the financing data of the TOFE. Particular attention was given to the consistency between financing data and the Revenue and Expenditure data. Public debt statistics are prepared and monitored by separate agencies: external debt by the National Public Debt Directorate (NPDD) and domestic debt by the National Directorate of the Treasury and Government Accounting. The NPDD uses CS-DRMS accounting software. Debt data and projections are of generally good quality, although there is scope for improving presentation as well as the coverage of debt relief

(multilateral and bilateral). A procedure for regularly updating exchange rate projections is needed as well as a fully mastering of the software.
Monetary statistics: Monetary and financial statistics, compiled and disseminated by the BCEAO, are broadly adequate and their institutional coverage is comprehensive. Accuracy is somewhat hampered by the use of outdated sorting coefficients to estimate cross border amounts of banknotes among BCEAO countries, which in turn, are used to estimate currency in circulation and to adjust the net foreign assets of each member country.
Balance of payments: The BCEAO is responsible for compiling Mali's balance of payments statistics. Under the provisions governing financial relations with the rest of the world, the central bank is authorized to request any individual or legal entity to provide any information necessary for compiling the balance of payments. For validation, compiled data must be approved by Mali's Balance of Payments Committee, chaired by the minister responsible for finance. On Mali's behalf, the BCEAO serves as the secretariat of the Balance of Payments Committee. The central bank currently bases its data collection on surveys of economic agents. It is testing a method of compiling data from settlements by banks, financial institutions, and the Office National des Postes (postal service) with the rest of the world. Concepts and definitions used to compile the balance of payments statistics are in broad conformity with the guidelines presented in the fourth fifth edition of the *Balance of Payments Manual* (*BPM5).* The adoption of BPM6 methodology is not required before 2013/2014. Although in GDDS website metadata last update was June 2003 for both BOP and International Investment Position (IIP), the authorities confirmed the BOPSY country notes in 2010. These notes are published in BOPSY (part 3 of the Methodologies, Compilation Practices, and Data Sources). Data on international investment position is published in IFS and BOPSY up to 2008. Annual statistics on balance of payments are reported to STA on a regular basis, but with some delay.

B. Data Standards and Quality	
Participant in the General Data Dissemination System (GDDS) since September 2001. Metadata need to be updated.	No Data ROSC is available.

C. Reporting to STA
Exchange rates, Fund position, International liquidity, Monetary Authorities, Deposit Money Banks, Monetary Survey, Interest rates, Prices (CPI), International Transactions & Positions, Balance of Payments, IIP, Government Finance, National Accounts, and Population are currently reported to the STA for publication in the *International Financial Statistics*.

Common Indicators Required for Surveillance
(As of December 16, 2010)

	Date of latest observation	Date received	Frequency of data[7]	Frequency of reporting[7]	Frequency of publication[7]
Exchange Rates	Current	Current	D	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Mar. 2010	Mar. 2010	M	M	M
Reserve/Base Money	Sep. 2010	Dec. 2010	M	M	M
Broad Money	Sep. 2010	Dec. 2010	M	M	M
Central Bank Balance Sheet	Sep. 2010	Dec. 2010	M	M	M
Consolidated Balance Sheet of the Banking System	Sep. 2010	Dec. 2010	M	M	M
Interest Rates[2]	Current	Current	I	W	M
Consumer Price Index	Sep. 2010	Nov. 2010	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	N/A	N/A			
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	Q2 2010	Nov. 2010	M	Q	A
Stocks of Central Government and Central Government-Guaranteed Debt[5]	2009	Feb. 2010	M	J	A
External Current Account Balance	2009	Mar. 2010	A	A	A
Exports and Imports of Goods and Services	2009	Mar. 2010	A	A	A
GDP/GNP	2009	Mar. 2010	A	A	Semi-A
Gross External Debt	2009	Mar. 2010	A	A	A
International Investment Position[6]	2008	Apr. 2009	A	A	A

[1] Any reserve assets that are pledged of otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Includes external gross financial asset and liability position vis-à-vis nonresidents.
[7] Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).

Statement by the IMF Staff Representative on Mali

January 20, 2011

1. This statement provides information that has become available since the issuance of staff report on January 4, 2011. The new information does not alter the thrust of the staff appraisal.

2. Parliament adopted the 2011 budget. The final budget is very close to the draft budget on which the program is anchored: approved spending is slightly higher than in the draft budget (by CFA 13 billion or 0.2 percent of GDP) owing to capital expenditure financed with grants.

3. Three of the four measures subject to end-December 2010 structural benchmarks have been implemented (Memorandum of Economic and Financial Policies [MEFP], Table 2). The authorities have produced an evaluation of the Housing Bank of Mali (BHM) restructuring. They have elaborated a program for the reform of the tax system, aiming at a greater mobilization of revenue while ensuring greater rationalization and modernization of the tax laws, including through reconsideration of tax exemptions. They have implemented a new public accounting software in the Treasury with the necessary links to the budget application software to ensure monitoring of spending from commitment to payment, including the stock of pending bills. However, they have not yet completed the implementation of a system for the management and timely payment of Value Added Tax (VAT) credits to eligible companies, as the opening of a treasury account at the BCEAO to set aside revenue for VAT refunds is still pending (MEFP, ¶21). The authorities have committed to open this account by the end of the month.

4. Average consumer price inflation registered 1.2 percent in 2010, in line with the staff projection.

Statement by Kossi Assimaidou, Executive Director for Mali

January 21, 2011

1. My Malian authorities are thankful to Management and staff for the productive policy dialogue they continue to maintain with them. They are appreciative of Fund's valuable contribution to the design and implementation of their policy and reform agenda in the context of the program supported by the Extended Credit Facility (ECF), surveillance, and technical assistance.

Recent Economic Developments and Program Performance

2. Recent economic developments in Mali were broadly positive in 2010. Preliminary estimates indicate that real GDP growth is projected to be in the neighborhood of its 2009 level of 4.5 percent. Inflation is expected to be contained below 2 percent in line with the related regional convergence criterion. However, the current account deficit is estimated to have widened last year because of weaker export performance in the gold sector.

3. Mali continues to perform satisfactorily under its ECF-supported program, reflecting the authorities' commitment to the program objectives, including raising growth potential, reducing poverty, and improving external viability. For the remaining months of program implementation, they are determined to make further inroads in these areas, notably by pressing ahead with the economic and financial policy measures reported in their MEFP.

4. Program performance on the quantitative front continues to be satisfactory, with all end-June performance criteria and all end-June and end-September 2010 indicative targets having been met, except for the floors set for priority spending. The latter targets were missed as a result of the measures taken by the authorities to under-execute public spending following an anticipated shortfall in corporate income tax prepayments. In this connection, it is noteworthy that the 2011 budget reflects the need to ensure adequate financing of priority spending and emphasizes some of the key priority areas identified in the Growth and Poverty Reduction Strategy Paper (G-PRSP II), including education, health, food security and rural development. Program performance on the fiscal front was in line with program targets during the first nine months of 2010. Tax revenue collection was stronger than expected while public spending was under control. These achievements were partly reflective of the authorities' efforts to maintain prudent fiscal management notably by containing the basic fiscal balance.

5. On the structural front, all but one measures set as structural benchmarks for the current review were implemented, translating into better budgetary and treasury management and further progress toward reform of the cotton sector. The missed structural benchmark is related to the reporting of government fiscal operations, and in this area progress is being made, notably with Fund technical assistance.

Policy and Reform Agenda for 2011

6. In 2011, the authorities are determined to pursue implementation of prudent economic and financial policies. On the fiscal front, policy and reform measures will continue to be geared notably towards further strengthening expenditure and budget management and containing the basic fiscal deficit.

7. Materializing the authorities' determination to further improve public financial management, a new action plan has been validated that aims to optimize revenues, align budget preparation and execution with best practices, improve transparency and accountability, and further decentralization. Going forward, they will continue to work closely with the staff, standing ready to take necessary action to ensure continuous compliance with program conditions set in this area.

8. A high premium continues to be put on reforms aimed at further improving tax administration. In this connection, fiscal reforms will notably be geared towards further enhancing revenue performance, notably through streamlining and modernization of tax legislation. At the same time, ongoing efforts to further strengthen tax and customs administration will be pursued, materializing into steps to combat tax evasion and implement enhanced techniques for customs inspections.

9. In view of Mali's vulnerability to external shocks, debt management will continue to rank high on the authorities' agenda. In this regard, efforts are underway to compile a database on all agreements that give rise to government domestic debt and external debt guarantees. The agenda set for strengthening debt management also includes the implementation of a system for managing and ensuring timely payments of value-added tax (VAT) credits due to eligible companies. Furthermore, efforts to contain the budgetary float will be pursued. With regard to external debt, preference will continue to be given to external borrowing that is consistent with program requirements.

10. Over the next few months, the authorities intend to submit to the Parliament a supplementary budget that will define ways of maintaining the targeted underlying basic fiscal balance of 1.3 percent of GDP in the face of higher-than-programmed reimbursement of VAT credits in 2011. In order to ensure timely reimbursement of VAT credits owed to gold mining companies, the authorities have decided, effective January 1, 2011, to deposit in a Treasury account at the BCEAO VAT revenues collected on these companies' imports and part of other such revenues. The subsequent use of these resources is intended to be only for the purposes of repaying VAT credits. At the same time, necessary steps will be taken to clear VAT credit arrears previously accumulated. From the second half of 2011, no VAT exemptions are expected to be granted to any actors operating in the gold mining sector and they will be imposed the standard VAT.

11. In order to improve cash management, the authorities plan to take necessary steps toward the establishment of a single Treasury account. To that resolve, they plan to finalize in coming months an analysis of the impact of transferring outstanding balances of most accounts held by government entities in commercial banks to the single Treasury account at the central bank.

12. As part of their financial sector reform agenda, the authorities will pursue implementation of their financial sector development strategy with a view to promoting the stability and development of the sector. In this respect, they plan to press ahead with a number of measures aimed at strengthening minimum capital requirements for banks and other financial institutions, promoting microfinance while strengthening its supervisory framework, improving credit access for small and medium enterprises, and enhancing the financial sector's ability to mobilize remittances from migrants. An evaluation of the restructuring of the housing bank, *Banque de l'Habitat du Mali* (BHM) will also be conducted. Going forward, steps will continue to be taken to ensure that the recapitalization of the bank achieves its intended objectives, including an increase in productive loans.

13. With regard to cotton sector reform, the authorities are taking necessary steps to complete the privatization of the cotton ginning company, CMDT. Privatization of the company is expected to be completed later this year so that the investor to be selected among those shortlisted to provide bids will be able to take over the company prior to the beginning of next cotton crop season.

Relationship with the Fund: Way Forward

14. I would like to convey to Directors that my authorities would welcome an extension of the current arrangement until end-December 2011. Such an extension would give them sufficient time to take stock of Mali's program relationship with the Fund over the past several years, as part of the ex-post assessment (EPA) of Fund-supported programs implemented in the country over the past seven years. The recommendations to be made by this EPA will inform their subsequent decision about the way forward.

Conclusion

15. In light of Mali's good program performance, I would appreciate Directors' support for the completion of the fifth review under the ECF and the authorities' request for extension of the arrangement and rephasing of disbursement.

INTERNATIONAL MONETARY FUND
EXTERNAL RELATIONS DEPARTMENT

Press Release No. 11/20
FOR IMMEDIATE RELEASE
January 26, 2011

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Fifth Review Under ECF Arrangement for Mali and Approves US$3.12 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the fifth review of Mali's economic performance under a program supported by the Extended Credit Facility (ECF). The Board's decision enables the immediate disbursement of an amount equivalent to SDR 2 million (about US$3.12 million), bringing total disbursements under the ECF for Mali to an amount equivalent to SDR 25.99 million (about US$40.52 million). The Executive Board also approved an extension of the arrangement from May 27, 2011 to December 31, 2011, and a rephasing of the last disbursement into two equal tranches.

The arrangement under the Extended Credit Facility (ECF) was approved on May 28, 2008, in the amount equivalent to SDR 27.99 million (See Press Release No. 08/126).

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

"Macroeconomic developments in Mali have been favorable, helped by the able fiscal stewardship of the authorities. Growth is expected to remain at 4.5 percent in 2010 and inflation is low. Performance under the ECF-supported program continues to be good, reflecting the authorities' commitment to the program objectives. The 2011 economic outlook is positive, with a projected strengthening of economic activity. Continued prudent macroeconomic policies and a prompt implementation of structural reforms will be necessary to reduce vulnerabilities, diversify the economy, further raise economic growth, and reduce poverty.

"Fiscal policy continues to be cautious and more emphasis is given to directing adequate resources to social spending. The 2011 budget is well aligned with the authorities' growth and poverty reduction strategy and their program's macroeconomic objectives. However, the need for VAT credit refunds has been underestimated. Additional resources will be required to meet the deficit target and the authorities have committed to adopt a supplementary budget with measures to increase revenue or cut expenditure.

“While public financial management has been strengthened, further progress is needed. The authorities have committed to simplifying the tax code and modernizing tax and customs administration in order to increase domestic revenue mobilization and improve the business environment. The authorities also plan to reduce the excessive number of accounts held by the government entities in commercial banks, implement the directives of the West African Economic and Monetary Union to increase fiscal transparency, and strengthen oversight in order to improve revenue collection and budget execution.

“To reduce external vulnerabilities stemming from the exports’ concentration on gold, the authorities need to continue implementing a prudent debt management and step up efforts to diversify the economy. Ongoing efforts to privatize the cotton ginning company and develop the financial sector development will be particularly useful,” Mr. Shinohara said.