IMF Country Report No. 13/380

MALI

December 20, 2013

REQUEST FOR A THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—STAFF REPORT; INFORMATIONAL ANNEX; STAFF STATEMENT; PRESS RELEASE ON THE EXECUTIVE BOARD CONSIDERATION; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR MALI

In the context of the 2013 Request for a Three-Year Arrangement under The Extended Credit Facility with Mali, the following documents have been released and are included in this package:

- **Staff Report** for the 2013 Request for a Three-Year Arrangement under the Extended Credit Facility prepared by a staff team of the IMF, following discussions that ended on October 12, 2013 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 December 3, 2013.
- **Informational Annex** prepared by the IMF in consultation with the World Bank.
- **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- **Staff Statement** updating information on recent developments.
- **Press Release** on the consideration of the Three-Year Arrangement under the Extended Credit Facility.
- **Statement by the Executive Director** for Mali.

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

Letter of Intent sent to the IMF by the authorities of Mali*
Memorandum of Economic and Financial Policies by the authorities of Mali*
Technical Memorandum of Understanding*
Debt Sustainability Analysis*
*Also included in Staff Report

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

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INTERNATIONAL MONETARY FUND

MALI

December 3, 2013

REQUEST FOR A THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY

Context: Mali is emerging from the worst security and political crisis in its recent history. Progress in political normalization to date has been encouraging: a successful presidential election, formation of the new government and the legislative elections have demonstrated Mali's commitment to its democratic tradition. The economy is on the mend as donor assistance and business confidence are gradually returning. But formidable challenges remain. On the political front, the government needs to consolidate peace and promote national reconciliation after the traumatic events of 2012. At the same time, it is striving to support a nascent economic recovery, maintain macroeconomic and financial stability, and restart the economic reform agenda.

Request for an arrangement under the Extended Credit Facility: The authorities request Fund assistance under an ECF arrangement in an amount equivalent to SDR 30 million (about 32 percent of quota) in support of their medium-term program to reduce balance-of-payments vulnerabilities and lay foundations for stronger, more inclusive growth. Their reform efforts are focused on tax policy and revenue administration, public financial management and improving the business environment.

Main policy recommendations:

- ***Implement an effective fiscal framework in 2014***. Ensure effective deployment of donor aid toward priority spending. To help the economy's recovery, clear existing domestic arrears and keep the recourse to domestic borrowing to a minimum. Keep foreign borrowing in line with debt sustainability.

- ***Step up public financial management reforms***. Increase tax revenues by 0.5 percent of GDP a year by enforcing tax compliance, broadening the tax base and streamlining tax administration; strengthen treasury management and internal control to avoid emergence of new arrears.

- ***Accelerate reforms to improve business environment.*** Tackle weak governance; shore up financial sector stability and promote its development; and reform electricity and petroleum product pricing to protect the government budget and restore the electricity company's financial integrity.

Approved By
Roger Nord and Peter Allum

The staff team, which visited Bamako during September 23–October 4 and continued program discussions in Washington, DC, during October 10–12, 2013, comprised Christian Josz (head), Milan Cuc, Mamadou Barry and Ermal Hitaj (all AFR), Salvatore Dell'Erba (FAD), Anton Op de Beke (resident representative) and Bakary Traore (local economist). Staff met the Prime Minister, the Minister of Economy and Finance, the Minister of Plan, the Minister of Energy and Water, the Deputy Minister for Budget, the Deputy Minister for Investment Promotion, the National Director of the BCEAO, as well as representatives from Parliament, the financial and non-financial private sector, trade unions, civil society, and the donor community. Oumar Diakite (OED) participated in the discussions.

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BACKGROUND, RECENT DEVELOPMENTS, AND OUTLOOK

1. Mali is emerging from the most serious security and political crisis in its recent history. In 2012, insurgents took control of the north, which sent ripples throughout the country: half a million people were displaced; a military coup destabilized the domestic political situation and the economy suffered. The security situation improved by mid–2013 following the French-led military intervention, which succeeded in dismantling the insurgents' bases and regaining control over the towns and in northern Mali. The recent arrival of a UN security force (MINUSMA) is helping the government restore law and order in the north. Political normalization is proceeding apace: a successful presidential election took place in July–August 2013 with a historically high voter turnout. Shortly thereafter, the new president appointed a cabinet. Parliamentary elections are scheduled in November–December. International financial support has been successfully mobilized: in May 2013, at the international donor conference in Brussels, donors pledged €3.25 billion ($4.4 billion) in financial assistance.

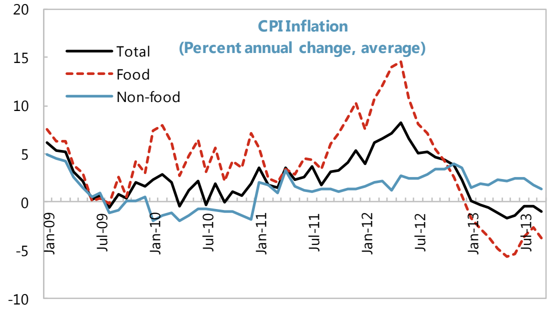
2. The economy is recovering and inflationary pressures have abated (Figure 1, Text Table 1, and Tables 1–2). After a 0.4 percent GDP decline in 2012, Mali's economy is on the mend. The improvement in the security situation and the resumption of donor assistance has helped revive business confidence. Activity is picking up in the service sectors hardest hit by the crisis (commerce, hotels, and restaurants). Favorable rainfall has boosted agricultural production. Average inflation declined from 5.3 percent in 2012 to negative 0.1 percent by October 2013 as food prices declined following the good harvest.

3. The current account deficit of the balance of payments has widened (Table 7). It should reach 7 percent of GDP in 2013**.** This reflects a deterioration in the trade balance: exports are being held back by declines in international gold prices and a slight fall in gold production following a closure of a mine; and, at the same time, imports have resumed growth as the recovery advances. The increase in the trade balance deficit is attenuated by strong remittances and inflows of official transfers. With the financial account strengthening owing to aid resumption, the overall balance of payments registered a small surplus at mid–2013.

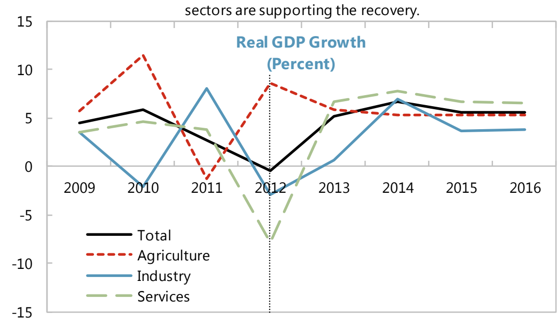
4. The banking sector is showing signs of strain (Tables 8–9). After deteriorating in 2012, financial sector stability indicators broadly stabilized in the first half of 2013. The banking sector has remained well capitalized since the doubling of the minimum capital requirements in 2010 in the West African and Monetary Union (WAEMU) to which Mali belongs. However non-performing loans have increased as a result of the crisis in 2012 and reached 21.5 percent, out of which only 64 percent have been provisioned. Banks have taken advantage of the increasingly accommodative policy by the BCEAO, using central bank credit facilities to bolster their own liquidity positions. Thanks to the fiscal restraint the government curbed its net bank financing in 2013, leaving more room for banks' lending to the private sector: credit to the economy grew by 7.4 percent over the 12 months to September.

Figure 1. Mali: Macroeconomic Developments, 2009–16

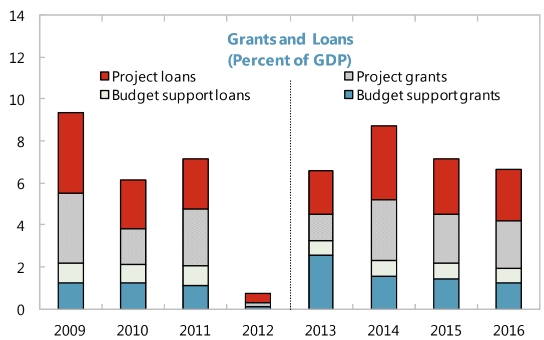
Inflation in 2012 pushed up by food prices following a poor 2011 harvest. In 2013, inflation has abated after a good 2012 harvest.



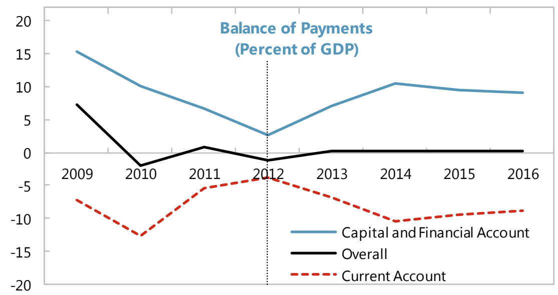
In 2012, the good harvest and strong gold production moderated the impact of the security crisis on output. In 2013, agriculture and services sectors are supporting the recovery.



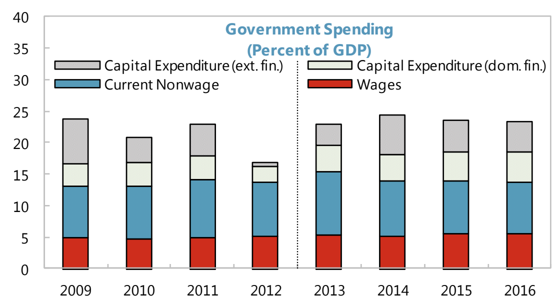
Most donors suspended aid after the coup in March 2012. After the successful presidential elections, aid has resumed.



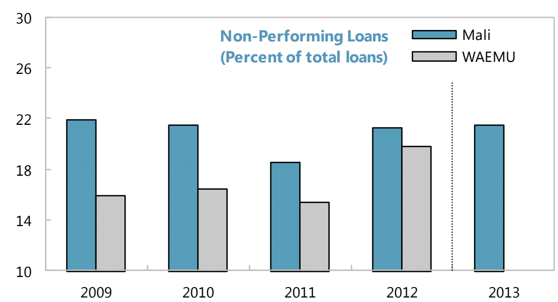
In 2012, the current account deficit was cut in half as the economy contracted. In 2013 and after, the current account deficit widens as the recovery advances and aid returns.



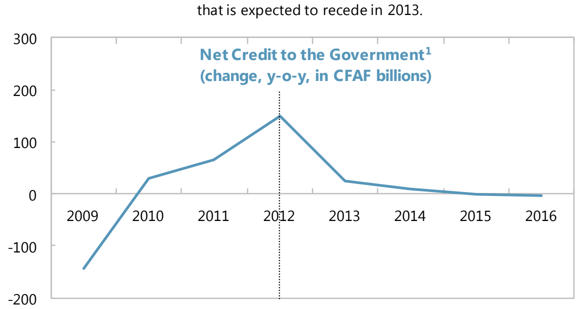
In 2012, public capital expenditure fell, but, from 2013 onward, it should resume growth in line with donor support.



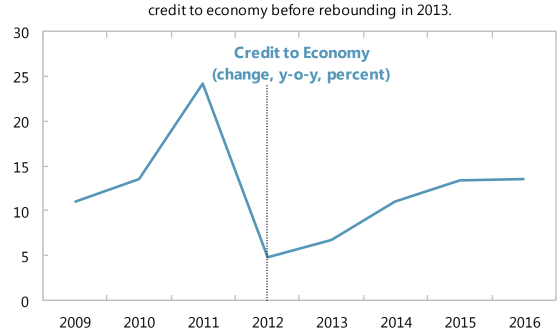
The recession in 2012 has led to an increase in non-performing loans, which exceed the WAEMU average.



Financing pressures led to the drawdown of government deposits in 2012 that is expected to recede in 2013.



Tight liquidity and economic downturn in 2012 led to a drop in growth in credit to economy before rebounding in 2013.



[1]Credit to government minus government deposits.
Sources: Malian authorities and Fund staff estimates.

Text Table 1. Mali: Key Economic Indicators, 2011–16

	2011	2012	2013		2014	2015	2016
		Est.	Prog.[1]	Rev. prog.	Prog.	Proj.	
	(in percent of GDP, unless otherwise indicated)						
Real GDP growth	2.7	-0.4	4.8	5.1	6.6	5.5	5.5
Consumer price inflation (average)	3.1	5.3	2.9	0.3	2.0	2.0	2.0
Revenue	17.2	17.2	18.0	17.8	18.1	18.7	19.2
of which: Tax revenue	14.6	14.3	15.2	15.1	15.6	16.1	16.6
Grants	3.8	0.2	3.2	3.9	4.5	3.8	3.5
Total expenditure and net lending	24.8	18.8	24.0	24.4	25.9	25.1	25.1
Overall balance (cash)	-3.8	-1.2	-3.3	-3.2	-3.9	-2.5	-2.4
Basic fiscal balance [2]	-1.1	-0.7	-0.4	-0.3	0.5	0.0	0.0
Total public debt	29.1	30.1	28.5	29.8	30.8	30.9	30.8
Current external balance (including official transfers)	-6.1	-3.6	-8.7	-7.0	-10.4	-9.5	-8.9
Overall balance of payments	0.0	-0.9	-2.2	0.0	0.1	0.1	0.1

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

[1] IMF Country Report No. 13/168. Mali-Staff Report for Disbursement under the Rapid Credit Facility.

[2] Defined in Table 3, footnote 3.

5. **The authorities' performance under their policies supported by two Fund RCF disbursements has been good** (MEFP, Tables 1 and 2 and ¶¶6 and 8). Fiscal performance to June was in line with the RCF indicative targets (Table 4). Tax revenue at end-June was on target and the government bank and market financing was substantially below the ceiling target (by about 1.2 percent of GDP), reflecting slower-than-programmed spending. The government was successful in raising CFAF 89 billion ($180 million) in new t-bill issuance in the first semester, enough to cover the maturing t-bills. It kept current with all of external debt service obligations, except a debt service in an amount of CFAF 1.7 billion ($3.4 million) owed in June to a non-Paris Club creditor. It cleared most of the external arrears—bringing the stock from CFAF 27 billion ($54 million) at end–2012 to CFAF 8.5 billion ($17 million). The remaining arrears correspond to debt service obligations to the aforementioned non-Paris Club creditor that the Malian authorities have been attempting to contact on several occasions to negotiate a rescheduling without getting a reply. The government has set aside the funds equal to the amount of these obligations in an escrow account at the central bank and will continue to do so until an agreement is found with the aforementioned non-Paris Club creditor. At the same time, the government began to clear domestic arrears in an amount of CFA 30 billion ($60 million) outstanding at end–2012. Four out of six structural benchmarks were met. The review by the Council of Ministers of proposals to close the gap between costs and prices in the electricity sector has been rescheduled to February 2014. The audit of domestic arrears in 2012 has been postponed to end–2013.

6. **Resumption of donor support brightens the economic outlook** (Figure 1, Text Table 1, Box 1, and Tables 1–8). Prospects for the remainder of 2013 and for 2014 are generally favorable. The incipient recovery should gather strength as donor support builds up and credit to economy picks up. Real GDP is projected to increase by 5.1 percent in 2013 and 6.6 percent in 2014 supported

by the rebound in agricultural output, the establishment of a third mobile phone operator, recovery in the service sector, and restart of construction projects. After 2014, growth is projected to settle in the 5–6 percent range. Average inflation is projected to remain close to zero in 2013 and reach 2 percent in 2014, below the 3 percent West African Economic and Monetary Union's (WAEMU) ceiling.

7. The generally positive outlook is subject to several risks. Agricultural output is vulnerable to adverse weather conditions. Because of strong export concentration on gold (70 percent of the total) and cotton (15 percent of the total), export revenues depend to a large extent on volatile international gold and cotton prices. The security situation in Mali and the region remains fragile despite recent improvements. Any setbacks in peace consolidation and national reconciliation could weaken consumer, investor, and donor confidence and derail the incipient recovery. On the other hand, Mali is not significantly exposed to negative risks in the euro area because its exports are inelastic toward traditional trade partners' growth. The banking sector is mostly financed by local deposits and is not directly exposed to the ongoing deleveraging of European banks.

Box 1. International Assistance for Mali

On May 15, the *Donor Conference for Development in Mali* took place in Brussels. It was organized by the European Union and France and attended by 80 countries and 28 international organizations including the Fund and the World Bank. Donors pledged €3.25 billion ($4.4 billion) to finance the Plan for the Sustainable Recovery of Mali in 2013–14 (PRED) that the Board discussed on April 29 (¶11). About 85 percent of the total amount is expected to flow to the government (shown in the table), while the balance is destined for ultimate beneficiaries and non-government organizations.

Since then, the composition and the timing of the pledged assistance are becoming clearer. The macroeconomic framework of the program reflects the information provided by the authorities and *the Secrétariat à l'Harmonisation de l'Aide (SHA)*—a donor coordination unit—about about budget support and project financing. The donor disbursements are projected to peak in 2014–15, averaging 8 percent of GDP annually—about 1–1⅓ percentage points higher compared to pre-crisis levels.

Mali: Official Financial Assistance, 2013–16
(Billions of CFA francs, unless noted otherwise)

	2013	2014	2015	2016	Cumul. total
Total	381	539	475	476	1,872
Grants	223	276	251	249	999
Budget	144	152	153	151	600
Projects	69	121	98	98	386
Loans	159	264	224	227	873
Budget	40	45	49	52	186
Projects	119	219	185	185	707
	(Millions of dollars)				
Total	762	1,079	950	952	3,743
Grants	445	552	503	497	1,997
Loans	317	527	447	455	1,746
	(Percent of GDP)				
Total	6.8	8.8	7.2	6.7	...
Grants	3.9	4.5	3.8	3.5	...
Loans	2.8	4.3	3.4	3.2	...

Source: Malian authorities.

FROM RECOVERY TO STRONG AND INCLUSIVE GROWTH

8. **Today Mali faces a dual challenge: dealing with the legacy of the recent past, and resuming the structural reform agenda interrupted by the security and political crisis**. Meeting the first challenge will require advancing reconciliation between the south and the north of the country, improving governance, and consolidating the nascent recovery. The other challenge is to strengthen the foundations for robust, poverty-reducing growth, while ensuring macroeconomic stability. The expected large donor support should help alleviate fiscal pressures in the near term. However, sustaining the increase in investment and poverty-reducing spending in the medium term will require mobilizing more government own revenue and improving the effectiveness of existing spending. Over the medium term, to tackle successfully the protracted balance-of-payments problems—large current account deficits (Figure 1)—against the background of declining gold production, Mali will need a healthy, competitive, and diversified private sector. Improving the business environment thus becomes a priority.

9. **Against this background, the proposed ECF arrangement aims to promote policies that**: (i) maintain macroeconomic stability, while allocating sufficient resources to poverty reducing and other priority spending, including in the north; (ii) mobilize more government revenue; (iii) strengthen public financial management; and (iv) improve the business environment, including by implementing anti-corruption measures. Given the early stage of Mali's recovery from the recent political and security crisis, reforms will ramp up progressively over the course of the program. The initial phase—through mid–2014—focuses on strengthening institutional capacity and developing strategies to address the most pressing issues. The following phases of the program will involve rolling out policy actions in these areas. These actions will be specified at the time of the first and subsequent reviews of the arrangement.

A. Supporting Macroeconomic Stability by Prudent Fiscal Policy Aligned with the Growth Enhancing and Poverty Reduction Strategy

10. **Fiscal discipline will remain central to macroeconomic stability** (MEFP, ¶14). Under the program, the authorities will keep the basic balance[1] close to zero—a convergence criterion of the WAEMU—and its overall fiscal balance consistent with public debt sustainability. This policy has been successful in preserving macroeconomic stability even in difficult periods and in avoiding crowding out the private sector. While the outlook is for a modest scaling-up of aid in the near term,

[1] The basic fiscal balance is equal to the difference between the sum of revenue and expenditure under the direct control of the authorities, i.e., revenue (including resources from the Heavily Indebted Poor Countries Initiative) plus grants for general budgetary support less current expenditure, domestically-financed capital expenditure, and net lending.

the program would accommodate, on a temporary basis, larger overall fiscal deficits, provided the medium-term framework is consistent with debt sustainability and Mali's absorptive capacity.

11. Public spending will support national reconciliation, growth and poverty reduction (Box 2 and MEFP, ¶15). Budgetary allocations will be in line with Mali's Growth and Poverty Reduction Strategy (G-PRSP) and the Plan for Sustainable Recovery (PRED). To that end, the authorities are committed to maintaining social spending—health, education and social development —above a floor (proposed indicative target; MEFP, Table 3).

Box 2. Mali: Growth and Poverty Reduction Strategy Paper (G-PRSP) and Plan for Sustainable Recovery (PRED)

The G-PRSP for 2012–17, adopted in December 2011, and the PRED for 2013–14, adopted in April 2013, will serve as reference for the economic and financial policies during 2014–16.[1]

The G-PRSP aims at transforming Mali into an emerging market economy and agro-livestock power. It is based on five pillars: (i) strengthening peace and security, (ii) increasing macroeconomic stability, (ii) promoting stronger, sustainable, pro-poor growth aimed at creating jobs and increasing incomes, (iv) consolidating the long-term bases for development and facilitating equitable access to quality social services, and (v) strengthening institutions and governance.

The PRED includes programs addressing immediate infrastructure rehabilitation, reconciliation, security, elections, and management of the return of government and refugees and displaced populations in the northern regions.

[1] For more information, see IMF Country Report No. 13/111. Mali: Poverty Reduction Strategy Paper and IMF Country Report No. 13/112. Mali: Poverty Reduction Strategy Paper-Joint Staff Advisory Note.

12. The 2014 fiscal program preserves macroeconomic stability and supports the recovery (Text Tables 2; MEFP, ¶¶16–17). It is underpinned by realistic macroeconomic assumptions and revenue projections, and incorporates financial support pledged by donors to date. It targets an increase in tax revenue by 0.5 percent of GDP (to 15.6 percent of GDP) through steadfast implementation of tax policy and administration reforms (¶¶19–26). More aid and tax revenue will allow spending to increase to an all time high (of 25.9 percent of GDP), which will be welcome to support the recovery. The fiscal program will also support the recovery by clearing all remaining identified domestic arrears (0.3 percent of GDP) and limiting recourse to bank and market financing. It targets a moderate overall fiscal deficit (of 3.9 percent of GDP) that is compatible with debt sustainability (¶19).[2]

[2] It includes more externally financed capital expenditure (in an amount of 2.5 percent of GDP) than the budget introduced to parliament in October, because it incorporates not only the project loans and grants that were already signed at the time of budget preparation, but also those that will be signed in the coming months in light of the

(continued)

Text Table 2. Mali: Central Government Consolidated Financial Operations, 2011–14

	2011	2012	2013		2014	
	Est.	Est.	Prog.[1]	Rev prog.	Budget	Prog.
	(in percent of GDP)					
Total revenue and grants	21.1	17.5	21.2	21.7	21.4	22.5
Tax revenue	14.6	14.3	15.2	15.1	15.6	15.6
of which: Tax refund	-0.7	-1.1	-0.9	-1.0	-1.0	-1.0
Nontax revenue [2]	2.6	2.9	2.8	2.7	2.5	2.5
Grants	3.8	0.2	3.2	3.9	3.3	4.5
Total expenditure and net lending (payment orders)	24.8	18.8	24.0	24.4	23.4	25.9
Current expenditure	14.1	13.6	15.0	15.3	13.8	13.8
Capital expenditure	8.7	3.2	7.3	7.5	8.0	10.5
Externally financed	5.0	0.6	3.1	3.3	3.9	6.4
Domestically financed	3.7	2.6	4.2	4.2	4.1	4.1
Adjustment to cash basis [3]	-0.1	0.3	-0.6	-0.5	-0.3	-0.3
Overall fiscal balance (cash)	-3.8	-1.2	-3.3	-3.2	-2.6	-3.9
External financing	2.7	0.2	1.8	1.9	2.4	3.7
Domestic financing	1.1	1.0	1.0	1.3	0.2	0.2
Memorandum items						
Basic fiscal balance [4]	-1.1	-0.7	-0.4	-0.3	0.5	0.5

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

[1] IMF Country Report No. 13/168. Mali-Staff Report for Disbursement under the Rapid Credit Facility.

[2] Including special funds and annexed budgets.

[3] Including variation of arrears.

[4] Defined in Table 3, footnote 3.

13. **The 2014 fiscal program is well aligned with the growth enhancing and poverty reduction strategy** (Text Table 3; MEFP, ¶¶15–17)**.** Consistent with the G-PRSP and PRED objectives, social spending will account for 27 percent of total spending, agriculture and water—including infrastructure investment to boost the growth potential of the economy—for 21 percent, military spending for 10 percent, and spending to develop the north of country for 8 percent.

donor pledges at the Brussels Conference. The government will introduce a supplementary budget to parliament by mid–May 2014 to increase the externally financed capital expenditure in light of the agreements signed at that time.

Text Table 3. Mali: Public Expenditure by Function, 2011–14
(In CFAF billion, unless otherwise indicated)

	2011	2012	2013	2014		
			Rev. Prog.	Budg.	Prog.	
						in %
Agriculture	126	72	133	162	193	11.3
Basic Education	183	155	165	183	191	11.1
Public Administration	120	76	121	170	182	10.6
Defence	106	109	167	175	175	10.2
Mines, Water	100	38	113	148	171	10.0
Urban Development	92	23	125	122	142	8.3
Health	96	54	85	106	132	7.7
Higher Education	73	68	93	94	94	5.5
External Debt	57	33	106	89	89	5.2
Social Sector	50	45	43	42	50	2.9
Transport	37	7	18	15	41	2.4
Internal Debt	34	23	38	38	38	2.2
Communication	16	10	20	34	34	2.0
Foreign Affairs	22	22	27	29	29	1.7
Culture	15	10	14	16	16	0.9
Employment	8	5	8	7	7	0.4
Other	134	161	187	131	131	7.6
Total	1,269	910	1,464	1,561	1,714	100.0

Sources: Malian authorities and staff estimates.

B. Strengthening Public Financial Management

14. Improved public financial management can deliver higher tax revenues and better quality spending. According to successive Public Expenditure and Fiscal Accountability (PEFA) assessments, Mali has made progress in enhancing budget credibility, comprehensiveness and transparency.[3] But more remains to be done to improve tax collection, treasury management, accounting, reporting and external audit. The authorities' road map for public financial management (PFM) reforms is guided by a multi-year rolling action plan updated and implemented with donor support including the Fund (Box 3).

[3] Mali PEFA 2010–Evaluation Report, June–2011.

Box 3. IMF Technical Assistance in Support of the ECF Arrangement

In 2013, as the security situation and the prospects for a Fund-supported program improved, technical assistance (TA) activity quickly intensified:

- In February 2013, a mission by the Fiscal Affairs Department (FAD) assisted the authorities in preventing the accumulation of domestic arrears and resuming PFM reforms linked to the implementation WAEMU directives in the areas of fiscal transparency, budget laws, public accounting, budget classification, and fiscal reporting. [1] FAD will continue to provide TA to gradually transfer the government's deposits to a single treasury account (STA) at the central bank.
- In March 2013, an AFRITAC expert assisted the authorities to improve reporting and debt service forecasts, and elaborate of a medium-term debt strategy.
- In April 2013, an AFRITAC expert assisted the authorities to elaborate a strategy for implementing a new table of the government's financial operations in line with WAEMU directives and the IMF Government Financial Statistics Manual of 2001.
- In June 2013, an FAD mission provided a diagnostic of the state of play in tax policy and revenue administration with a view to resuming reforms.[2] In line with that mission's recommendations, the authorities have sent requests of multi-year TA to the Fund's Topical Trust Funds on Tax Policy and Tax Administration (TPA–TTF) and Managing Natural Resource Wealth (MNRW–TTF) that the TTFs Steering Committees will examine in December 2013.
- In August 2013, an FAD mission provided advice on oil pricing adjustment[3].
- Since September 2013, a long-term resident expert has been helping the authorities to strengthen treasury management.
- In October-November 2013, an AFRITAC expert provided advice to improve the management of the state housing bank, and another AFRITAC expert provided advice on improving the national accounts statistics.
- In December 2013, an AFRITAC expert will assist the customs administration to implement risk analysis-based control and another AFRITAC expert will assist the National Public Debt Directorate to carry out debt sustainability analysis.
- In January 2014, a mission by the Monetary and Capital Markets (MCM) department will provide advice to make a diagnostic of the stability of the banking system and boost its development, and an FAD mission will help the authorities make an audit of the expenditure chain, tighten control of public administrative entities that receive large budget transfers, and implement decentralization while preserving fiscal sustainability.

The proposed three-year arrangement under the ECF builds on the diagnostics and recommendation of these and previous missions.

[1] See IMF Country Report No. 13/295. Mali: Technical Assistance Report. Resuming implementation of the WAEMU harmonized fiscal framework in a post-crisis context.
[2] See IMF Country Report No. 13/295. Mali: Mali: Technical Assistance Report: Continued Modernization of the Malian Tax System and Administration.
[3] See Mali: Technical Assistance Report. Automatic Fuel Pricing Mechanism (forthcoming).

Increasing Tax Revenue

15. To increase tax revenue and lighten the administrative burden on the taxpayer, the authorities will implement ambitious tax policy and tax administration reforms (MEFP, ¶¶19–20 and 22–26). Mali has the potential to increase tax revenue to about 20 percent of GDP (Box 4). Transparency will be used to build political support for a reduction of tax exemptions. The authorities will continue to publish an inventory of all exemptions included in the tax, customs, mining, and investment codes and other legislation, and the associated fiscal costs in the budget.[4] They will also study the feasibility of introducing more progressivity in the tax regime of mining companies to capture some of the excess profits when prices are very high.[5] Reforms in tax and customs administration will aim to increase the yield by strengthening compliance, streamlining procedures and tightening cooperation among relevant agencies and departments to improve tax audit targeting and reduce tax evasion.[6] Work of the interdepartmental tax intelligence committee identified anomalies in the tax returns of about 80 percent of importers and 90 percent of government suppliers.[7] The tax directorate will target its tax audits on these companies in 2013–14 (proposed structural benchmark; MEFP, Table 4). To improve the functioning of the VAT, the system of refunds and collection will be simplified by, inter alia, raising the VAT liability earnings threshold from CFAF 30 million ($60,000) to CFAF 50 million ($100,000) and aligning the management of tax payers by segmentation on this VAT threshold. The authorities will also streamline the tax legislation to ease tax administration and compliance.

16. The authorities will reform fuel pricing (MEFP, ¶21). Starting with the 2013 budget law, the authorities have begun presenting estimates of the cost to the budget of the failure to adjust fuel prices to international oil price movements.[8] To stem, and ultimately reverse, the erosion of tax revenue from petroleum products, the authorities will abandon the practice of setting the administrative value (used for tax calculation) below the market value. Instead, as a first step, they will calculate and publish the amount of the subsidy as a way of making the revenue loss transparent. And, by end–June 2014, they will introduce a new price adjustment mechanism that will allow the pass-through of international prices to domestic prices. Implementation of the new price mechanism will be accompanied by mitigation measures to protect the most vulnerable and a communication strategy to explain the rationale for the reform.

[4] In 2012, tax exemptions amounted to 4.3 percent of GDP (out of which 2.1 percent of GDP on taxes collected by the tax directorate and 2.2 percent of GDP on taxes collected by the customs directorate), or about thirty percent of the tax revenue, which amounted to 14.3 percent of GDP. In the first quarter of 2013, exemptions amounted to 0.9 percent of GDP.

[5] The authorities have requested the Fund's involvement through technical assistance of the MNRW–TTF to strengthen their capacity to collect revenue due by the gold mining companies (Box 3).

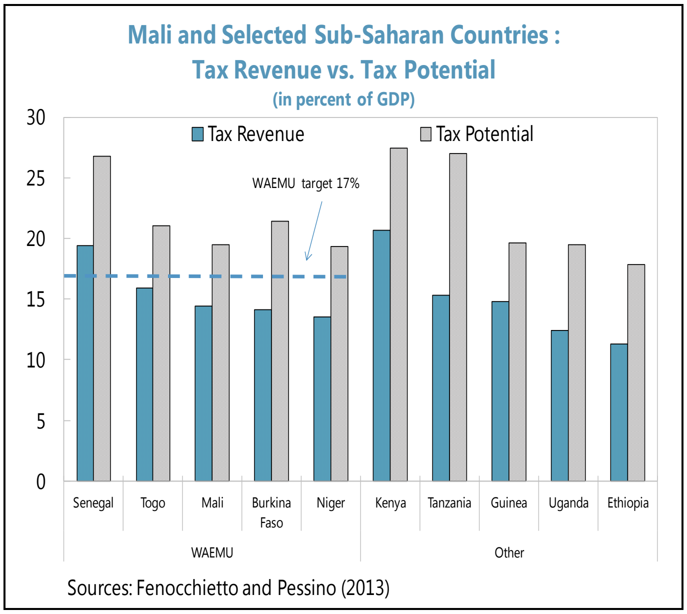
[6] The authorities have requested the Fund's involvement through technical assistance of TPA–TTF to develop a multi-year technical assistance program (Box 3).

[7] Preliminary information suggests that underreporting of turnover by importers could have been as high as CFAF 500 billion annually in 2011–12. If the total of that amount represents unreported taxable income, then the tax revenue loss could have been about CFAF 150 billion (2.8 percent of GDP) annually.

[8] In view of the small pass-through of international oil prices in domestic oil prices during 2009–12, oil tax revenue shrank from 2.3 percent of GDP in 2009 to less than 1 percent of GDP in 2012.

Box 4. Mali and Selected Sub-Saharan Countries: Tax Revenue Potential

According to a recent cross-country study, Mali has the potential to increase its tax revenue to about 20 percent of GDP (Figure).[1] The study reached that conclusion by estimating the tax capacity of Mali and 112 other countries with the help of a cross-country regression of the tax revenue on its likely explanatory variables. Such variables included the level of per-capita income, the share of the agricultural sector—a proxy of the size of the informal sector in the economy—and the administrative capacity. The study also concluded that the potential to increase tax revenue is even larger in several other Sub-Saharan Countries than in Mali.



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[1] IMF Working Paper, Fenocchietto, Ricardo and Pessino, Carola "Understanding Countries' Tax Effort" (forthcoming).

Strengthening Fiscal Transparency, Expenditure and Treasury Management

17. The authorities will accelerate implementation of PFM reforms to improve the regulatory framework as well as expenditure management (MEFP, ¶¶27–40 and 42–45). They will further incorporate into Malian law, and implement, WAEMU directives regarding fiscal transparency, budget laws, government accounting, budget classification, the government's chart of accounts, and the government financial operations table (TOFE). Preparation of the new WAEMU-compliant TOFE will be done by end–June 2014 (proposed structural benchmark; MEFP, Table 4). They will gradually introduce objectives-based budgeting, starting with the 2015 budget, as a way to increase public spending effectiveness. Measures to improve budget execution will include: clear cutoff dates for budget execution; steps to shorten the processing and enhance the transparency of procurement bids; steps to improve the selection, implementation, monitoring, and ex-post assessment of investment projects; and an audit of the "expenditure chain" to rationalize expenditure control and prevent corruption and payment arrears (proposed structural benchmark; MEFP, Table 4). Finally, the authorities will take steps to strengthen internal and external control structures and expedite the production of audited government accounts. All these measures will help ensure that the surge in donor financing is well-spent.

18. The authorities will strengthen treasury management (MEFP, ¶41). They will gradually centralize their cash holdings, currently spread among more than 3,000 accounts mostly with commercial banks, in a single Treasury account (STA) with the central bank. This will allow Mali to comply with the WAEMU requirement of the unity of the treasury, strengthen control of cash holdings, speed-up payment execution, and reduce borrowing. The first step, to be completed by end–June 2014, will see a transfer and consolidation of (almost all) of the 179 main accounts of the central government and the treasury (with the exception of a few held in regions where the central bank has no branches). The second phase of the consolidation, to follow in 2015, will cover the accounts of the more than hundred public and administrative institutions, starting with those that receive the largest budget transfers. In the interim, the authorities will tighten control over the bank accounts of the ministries and other government agencies and report the movements in these accounts (proposed structural benchmark; MEFP, Table 4).[9] Treasury management will benefit from the implementation of the new integrated accounting software application (AICE) by end–2014. This application will allow the automated production of timely, detailed and consolidated reports on budget execution and the TOFE.

Adhering to Prudent Debt Strategy

19. The authorities are planning to meet most of their external financing needs by grants and concessional loans (MEFP, ¶¶46–47). The debt sustainability analysis concludes that the risk of debt distress is moderate.[10] Nevertheless, Mali's debt position remains sensitive to changes in borrowing terms, FDI and remittances, and gold prices. Thus the authorities aim to limit their borrowing to grants and loans with a minimum grant element of 35 percent (proposed continuous performance criterion; MEFP, Table 3). However, if they identify high yield investment projects that cannot be financed on concessional terms and remain compatible with debt sustainability, they will request a non-zero ceiling for non-concessional loans for such projects on the occasion of program reviews. They request a ceiling of CFAF 85 billion ($170 million or 1.5 percent of GDP) for 2013, in recognition of two loans for an expansion of the electricity generation with grant elements only slightly below the minimum grant element, which they already signaled in their request for a second disbursement under the RCF in May 2013.[11]

[9] The Treasury and the BCEAO will identify the public institutions other than the Treasury included in the Net Government Position (NGP) towards the banking sector. At end–2012, these institutions were reported to hold deposits with banks in an amount of CFAF 166 billion ($332 million or 2.9 percent of GDP).

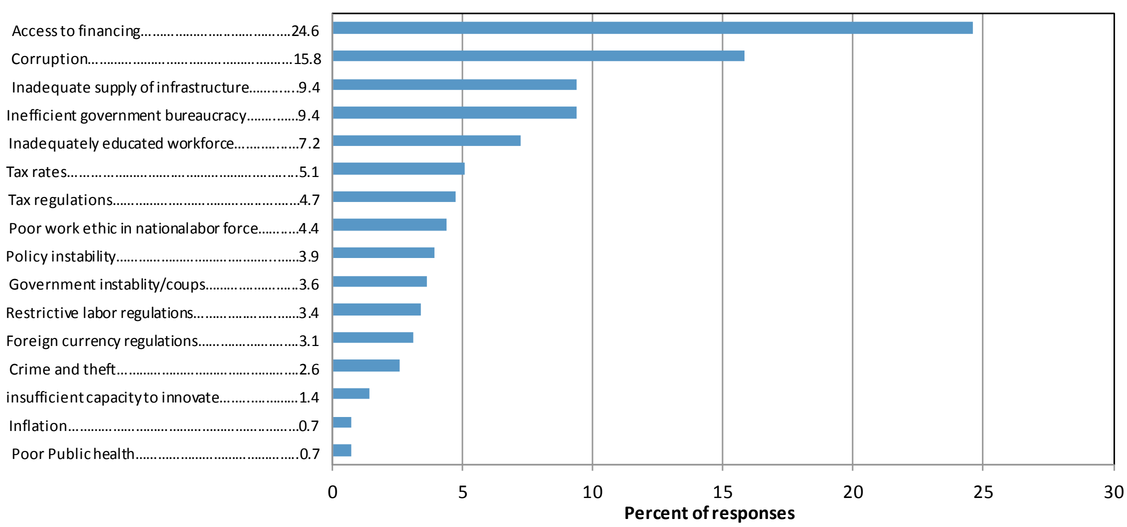
[10] See "Mali—2013 IDA/IMF Debt Sustainability Analysis under the Debt Sustainability Framework for Low-Income Countries" (forthcoming).

[11] IMF Country Report No. 13/168. Mali: Request for Disbursement under the Rapid Credit Facility—Staff Report, ¶20.

C. Improving the Business Environment to Foster Private Sector Development

20. The authorities will take steps to address the most problematic factors for doing business (Figure 2; and MEFP, ¶48–49)**.** Investors consider access to financing, corruption, poor infrastructure (including electricity), tax regulations, inefficient bureaucracy, and low labor force skills, as the most important weaknesses. Under the program the authorities undertake to address these weaknesses by mobilizing domestic resources while streamlining tax policy and administration (¶¶15–16), investing more in infrastructure and education (¶¶13), improving financial sector stability and development (¶21), restoring the financial sustainability of the electricity sector (¶22), and addressing corruption (¶23).

Figure 2. Mali: The Most Problematic Factors for Doing Business, 2013



Note: From a list of 16 factors. respondents were asked to select the five most problematic factors for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

Source: The Africa Competitiveness Report 2013 © World Economic Forum, the World Bank and the African Development Bank.

21. The authorities will reinforce financial sector stability and development (MEFP, ¶50). The authorities will ensure safety and security for banking operations in the north as an immediate priority. In addition, they will: complete the privatization of the housing bank (BHM) by end–2014; address the problem of the high level of non-performing loans (Figure 1) and illiquid asset (mainly real estate) holdings by banks that weigh on the cost of credit; and clean up the micro finance sector by closing down insolvent institutions and setting up a system to compensate affected depositors for their losses.

22. The authorities will put the state electricity company on a sound financial footing (MEFP, ¶¶51–53). The regulations that have kept the price at least 30 percent below cost have hamstrung the electricity company (EDM) and burdened the budget. The budget transfer needed to cover the gap is estimated at CFAF 57.5 billion (1 percent of GDP) in 2013 and at least

CFAF 55 billion (0.9 percent of GDP) in 2014 if electricity tariffs are not raised. These transfers would be sufficient only to finance current production. However, with domestic electricity demand growing by leaps and bounds (10–15 percent a year), EDM needs to expand its production and transmission capacity. This will not be feasible unless it starts earning a rate of return sufficient to attract funds to finance the needed investment. In the 2014 draft budget, the government has included a transfer to the EDM of only CFAF 30 billion with the intent to review its decision in March 2014. By that time, the Council of Ministers will have discussed proposals to put the company's finances on a long-term, sustainable footing (proposed structural benchmark; MEFP, Table 4).

23. The authorities have stated their deep commitment to combating corruption (MEFP, ¶54)**.** They are in the process of identifying concrete actions. One is a systematic follow up of all recommendations of varying control agencies, with regular reports on judicial or administrative actions taken. Another is the publication of judicial decisions and their rationales. More generally, the government intends to boost transparency throughout the government to strengthen its accountability to citizens. That is also the purpose of the law against illicit enrichment under preparation—this law would include a provision mandating annual declarations of personal wealth for senior officials. Improving governance in those areas where businesses and households interact with the public sector will be critical to the creation of a more attractive environment for business and investment. The government will also strengthen implementation of Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) laws.

PROGRAM MODALITIES AND RISKS

24. The three-year arrangement would be supported by access equivalent to SDR 30 million (32 percent of quota). The relatively low level of access, which is equal to that under the previous, interrupted ECF, will serve primarily as a catalyst for a substantial part of the pledged official development assistance (Box 1). At the same time, it is sufficiently large to ensure that the program is fully financed. The amount would be disbursed in seven semi-annual installments (Table 10). The disbursements, except the first one, would be subject to semi-annual reviews. The first year of the program would be evaluated on the basis of performance criteria at end–December 2013, end–June and end–December 2014, continuous performance criteria, and indicative targets for end–March and end–September 2014 (MEFP, Table 3), and structural benchmarks in areas critical to the program's success (MEFP, Table 4). The performance criteria and indicative targets are defined in the Technical Memorandum of Understanding (TMU).

25. Mali's capacity to repay the Fund is adequate and program implementation risks can be managed. The use of Fund resources under the ECF arrangement will have a negligible impact on debt and debt service ratios (Table 11) and Mali's risk of debt distress is moderate (¶19). Nevertheless, there are risks which could negatively affect program implementation: possible setbacks in the national reconciliation process; worsening of the security situation; resistance to reforms; a sudden drop in gold prices that would negatively affect Mali's exports and public revenue. Some of these risks can be managed: for example, to secure a public consensus in favor of energy price reforms, a well-designed information campaign will be critical.

STAFF APPRAISAL

26. Mali is striving to overcome the effects of its recent security and political crisis. Progress in political normalization to date has been encouraging: a successful presidential election, formation of the new government and the legislative elections have demonstrated Mali's commitment to its democratic tradition. International military assistance is helping the government consolidate administrative control over the entirety of the country's territory. On the political front, the country faces the challenge of consolidating peace and promoting national reconciliation after the traumatic events of 2012. At the same time, its government is working to support a nascent economic recovery, maintain macroeconomic and financial stability and restart a broad economic reform agenda.

27. Economic recovery is under way and the outlook is positive. The prospect of resumption of large-scale donor support has improved confidence, while the associated public spending is supporting recovery in those sectors affected by the security and political crisis in 2012. Nevertheless, the recovery is yet to become more broad based, and there are risks to the outlook: agricultural output is subject to the vagaries of climatic conditions, while an increase in social tensions or setbacks in national reconciliation could undermine the still fragile confidence and set back the projected return to a stronger growth path.

28. The 2014 fiscal program supports achievement of the program objectives. It is based on realistic macroeconomic assumptions. On the revenue side, it envisages an increase of 0.5 percent of GDP to be achieved through reforms in tax administration and measures to broaden the tax base. On the expenditure side, the composition reflects the priorities of the G-PRSP and the PRED, while the overall expenditure envelope is consistent with a prudent projection of likely available resources. In staff's view, the projected fiscal stance is appropriate: it should contribute to macroeconomic stability while lending support to the ongoing recovery. The financing mix, which minimizes the recourse to domestic bank borrowing, should be conducive to greater bank lending to businesses and households.

29. Strengthening public financial management is essential for sustained macroeconomic stability and good use of the surge in aid. The tax policy and administration, expenditure management, and energy policy reforms need to continue. Closer cooperation and information exchange between the tax, customs, and procurement administrations are helping improve tax audit targeting. Closer expenditure control, supported by improvements in Treasury management, including through consolidation of Treasury account balances in a Treasury Single Account at the BCEAO, as well as improvements in internal control, is needed to prevent accumulation of arrears to suppliers. Effective project prioritization and implementation is needed to see growth dividends from the expected substantial recovery in public investment. Energy pricing reform is essential to reduce the economic and social costs of the below-cost pricing of energy products. Greater transparency, a coherent public communication strategy and carefully designed measures to mitigate adverse social impacts need to accompany the reform to secure the population's buy-in.

30. When using external resources to finance development projects, the authorities are encouraged to rely primarily on grants and concessional financing. Given Mali's low per-capita income, vulnerability to shocks, and the significant distance to go in building robust fiscal and debt management institutions, non-concessional financing should be avoided, if at all possible.

31. Reforms aimed at improving the business environment are essential to boost Mali's prospects for stronger medium-term growth. The authorities' agenda is ambitious and targets areas with documented weaknesses. Progress in combating corruption, strengthening the financial system, lightening the administrative burden for taxpayers, placing the electricity company's finances on a sustainable footing is critical to raise output growth.

32. Staff supports the authorities' request of an ECF arrangement. This recommendation is based on the good policy implementation in the context of two RCF disbursements in the first half of 2013, and Mali's determination to undertake reforms needed to strengthen the foundations for growth and address, on a sustainable basis, existing balance-of-payments vulnerabilities.

Table 1. Mali: Selected Economic and Financial Indicators, 2011–16

	2011	2012	2013		2014	2015	2016
		Est.	Prog.[1]	Rev. Prog.	Prog.	Proj.	
			(Change, percent)				
National income and prices							
Real GDP	2.7	-0.4	4.8	5.1	6.6	5.5	5.5
GDP deflator	5.1	5.7	2.4	1.2	2.3	2.1	2.2
Consumer price inflation (average)	3.1	5.3	2.9	0.3	2.0	2.0	2.0
External sector (percent change)							
Terms of trade (deterioration -)	15.8	13.9	-5.3	-12.9	-2.0	1.1	-0.4
Real effective exchange rate (depreciation -)	1.2	-0.1	...	...	...	... ...	
Money and credit (contribution to broad money growth)							
Credit to the government	5.1	10.0	1.4	1.4	0.6	-0.1	-0.2
Credit to the economy	15.8	3.3	5.4	4.3	6.9	8.6	9.2
Broad money (M2)	15.3	14.7	7.4	7.4	9.1	8.8	9.3
			(Percent of GDP unless otherwise indicated)				
Investment and saving							
Gross domestic investment	24.1	16.2	27.6	24.1	28.2	30.9	29.7
Of which : government	8.7	3.2	7.3	7.5	10.5	9.6	9.6
Gross national savings	18.8	12.5	19.0	17.2	17.9	21.4	20.9
Of which : government	2.1	2.2	2.4	2.6	2.6	2.5	2.6
Gross domestic savings	14.3	9.8	2.7	-2.4	6.5	14.3	14.1
Central government finance							
Revenue	17.2	17.2	18.0	17.8	18.1	18.7	19.2
Grants	3.8	0.2	3.2	3.9	4.5	3.8	3.5
Total expenditure and net lending	24.8	18.8	24.0	24.4	25.9	25.1	25.1
Overall balance (cash basis, including grants)	-3.8	-1.2	-3.3	-3.2	-3.9	-2.5	-2.4
Basic fiscal balance (WAEMU def.) [2]	-1.1	-0.7	-0.4	-0.3	0.5	0.0	0.0
Domestic debt (end period) [3]	4.7	4.1	3.4	3.7	3.4	3.1	2.8
External sector							
Current external balance, including official transfers	-6.1	-3.6	-8.7	-7.0	-10.4	-9.5	-8.9
Current external balance, excluding official transfers	-7.8	-4.5	-22.3	-24.2	-19.5	-14.2	-13.2
Exports of goods and services	26.3	31.1	26.6	25.6	23.9	22.2	20.7
Imports of goods and services	36.1	37.6	51.5	52.1	45.7	38.8	36.2
Debt service to exports of goods and services	4.0	3.1	3.0	3.2	4.0	5.5	5.8
External debt (end period)	24.4	26.0	25.1	26.1	27.4	27.8	27.9
Memorandum items:							
Nominal GDP (CFAF billions)	5,038	5,303	5,651	5,642	6,155	6,633	7154.2
Overall balance of payments (US$ millions)	4.5	-96.8	-248.4	5.4	14.2	12.6	15.0
Money market interest rate (in percent, end of period)	3.3	3.0	...	...	...	... ...	
Gross international reserves (US$ millions)							
Central Bank of West African States (BCEAO)	14,654	13,869	...	...	...	... ...	
in percent of broad money	55.0	51.2	...	...	...	... ...	
in months of imports of g. and s.	5.9	5.2	...	...	...	... ...	
BCEAO Mali (imputed)	1,409	1,328	1,380	1,443	1,525	1,545	1576.4
in percent of broad money	47.0	38.6	37.2	38.4	36.7	36.7	34.1
US$ exchange rate (end of period)	497.7	497.2	...	...	...	... ...	
Gold Price (US$/fine ounce London fix)	1,569	1,669	1,567	1,462	1,396	1,413	1,433
Petroleum price (crude spot)(US$/bbl)	104.0	105.0	102.7	104.5	101.3	95.3	91.2

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

[1] IMF Country Report No. 13/168. Mali-Staff Report for Disbursement under the Rapid Credit Facility.

[2] Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending excluding externally financed capital spending.

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

Table 2. Mali: National Accounts, 2011–16

	Share[1]	2011	2012	2013		2014	2015	2016
			Est.	Prog.[2]	Rev. prog.	Prog.	Proj.	
	(Annual percentage change, at constant prices)							
Primary sector	36.4	-1.3	8.6	5.3	5.8	5.3	5.3	5.3
Agriculture	23.9	-4.5	13.9	5.9	6.8	6.0	6.1	6.1
Food crops, excluding rice	15.8	-1.8	17.9	6.3	6.3	6.3	6.3	6.3
Rice	5.5	-24.6	10.1	6.0	10.1	5.8	5.8	5.8
Industrial agriculture, excluding cotton	1.6	2.0	2.0	7.3	7.4	7.4	7.5	7.5
Cotton	1.0	82.7	1.8	1.0	1.0	3.0	3.0	3.0
Livestock	7.9	4.0	0.0	3.8	3.8	3.7	3.7	3.7
Fishing and forestry	4.6	4.6	0.0	4.5	4.5	4.4	4.4	4.4
Secondary sector	18.3	8.1	-2.9	2.8	0.6	7.0	3.6	3.7
Mining	6.4	0.0	9.2	-2.2	-3.8	3.1	-1.8	-1.8
Industry	4.9	20.8	3.5	3.1	-4.7	4.0	3.9	4.0
Food-beverage-tobacco	2.0	18.6	-16.0	5.0	-5.0	6.3	5.0	5.0
Textile	1.8	31.0	40.0	1.8	-8.0	1.0	2.0	2.0
Others	1.0	15.5	-2.0	2.5	0.2	5.0	5.0	5.0
Energy	2.0	8.0	-2.0	5.0	9.0	9.1	8.0	8.0
Construction and public works	5.1	5.0	-25.0	10.0	10.0	15.0	7.0	7.0
Tertiary sector	35.0	3.8	-7.8	5.8	6.7	7.8	6.7	6.5
Transportation and telecommunications	5.4	5.2	0.0	3.8	4.8	7.3	7.3	7.3
Trade	14.3	4.0	1.0	6.0	6.0	7.1	7.1	7.1
Financial services	0.7	3.0	-10.0	5.0	5.0	7.0	7.0	7.0
Other nonfinancial services	6.4	2.0	-35.0	10.0	15.0	15.0	7.0	7.0
Public administration	8.5	4.0	-10.0	5.0	5.0	5.0	4.5	3.5
Indirect taxes and Interior VAT	10.3	6.0	-1.1	2.3	4.7	7.5	5.7	5.7
GDP at market prices	100.0	2.7	-0.4	4.8	5.1	6.6	5.5	5.5
	(in percent of nominal GDP, unless otherwise indicated)							
National accounts								
Gross domestic investment		24.1	16.2	27.6	24.1	28.2	30.9	29.7
Gross national savings		18.8	12.5	19.0	17.2	17.9	21.4	20.9
Current account balance (including official transfers)		-6.1	-3.6	-8.7	-7.0	-10.4	-9.5	-8.9
Memorandum items:								
Nominal GDP (in CFAF billions)		5,038	5,303	5,651	5,642	6,155	6,633	7,154
GDP deflator (annual percent change)		5.1	5.7	2.4	1.2	2.3	2.1	2.2

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

[1] Share of 2010 Nominal GDP.

[2] IMF Country Report No. 13/168. Mali-Staff Report for Disbursement under the Rapid Credit Facility.

Table 3. Mali: Central Government Consolidated Financial Operations, 2011–16 (in billions FCFA)

	2011	2012	2013		2014		2015	2016
		Est.	Prog.	Rev. prog.	Budg.	Prog.	Proj.	
Revenue and grants	1,060.5	925.8	1,197.8	1,225.6	1,315.1	1,387.1	1,491.1	1,620.1
Total revenue	866.6	912.8	1,014.4	1,003.0	1,111.6	1,111.6	1,239.1	1,371.0
Budgetary revenue	770.5	813.3	914.9	903.5	1,012.1	1,012.1	1,121.2	1,243.8
Tax revenue	734.2	758.7	856.5	852.8	958.6	958.6	1,065.7	1,187.5
Direct taxes	220.8	263.2	286.7	319.8	310.7	334.9	370.4	408.4
Of wich: Gold sector	83.7	105.0	126.2	126.2	103.1	103.1	104.8	107.9
Indirect taxes	513.4	495.5	569.9	533.0	647.8	623.7	695.3	779.1
VAT	310.4	286.5	328.5	316.0	367.4	367.4	404.3	452.8
Excises on petroleum products	4.7	25.3	19.9	19.9	30.2	30.2	35.8	40.5
Import duties	112.1	100.5	115.3	115.3	127.2	127.2	139.4	153.4
Other indirect taxes	120.3	140.6	156.1	139.6	184.7	160.5	176.2	191.9
Of wich: Gold sector	48.9	65.6	54.7	53.4	51.7	51.7	53.1	54.8
Tax refund	-34.1	-57.5	-50.0	-57.8	-61.7	-61.7	-60.4	-59.5
Nontax revenue	32.9	54.7	58.3	50.6	53.5	53.5	55.4	56.3
Of wich: Gold sector	22.8	31.4	37.7	23.8	35.6	35.6	41.9	48.1
Special funds and annexed budgets	96.1	99.5	99.5	99.5	99.5	99.5	118.0	127.2
Grants	193.9	13.0	183.4	222.7	203.5	275.5	252.0	249.1
Projects grants	97.1	8.6	60.1	69.2	48.0	120.0	98.0	98.0
Budgetary support	96.9	4.4	113.9	144.1	152.5	152.5	154.0	151.1
Of which: General	55.7	3.8	113.9	144.1	95.7	95.7	92.8	85.1
Of which: Sectoral	41.2	0.6	0.0	0.0	56.8	56.8	61.2	66.0
Total expenditure and net lending (payment orders basis)	1,247.4	994.9	1,353.6	1,378.8	1,438.7	1,592.9	1,666.1	1,795.1
Budgetary expenditure	1,144.7	889.3	1,259.7	1,284.9	1,343.8	1,498.0	1,548.2	1,667.9
Current expenditure	710.0	718.8	846.6	861.5	851.8	851.7	914.5	972.1
Wages and salaries	265.1	291.1	311.8	311.8	330.4	330.4	356.1	390.0
Goods and services	232.0	207.8	266.2	266.2	246.2	246.2	262.9	288.9
Transfers and subsidies	181.4	187.0	233.9	251.4	242.7	242.7	261.6	257.4
Interest	31.6	32.9	34.6	32.0	32.4	32.4	34.0	35.8
Of which: domestic	13.5	15.0	14.6	12.0	11.0	11.0	11.3	10.6
Capital expenditure	437.9	170.5	413.1	423.4	492.0	646.3	633.6	695.8
Externally financed	253.9	32.1	177.8	188.1	240.5	394.8	334.2	339.0
Domestically financed	184.0	138.4	235.3	235.3	251.5	251.5	299.4	356.8
Special funds and annexed budgets	96.1	99.5	99.5	99.5	99.5	99.5	118.0	127.2
Net lending	-3.2	-2.8	-5.6	-5.6	-4.6	-4.6	0.0	0.0
Overall fiscal balance (excl. grants)	-380.8	-82.0	-339.2	-375.9	-327.1	-481.3	-427.0	-424.1
Overall fiscal balance (incl. grants)	-186.9	-69.0	-155.8	-153.2	-123.6	-205.9	-175.0	-175.0
Variation of arrears	-8.2	21.8	-39.0	-36.7	-28.0	-28.0	0.0	0.0
Of which: Domestic	-9.2	18.7	-36.7	-36.7	-28.0	-28.0	0.0	0.0
Of which: External (Interest)	1.0	3.1	0.0	0.0	0.0	0.0	0.0	0.0
Adjustment to cash basis	2.2	-7.9	7.1	7.1	-8.3	-8.3	7.0	6.6
Overall balance (cash basis, incl. grants)	-192.8	-62.6	-187.7	-182.8	-159.9	-242.1	-168.1	-168.4
Financing	192.8	62.6	157.6	182.8	159.9	242.1	168.1	168.4
External financing (net)	136.9	8.5	102.5	107.9	148.4	230.7	170.2	174.1
Loans	165.0	22.9	153.1	158.5	182.2	264.5	225.2	229.1
Project loans	120.0	22.9	113.1	118.8	135.7	218.0	175.0	175.0
Budgetary loans	45.0	0.0	40.0	39.7	46.5	46.5	50.2	54.1
Amortization	-46.2	-39.5	-49.1	-49.1	-55.8	-55.8	-55.0	-55.0
Debt relief	13.6	6.6	25.6	25.6	22.0	22.0	0.0	0.0
Variation of External Arrears (Principal)	4.5	18.5	-27.1	-27.1	0.0	0.0	0.0	0.0
Domestic financing (net)	55.9	54.1	55.2	74.8	11.5	11.5	-2.1	-5.7
Banking system	71.7	70.4	23.6	24.3	11.5	11.5	-2.1	-5.7
Central bank	62.9	83.3	8.0	12.3	-4.7	-4.7	-2.1	-5.7
Commercial banks	3.3	67.9	15.5	12.0	16.1	16.1	0.0	0.0
Adjustment[2]	5.5	-80.9	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts	0.0	0.0	55.1	55.1	0.0	0.0	0.0	0.0
Non-bank financing	-15.8	-16.3	-23.5	-4.6	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	30.0	0.0	0.0	0.0	0.0	0.0
Memorandum items								
Basic fiscal balance[3]	-57.6	-39.5	-21.9	-18.1	31.0	31.1	0.0	0.0
Tax and non tax revenue from Gold secto	155.4	202.0	218.6	203.5	190.3	190.3	199.8	210.8
Total official assistance (loans and grants)	358.9	35.9	336.5	381.2	385.7	540.0	477.1	478.2
Nominal GDP	5,038	5,303	5,642	5,642	6,155	6,155	6,633	7,154

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

[1] IMF Country Report No. 13/168. Mali-Staff Report for Disbursement under the Rapid Credit Facility.

[2] Adjustment to account for the difference between the definitions of the government in the fiscal table and the monetary situation.

[3] Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending excluding externally financed capital spending.

Table 4. Mali: Central Government Consolidated Financial Operations, 2013
(in CFAF billions)

	March		June		September	December	
	Prog.[1]	Est.	Prog.[2]	Est.	Prog.[2]	Prog.[2]	Rev. prog.
Revenue and grants	219.6	223.2	510.7	559.6	885.0	1,197.8	1,225.6
Total revenue	204.4	223.2	461.3	478.9	756.3	1,014.4	1,003.0
Budgetary revenue	179.4	198.2	411.6	426.5	681.6	914.9	903.5
Tax revenue	172.5	187.6	392.9	398.9	638.7	856.5	852.8
Direct taxes	53.6	72.1	138.7	142.9	208.9	286.7	319.8
Indirect taxes	118.9	115.5	272.8	256.0	419.3	569.9	533.0
VAT	67.3	64.1	161.7	150.9	240.5	328.5	316.0
Excises on petroleum products	4.2	5.6	9.6	11.7	14.7	19.9	19.9
Import duties	24.4	24.9	55.8	52.3	85.4	115.3	115.3
Other indirect taxes	32.1	24.6	70.6	62.6	115.6	156.1	139.6
Tax refund	-9.2	-3.7	-24.9	-21.5	-37.0	-50.0	-57.8
Nontax revenue	6.9	10.6	18.6	27.6	42.9	58.3	50.6
Special funds and annexed budgets	25.1	25.0	49.8	52.4	74.6	99.5	99.5
Grants	15.2	0.0	49.4	80.7	128.8	183.4	222.7
Projects grants	15.2	0.0	30.0	12.5	45.0	60.1	69.2
Budgetary support	0.0	0.0	9.8	58.9	74.2	113.9	144.1
Of which: General	0.0	0.0	9.8	58.9	74.2	113.9	144.1
Of which: Sectoral	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending (payment orders basis)	265.4	189.4	605.5	498.7	1,013.0	1,353.6	1,378.8
Budgetary expenditure	240.8	165.5	558.5	451.0	942.6	1,259.7	1,284.9
Current expenditure	197.5	140.7	406.3	343.7	649.2	846.6	861.5
Wages and salaries	78.0	64.0	144.2	133.9	233.9	311.8	311.8
Goods and services	64.4	29.2	127.8	96.0	209.4	266.2	266.2
Transfers and subsidies	47.3	40.3	117.0	101.9	180.0	233.9	251.4
Interest	7.9	7.2	17.3	11.9	25.9	34.6	32.0
Of which: domestic	2.9	4.0	7.3	5.0	10.9	14.6	12.0
Capital expenditure	43.3	18.8	152.3	103.9	293.4	413.1	423.4
Externally financed	43.3	0.0	86.6	31.6	134.5	177.8	188.1
Domestically financed	0.0	18.8	65.7	72.3	158.9	235.3	235.3
Special funds and annexed budgets	25.1	25.0	49.8	52.4	74.6	99.5	99.5
Net lending	-0.5	-1.1	-2.8	-4.7	-4.2	-5.6	-5.6
Overall fiscal balance (excl. grants)	-61.0	33.8	-144.2	-19.8	-256.8	-339.2	-375.9
Overall fiscal balance (incl. grants)	-45.7	33.8	-94.8	60.9	-128.0	-155.8	-153.2
Variation of arrears	-3.8	0.0	-23.3	-15.9	-29.3	-39.0	-36.7
Adjustment to cash basis	0.0	-8.4	-13.1	-1.4	-10.4	7.1	7.1
Overall balance (cash basis, incl. grants)	-49.5	37.1	-17.8	43.6	-167.6	-187.7	-182.8
Financing	49.6	-37.2	131.2	-43.6	167.6	157.6	182.8
External financing (net)	18.7	9.6	34.9	-14.0	95.4	102.5	107.9
Loans	28.1	0.0	56.6	19.1	124.8	153.1	158.5
Project loans	28.1	0.0	56.6	19.1	84.8	113.1	118.8
Budgetary loans	0.0	0.0	0.0	0.0	40.0	40.0	39.7
Amortization	-12.3	8.2	-28.2	-28.2	-37.3	-49.1	-49.1
Debt relief	2.8	1.4	6.5	6.6	7.9	25.6	25.6
Variation of External Arrears (Principal)	0.0	-3.9	-13.6	-11.5	-20.3	-27.1	-27.1
Domestic financing (net)	20.9	-46.7	96.4	-29.7	72.2	55.2	74.8
Banking system	29.1	-54.3	52.0	-30.0	34.5	23.6	24.3
Central bank	7.3	-8.7	12.9	-52.0	10.8	8.0	12.3
Commercial banks	21.8	11.5	39.1	1.0	23.7	15.5	12.0
Adjustment PNG [3]	0.0	-57.1	0.0	21.0	0.0	0.0	0.0
Privatization receipts	5.5	33.0	55.1	34.5	55.1	55.1	55.1
Non-bank financing	-3.7	-25.4	-10.8	-34.2	-17.3	-23.5	-4.6
Financing gap	0.0	0.0	0.0	0.0	0.0	30.0	0.0
Memorandum items							
Basic fiscal balance[4]	-14.8	35.2	-41.3	77.3	-40.1	-21.9	-18.1
Total official assistance (loans and grants)	43.3	0.0	105.9	99.8	253.6	336.5	381.2
Government bank and market financing	29.1	-1.7	52.1	-39.9	34.5	23.6	24.4

Sources: Ministry of Finance; and IMF staff projections.
[1] IMF Country Report No. 13/44. Mali-Staff Report for 2012 Article IV Consultation and Disbursement under the Rapid Credit Facility.
[2] IMF Country Report No. 13/168. Mali-Staff Report for Disbursement under the Rapid Credit Facility.
[3] Adjustment to account for the difference between the definitions of the government in the fiscal table and the monetary situation.
[4] Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending, excluding externally financed capital spending.

Table 5. Mali: Central Government Consolidated Financial Operations, 2011–16
(in percent of GDP)

	2011	2012	2013		2014		2015	2016
		Est.	Prog.	Rev. prog.	Budg.	Prog.	Proj.	
Revenue and grants	21.1	17.5	21.2	21.7	21.4	22.5	22.5	22.6
Total revenue	17.2	17.2	18.0	17.8	18.1	18.1	18.7	19.2
Budgetary revenue	15.3	15.3	16.2	16.0	16.4	16.4	16.9	17.4
Tax revenue	14.6	14.3	15.2	15.1	15.6	15.6	16.1	16.6
Direct taxes	4.4	5.0	5.1	5.7	5.0	5.4	5.6	5.7
Of wich: Gold sector	1.7	2.0	2.2	2.2	1.7	1.7	1.6	1.5
Indirect taxes	10.2	9.3	10.1	9.4	10.5	10.1	10.5	10.9
VAT	6.2	5.4	5.8	5.6	6.0	6.0	6.1	6.3
Excises on petroleum products	0.1	0.5	0.4	0.4	0.5	0.5	0.5	0.6
Import duties	2.2	1.9	2.0	2.0	2.1	2.1	2.1	2.1
Other indirect taxes	2.4	2.7	2.8	2.5	3.0	2.6	2.7	2.7
Of wich: Gold sector	1.0	1.2	1.0	0.9	0.8	0.8	0.8	0.8
Tax refund	-0.7	-1.1	-0.9	-1.0	-1.0	-1.0	-0.9	-0.8
Nontax revenue	0.7	1.0	1.0	0.9	0.9	0.9	0.8	0.8
Of wich: Gold sector	0.5	0.6	0.7	0.4	0.6	0.6	0.6	0.7
Special funds and annexed budgets	1.9	1.9	1.8	1.8	1.6	1.6	1.8	1.8
Grants	3.8	0.2	3.3	3.9	3.3	4.5	3.8	3.5
Projects grants	1.9	0.2	1.1	1.2	0.8	1.9	1.5	1.4
Budgetary support	1.9	0.1	2.0	2.6	2.5	2.5	2.3	2.1
Of which: General	1.1	0.1	2.0	2.6	1.6	1.6	1.4	1.2
Of which: Sectoral	0.8	0.0	0.0	0.0	0.9	0.9	0.9	0.9
Total expenditure and net lending (payment order basis)	24.8	18.8	24.0	24.4	23.4	25.9	25.1	25.1
Budgetary expenditure	22.7	16.8	22.3	22.8	21.8	24.3	23.3	23.3
Current expenditure	14.1	13.6	15.0	15.3	13.8	13.8	13.8	13.6
Wages and salaries	5.3	5.5	5.5	5.5	5.4	5.4	5.4	5.5
Goods and services	4.6	3.9	4.7	4.7	4.0	4.0	4.0	4.0
Transfers and subsidies	3.6	3.5	4.1	4.5	3.9	3.9	3.9	3.6
Interest	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5
Of which: domestic	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.1
Capital expenditure	8.7	3.2	7.3	7.5	8.0	10.5	9.6	9.7
Externally financed	5.0	0.6	3.2	3.3	3.9	6.4	5.0	4.7
Domestically financed	3.7	2.6	4.2	4.2	4.1	4.1	4.5	5.0
Special funds and annexed budgets	1.9	1.9	1.8	1.8	1.6	1.6	1.8	1.8
Net lending	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0
Overall fiscal balance (excl. grants)	-7.6	-1.5	-6.0	-6.7	-5.3	-7.8	-6.4	-5.9
Overall fiscal balance (incl. grants)	-3.7	-1.3	-2.8	-2.7	-2.0	-3.3	-2.6	-2.4
Variation of arrears	-0.2	0.4	-0.7	-0.7	-0.5	-0.5	0.0	0.0
Of which: Domestic	-0.2	0.4	-0.7	-0.7	-0.5	-0.5	0.0	0.0
Of which: External (Interest)	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Adjustment to cash basis	0.0	-0.1	0.1	0.1	-0.1	-0.1	0.1	0.1
Overall balance (cash basis, incl. grants)	-3.8	-1.2	-3.3	-3.2	-2.6	-3.9	-2.5	-2.4
Financing	3.8	1.2	2.8	3.2	2.6	3.9	2.5	2.4
External financing (net)	2.7	0.2	1.8	1.9	2.4	3.7	2.6	2.4
Loans	3.3	0.4	2.7	2.8	3.0	4.3	3.4	3.2
Project loans	2.4	0.4	2.0	2.1	2.2	3.5	2.6	2.4
Of which: non-concessional	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Budgetary loans	0.9	0.0	0.7	0.7	0.8	0.8	0.8	0.8
Amortization	-0.9	-0.7	-0.9	-0.9	-0.9	-0.9	-0.8	-0.8
Debt relief	0.3	0.1	0.5	0.5	0.4	0.4	0.0	0.0
Variation of External Arrears (Principal)	0.1	0.3	-0.5	-0.5	0.0	0.0	0.0	0.0
Domestic financing (net)	1.1	1.0	1.0	1.3	0.2	0.2	0.0	-0.1
Banking system	1.4	1.3	0.4	0.4	0.2	0.2	0.0	-0.1
Central bank	1.2	1.6	0.1	0.2	-0.1	-0.1	0.0	-0.1
Commercial banks	0.1	1.3	0.3	0.2	0.3	0.3	0.0	0.0
Adjustment[2]	0.1	-1.5	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts	0.0	0.0	1.0	1.0	0.0	0.0	0.0	0.0
Non-bank financing	-0.3	-0.3	-0.4	-0.1	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0
Memorandum items								
Basic fiscal balance[3]	-1.1	-0.7	-0.4	-0.3	0.5	0.5	0.0	0.0
Tax and non tax revenue from Gold sector	3.1	3.8	3.9	3.6	3.1	3.1	3.0	2.9
Total official assistance (grants plus loans)	7.1	0.7	6.0	6.8	6.3	8.8	7.2	6.7
Nominal GDP (in billions of CFAF)	5,038	5,303	5,642	5,642	6,155	6,155	6,633	7,154

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

[1] Country Report No. 13/44. Mali-Staff Report for 2012 Article IV Consultation and RCF Disbursement.

[2] Adjustment to account for the difference between the definitions of the government in the fiscal table and the monetary situation.

[3] Defined in Table 3, footnote 3.

Table 6. Mali: Central Government Operations, GFSM 2001 Classification[1] 2011–16

	2011	2012	2013		2014	2015	2016
		Est.	Prog.[2]	Rev. prog.	Prog.	Proj.	
	(in CFAF billions)						
Revenue	1,070.7	925.8	1,197.8	1,225.6	1,406.1	1,491.1	1,620.1
Taxes	734.2	758.7	856.5	852.8	958.6	1,065.7	1,187.5
Grants	207.5	13.0	183.4	222.7	294.5	252.0	249.1
Of which: Current	55.7	3.8	113.9	144.1	95.7	92.8	85.1
Of which: Capital	151.9	9.2	60.1	69.2	198.8	159.2	164.0
Other revenue	129.0	154.2	157.8	150.1	153.0	173.4	183.5
Expenditure	1,244.1	988.8	1,359.2	1,384.4	1,597.5	1,666.1	1,787.6
Expense	806.1	818.3	946.1	961.0	951.2	1,032.5	1,099.3
Compensation of employees	265.1	291.1	311.8	311.8	330.4	356.1	390.0
Use of goods and services	232.0	207.8	266.2	266.2	246.2	262.9	288.9
Interest	31.6	32.9	34.6	32.0	32.4	34.0	35.8
Subsidies	16.9	28.4	35.0	35.0	35.0	37.7	40.7
Grants	118.6	107.9	131.0	131.0	149.0	160.6	174.6
Other expense	142.1	150.2	167.5	185.0	158.2	181.2	169.4
Net acquisition of nonfinancial assets	437.9	170.5	413.1	423.4	646.3	633.6	688.3
Gross Operating Balance	264.6	107.6	251.7	264.6	454.8	458.6	520.8
Net lending (+)/borrowing (–)	-173.4	-62.9	-161.3	-158.8	-191.5	-175.0	-167.5
Net financial transactions	-173.4	-62.9	-161.3	-158.8	-191.5	-175.0	-167.5
Net acquisition of financial assets	-20.0	-74.0	-60.7	-1.0	-4.6	3.8	6.6
Domestic	-20.0	-74.0	-60.7	-1.0	-4.6	3.8	6.6
Currency and deposits	-41.3	-87.5	0.0	0.0	0.0	3.8	5.6
Loans (net lending)	-3.2	-2.8	-5.6	-5.6	-4.6	0.0	0.0
Equity and investment shares (privatization proceeds)	15.8	16.3	-55.1	4.6	0.0	0.0	0.0
Other accounts receivable	8.7	0.0	0.0	0.0	0.0	0.0	1.0
Net incurrence of liabilities	153.4	-11.1	100.7	157.8	186.9	178.8	174.1
Domestic	10.4	3.3	-17.8	29.6	-45.8	7.0	0.1
Debt securities and loans	34.7	-22.7	-8.0	7.4	0.0	0.0	0.0
Other accounts payable	-24.4	26.0	-9.8	22.2	-45.8	7.0	0.1
Foreign	143.0	-14.4	118.5	128.2	232.7	171.9	174.0
Memorandum items:							
Change in net worth: Transactions	-173.4	-62.9	-161.3	-158.8	-191.5	-175.0	-167.5
Nominal GDP	5,038	5,303	5,651	5,642	6,155	6,633	7,154

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

[1] Government Finance Statistics Manual (http://www.imf.org/external/pubs/ft/gfs/manual/).

[2] IMF Country Report No. 13/168. Mali-Staff Report for Disbursement under the Rapid Credit Facility.

Table 7. Mali: Balance of Payments, 2011–16

	2011	2012	2013		2014	2015	2016
		Est.	Prog.[1]	Rev. prog.	Prog.	Proj.	
	(in CFAF billions)						
Current account balance							
Excluding official transfers	-390.8	-238.5	-1,257.8	-1,366.7	-1,197.6	-943.5	-946.0
Including official transfers	-309.7	-190.1	-493.4	-393.9	-642.0	-629.8	-635.7
Trade balance	-157.0	35.0	-312.8	-384.8	-569.6	-563.8	-566.8
Exports, f.o.b.	1,128.5	1,485.7	1,359.8	1,278.7	1,283.8	1,282.4	1,280.3
Cotton fiber	90.9	197.7	174.1	154.6	171.4	163.7	160.4
Gold	804.1	1,023.9	932.0	850.9	824.1	807.8	795.4
Other	233.5	264.1	253.6	273.2	288.3	310.8	324.6
Imports, f.o.b.	-1,285.5	-1,450.8	-1,672.5	-1,663.5	-1,853.4	-1,846.1	-1,847.1
Petroleum products	-380.2	-416.3	-418.0	-401.3	-435.9	-407.1	-393.3
Foodstuffs	-178.3	-202.6	-288.4	-282.3	-296.5	-312.1	-324.4
Other	-727.0	-831.9	-966.1	-979.9	-1,121.1	-1,126.8	-1,129.4
Services (net)	-338.6	-377.3	-1,094.4	-1,109.0	-770.2	-535.5	-546.5
Credit	193.9	164.6	144.3	164.9	188.2	193.3	198.7
Debit [2]	-532.4	-541.9	-1,238.7	-1,273.8	-958.4	-728.8	-745.1
Of which: freight and insurance	266.2	-300.8	-362.2	-360.2	-401.3	-399.8	-400.0
Income (net)	-217.9	-256.1	-249.4	-229.2	-223.1	-219.5	-218.1
Of which: interest due on public debt	17.1	-17.9	-20.0	-20.0	-21.4	-22.7	-25.2
Transfers (net)	403.8	408.3	1,163.1	1,329.1	920.9	689.0	695.7
Private transfers (net)	322.7	359.9	398.7	356.3	365.3	375.3	385.3
Official transfers (net) [2]	81.0	48.4	764.4	972.8	555.6	313.7	310.3
Of which: budgetary grants	55.7	3.8	113.9	144.1	95.7	92.8	85.1
Capital and financial account	337.0	140.7	370.5	396.6	648.9	635.9	642.8
Capital account (net)	170.7	49.7	103.6	115.9	227.7	214.0	223.1
Of which: project grants	138.3	9.2	60.1	69.2	176.8	159.2	164.0
Financial account	166.3	91.0	266.9	280.7	421.2	421.8	419.6
Private (net)	27.4	64.8	147.3	160.8	205.1	277.8	273.7
Direct investment (net)	260.4	160.3	197.1	205.2	253.5	279.8	275.9
Portfolio investment private (net)	-1.7	-1.7	-1.8	-1.7	-1.9	-2.0	-2.2
Other private capital flows	-231.3	-93.7	-47.9	-42.7	-46.5	0.0	0.0
Official (net)	118.8	5.0	94.0	99.4	193.8	170.2	174.1
Disbursements	165.0	22.9	153.1	158.5	264.5	225.2	229.1
Budgetary	45.0	0.0	40.0	39.7	46.5	50.2	54.1
Project related	120.0	22.9	113.1	118.8	218.0	175.0	175.0
Amortization due on public debt	-46.2	-39.5	-49.1	-49.1	-55.8	-55.0	-55.0
Errors and omissions	-25.2	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	2.1	-49.3	-122.9	2.7	6.9	6.0	7.1
Financing	-2.1	49.3	122.9	-2.7	-6.9	-6.0	-7.1
Foreign assets (net)	-15.7	42.7	-10.0	-28.3	-28.9	-6.0	-7.1
Of which: IMF (net)	21.2	3.8	14.5	18.8	2.1	1.7	-0.1
HIPC Initiative assistance	13.6	6.6	25.6	25.6	22.0	0.0	0.0
Financing gap	0.0	0.0	107.3	0.0	0.0	0.0	0.0
	(in percent of GDP, unless otherwise indicated)						
Current account balance							
Excluding official transfers	-7.8	-4.5	-22.3	-24.2	-19.5	-14.2	-13.2
Including official transfers	-6.1	-3.6	-8.7	-7.0	-10.4	-9.5	-8.9
	(annual percentage change)						
External trade							
Export volume index	5.1	14.1	1.7	1.5	4.6	1.3	1.4
Import volume index	3.4	10.0	22.6	19.0	14.0	2.9	1.2
Export unit value	-2.0	16.9	-11.2	-16.3	-4.2	-2.2	-1.5
Import unit value	-15.4	2.6	-6.2	-3.9	-2.2	-3.2	-1.1
Terms of trade	15.8	13.9	-5.3	-12.9	-2.0	1.1	-0.4

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

[1] IMF Country Report No. 13/168. Mali-Staff Report for Disbursement under the Rapid Credit Facility.

[2] The 2013-14 numbers include an increase in security services paid to and financed by the international community in relation to the foreign military intervention in the country.

Table 8. Mali: Monetary Survey, 2011–16

	2011	2012	2013			2014	2015	2016
		Est.	Sept.	Prog.[1]	Rev. prog.	Prog.	Proj.	
				(in CFAF billions)				
Net Foreign Assets	693.9	696.7	761.7	706.7	725.0	753.9	760.0	767.1
BCEAO	584.9	542.1	538.7	552.1	570.4	599.3	605.3	612.4
Commercial Banks	109.0	154.6	223.0	154.6	154.6	154.6	154.6	154.6
Net Domestic Assets	798.0	1,014.9	993.7	1,131.3	1,113.7	1,252.2	1,423.3	1,619.1
Credit to the government (net)	-203.7	-54.2	-84.7	-30.6	-29.8	-18.4	-20.5	-25.6
BCEAO	-11.2	75.9	47.8	83.9	88.2	83.6	81.5	76.4
Commercial banks, net	-192.5	-130.1	-132.5	-114.6	-118.1	-102.0	-102.0	-102.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the economy	1,049.3	1,099.2	1,129.5	1192.0	1,173.6	1,300.6	1,473.9	1,674.8
Other items (net)	-47.6	-30.1	-51.1	-30.1	-30.1	-30.1	-30.1	-30.1
Money supply (M2)	1,492.0	1,711.7	1,755.4	1,838.0	1,838.7	2,006.1	2,183.3	2,386.1
Currency outside banks	415.4	507.5	510.1	545.0	545.2	594.8	647.3	707.5
Bank deposits	1,076.6	1,204.2	1,245.3	1,293.1	1,293.6	1,411.3	1,535.9	1,678.7
Memorandum item:								
Base Money (M0)	643.5	733.6	713.3	787.8	788.1	859.8	935.7	1,022.7
Gross international reserves BCEAO	701.4	660.2	675.6	684.6	706.3	737.0	744.5	751.2
in percent of broad money	47.0	38.6	38.5	37.2	38.4	36.7	34.1	31.5
				(in percent of beginning-of-period broad money)				
Contribution to growth of broad money								
Money supply (M2)	15.3	14.7	13.2	7.4	7.4	9.1	8.8	9.3
Net foreign assets	-2.5	0.2	10.2	0.6	1.7	1.6	0.3	0.3
BCEAO	2.5	-2.9	4.1	0.6	1.7	1.6	0.3	0.3
Commercial banks	-5.0	3.1	6.1	0.0	0.0	0.0	0.0	0.0
Net domestic assets	17.8	14.5	2.9	6.8	5.8	7.5	8.5	9.0
Credit to the central government	5.1	10.0	-1.5	1.4	1.4	0.6	-0.1	-0.2
Credit to the economy	15.8	3.3	5.0	5.4	4.3	6.9	8.6	9.2
Other items net	-3.1	1.2	-0.6	0.0	0.0	0.0	0.0	0.0
				(annual percent change, unless otherwise specified)				
Memorandum items:								
Money supply (M2)	15.3	14.7	13.2	7.4	7.4	9.1	8.8	9.3
Base money (M0)	18.0	14.0	12.1	7.4	7.4	9.1	8.8	9.3
Credit to the economy	24.1	4.8	7.4	8.4	6.8	10.8	13.3	13.6
Velocity (GDP/M2)	3.4	3.1	3.2	3.1	3.1	3.1	3.0	3.0
Money Multiplier (M2/M0)	2.3	2.3	2.5	2.3	2.3	2.3	2.3	2.3
Currency outside banks / M2	27.8	29.6	29.1	29.6	29.6	29.6	29.6	29.6

Sources: BCEAO; and Fund staff estimates and projections.

[1] Growth rates for September 2013 calculated relative to September of 2012.

[2] IMF Country Report No. 13/168. Mali-Staff Report for Disbursement under the Rapid Credit Facility.

Table 9. Mali: Financial Soundness Indicators for the Banking Sector, 2008–13

	2008	2009	2010	2011	2012 Est.	2013 [2]
	(in percent)					
Capital						
Capital to risk-weighted assets	11.4	9.9	16.9	17.4	14.3	14.4
Tier 1 capital to risk-weighted assets	10.5	9.4	15.4	15.5	12.6	12.6
Capital (net worth) in percent of assets	6.0	5.7	9.2	9.3	8.8	8.6
Sectoral distribution of credit to the economy						
Agriculture and fishing	11.6	7.5	3.0	4.0	10.7	4.1
Minining sector	0.1	0.1	0.3	0.1	3.7	4.7
Manufacturing	8.0	6.9	8.0	8.0	9.4	12.1
Electricity, gas, and water	4.3	5.9	11.3	13.3	6.5	7.9
Building and construction	2.0	2.4	4.3	5.0	5.6	4.4
Wholesale and retail trade, hotels and restaurants	40.6	43.8	42.0	46.0	44.8	42.2
Transportation, warehouses, communications	14.7	12.7	9.0	8.0	5.5	13.5
Insurance, real estate, and services for enterprises	6.7	7.7	11.0	8.0	8.0	6.1
Collectives and social services	3.4	4.0	5.0	5.0	4.4	4.7
Other activities	8.6	9.0	6.1	2.7	1.4	0.2
Asset quality						
Non-performing loans to total loans	25.3	21.9	21.5	18.5	21.3	21.5
Non-performing loans to total loans (net of provisioning)	9.3	9.1	8.8	6.5	8.7	10.2
Provisions to gross non-performing loans	66.9	59.5	64.0	69.3	65.0	63.9
Provisions to gross loans	15.4	14.8	13.5	13.1	13.9	13.8
Earnings and profitability						
Return on assets (ROA)	0.8	0.6	1.4	1.4	1.1	...
Return on equity (ROE)	12.9	10.0	15.2	15.2	13.1	...
Liquidity						
Liquid assets to total assets	43.8	48.9	50.6	47.4	48.2	49.2
Liquid assets to short term liabilities	84.0	61.2	92.9	89.4	90.0	98.0
Ratio of deposits to assets	73.6	73.0	75.4	70.7	86.8	71.7
Ratio of loans to deposits	90.7	71.1	69.8	77.4	77.1	75.4
Memorandum items 1						
Deposit rate	5.0	4.8	4.9	4.8	4.7	4.4
Lending rate	9.8	9.7	9.4	9.3	8.9	8.5

Source: BCEAO, and IMF staff estimates.

[1] Average

[2] End-June

Table 10. Mali: Proposed Schedule of Disbursements Under the Proposed ECF Arrangement, 2013–16

Amount	Available date	Conditions for disbursement
SDR 6 million	December 13, 2013	Executive Board approval of the three year ECF arrangement.
SDR 4 million	May 1, 2014	Observance of December 31, 2013 and continuous performance criteria, and completion of the first review under the arrangement.
SDR 4 million	November 1, 2014	Observance of June 30, 2014 and continuous performance criteria, and completion of the second review under the arrangement.
SDR 4 million	May 1, 2015	Observance of December 31, 2014 and continuous performance criteria, and completion of the third review under the arrangement.
SDR 4 million	November 1, 2015	Observance of June 30, 2015 and continuous performance criteria, and completion of the fourth review under the arrangement.
SDR 4 million	May 1, 2016	Observance of December 31, 2015 and continuous performance criteria, and completion of the fifth review under the arrangement.
SDR 4 million	November 1, 2016	Observance of June 30, 2016 and continuous performance criteria, and completion of the sixth review under the arrangement.

Sources: IMF staff estimates and projections.

Table 11. Mali: Indicators of Capacity to Repay the Fund, 2013–22[1]

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	(Millions of SDRs, unless noted otherwise)									
Fund obligations based on existing credit										
Principal	2.1	5.2	5.7	8.2	11.6	12.7	12.6	12.0	9.1	5.0
Charges and interest	0.0	0.0	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.0
Fund obligations based on existing and prospective credit[2]										
Principal	2.1	5.2	5.7	8.2	11.6	12.7	14.2	15.2	13.9	11.0
Charges and interest	0.0	0.0	0.3	0.3	0.2	0.2	0.2	0.1	0.1	0.1
Total obligations based on existing and prospective credit										
In millions of SDRs	2.1	5.2	5.9	8.4	11.8	12.9	14.4	15.3	14.0	11.1
In billions of CFA francs	1.6	3.9	4.4	6.2	8.7	9.4	10.5	11.2	10.2	8.1
In percent of government revenue	0.2	0.3	0.4	0.5	0.6	0.6	0.6	0.6	0.5	0.4
In percent of exports of goods and services	0.1	0.3	0.3	0.4	0.6	0.6	0.7	0.7	0.6	0.4
In percent of debt service	2.8	5.8	4.9	6.8	9.3	9.8	10.7	11.0	9.7	9.2
In percent of GDP	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
In percent of quota	2.3	5.6	6.3	9.0	12.7	13.8	15.4	16.4	15.0	11.9
Outstanding Fund credit[1]										
In millions of SDRs	90.2	93.0	95.4	95.2	83.6	70.9	56.7	41.5	27.6	16.6
In billions of CFA francs	67.6	69.1	70.4	70.0	61.2	51.7	41.3	30.2	20.1	12.1
In percent of government revenue	6.7	6.2	5.7	5.1	4.1	3.2	2.4	1.6	1.0	0.6
In percent of exports of goods and services	4.7	4.7	4.8	4.7	4.1	3.4	2.6	1.8	1.1	0.7
In percent of debt service	121.7	104.2	79.0	77.0	65.6	54.1	42.0	29.8	19.2	13.8
In percent of GDP	1.2	1.1	1.1	1.0	0.8	0.6	0.5	0.3	0.2	0.1
In percent of quota	96.7	99.7	102.2	102.0	89.6	76.0	60.8	44.5	29.6	17.8
Disbursements and Repurchases	25.9	2.8	2.3	-0.2	-11.6	-12.7	-14.2	-15.2	-13.9	-11.0
Disbursements	28.0	8.0	8.0	8.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	2.1	5.2	5.7	8.2	11.6	12.7	14.2	15.2	13.9	11.0
Memorandum items:	(in CFAF billions, unless otherwise indicated)									
Nominal GDP	5,642	6,155	6,633	7,154	7,669	8,224	8,836	9,499	10,216	10,993
Exports of goods and services	1,444	1,472	1,476	1,479	1,502	1,538	1,599	1,671	1,754	1,836
Government revenue	1,003	1,112	1,239	1,371	1,475	1,591	1,721	1,864	2,021	2,194
Debt service	56	66	89	91	93	96	98	101	105	87

Sources: IMF staff estimates and projections.

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

[2] Includes future disbursements proposed in Table 10.

Table 12. Mali: Millennium Development Goals 1990–2011

	1990	1995	2000	2005	2011
Goal 1: Eradicate extreme poverty and hunger	**2015 target = halve 1990 poverty and malnutrition rates**				
Employment to population ratio, 15+, total (%)	47	47	47	47	48
Employment to population ratio, ages 15-24, total (%)	36	35	35	36	36
GDP per person employed (constant 1990 PPP $)	*2,532*	2,603	2,751	3,211	3,576
Income share held by lowest 20%	..	5	6	7	8
Malnutrition prevalence, weight for age (% of children under 5)	..	38	30	28	..
Poverty gap at $1.25 a day (PPP) (%)	..	53	26	19	16
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	..	86	61	51	50
Vulnerable employment, total (% of total employment)	..	..	..	87	..
Goal 2: Achieve universal primary education	**2015 target = increase net enrollment to 100**				
Literacy rate, youth female (% of females ages 15-24)	..	..	17	31	34
Literacy rate, youth male (% of males ages 15-24)	..	..	32	47	56
Persistence to last grade of primary, total (% of cohort)	33	..	83	74	*75*
Primary completion rate, total (% of relevant age group)	9	..	29	41	55
Adjusted net enrollment rate, primary (% of primary school age children)	..	..	42	54	67
Goal 3: Promote gender equality and empower women	**2015 target = increase education ratio to 100**				
Proportion of seats held by women in national parliaments (%)	..	12	12	10	10
Ratio of female to male primary enrollment (%)	61	69	75	80	88
Ratio of female to male secondary enrollment (%)	50	50	56	62	71
Ratio of female to male tertiary enrollment (%)	15	18	48	53	46
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	..	27	..	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	73	56
Mortality rate, infant (per 1,000 live births)	130	125	116	97	81
Mortality rate, under-5 (per 1,000 live births)	253	240	220	173	133
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)	193	190	187	183	177
Births attended by skilled health staff (% of total)	..	40	41	49	..
Contraceptive prevalence (% of women ages 15-49)	..	7	8	8	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	1,100	930	740	620	*540*
Pregnant women receiving prenatal care (%)	..	47	57	70	..
Unmet need for contraception (% of married women ages 15-49)	..	26	29	31	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases	**2015 target = begin to reverse AIDS and other major diseases**				
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	..	32	35
Condom use, female (% of females ages 15-24)	..	3	3	4	..
Condom use, male (% of males ages 15-24)	..	26	26	29	..
Incidence of tuberculosis (per 100,000 people)	76	80	77	69	62
Prevalence of HIV, total (% of population ages 15-49)	1	2	2	1	1
Tuberculosis case detection rate (%, all forms)	45	39	48	52	56
Goal 7: Ensure environmental sustainability					
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	11	10
Improved sanitation facilities (% of population with access)	15	17	18	20	22
Improved water source (% of population with access)	28	37	46	55	65
Net ODA received per capita (current US$)	60	60	28	60	88
Goal 8: Develop a global partnership for development					
Debt service (PPG and IMF only, % of exports of goods, services and primary income)	15	16	13	4	3
Internet users (per 100 people)	0	0	0	1	2
Mobile cellular subscriptions (per 100 people)	0	0	0	6	68
Telephone lines (per 100 people)	0	0	0	1	1
Fertility rate, total (births per woman)	7	7	7	7	7
Other					
GNI per capita, Atlas method (current US$)	290	260	250	440	670
GNI, Atlas method (current US$) (billions)	2	2	3	5	10
Gross capital formation (% of GDP)	23	23	25	23	23
Life expectancy at birth, total (years)	46	48	49	52	54
Literacy rate, adult total (% of people ages 15 and above)	..	..	19	26	31
Population, total (billions)	8.7	9.8	11.3	13.2	15.8
Trade (% of GDP)	51	57	66	63	62

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

Appendix I. Letter of Intent

Bamako, December 2, 2013

Ms. Christine Lagarde
Managing Director
International Monetary Fund
700, 19th Street, N.W.
Washington, D.C. 20431
United States

Dear Madam Managing Director:

1. On June 10, 2013, the Executive Board of the International Monetary Fund (IMF) approved a disbursement of an amount equivalent to SDR 10 million (US$15 million) for Mali under the Rapid Credit Facility (RCF) to support the government policies seeking to maintain macroeconomic stability and to restore growth in 2013, as part of the broad-based support of technical and financial partners for the country's revival after the 2012 security and political crisis.

2. The attached Memorandum of Economic and Financial Policies (MEFP) describes recent developments in the Malian economy and the progress made in implementing our policies in 2013. As explained in the MEFP, nearly all the indicators for our policies at end-June 2013 have been achieved and most measures subject to structural benchmarks have been implemented.

3. This memorandum also sets out the economic and financial policies that the Malian government intends to implement between now and the end of this year and during the course of the next three years to preserve macroeconomic stability, support the nascent economic recovery, strengthen the implementation of reforms to improve the management of public finances that were interrupted by the security and political crisis in 2012, and facilitate private sector development.

4. To help achieve the objectives of this program, the government seeks a three-year arrangement in an amount equivalent to SDR 30 million (US$46 million) under the Extended Credit Facility (ECF). This arrangement will be used to anchor the government's macroeconomic policies and act as a catalyst for financial support from Mali's development partners. The half-yearly reviews associated with the arrangement will make it possible to send a clear signal to all stakeholders in Mali's development regarding the quality of the macroeconomic and financial policies implemented by the government.

5. The government believes that the measures and policies described in the attached MEFP are appropriate for attaining the objectives of this program. It will take any additional measures necessary to that end. It will consult with the IMF on the adoption of such measures prior to any revision of the policies indicated in the attached MEFP.

6. The government will provide Fund staff with all information mentioned in the Technical Memorandum of Understanding (TMU) concerning progress made under the program.

7. The government intends to make public the contents of the IMF staff report, including this letter, the attached MEFP, the TMU, the informational annex, and the debt sustainability analysis performed by IMF and World Bank staff. It therefore authorizes the IMF to publish these documents on its website once the IMF Executive Board approves the new three-year arrangement under the ECF.

Very truly yours

/s/

Bouaré Fily Sissoko, Minister of Economy and Finance

Attachments:

1. Memorandum of Economic and Financial Policies
2. Technical Memorandum of Understanding

Attachment I—Memorandum on Economic and Financial Policies

1. This memorandum of economic and financial policies (MEFP) presents recent developments and performance in regard to Mali's economic and financial policies implemented in connection with the request for disbursement under the Rapid Credit Facility (RCF) and request for a three-year arrangement under the Extended Credit Facility (ECF).

Recent economic developments, economic outlook in 2013, and performance in regard to the RCF-supported policies

A. Recent Economic Developments and Economic Outlook in 2013

2. In 2013, real GDP growth is expected to resume and reach 5.1 percent, through sustained growth expected in nearly all sectors of the economy following improvement in the security situation and the resumption of assistance. Gold production is the only segment expected to post a modest decline (-3.8 percent) due to the closing of one mine. The good harvest from the preceding year, which saw favorable rainfall and good conditions including government support to farmers through input subsidies, is expected to keep average inflation for the year at less than 1 percent.

3. The current account deficit (including grants) is expected to widen to 7.0 percent of GDP in 2013 due to the decline in gold prices and increased imports accompanying the economic recovery. It is expected that the deficit will be financed almost entirely through net capital inflows, primarily in the form of external aid, and foreign direct investment. Accordingly, the overall balance of payments is expected to post a small surplus.

4. The money supply is expected to increase by 7.4 percent in 2013, driven by credit to the economy.

5. The damage to banks in the north and the 2012 recession undermined the stability of the banking sector. The risk-weighted capital ratio, which stood at 17.4 percent in 2011, declined to 14.3 percent in December 2012 and 14.4 percent in June 2013. The balance of nonperforming loans increased to 21.5 percent of total credits (10.2 percent after deducting provisions). The financial stability of the microfinance sector also deteriorated: the share of nonperforming loans increased to 11.5 percent in 2012.

6. Fiscal performance was in line with indicators set at the time of the request for the RCF disbursement.[1] Tax revenue at mid-June was in line with policy objectives, but expenditures were

[1] IMF Country Report No. 13/168. Mali: Request for Disbursement under the Rapid Credit Facility.

sharply below the programmed amounts. Accordingly, the basic fiscal balance[2] as well domestic bank and financial market financing of the government fell short of the programmed amounts (by roughly 2 percent of GDP). The government successfully issued CFAF 89 billion (US$180 million) in Treasury bills during the first half, a sufficient amount to redeem all Treasury bills coming due. The government paid nearly all its debt service payments due in 2013 with the exception of one installment of a Libyan loan, for which it contacted the Libyan authorities to reschedule payment. It began clearing its external arrears accumulated at end–2012: those arrears, which stood at CFAF 27 billion (US$54 million) as at December 31, 2012, have been reduced to CFAF 8.5 billion (US$17 million) as at October 15, 2013.[3] The government agrees to clear all these arrears in 2013 and has appropriated CFAF 27.1 billion in the 2013 supplemental budget (LFR) for this purpose.[4]

7. For the remainder of 2013, the authorities are maintaining the objectives adopted in the supplemental budget approved by the National Assembly on May 10, 2013, the key elements of which were presented in the May 10, 2013 Memorandum of Economic and Financial Policies (¶¶ 20 –27).[1] The 2013 LFR aims to increase net tax revenue to at least 15.1 percent of GDP. It also aims to contain the deficit of basic fiscal balance and overall deficit at 0.3 percent and 3.2 percent of GDP, respectively, while aligning execution of expenditure with the priorities of the 2012–17 medium-term growth and poverty reduction strategy (G-PRS) and the 2013–14 Plan for the Sustainable Recovery (PRED).[5] To support the recovery the 2013 LFR sets as a priority clearance of external debt arrears of CFAF 27.1 billion (¶6) and the arrears vis-à-vis suppliers estimated at CFAF 29.8 billion. The September 2013 budget execution review identified the need to increase the subsidy to electric power company *Energie du Mali* (EDM) from CFAF 40 billion to CFAF 57.5 billion, which the government decided to do by forgiving tax liabilities accumulated by EDM. The CFAF 30 billion financing gap identified during preparation of the 2013 LFR will be made up through proactive contact with the technical and financial partners, who agreed to support Mali at the Brussels Conference (¶11). If support from the donors is delayed, the authorities will relax the target for net domestic bank and financial market financing of the government by CFAF 25 billion, as provided in the Technical Memorandum of Understanding (¶7) and reduce non-priority expenditures for the remainder of the shortfall (Table 3).

B. Performance with Respect to Policies Supported by the RCF Loan Disbursements

[2] The basic fiscal balance is equal to the difference between the sum of revenue and expenditure under the authorities' direct control, i.e., revenue (including resources from the Heavily Indebted Poor Countries (HIPC) Initiative) plus grants for general budgetary support less current expenditure and domestically financed capital expenditure.

[3] The remaining arrears are those accumulated vis-à-vis the Libyan Foreign Bank.

[4] IMF Country Report No. 13/168. Mali: Request for Disbursement under the Rapid Credit Facility.

[5] IMF Report No. 13/111. Mali: Growth and Poverty Reduction Strategy Paper.

8. All the program indicators at end-March and June 2013 presented in the May 10, 2013 Letter of Intent were met except for the ceiling on the cumulative increase in external payment arrears (Table 1). In view of the fiscal performance (¶6), gross tax revenue slightly exceeded the end–June 2013 target. The basic fiscal balance remained well above the end–June floor due to lower execution of current expenditures than expected. The priority expenditures in the education, health, and social development sectors exceeded the programmed floor. Net domestic bank and financial market financing of the government was below the adjusted ceiling. The government has not contracted any non-concessional loans since the start of the year other than the two loans provided to increase electricity production capacity. Although the government repaid CFAF 20.2 billion in external debt arrears (¶6) during the first nine months of 2013 it accumulated CFAF 1.7 billion (US$3.5 million) of new external debt arrears, representing nonpayment of one installment of a loan from the Libyan Foreign Bank. The authorities sent several letters to the Libyan authorities requesting rescheduling of that debt but have yet to receive a response. While awaiting the Libyan authorities' response, the government has placed the amount due, CFAF 8.5 billion, in an escrow account at the BCEAO, and will continue to deposit an equivalent of amounts falling due until it agrees with the Libyan authorities on a solution.

9. Four of the six measures for which structural benchmarks were established were implemented (Table 2):

- The Directorate General of the Budget (DGB) produced monthly reports using the PRED5 and AICE applications allowing it to establish that the budgetary float at end–January 2013 was CFAF 56 billion (1.1 percent of GDP), of which CFAF 33 billion in expenditures that had been certified within the previous 90 days and CFAF 23 billion for which more than 90 days had elapsed.

- In comparing turnover reported to the Directorate General of Taxation (DGI) and imports reported to the Directorate General of Customs (DGD), the Joint Economic and Financial Intelligence Committee (CMRIEF) concluded that 81 percent of importers reported turnover in 2010 and 2011, which seems abnormally low relative to their imports during those years.[6]

- The National Directorate of Treasury and Public Accounting (DNTCP) reviewed the details of all items constituting the net government position vis-à-vis the banking system (PNG) at December 31, 2012 in cooperation with the BCEAO National Directorate. The review determined that the government position vis-à-vis the banks was a net creditor position of CFAF 55 billion (1.1 percent of GDP) for the government in the broad sense as used in the West African Economic and Monetary Union (WAEMU) directive on the government fiscal reporting table (TOFE). That figure includes a Treasury net debtor position of

[6] The turnover reported to the DGI by close to 1,000 businesses, or 80 percent of importers, in both 2011 and 2012 was roughly CFAF 500 billion (US$1 billion, or 10 percent of GDP) less than the imports declared to the DGD increased by a margin of 30 percent.

CFAF 112 billion (2.1 percent of GDP) and a net creditor position for other public entities of CFAF 167 billion (3.2 percent of GDP).

- The DGI drafted a report on the interim results of its program to audit businesses, for which the February 2013 CMRIEF report indicated that the turnover figures were abnormally low. The audit program has already served to confirm tax deficiencies in the amount of CFAF 5.1 billion (US$10 million), of which CFAF 300 million (US$600,000) has been collected to date.

- The Council of Ministers has yet to review the joint proposals of the Ministry of Economy, Finance, and Budget, the Ministry of Energy, EDM, and the Electricity and Water Regulatory Commission (CREE) to restore a positive margin between the selling price of electricity and the total production cost. The proposals are being prepared for review by the Council of Ministers before end–February 2014.

- The report of the results of an audit of domestic arrears accumulated by the government in 2012 following the freeze on spending in the wake of the March 2012 events and reduction of appropriations in the 2012 LRF has not yet been produced. A consultant was selected pursuant to competitive bidding in August 2013 to conduct the audit within a period of 90 days.

Economic and financial policies for 2014–16

10. The 2012–17 G-PRSP, adopted in December 2011, and the 2013–14 PRED, adopted in April 2013, will serve as reference for the 2014–16 economic and financial policies.[8] The objective of the G-PRSP is to transfer Mali into an emerging country and agro-livestock power capable of providing Malian men and women with a good standard of living. The G-PRSP is based on five pillars: (i) strengthening peace and security, (ii) increasing macroeconomic stability, (ii) promoting stronger, sustainable, pro-poor growth aimed at creating jobs and increasing incomes, (iv) consolidating the long-term bases for development and facilitating equitable access to quality social services, and (v) strengthening institutions and governance. The PRED includes the same subset of programs from the G-PRSP as well as programs addressing infrastructure rehabilitation, reconciliation, security, elections, and management of the return of government and refugees and displaced populations in the northern regions. The areas to be covered are essentially peace and security, the social sectors, employment, professional training, rural development, transportation, income-producing activities, and transparency in public financial management.

11. Despite an uncertain international environment, Mali's economic outlook appears favorable with the restoration of security, the successful presidential elections, and the return en masse of Mali's development partners. The May 15, 2013 Donor Conference for Development of Mali held in Brussels was a great success, bringing together 80 countries and 28 international organizations that committed to contributing € 3.25 billion ($4.4 billion, CFAF 2,200 billion, or 39 percent of GDP) for the PRED implementation. The return of donors should boost GDP growth in real terms to

6.6 percent in 2014 and 5.5 percent in 2015 and 2016 through its effects on the construction and services sectors. The current operations deficit (including grants) is expected to widen to 10.4 percent of GDP in 2014 but should be financed almost entirely by foreign direct investment in the gold and telecommunications sectors and external assistance in the form of loans. The overall balance of payments is expected to be slightly positive during 2014–16. The implementation of prudent monetary and fiscal policies is expected to keep inflation below the community convergence criterion of 3 percent per year as long as rainfall is favorable.

12. The government's challenge for the coming years is twofold: to promote Mali's reconciliation following the political and security crisis that shook the country, and to put the country back on the path to development by restarting the reforms that were interrupted by the crisis. The first challenge amounts to sustainably resolving the conflicts in Northern Mali, improving governance, and consolidating the nascent economic recovery. The second challenge calls for strengthening the foundations of strong, inclusive economic growth while ensuring macroeconomic stability. The donors' return will mitigate the short-term budget constraints. However, creating fiscal headroom in the medium term to finance priority expenditures in the north and south of the country will require increased capacity to mobilize domestic resources and improved quality of expenditure. To reduce the large current account deficit of the balance of payments in the medium and long term, Mali needs a dynamic, competitive, diversified private sector, which calls for improvement of the business environment.

13. To meet this dual challenge, the government intends to implement a program that: (i) supports growth through prudent fiscal policy while favoring priority expenditures to reduce poverty, including in Northern Mali; (ii) improves fiscal management on the revenue as well as expenditure side; and (iii) modernizes the business environment to encourage private sector development and strengthen competitiveness.

A. Foster Growth through Prudent Budget Policies Aligned with Priorities for the Growth and Poverty Reduction Strategy

14. The government intends to continue implementing sustainable fiscal policies in accordance with its commitments in connection with its participation in the WAEMU. In particular, the government will adopt and implement a fiscal policy aimed at maintaining the basic fiscal balance close to equilibrium within the meaning of the new definition adopted by WAEMU in 2009.[2] Moreover, the government will maintain the overall fiscal balance (including project grants, sectoral budgetary support, and capital expenditure financed from external resources) at a level compatible with public debt sustainability as indicated by the Debt Sustainability Analysis conducted annually in cooperation with IMF and World Bank staff.

15. Expenditures executed in connection with the budgets will reflect the priorities of the GPRSP and the PRED (¶10). As proof of its determination to implement those priorities, the government agrees to maintain spending in social sectors above a floor (proposed indicative target, Table 3).

16. In the context of these commitments, the government proposes a 2014 fiscal framework along the following lines:

- The targeted amount of revenue and grants is CFAF 1,387 billion, or 22.5 percent of GDP, of which CFAF 959 in tax revenue, or 15.6 percent of GDP. The framework provides sufficient resources to cover refunds of VAT credits (¶23). This revenue objective is based on the collection of taxes on petroleum products in an amount at least equal to that observed during first quarter 2013. If the government decides to apply a lower petroleum tax rate for economic or social reasons, it will take measures with respect to revenue or non-priority expenditure to maintain the fiscal balance at the level provided in the 2014 budget proposal.

- Proposed total expenditure and net lending is CFAF 1,593 billion, or 25.9 percent of GDP, of which CFAF 1198.4 billion, or 19.5 percent of GDP financed from domestic resources. The composition of expenditure is aligned with the G-PRS objective, with 31 percent allocated to strengthening of the social sector, 28 percent to infrastructure development and productive sectors, 24 percent to governance and the public authorities, and 8 percent for the development of Northern Mali. The framework provides CFAF 20 billion for clearance of audited domestic arrears incurred vis-à-vis suppliers following the freeze on spending introduced in the wake of the March 2012 events. By March 2014, the government will propose an input subsidy strategy that will limit execution to the CFAF 35 billion envelope provided in the 2014 budget. Given the growing cost of the government's commitments in this area, the Ministry of Economy and Finance (MEF) will prepare a proposal for reform of the subsidies by end–February 2014 to limit the impact on the government budget.

- Accordingly, the anticipated basic fiscal balance shows a surplus of CFAF 31 billion (or 0.5 percent of GDP) and the overall deficit including grants (cash basis) is CFAF 242 billion (or 3.9 percent of GDP).

17. The fiscal framework differs from the 2014 draft budget law (PLF) submitted to the National Assembly by the Government on October 7, 2013 in one main respect: it includes donor implemented projects in the amount of CFAF 338 billion (5.5 percent of GDP), while the PLF includes only the amount of CFAF 184 billion (2.9 percent of GDP). In effect, the government has included in the PLF only those projects for which the negotiations had been concluded at the time of the PLF preparation. In contrast, the fiscal framework includes also those projects for which the negotiations are well advanced and the start is envisaged in 2014. The government will submit a revised draft budget to the National Assembly by May 31, 2014 with an upward revision for the foreign-financed projects to reflect the additional projects for which the negotiations have concluded.

B. Improve Public Financial Management

18. The government will continue to improve public financial management, in particular by remedying the weaknesses indicated by the public expenditure and financial accountability (PEFA) assessment in 2011. The evaluation found progress in Mali's public financial management system in the areas of budget credibility, comprehensiveness, and transparency and the preparation and execution of budget laws. However, it underscored persistent weaknesses concerning tax collection, domestic debt servicing, cash flow management, accounting, reporting, and external control. The government is continuing implementation of the Government Action Plan to Improve and Modernize Public Financial Management (PAGAM/GFP II) covering the period 2011–15.

Improve revenue management

19. The government agrees to increase the tax/GDP ratio by an amount equivalent to at least 0.5 percent of GDP per year through the implementation of tax reforms aimed at expanding the tax base and intensification of reforms undertaken by the DGI, the DGD, and the National Directorate of Government Lands and the Land Tax Register (DNDC) to increase revenue collection (proposed performance criterion, Table 3).

Reform tax policy

20. The government intends to continue gradually reducing exemptions through the implementation of the following measures:

- as begun with the 2013 budget law,[7] the inclusion of an annex to proposed budget laws containing a table of all exemptions provided in the General Tax Code, the Customs Code, the Investment Code, the Mining Codes, the law governing property development, and all other laws or government decisions providing tax benefits, the respective legal basis and implementation date, and the estimated loss of revenue for the government;
- control exemptions provided under existing laws;
- analysis of the benefits of those exemptions to the Malian economy, to be prepared by the MEF by June 30, 2014; and
- the gradual elimination, to the extent possible, of exemptions provided in the General Tax Code, Customs Code, Investment Code, Mining Code, laws governing property development, and all other laws and government decisions providing tax benefits, beginning with the 2015 budget law.

[7] The 2013 budget law includes annexes quantifying exemptions from taxes and duties at CFAF 231 billion in 2011 (4.6 percent of GDP), of which CFAF 121 billion (2.4 percent of GDP) in revenue collected by the DGI and CFAF 109 billion (2.2 percent of GDP) collected by the DGD). In 2012, exemptions from taxes and duties represented CFAF 229 billion (4.3 percent of GDP) of which CFAF 111 billion (2.1 percent of GDP) in revenue collected by the DGI and CFAF 117 billion (2.2 percent of GDP) collected by the DGD. During first quarter 2013, exemptions from taxes and duties represented CFAF 50 billion (0.9 percent of GDP), of which CFAF 23 billion in revenue collected by the DGI and CFAF 27 billion collected by the DGD.

21. To halt the erosion of tax revenue on petroleum products,[8] the government intends to implement the following measures:

- Calculation of the retail petroleum product price structure based on actual market values of imported products, in accordance with community legislation, identification of the consumption subsidy resulting from the establishment of retail prices at levels below those indicated by that calculation, and publication of that presentation of the price structure beginning in January 2014;

- As initiated with the 2013 budget law, the inclusion in proposed budget laws of an estimate of the consequences for the government budget of the failure to fully adjust petroleum product prices to changes in international prices;

- Development of different options by end–February 2014 to adjust petroleum product prices to changes in international prices, supporting measures to minimize social consequences, and a communication strategy vis-à-vis the public by the National Office for Petroleum Products (ONAP), the DGD, and other agencies concerned, in light of Annex II of the IMF staff report on the 2012 Article IV consultations with Mali,[9] and the technical assistance report by the IMF Fiscal Affairs Department (FAD) following the August 2013 mission; and

- Implementation of a new petroleum product price adjustment mechanism by end–June 2014.

22. The government will simplify tax laws to lighten as much as possible the administrative burden of tax return preparation for operators and revenue collection for the DGI. This simplification effort will cover both the normal system applicable to major taxpayers, the simplified system applicable to medium-sized taxpayers, the synthetic tax applied to small taxpayers,[10] and the tax on wages and salaries. The government will conduct all preliminary studies and consultations with a view toward implementing this simplification beginning with the 2015 budget law.

Reform the tax, customs, and government lands administrations

[8] Except in 2009, tax revenue on petroleum products has declined each year since 2005, from 3 percent of GDP in 2005 to less than 1 percent of GDP in 2012. See Mark De Broeck and Roland Kpodar, Mali: petroleum product pricing mechanism, IMF, Fiscal Affairs Department, August 2013, Figure 6, page 17 (IMF technical assistance report, forthcoming).

[9] Country Report No. 13/44. Mali: 2012 Article IV Consultations.

[10] As an example of the complexity of the existing tax system, the rate schedule used to calculate the flat tax includes 219 professional categories, which can be applied only through negotiation with the staff given the necessarily incomplete aspect of the categories and the multiple activities of many operators. See IMF Country Report No. 13/295. Mali: Mali: Technical Assistance Report: Continued Modernization of the Malian Tax System and Administration, ¶37, page 15.

23. Priority will be given to the implementation of the reforms begun in 2011 aimed at long-term improvement of the operation and efficiency of the VAT, which represents roughly 40 percent of tax revenue. The following measures will be implemented to this end:

- To ensure that VAT credits are refunded within the established deadlines, the Treasury account opened at the BCEAO on January 18, 2011, the use of which is restricted to refunding VAT credits, will continue to be funded by all VAT receipts paid by mining companies on their imports, and 10 percent of domestic VAT receipts.

- To simplify the budget treatment of VAT credit refunds, the government proposes to convert the escrow account at the BCEAO described above to a "special Treasury appropriation account" in the 2014 budget law, in accordance with the provisions of financial regulations. The mechanism will ensure that VAT credits are properly and effectively refunded as required by community legislation to exporting gold companies and to all other companies that generate VAT credits except resellers, as it currently stands. VAT refunds payable to gold companies for 2012 amount to CFAF 47.9 billion, of which CFAF 7.2 billion were paid in 2013, and are estimated at CFAF 46.8 billion for 2013, of which 11.7 billion will be paid in 2014. The amount of VAT credits generated by gold companies in 2014 is estimated at CFAF 51.7 billion, of which CFAF 12.9 billion will be paid in 2015.

- To eliminate the accumulation of VAT credits vis-à-vis domestic operators, the system of VAT withholding at source will be eliminated entirely on January 1, 2014.[11]

- To ensure that the elimination of VAT withholding at source does not result in a loss of tax revenue, the DGI: (i) will implement a communication campaign by end–November 2013 regarding taxpayer obligations with respect to declaring and paying VAT, which will be directed particularly at suppliers to large businesses and all government suppliers; and (ii) closely monitor effective VAT payment by government suppliers, for which VAT withholding at source will be eliminated on January 1, 2014.

- To increase the number of businesses that effectively pay VAT,[12] the DGI will launch a campaign to audit VAT credits, beginning with businesses whose activity should not systematically generate VAT credits (particularly commercial activities and service providers), and produce a report on the interim results of the audits by February 28, 2014.

- To simplify VAT collection, the government introduced a provision in the 2014 tax annex to the 2014 budget setting the VAT turnover threshold at CFAF 50 million.

[11] VAT withholding at source was eliminated on December 31, 2011 except for the Treasury, for which it is being gradually eliminated as from May 31, 2013, when Treasury withholding at source was reduced to 40 percent of VAT.

[12] During the period January 1, 2012 to May 31, 2013, only 27 percent of large businesses and 20 percent of medium-sized businesses effectively paid VAT, given the large number of permanent VAT credits. See IMF Country Report No. 13/295, ¶39, page 19.

24. The DGI, the DGD, the DNDC, and the Directorate General of Government Property Administration (DGABE) will continue their efforts to improve tax, customs, and property administration:

- Implementation of multidisciplinary verifications

    - The Joint Economic and Financial Intelligence Committee (CMRIEF) was created on March 15, 2012 to improve the efficiency of tax audits and identify new taxpayers by using, inter alia, all databases of taxpayers or economic operators available to the DGI, the DGD, the DNDC, the DGABE, and the Directorate General of Public Contracts (DGMP).

    - By comparing imports declared to the DGD and turnover reported to the DGI, the CMRIEF determined that over 80 percent of importers, or roughly 1,000 businesses, appear to have understated their turnover reported to the DGI in 2011 and 2012 by an estimated total of CFAF 500 billion in each of those years (¶9). The DGI included those businesses in its 2013 audit program, beginning with the 430 businesses that appear to have underreported their turnover by the largest amounts in absolute terms, and will produce a report on the interim results of the verification program by February 28, 2014 (proposed benchmark, Table 4).

    - By comparing the public contract amounts in the DGMP database with turnover reported to the DGI, the CMRIEF determined that over 90 percent of government contractors, or roughly 450 businesses, reported turnover less than the value of the contracts awarded to them in 2010 and 2011. The DGI will include those businesses in its 2013 audit program, beginning with the 430 businesses that appear to have underreported their turnover by the largest amounts in absolute terms, and will produce a report on the interim results of the verification program by February 28, 2014 (proposed benchmark, Table 4).

- *Change in the DGE and DME business turnover thresholds to rationalize taxpayer administration*. To improve management of taxpayers and expand the number of taxpayers managed by the DGE and the DME, the Council of Ministers adopted an administrative order raising the DGE turnover threshold from CFAF 500 million to CFAF 1 billion, and will issue an order that will reduce the DME turnover threshold from CFAF 100 million to CFAF 50 million. This modification will improve DGE management and oversight of businesses, rapidly increase the number of taxpayers managed by the DME, and improve VAT administration by placing full responsibility with the DGE and the DME as soon as the Parliament adopts the proposed law setting the VAT turnover threshold at CFAF 50 million (¶23).

- *Promotion of voluntary taxpayer compliance*. The DGI published the list of taxpayers managed by the DGE and the DME on the MEF website in October 2011, and the updates in July 2013, in order that the public could appreciate the results of efforts to expand the tax base. As at September 30, 2013, the DGE handled 422 taxpayers, the DME handled 1,359, and the individual taxpayer offices (*Centres des Impôts*, CDIs) for the six communes of Bamako handled 80,508 taxpayers.

- *Increase in the number of taxpayers managed by the DGE and the DME*. The DGI agrees to increase the cumulative number of taxpayers managed by the DGE and the DME by at least 50 percent in 2014 and 25 percent per year thereafter starting in 2015 using, in particular, the results of audits initiated following CMRIEF reports.

- *Improvements in the SIGTAS taxpayer database*. The SIGTAS database includes numerous data entry errors, which will be corrected to the extent possible before June 30, 2014. Regular reports will be produced for this purpose.

- *Payment of taxes to the DGE and the DME via bank transfer*. To simplify the payment of taxes, the DGI will identify, by February 28, 2014, the measures needed to enable the DGE and DME taxpayers to pay their taxes by bank transfer.

- *Improved efficiency of tax audits*. The DGI agrees to increase the share of large and medium-sized businesses audited from the current 10 percent to 25 percent for large businesses and 20 percent for medium-sized businesses in 2014. The DME commits to reduce the non-filer rate among medium-sized businesses from 26 percent between January 2012 and April 2013 to less than 15 percent in 2014 and less than 10 percent in 2015. The DGI agrees to reduce the non-filer rate for CDIs from over 70 percent between January 2012 and April 2013 to less than 45 percent in 2014 and less than 15 percent in 2015.

- *Improved effectiveness of the DGD*. The DGD will carry out its action plan to implement the recommendations of the June 2013 FAD technical assistance mission.[11] The action plan aims to: (i) optimize human resources management; (ii) improve management of material and financial resources; (iii) control commercial operations; (iv) intensify efforts to combat fraud and cross-border crime; (v) facilitate trade and partnership; and (vi) optimize information and communication technologies by implementing the migration to the SYDONIA World system on January 31, 2015. Ultimately, the migration is expected to allow all customs documents to be processed in paperless form and institute a fully electronic customs declaration system. To contribute to maintaining the competitiveness of Malian businesses, the DGD will more systematically strengthen verification of certificates of WAEMU origin in cooperation with the issuing authority and will produce an internal report on the results of verification prior to February 28, 2014.

- *Modernization of the DNDC*. The DNDC will implement the recommendations of the organizational audit sponsored by the Institutional Development Commission (*Commissariat au development institutionnel*) essentially concerning modernization of its organization and automation of tasks. The DNDC will implement measures to increase the collection of capital gains tax on real estate sales by individuals, the collection of which began on October 1, 2011. The DNDC will continue activities to establish the land register and will set up a secure archiving system. It agrees to associate at least 4,000 property titles in the land register information system database by June 30, 2014 in addition to the 1,500 titles currently recorded in the database.

- *Modernization of the DGABE*. The Ministry of State Domains and Land Affairs (MDEAF) will modernize the DGABE through the introduction of modern management tools such as results-based management, greater utilization of automated systems (use of the materials accounting application in the accounting offices of ministries and public institutions), and implementation of reforms for better monitoring and appraisal of the government portfolio.

25. To consolidate its efforts to reform the tax system and the tax and customs administrations, the government has requested assistance under the IMF tax and customs policy and administration topical trust fund to develop a multi-year technical assistance program linked to the achievement of results. The DGI and the DGD will prepare a program of reforms accompanied by a timetable and communication plan to implement the recommendations of the Fossat report (IMF Country Report No. 13/295) prior to end-November 2013.

26. To develop its capacity to supervise mining companies and improve the mining and petroleum code, the government also requested assistance under the IMF natural resources wealth topical trust fund. The DGI and the National Directorate of Geology and Mines will transmit to the IMF staff all financial statements of all mining companies in operation from the start of the development phase and, if possible, the exploration phase; all feasibility or pre-feasibility studies for recent and future projects; and all contracts (including amendments), prior to November 30, 2013.

Improve expenditure management

27. The government will take measures to improve the regulatory framework for public financial management as well as for the preparation, execution, monitoring, and control of budget execution.

Transpose the harmonized legislative framework prescribed by WAEMU directives

28. The government agrees to transcribe in national laws and regulations WAEMU directives no. 01 and no. 06 to no. 10/2009 concerning the transparency code, budget laws, public accounting, budget nomenclature, the government chart of accounts, and the fiscal reporting table (TOFE). Directives 1 and 6 have been transposed. The administration has prepared draft texts transposing directives 7 through 10 and submitted them for opinion to the WAEMU Commission. The government also agrees to transcribe Directive 01/2011 concerning the financial regimes of local governments. The government will ensure that the regulatory texts are published as soon as the laws and decrees transposing the directives have been adopted in order that they can be implemented beginning in fiscal year 2014. They will be accompanied by instructions and guides to ensure they are quickly and uniformly understood to facilitate implementation.

Improve preparation of the government budget

29. To improve the budget presentation and facilitate assessment of the efficiency of public expenditure, the government will gradually implement budget programming and results-based management, in accordance with applicable WAEMU directives. A first step will be the 2014 vote on the proposed 2015 budget, which will take the form of program budgets as provided by the directive on budget laws. During a transitional period, the government will present not only the annexes described in the directorate but also, for information, a distribution of appropriations according to the current resource-based budget and a distribution of appropriations by region.

30. In order to gain visibility as early as possible as to the budgetary support provided by the technical and financial partners (TFP), the government will propose a joint budget review to the TFP, to take place during the first half of the year.

31. In order to involve the National Assembly in budget preparation as early as possible, beginning in 2014 the government will organize budget strategy discussions [with] the National Assembly during the first half of the year on the following year's budget proposal. The information prepared for the discussions, and all other reports relating to budget preparation and execution, will be published on the website of the Ministry of the Economy, Finance, and Budget (MEFB) in order to fully inform all stakeholders in Mali's development.

Improve government budget execution

32. In the context of 2013 budget execution and pursuant to community directives, commitments of ordinary operating expenditure and capital expenditure will be closed on November 30, 2013; commitments of other expenditures will be closed on December 20; payment orders will be closed on December 31, 2013; and government accountants’ processing of payment orders, approval of invoices, and validation and authorization of payments will close on January 31, 2014. Accordingly, the carryover period will be limited to accounting operations, and an accounting closing circular was published on September 26, 2013 indicating the deadlines for commitments and validation with a view toward closing payment orders on December 31, 2013.

33. To improve transparency and expedite the process of awarding public contracts, the DGMP -DSP agrees to increase the information on contract awards published on its website, in line with practices observed in neighboring countries. The DGMP agrees to publish a list of government contract awards at regular intervals, specifying for each contract the contractor, contract amount, type of contracting procedure (e.g., open or limited competition, direct negotiation), and a citation to the provision of the government contracts code providing for the contracting procedure

selected.[13] The DGMP also agrees to propose measures by March 31, 2014 to expedite the signature of contracts in order to reduce the average time required to award contracts.[14]

34. To maximize the profitability of public investments and minimize the associated cost, the Directorate General of the Budget (DGB) and the National Directorate of Planning and Development (DNPD) will propose, by April 30, 2014, an action plan to achieve the following objectives once the 2015 budget proposal is prepared:

- evaluate the cost of projects proposed by sector ministries using a market price list;
- evaluate the possibility of refocusing appropriations to favor the completion of key projects;
- improve the methods of selecting investment projects to give preference to projects with certain, program financing that can be started without delay;
- strengthen the sector ministries' expertise and the DNPD's capacity for critical review in the selection of investment projects.

35. To gradually improve budgeting procedures and the monitoring and execution of investment appropriations, the following measures will be adopted:

- The 2013 budget law and proposed 2014 budget law introduced the budgeting of commitment authorizations (AEs) and payment appropriations (CPs) relating to three–year public investment expenditure. On that basis, the MEFB is arranging for the monitoring of AEs and CPs using the PRED5 expenditure management system.
- The procedure for carrying over CPs will be implemented through a transitional system in preparation for full application of the carryover system provided by WAEMU directives. The transitional system authorizes the carryover of CPs provided they are secured (i.e., covered by corresponding financing or budget savings in the following year) and provided for in the following year's cash flow plan. Also, unsecured CPs may be carried over up to a limit of 10 percent of the initial appropriations of the budget for domestically financed investment, subject to the existence of financing in the following year's cash flow plan. In prioritizing CPs to be carried over, those associated with validated expenditures for which payment orders have not been issued will take precedence up to the above ceiling; beyond that ceiling, the authorities must prepare a supplemental budget. The terms and procedures for implementation of carryovers will include an order adopted by the Council

[13] In 2011, the government awarded 1,586 contracts for a total of CFAF 418 billion (US$840 million, or 8.3 percent of GDP), of which 80 percent were awarded pursuant to open competitive bidding (56 percent in terms of value), 9 percent through limited dating (20 percent in value), and 7 percent through direct negotiation (24 percent in value).

[14] The average time required to award contracts decreased from 121 days in 2010 to 94 days during the first half of 2013.

of Ministers prior to March 31 of the following year that will identify: (i) CPs without payment orders as of December 31 that were canceled in previous year and carried over to the following year under the conditions indicated above; and (ii) CPs canceled and not carried over.

- Beginning with the implementation of the 2015 budget law, the procedure for carrying over CPs will be implemented in a system providing for full application of the carryover system provided by WAEMU directives, which only allow secured CPs included in the cash flow plan to be carried over.

36. To improve the expenditure execution process,[15] the government will conduct an audit of the expenditure cycle with technical assistance from FAD by February 28, 2014 (proposed structural benchmark, Table 4). The audit will evaluate the expenditure process and propose any useful rationalization to improve efficiency and consolidate the MEFB's institution of the payment arrears monitoring mechanism.

37. The monitoring of payment periods will be improved to avoid the accumulation of arrears. The fiscal management applications (PRED5 and AICE) will be used to monitor execution times for payment orders and ensure that payments are made within 90 days of validation of expenditure, in accordance with applicable WAEMU directives. Monthly tables will be produced for this purpose.

Enhance the transparency of public finances

38. To improve transparency as to the government budgetary, liquidity, and asset position, the DNTCP will gradually implement the new WAEMU directives on the fiscal reporting table (TOFE) and other financial statements. To ensure an orderly transition to the new TOFE, the DNTCP will the TOFE produce, during 2014, the TOFE using the 1996 and 2009 nomenclatures based on the TOFE as at December 31, 2013. In 2014, the program monitoring will be based on the 1996 TOFE. Beginning in 2015, the DNTCP will produce the TOFE using only the 2009 nomenclature to monitor budget execution, and program monitoring will be based on the 2009 TOFE. In 2014, the DNTCP will focus its attention first on producing three of the four financial statements provided by the 2009 directive, i.e.: (i) the TOFE (proposed benchmark, Table 4); (ii) the statement of public debt; and (iii) the presentation of cash flow operations. The fourth financial statement, i.e., the balance sheet of government assets and liabilities, will be produced for the first time in 2015 based on the position as at end–2014.

39. The implementation of the new integrated treasury accounting application, AICE, will continue. It was deployed at the Koulikoro regional treasury office in January 2013, and will be deployed at the Treasury Central Accounting Agency (ACCT) before end–June 2014. Deployment

[15] The expenditure cycle is rather slow but complies with the WAEMU target for the time from validation to payment. For example, the average length of the commitment phase at the Ministry of Health is 50 days, and 52 days for the validation-payment phase (see IMF Country Report No. 13/295. Mali: Technical Assistance Report. Resuming implementation of the WAEMU harmonized fiscal framework in a post-crisis context., page 29).

and testing of various functions of the application in the regions of Kayes, Ségou, Sikasso, Mopti, Tombouctou, Gao et Kidal and in the ACCT to carry out consolidation of budget execution and accounting in real time will be implemented by end–2014.The deployment of the AICE at the ACCT will facilitate the production of all the consolidated statistical accounting statements of government entities connected to the system, including the integrated Treasury accounts balance and the TOFE by January 1, 2015.

Improve treasury management

40. The DNTCP will continue the efforts under way to strengthen its knowledge of the line items comprising the net government position (PNG) vis-à-vis the banking system.[16] The DNTCP will produce a report by February 28, 2014 analyzing the changes in the PNG components, distinguishing the changes in line items most important to the net Treasury position (PNT) and those for the net position of other public entities (PNACP) in 2012 and 2013. The report will present the stocks at the beginning and close of the fiscal year and identify all owners of the accounts included in the PACP (proposed benchmark, Table 4). The BCEAO will continue to provide the DNTCP with the PNT extracted from the monetary survey in order to compile the TOFE in accordance with applicable WAEMU directives.

41. The DNTCP will gradually implement the single Treasury account (STA) at the BCEAO. As an initial step, to be implemented by June 30, 2014, 179 accounts maintained for the government accountants included in the scope of the PNT will be transferred to the STA —except those in areas where the BCEAO doesn't have offices, and after considering the results of the study of the impact on commercial banks of the transfer of the Treasury accounts to the BCEAO. As a second step to be carried out in 2015, the funds of all administrative public entities (EPAs) will be integrated with the TSA, beginning with those receiving the largest share of subsidies or direct public financing. The obligation of EPAs to deposit funds with the Treasury will be clearly reestablished and upheld under the principle of a single account provided by the applicable 2009 WAEMU directive. The government will clarify existing texts relating to EPAs deposit of funds with the Treasury by December 31, 2014. In the meantime, the government will consolidate the Malian matching funds for new co-financed projects in an escrow sub-account open at the BCEAO for those projects whose donors agree to the principle. The transfer of public funds to the STA will begin with the nine banks (of a total of 13) for which the BCEAO simulation as at December 31, 2012 indicated a liquidity ratio above the minimum 75 percent if government deposits were transferred to the STA.[17]

[16] As at December 31, 2012, the PNG was a creditor position of CFAF 54 billion (1.1 percent of GDP) for the government in the broad sense of the WAEMU directive on the TOFE, including a Treasury net debtor position of CFAF 112 billion (2.1 percent of GDP) and a net creditor position for other public entities of CFAF 166 billion (3.2 percent of GDP).

[17] See IMF Country Report No. 13/295, Table 1, page 12.

42. The DNTCP will strengthen its control of the EPAs.[18] The government will extend the accounting system prepared by the DNTCP to the EPAs on a mandatory basis prior to end–2013. The DNTCP will ensure that each EPA transmits semiannual budget execution reports to the DGPC and the responsible Directorate of Finance and Materials on a regular basis.

Strengthen internal and external control

43. The entities responsible for internal and external control will be strengthened. The internal and external control units indicated numerous administrative weaknesses in fiscal management in Mali. Internally, the *Contrôle Général des Services Publics* noted, inter alia, the lack of procedures manuals and utilization of manuals in the administration. To correct these weaknesses, the government adopted a 2011–15 national internal control strategy in August 2011, which will be implemented with support from several of the TFPs. The Auditor General's Office (BVG) is planning to undertake 27 audits in 2014 compared with 20 in 2013. The staffing of the Supreme Court Accounting Section will be increased, and the section will be transformed into a Court of Audit as soon as possible, in accordance with the relevant WAEMU directive.

44. The production and audit of the annual government financial statements will be accelerated. The Supreme Court is implementing a strategy of reconciling the accounts based on review of account positions produced by the DNTCP. For public accounts prior to 1992, the government adopted a proposed validation law on June 29, 2011 which the National Assembly approved on January 3, 2013. The Accounting Section reviewed the public accounts for fiscal years 1992 through 2008. The National Assembly approved budget review laws for fiscal years 2008, 2009, and 2010. The government submitted a proposed review laws for fiscal year 2011 to the National Assembly. It will adopt the proposed review law for fiscal year 2012 by end–2013, in accordance with relevant WAEMU directives.

Bring the public sector and private sector social security funds into financial balance

45. The government intends to adopt measures to ensure financial equilibrium of the *Caisse Malienne de Sécurité Sociale* (CMSS), which administers civil service pensions, and the *Institut National de Prévoyance Sociale* (INPS), which administers the pension plan, occupational accident insurance, and family benefits for private sector employees. According to recent actuarial studies (2005 and 2010 for the CMSS, 2006 for the INPS), the two systems could each face a deficit of 1 percent of GDP in 2015 unless reforms are implemented. The government presented a proposed law for reform of the CMSS to the National Assembly in 2008. In line with the reforms adopted by the National Assembly and analyses under way with technical assistance from the World Bank, the government will prepare before December 31, 2014 and implement reform plans for both systems

[18] Of the one hundred existing EPAs, only nine transmit their accounts on the regular basis. See IMF Country Report No. 13/295, ¶85, page 39.

to eliminate their deficits in the medium term and create the fiscal headroom needed for priority spending under the G-PRSP.

Conduct a sustainable borrowing policy

46. The government will continue to conduct an external borrowing policy compatible with maintaining a sustainable level of external debt. The most recent debt sustainability analysis conducted with staff of the IMF and World Bank concluded that the risk of debt overhang remains moderate.[19] The analysis also confirms that debt sustainability is highly sensitive to the price of gold (representing 70 percent of exports, production of which will decline in the medium term), to financial and borrowing conditions, and to the continuation of sustainable fiscal policies. Therefore, the government reiterates its commitment to cover its external financing needs primarily with grants and loans with a minimum grant element of 35 percent. In 2013, the government confirms its commitment assumed at the time of its May 10 request for disbursement of RCF funds to limit the amount of nonconcessional loans to the amount of the two strategic loans signed in the electricity sector representing a cumulative total of CFAF 85 billion (proposed continuous performance criterion, Table 3).[20] In 2014, the government will not contract any nonconcessional loans. At the time of each program review, it reserves the right to reconsider this commitment if it identifies investment projects critical to the Malian economy that could not be financed under concessional terms.

47. Domestic debt management will be strengthened. To this end, the DGDP will compile an inventory of all domestic loan and guarantee agreements signed by the government in order to include the repayment schedules in the public debt data and budget laws. The DGDP has begun to collect this data from local banks, and has already identified direct and indirect government commitments vis-à-vis the banking sector of CFAF 247 billion (4.4 percent of GDP) as of September 30, 2013, of which CFAF 17 billion of past due amounts. A payment schedule was negotiated with the banks whereby CFAF 7.5 billion was repaid in 2012 and CFAF 9.2 billion in 2013. The DGDP has begun a second inventory of government arrears vis-à-vis the banking system, the results of which are expected by the end of the year. The government has retained a firm to conduct an audit of cumulative government domestic arrears following the spending freeze in the wake of the 2012 coup. The firm will provide its conclusions in December 2013, and the government will record a provision of CFAF 20 billion in the 2014 PLF to clear the arrears confirmed by the audit (¶16).

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[19] See Mali: Joint [IDA]/IMF Debt Sustainability Analysis under the Debt Sustainability Framework for Low Income Countries (forthcoming).

[20] See IMF Country Report No. 13/168. Mali: Request for Disbursement under the Rapid Credit Facility—Staff Report.

C. Improve the Business Environment to Encourage Private Sector Development

48. The government will remove the principal constraints to the business environment, which were identified by the joint report of the World Economic Forum, the World Bank, and the African Development Bank on Africa's competitiveness as access to financing, corruption, insufficient infrastructure (including in the energy sector), complex tax laws, administrative bureaucracy, and labor force qualifications.

49. The government will take measures to mobilize resources to invest in infrastructure and simplify tax laws (¶22). In addition, it will take the following measures to maintain the stability of the financial sector and improve access to financing, improve the financial position and productive capacity of the electricity sector, and reduce corruption.

Promote stability and development of the financial sector

50. Recognizing that a sound financial sector is indispensable to keeping Mali on the path to sustainable growth, the government will resolve the most pressing problems for the sector. In particular, the government agrees to:

- provide for the security of bank branches that have reopened in Northern Mali since August;
- carry out the privatization of the Banque de l'Habitat du Mali by end–2014; the BHM will release its financial statements (balance sheet and income statement) in the local press;
- prepare an analysis by February 28, 2014, in consultation with the BCEAO, of the causes for the relatively large amount of past due and nonperforming loans on the banks' balance sheets, and solutions to reabsorb them; the MEF has requested technical assistance from an IMF Monetary and Capital Markets Department mission for this purpose; and
- restore confidence in the microfinance sector by closing insolvent institutions and devising a system to compensate depositors.

Reform the electricity sector

51. The government will adopt measures to eliminate the structural deficit between the cost and selling price of electricity in Mali. Beginning in the early 2000s, the government instituted and electricity pricing policy that provides for the possibility of adjusting electricity prices to trends in the company's operational costs order to pay a subsidy enabling the public electricity company (EDM) to meet the objectives assigned to it. Pursuant to that policy, the government has

implemented four price adjustments since 2003,[21] resulting in a cumulative 8 percent reduction of the average price of electricity, while international prices of petroleum products increased by a factor of 2.6 over the same period. The increased price of hydrocarbons, the rapidly growing share of thermal production in the energy production mix, and the increasing operational difficulties as EDM (largely associated with the company's cash flow difficulties) served to exacerbate a loss that now stands at CFAF 27 per kWh[22] and total losses of CFAF 18 billion in 2011 and CFAF 12 billion in 2012, despite government subsidies of CFAF 11 billion in 2011 and CFAF 30 billion in 2012. By end-February 2014, the Council of Ministers will review the new proposals prepared jointly by the MEFB, the Ministry of Energy, and EDM to restore a positive margin between the selling price and average cost of electricity (structural benchmark, Table 4).

52. Pursuant to its electricity pricing policy, the government provided for a subsidy of CFAF 57.5 billion to EDM in 2013 and CFAF 30 billion in 2014 to keep the company financially afloat. Those transfers are necessitated by the government's decision to stabilize electricity prices and support the efforts to consolidate and strengthen the financial soundness of the sector. In the absence of a price adjustment, EDM's projected cash flow plan indicates the need for a subsidy of at least CFAF 55 billion in 2014 to enable it to meet its production objectives, pay its suppliers, repay debts, and maintain its bank overdraft within the ceiling of CFAF 22.5 billion negotiated with local banks. The amount of the transfer will be reviewed in March 2014 in light of the decisions by the Council of Ministers on the subject of options to eliminate the structural imbalance between the EDM's revenue and costs (¶51).

53. In the interim, the government will continue to regularly pay its electricity invoices and support the implementation of the sector development strategy by mobilizing financing for structural investments. In the context of that strategy – which includes expansion of the distribution network, interconnection with neighboring countries' networks, and diversification of production modes and is supported by the World Bank, among others – increased attention will be given to selecting investments based on development criteria at the lowest cost. The government will pay a subsidy of CFAF 30 billion included in the 2014 budget proposal at the start of the year in order to lessen the company's cash flow difficulties to the extent possible. EDM will take all steps necessary to increase its billing rates and reduce operating costs. EDM will release its financial statements (balance sheet and income statement) on its website.

Combat corruption

54. The government will conduct a vigorous anticorruption campaign. To this end, it agrees to carry out all measures described above to improve the management and transparency of public

[21] Two reductions of 10 percent and 8 percent in 2003 and 2004, respectively, and two increases of 4 percent and 7 percent in 2009 and 2013, respectively, in the average price of electricity.

[22] In 2012, the average selling price of electricity was CFAF 91/kWh while the average cost was CFAF 127/kWh. In 2013, the average selling price is CFAF 96/kWh after the March 1, 2013 adjustment and the anticipated cost is CFAF 123/kWh.

finances, present to the National Assembly and enforce a proposed law against unlawful enrichment, enforce the provisions of the law providing for annual financial reporting by senior government officials to the Supreme Court, and address the problem of the endemic corruption in the judiciary, in particular by requiring judges to publish the rationale for judgments rendered. The government will give priority to addressing governance shortcomings identified by the BVG in its annual and sectoral reports. It will take all steps necessary to sanction transgressing agents through administrative or judicial measures, as applicable. Each year, the government will publish a report providing an update on remedial measures taken in response to the findings made by the BVG. The first report will be put online on the site of the Prime Minister's office by February 28, 2014. During the next review, the government will examine with IMF staff the extent to which intensified implementation of international anti-money laundering and terrorism financing directives in the financial sector could help the country combat corruption.

Program Monitoring

55. The program will be monitored based on periodic performance criteria as at end–December 2013 and end–June and end–December 2014, continuous performance criteria, and indicative targets at end–March and end–September 2014, (Table 3), and structural benchmarks (Table 4). Performance criteria, indicative targets, and structural benchmarks are defined in the technical memorandum of understanding (TMU), which also defines the scope and frequency of data to be reported for program monitoring purposes. Completion of the first and second reviews under the program is expected on or after May 1, 2014 and on or after November 1, 2014, respectively.

Table 1. Mali: Indicative Targets, 2012–13 [1]

	2012	2013									
	Dec.	March				June				Sep.	Dec.
	Est.	Prog.[2]	Adj. Target	Est.	Status	Prog.[3]	Adj. Target	Est.	Status Prel.	Prog.[3]	Prog.[3]
	(in CFAF billions)										
Government bank and market financing (ceiling) [4]	74	29	20	-2	Met	52	27	-40	Met	34	24
Cumulative increase in external payments arrears (ceiling) [5]	27 [8]	0		0	Met	0		0	Met	0	0
New external borrowing contracted or guaranteed by the government on nonconcessional terms (ceiling) [5]	53	0		0	Met	85 [6]		0	Met	85 [6]	85 [6]
Gross tax revenue (floor)	816	182		191	Met	418		420	Met	676	907
Basic fiscal balance (floor) [7]	-40	-15	-9	35	Met	-41	-38	77	Met	-40	-22
Priority spending (floor)	312	38		62	Met	122		158	Met	217	346
Memorandum items:											
External budget support	4	0		0		10		59		114	154
General budgetary grant	4	0		0		10		59		74	114
Net change in pending bills (– = reduction)	-8	0		-8		-13		-1		-10	7
Tax refunds (–)	-58	-9		-4		-25		-22		-37	-50
Net change in arrears (– = reduction)	14	-4		8		-37		-27		-50	-66

Sources: Malian authorities; and IMF staff projections.

[1] Cumulative figures from the beginning of the year. See Technical memorandum of understanding (TMU) for definitions.

[2] IMF Country Report No. 13/44: Mali-Staff Report for 2012 Article IV Consultation and RCF Disbursement.

[3] IMF Country Report No. 13/168. Mali-Staff Report for Disbursement under the Rapid Credit Facility.

[4] The indicative target is subject to adjustment for external budget support, reduction of pending bills, tax refunds, and arrears payment. See TMU for more details.

[5] These indicative targets will be monitored on a continuous basis since the beginning of the year.

[6] These indicative targets in 2013 are linked to a loan $138.3 million by the Exim Bank of China of and a loan of € 24.5 million by the Islamic Development Bank to increase the supply of electricity.

[7] The targets for this indicative target are subject to adjustment for budgetary grants and tax refunds.

[8] Cumulative figures from the beginning of 2011.

Table 2. Mali: Structural Benchmarks for 2013

Measures	Timing	Macroeconomic rationale	Status
Produce, using the expenditure management software PRED 5, monthly reports tracking the time elapsed between the issuance of payment orders and actual payment.	28-Feb-13	Prevent the accumulation of arrears	Met
Produce a report, by the Joint Economic and Financial Intelligence Committee (CMRIEF), comparing the value of imports declared by operators in the ASYCUDA database of the Customs Directorate (DGD) with the turnover declared to the Tax Directorate (DGI) to identify taxpayers who might have underestimated their taxable earnings.	28-Feb-13	Increase tax revenue	Met
Preparate a report, by the National Directorate of the Treasury and Public Accounting (DNTCP), on the net government position vis-à-vis the banking system (NGP) at December 31, 2012, examining in detail all the items of the NGP and identifying—within all the items included in the NGP in the broad sense as used by the BCEAO pursuant to Community provisions—all those that are included in the narrow NGP and, within these, government assets in the banking system that are available for cash operations in 2013.	28-Feb-13	Improve cash management	Met
Review, by the Council of Ministers, the proposals prepared jointly by the Ministry of Economy, Finance and Budget , the Ministry of Energy, the state elelctricty company (EDM) and the Water and Energy Regulatory Commission (CREE) with a view to establish a profit margin between the sales price and the average cost of electricity.	30-Jun-13	Reduce budget transfers and raise economic growth	Not met Postponed to February 28, 2014
Draft a report, by the Tax Directorate (DGI), on the interim results of its tax audits on importers whose reported turnover seemed uncharacteristically low according to the February 2013 report of theJoint Economic and Financial Intelligence Committee (CMRIEF).	31-Aug-13	Increase tax revenue	Met
Report on the results of an audit of domestic arrears accumulated by the government in 2012 following the spending freeze in the wake of the March 2012 events and the reduction of appropriations in the 2012 supplementary budget.	31-Aug-13	Support economic activity by clearing arrears owed to operators.	Not met Postponed to December 31, 2013

Source: Malian authorities.

Table 3. Mali: Proposed Performance Criteria and Indicative Targets, 2013–14 [1]

	2013	2014			
	Dec.	March	June	Sep.	Dec.
	Prog.	Prog.	Prog.	Prog.	Prog.
	(in CFAF billions)				
Performance criteria [2]					
Net domestic bank and financial market financing of government (ceiling) [3]	24	30	48	38	11
Non-accumulation of external government payments arrears (ceiling) [4]	0	0	0	0	0
Non-concessional external debt at terms of one year or more and short-term external debt contracted or guaranteed by the government and/or public enterprises (ceiling) [4]	0	0	0	0	0
Gross tax revenue (floor)	911	231	499	742	1020
Indicative targets					
Basic fiscal balance (floor) [5]	-18	-43	-35	43	31
Priority poverty-reducing expenditure (floor)	346	50	122	233	382
Memorandum items:					
External budgetary support	184	0	0	96	142
General budgetary grant	144	0	0	96	96
Net change in budgetary float (– = reduction)	7	53	53	-8	-8
Tax refunds (–)	-58	-5	-13	-20	-62
Net change in arrears (– = reduction)	-37	-31	-34	-31	-28

Sources: Malian authorities; and IMF staff projections.

[1] Cumulative figures from the beginning of the year, unless otherwise indicated. See Technical memorandum of understanding (TMU) for definitions.

[2] End-December 2013, end-June 2014, and end-December 2014 are test dates for performance criteria; end-March and end-September 2014 are test dates for indicative targets.

[3] This target is subject to adjustment for external budget support, reduction of pending bills, tax refunds, and arrears payment.

[4] Monitored on a continuous basis since the signing of the letter of intent in 2013 and the beginning of the year in 2014.

[5] This indicative target is subject to adjustment for budgetary grants and tax refunds.

Table 4. Mali: Proposed structural benchmarks for 2014		
Measures	Timeframe	Macroeconomic rationale
Submission of a report to the Cabinet of Ministers by the Directorate General of Taxes (DGI) on the interim outputs of its corporate verification program, for which the Joint Economic and Financial Intelligence and Investigation Committee (CMRIEF) produced reports in February and September 2013 showing that turnover was abnormally low.	28-Feb-14	Increase tax revenue
Distribution to donors of a report on the results of an audit of the expenditure chain.	28-Feb-14	Improve governance and budget execution
Publication of a report on the website of the Ministry of Economy and Finance by the National Directorate of the Treasury and Public Accounting (DNTCP) analyzing the movements of the items of the Net Government Position towards banks (NGP), highlighting the movements of the most significant items included in the net Treasury position (NTP) and in the net position of other government entities (NPACP) in 2012 and 2013 as well as presenting the beginning- and end-of-year stocks and identifying the holders of all accounts included in the NPACP.	28-Feb-14	Strengthen cash management
Dicussion by the Council of Ministers of proposals prepared jointly by the Ministry of Economy and Finance, Ministry of Energy, and the state electricty company *Energie du Mali* (EDM) with a view to establishing a profit margin between the sales price and the average cost price of electricity.	28-Feb-14	Reduce budget transfers and increase economic growth
Government Flow of Funds Table (TOFE) for end-December 2013 and end-March 2014 in keeping with the latest applicable WAEMU directive of 2009.	30-Jun-14	Improve fiscal transparency

Table 5. Mali: Central Government Consolidated Financial Operations, 2014
(Billions of CFAF)

	March Prog.	June Prog.	September Prog.	December Prog.
Revenue and grants	302.8	641.3	1,053.6	1,387.1
Total revenue	264.2	562.0	834.6	1,111.6
Budgetary revenue	239.3	512.2	760.0	1,012.1
Tax revenue	226.3	486.2	722.1	958.6
Direct taxes	71.6	166.1	232.4	334.9
Indirect taxes	154.7	320.1	489.7	623.7
VAT	85.2	177.1	270.7	367.4
Excises on petroleum products	7.3	14.9	22.8	30.2
Import duties	30.9	63.0	96.2	127.2
Other indirect taxes	36.1	77.8	119.6	160.5
Tax refund	-4.8	-12.7	-19.6	-61.7
Nontax revenue	13.0	26.0	37.8	53.5
Special funds and annexed budgets	24.9	49.8	74.6	99.5
Grants	38.6	79.3	219.0	275.5
Of which: Projects	24.4	49.4	78.5	120.0
Of which: Budgetary support	14.2	28.4	138.3	152.5
General	0.0	0.0	95.7	95.7
Sectoral	14.2	28.4	42.6	56.8
Total expenditure and net lending (payment order basis)	401.2	801.2	1,190.7	1,592.9
Budgetary expenditure	377.5	753.7	1,119.5	1,498.0
Current expenditure	221.5	441.1	646.3	851.7
Wages and salaries	82.6	165.2	247.8	330.4
Goods and services	61.6	123.1	184.7	246.2
Transfers and subsidies	68.4	136.9	189.8	242.7
Interest	8.9	16.0	24.0	32.4
Of which: domestic	3.7	5.5	8.3	11.0
Capital expenditure	156.0	312.6	473.3	646.3
Externally financed	93.1	186.8	284.6	394.8
Domestically financed	62.9	125.8	188.6	251.5
Special funds and annexed budgets	24.9	49.8	74.6	99.5
Net lending	-1.1	-2.3	-3.5	-4.6
Overall fiscal balance (excl. grants)	-137.0	-239.2	-356.1	-481.3
Overall fiscal balance (incl. grants)	-98.4	-159.8	-137.1	-205.9
Variation of arrears	-31.5	-34.4	-31.2	-28.0
Adjustment to cash basis	53.4	53.4	-8.3	-8.3
Overall balance (cash basis, incl. grants)	-76.5	-140.9	-176.6	-242.1
Financing	76.5	140.9	176.6	242.1
External financing (net)	46.4	92.5	139.0	230.7
Loans	54.5	109.0	163.5	264.5
Project loans	54.5	109.0	163.5	218.0
Budgetary loans	0.0	0.0	0.0	46.5
Amortization	-9.5	-33.6	-43.0	-55.8
Debt relief	1.4	17.1	18.5	22.0
Variation of External Arrears (Principal)	0.0	0.0	0.0	0.0
Domestic financing (net)	30.1	48.3	37.5	11.5
Banking system	30.1	48.3	37.5	0.0
Central bank	-2.1	-2.2	-4.4	-4.7
Commercial banks	32.2	50.5	41.9	16.1
Adjustment[1]	0.0	0.0	0.0	0.0
Privatization receipts	0.0	0.0	0.0	0.0
Non-bank financing	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0
Memorandum items				
Basic fiscal balance[2]	-42.5	-35.2	42.7	31.1
Government bank and market financing	30.1	48.3	37.5	11.5

Sources: Ministry of Finance; and IMF staff projections.

[1] Adjustment to account for the difference between the definitions of the government in the fiscal table and the monetary situation.

[2] Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending, excluding externally financed capital spending.

Attachment II—Technical Memorandum of Understanding

1. This TMU defines the performance criteria and indicative targets presented in Table 3 of the Memorandum on Economic and Financial Policies (MEFP). It also determines the frequency and deadlines for reporting data to the staff of the International Monetary Fund (IMF) for program monitoring purposes.

Definitions

2. Unless otherwise indicated, the government is defined as the central government of the Republic of Mali and does not include the local authorities, the central bank, or any other public entity with autonomous legal status that is not included in the Government Financial Operations Table (TOFE). The National Directorate of the Treasury and Government Accounting (DNTCP) reports the scope of the TOFE in accordance with the account classification provided by the BCEAO and forwards it to the central bank and IMF staff.

Performance Criteria

3. Except as noted, the following financial targets will serve as performance criteria for end–December 2013, end–June, and end–December 2014, and as indicative targets for end–March and end–September 2014.

A. Ceiling on Net Domestic Bank and Financial Market Financing of Government

4. **Net domestic bank and financial market financing of government** is defined as the sum of (i) the net position of the government in the narrow sense, as defined below; and (ii) financing of the government through the issuance (net of redemptions) of securities to individuals or legal entities outside the banking system or to nonresident banks domiciled in the West African Economic and Monetary Union (WAEMU).

5. The **net position of the government in the broad sense** is defined as the balance of the government's debts and claims vis-à-vis the central bank and the commercial banks. The scope of the government's net position is that used by the Central Bank of West African States (BCEAO) pursuant to Community provisions. It involves a definition of government that is broader than the definition given in paragraph 2 and includes the local authorities, certain projects, and some public administrative entities. The government's claims include CFAF cash balances, postal checking accounts, secured liabilities, and all deposits by government agencies with the BCEAO and the commercial banks, with the exception of government industrial and commercial agencies (EPIC) and state-owned corporations, which are excluded from the calculation. The government's debts to the banking system include all debts to these financial institutions. Cotton Stabilization Fund deposits

and government securities held outside the Malian banking system are not included in the calculation of the government's net position. The broad net government position is calculated by the BCEAO.

6. The **net position of the government** in the narrow sense is defined as the difference between the government's debts and claims vis-à-vis the central bank and the commercial banks. The scope of the government's net position in the narrow sense is as defined in paragraph 2. The narrow net government position is calculated by the BCEAO.

Adjusters

7. The ceiling on net domestic bank and market financing of government will be adjusted upward if **external budgetary support** falls short of program projections. External budgetary support is defined as grants, loans, and debt relief operations (excluding project grants and loans, sectoral budgetary support, IMF resources, and HIPC debt relief, but including general budgetary support). The adjuster will be applied at a rate of 100 percent up to a threshold of CFAF 25 billion and at a rate of 0 percent for larger amounts.

8. The ceiling on net domestic bank and market financing of government will be adjusted upward (downward) if the **net reduction in the budgetary float** is higher (lower) than program amounts (MEFP, Table 3). The budgetary float is defined as payment orders that have not been paid by the National Directorate of the Treasury and Public Accounting (DNTCP) in the context of budget execution or on miscellaneous correspondent or depositor accounts, irrespective of how long such payments have been outstanding.

9. Lastly, the ceiling on net bank and market financing to government will be adjusted upward (downward) for the **payment of VAT credits, other tax refunds, and audited external and domestic arrears from previous fiscal years**, which exceed (fall short of) program amounts (MEFP, Table 3).

B. Non-accumulation of External Government Payments Arrears

10. External payments arrears is defined as external debt-service obligations (principal and interest) owed or guaranteed by the government that have not been paid at the time they are due, as specified in the contractual agreement, subject to any applicable grace period. The definition of external debt given in paragraph 15 applies here. Arrears owed to official bilateral creditors are not covered by this definition if the government is attempting to negotiate a rescheduling of the debt, provided that the government pays into escrow the amounts due under such loans as they come due, subject to any applicable grace period, as specified in the contractual agreement.

11. During the program, the government undertakes not to accumulate external payments arrears (except on debts that are being renegotiated or rescheduled). The performance criterion with respect to 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 at Terms of One Year or more and on Short-term External Debt Contracted or Guaranteed by the Government and/or Public Enterprises

12. **Definition of debt.** The definition of the debt is set out in IMF Executive Board Decision No 6230–(79/140), point 9, as revised on August 31, 2009 by Executive Board Decision No. 14416 –(09/91):

a) the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract.
Debts can take a number of forms, the primary ones being as follows:

   i. loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);
   ii. suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and
   iii. leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, but without transferring ownership, title to which is retained by the lessor. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

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

13. **Guaranteed debt.** The guarantee of a debt by the government is understood to be an explicit legal obligation to ensure that a debt is serviced in the event of nonpayment by the borrower (involving payments in cash or in kind).

14. **Concessional debt.** A debt is understood to be concessional if it includes a grant element of at least 35 percent;[1] the grant element is the difference between the nominal value of the loan and its present value, expressed as a percentage of its nominal value. The present value of the debt is calculated on the date on which it is contracted by discounting the future stream of payments of debt service due on this debt.[2] The discount rate used for this purpose is 5 percent.

15. **External debt.** For the purposes of the relevant performance criterion, external debt is defined as debt borrowed or serviced, or requiring repayment, in a currency other than the CFA franc. This definition also applies to debt among WAEMU countries.

16. **Performance criterion applicable to debt.** The performance criterion applies to new nonconcessional debts contracted or guaranteed by the government, the Mali energy company (EDM), and the Malian textile company (CMDT), insofar as the government is the majority shareholder. The criterion shall apply to any debts or liabilities contracted or guaranteed for which value has not yet been received. The criterion shall also apply to private debt for which official guarantees have been extended and which, therefore, constitute a contingent liability of the government. This performance criterion is monitored on a continuous basis. No adjusters will be applied to this performance criterion.

17. **Special provisions.** The performance criterion shall not apply to; (i) debt rescheduling operations in existence at the time the arrangement is approved; (ii) import-related, short-term external loans (with maturities of less than one year); (iii) external loans contracted by the Malian Textile Company (CMDT) and guaranteed with cotton export revenue; and (iv) short-term external loans (at maturities of less than one year) contracted by the EDM to finance the purchase of petroleum products.

18. **Reporting requirements.** The government shall immediately report to the IMF staff any new external loans it contracts or guarantees, stating the conditions, no later than two weeks after signing the loan contract.

[1] The reference to the IMF website below leads to a tool that can be used to calculate the grant element in a wide range of financial arrangements: http://www.imf.org/externalnp/pdr/conc/calculator.

[2] Calculation of the grant element takes account of all the aspects of the loan contracts, including maturity, grace period, repayment schedule, originating fees, and management fees.

D. Floor on Gross Tax Revenue

19. The government's gross tax revenue is defined as the revenue appearing in the TOFE and includes all tax revenue in the national budget, before deducting the tax refunds generated during the year, in particular accumulated VAT credits.

Indicative Targets

20. The following targets will serve as indicative targets for end–December 2013 and end–March, end–June, end–September and end–December 2014.

A. Floor on the Basic Fiscal Balance

21. The basic fiscal balance is defined as the difference between net total revenue, plus budgetary grants (general budgetary support) and HIPC resources, and total authorized expenses plus net lending, excluding capital expenditure financed by creditors or donors, pursuant to the definition of the basic fiscal balance in the WAEMU texts (Additional Act No. 05/2009/CCEG/UEMOA of March 17, 2009, amending Act Nº04/1999 on the Convergence, Stability, Growth, and Solidarity Pact).

Adjuster

22. The floor on the basic fiscal balance is adjusted downward if **budgetary grants (general budgetary support)** fall short of program projections. The adjuster will be applied at a rate of 100 percent up to a threshold of CFAF 25 billion and at a rate of 0 percent for larger amounts.

23. Lastly, the floor on the basic fiscal balance will be adjusted downward (upward) for the **payment of VAT credits and other tax refunds** exceeding (under) the programmed amounts (MEFP, Table 3).

B. Floor on Priority Poverty-Reducing Expenditure

24. Priority poverty-reducing expenditure is defined as the sum of expenditure in the sectors of basic education, secondary and higher education, scientific research, health, and social development. It excludes project-related capital expenditure financed by foreign technical and financial partners.

Structural Benchmarks

25. Information concerning the implementation of measures constituting structural benchmarks will be reported to the IMF staff no later than two weeks after their scheduled implementation date.

26. As of May 31, 2011, **changes** were made to the **Government Financial Operations Table (TOFE)** as described below. Income and expenses recorded in suspense accounts are reported above the line as income or expenses, with no breakdown. In cash basis adjustments, a distinction is made between operations charged to previous fiscal years and those charged to the current fiscal year and, as well as, in the latter case, a distinction between funds in transit (less than three months) and types of arrears (more than three months) with respect to budgetary expenditures (including VAT credits and called guarantees, endorsements, and pledges). Under the heading "net domestic financing," bank financing is separated from privatization income and from other financing. Bank financing includes changes in the net position of the government vis-à-vis the central bank, the IMF, and the resident commercial banks. In showing operations with commercial banks, a distinction is made between the Treasury, the National Social Security Institute (INPS), and other government agencies. Other financing includes mainly changes in cash accounts (uncashed checks), advance tax installments received for the following year, adjustments to the installments received the previous year for the current year, operations with nonresident WAEMU creditors, and changes in deposits and consignments from Treasury correspondents.

Additional Information for Program Monitoring

27. To facilitate program monitoring, the government will report the information indicated in the following summary table to the IMF staff.

Summary of Reporting Requirements

Sectors	Type of Data	Frequency	Reporting Deadline
Real sector	National accounts	Annual	Year-end + 9 months
	Revised national accounts	Variable	8 weeks after revision
	Consumer price index breakdowns	Monthly	Month-end + 2 weeks
Public Finance	Net position of the government vis-à-vis the banking system in the broad sense (including the survey of the accounts of other government agencies with the banking system); net position of the government vis-à-vis the banking system in the narrow sense; and breakdown of nonbank financing	Monthly	Month-end + 4 weeks (provisional); month-end + 6 weeks (final)
	Balance of SOTELMA privatization income account deposits with the BCEAO	Monthly	Month-end + 3 weeks
	Central government TOFE	Monthly	Month-end + 4 weeks (provisional); Month-end + 6 weeks (final)
	Budget execution throughout the expenditure chain, as recorded in the automated system	Monthly	Month-end + 2 weeks
	Breakdown of income and expenses recorded in the TOFE	Monthly	Month-end + 6 weeks
	Separately report HIPC resources	Monthly	Month-end + 6 weeks
	Investment budget execution	Quarterly	End of quarter + 8 weeks
	Tax revenue as recorded in the TOFE showing tax refunds	Monthly	Month-end + 6 weeks
	Wage bill as recorded in the TOFE	Monthly	Month-end + 6 weeks
	Basic fiscal balance as recorded in the TOFE	Monthly	Month-end + 6 weeks

Sectors	Type of Data	Frequency	Reporting Deadline
	Tax and customs exemptions	Monthly	Month-end + 4 weeks
	Order fixing petroleum prices, tax revenue from petroleum products, and total exemptions granted	Monthly	Month-end
	Imports of petroleum products broken down by type and by point of entry	Monthly	Month-end + 2 weeks
	Expenses authorized and not paid 90 days after validation by the financial comptroller	Monthly	Month-end + 1 week
Monetary and Financial Data	Summary survey of the BCEAO, summary survey of the banks, survey of monetary institutions	Monthly	Month-end + 4 weeks (provisional): Month-end plus 8 weeks (final)
	Foreign assets and liabilities and breakdown of other items net (OIN) of the BCEAO and the commercial banks	Monthly	Month-end + 8 weeks
	Lending and deposit interest rates, BCEAO policy rate, BCEAO reserve requirements	Monthly	Month-end + 4 weeks
	Bank prudential ratios	Monthly	Month-end + 6 weeks
	Statement showing initial and ending balance of escrow account at the BCEAO on which the debt service coming due for the debt contracted with the Libyan Foreign Bank for the construction of the complex Administrative City in Bamako is deposited until an agreement is found with the Libyan authorities about the rescheduling of that debt.	Monthly	Month-end + 1 week
Balance of Payments	Balance of Payments	Yearly	Year-end + 12 months
	Revised balance of payments		8 weeks after each revision
External Debt	Breakdown of all new external loans	Monthly	Month-end + 4 weeks

Sectors	Type of Data	Frequency	Reporting Deadline
	Debt service with breakdown of principal, interest, relief obtained under the HIPC Initiative	Monthly	Month-end + 4 weeks
Budget Directorate	Priority poverty-reducing expenditure as defined in ¶23.	Quarterly	End of quarter + 4 weeks

INTERNATIONAL MONETARY FUND

MALI

December 3, 2013

REQUEST FOR THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—INFORMATIONAL ANNEX

Prepared By

Staff of the International Monetary Fund in Consultation with the World Bank

CONTENTS

RELATIONS WITH THE FUND

(As of October 31, 2013)

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

General Resources Account:	**SDR Million**	**%Quota**
Quota	93.30	100.00
Fund holdings of currency (Exchange Rate)	83.30	89.28
Reserve Tranche Position	10.00	10.72

SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	89.36	100.00
Holdings	73.37	82.10

Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
RCF Loans	22.00	23.58
ECF Arrangements	63.66	68.23

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Dec 27, 2011	Jan 10, 2013	30.00	6.00
ECF [1/]	May 28, 2008	Dec 22, 2011	52.99	52.99
ECF [1/]	Jun 23, 2004	Nov 30, 2007	9.33	9.33

[1/] Formerly PRGF.

Projected Payments to Fund [2/]
(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2013	**2014**	**2015**	**2016**	**2017**
Principal	1.43	5.20	5.67	8.17	11.60
Charges/Interest	0.00	0.01	0.21	0.19	0.17
Total	1.44	5.21	5.87	8.36	11.77

[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.

Implementation of HIPC Initiative:

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

[1/] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts 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.

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	PRGT	Total
January 2006	N/A	75.07	75.07

[1/] The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the 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.

Implementation of Post-Catastrophe Debt Relief (PCDR): Not Applicable

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

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

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

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 2013 assessment of the BCEAO is underway and a safeguards mission to Dakar took place in September 2013. The preliminary findings of the assessment are that the bank continues to have a strong control environment and has, with the implementation of the 2010 Institutional Reform of the WAMU, enhanced its governance framework. Specifically, an audit committee was established to oversee the audit and financial reporting processes, transparency has increased with more timely publication of the audited financial statements, and the BCEAO is committed to IFRS implementation by end –2014. The mission also identified some limitations in the external audit process and recommended that steps be taken to ensure the adequacy of the mechanism through selection of a second experienced audit firm to conduct joint audits.

Exchange Rate Arrangements

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

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

Sharing a common trade policy with other members of WAEMU, Mali has shifted key trade policy-making to the sub-regional level. The common external tariff (CET) was adopted in January 2000. Mali complies with the union's tariff rate structure and has effectively dismantled internal tariffs. Between 1997 and 2003, WAEMU tariff reform reduced the simple average custom duty from 22 percent to 15 percent; the maximum rate is currently 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. Mali imposes no de jure restrictions on exports.

Article IV Consultations

Mali's Article IV consultation cycle is governed by the provisions of the decision on consultation cycles, Decision No. 14747–(10/96) (9/28/2010), as amended. The Executive Board completed the last Article IV consultation (Country Report No. 13/44) on January 28, 2013.

Technical Assistance

Department	Type of Assistance	Time of Delivery	Purpose
AFRITAC	Expert	December	Debt management
AFRITAC	Expert	December	Custom Administration
FAD	Expert	December	Accounting and Fiscal Reporting
AFRITAC	Expert	October-November 13	National Accounts Statistics
AFRITAC	Expert	October-November 13	Public expenditure Management
AFRITAC	Expert	October 2013	Reform of state housing bank
FAD	Long term Expert	September 2013-September 2014	Public Finance Accounting, Information System, and Treasury Management
AFRITAC	Expert	August 2013	Debt management
FAD	Expert	August 2013	Fuel pricing mechanism
FAD/Afritac	Expert	June 2013	Tax policy and administration
AFRITAC	Expert	April 2013	Government Finance Statistics
AFRITAC	Expert	Mar 2013	Public Debt Management
FAD	Expert	Feb 2013	Public Financial Management
FAD	Long Term Expert	May 2011-March 2012	Public Finance Accounting, Information System, and Treasury Management
FAD	Expert	Jan 2012	Tax Administration
FAD	Expert	Dec 2011	Public Finance Management
FAD	Expert	Nov 2011	Tax Administration
FAD	Expert	Jul 2011	Tax Administration
AFRITAC	Expert	May 2011	National Accounts
AFRITAC	Expert	May 2011	Government Finance Statistics
FAD	Expert	May 2011	Tax Reform
AFRITAC	Expert	Jan 2011	National Accounts
FAD	Expert	Sep 2010	Tax System Simplification

Technical Assistance (continued)

Department	Type of Assistance	Time of Delivery	Purpose
FAD	Expert	Jun 2010	Treasury Management
MCM	Staff	Apr 2010	Public Debt Management
FAD	Expert	Apr 2010	Tax Administration
FAD	Expert	Mar 2010	Expenditure Administration
FAD	Expert	June 2009	Tax Administration
FAD	Expert	Nov 2008	Help establish medium-size taxpayer unit
FAD	Expert	Oct 2008	Assist Treasury computerization
AFRITAC	Expert	Sep 2008	Prepare the source data for the 2006 national accounts
AFRITAC	Expert	Jun 2008	Strengthen real sector statistics in Mali
FAD	Staff	Apr 2008	Strengthening of public accounts
FAD	Expert	Mar 2008	Establishment of medium-size taxpayer unit
FAD	Staff	Feb 2008	Customs administration

Resident Representative

Mr. Anton Op de Beke has been the Fund Resident Representative in Bamako since October 2012.

JOINT MANAGEMENT ACTION PLAN IMPLEMENTATION

Title	Products	Provisional Timing of Missions	Provisional Delivery Dates
		A. Mutual Information on Relevant Work Programs	
World Bank Work Program	Policy note on the energy sector	December 2013	February 2014
	Economic Recovery notes	November 2013 March 2014	December 2013 May 2014
	Development Policy Operation	November 2013 March 2014	May 2014
Fund Work Program	Discussion of three-year arrangement under the Extended Credit Facility	September 2013	December 2013
	First review of possible three-year arrangement under the Extended Credit Facility	March 2014	June 2014
	Second review of possible three-year arrangement under the Extended Credit Facility	September 2014	December 2014
		B. Requests for Work Program Inputs	
Bank request to the Fund	Information on recent macroeconomic developments, macroeconomic projections and analysis for 2013–14 and the medium term	September 2013 March 2014 September 2014	December 2013 June 2014 December 2014
Fund request to the Bank	Comments on the composition of the budget and its alignment with Growth Enhancing and Poverty Reduction Strategy papers (G-PRSP3, PAPU and PRED)	September 2013 March 2014 September 2014	December 2013 June 2014 December 2014
	Budgetary implications of developments and reforms engaged in safety net, electricity, and agricultural sectors	September 2013 March 2014 September 2014	December 2013 June 2014 December 2014
		C. Agreement on Joint Products	
	Joint Bank-Fund Debt Sustainability Analysis	September 2013 September 2014	December 2013 December 2014

STATISTICAL ISSUES

(As of October 31, 2013)

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

Real sector

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 INSTAT. 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. The new series will be released in early 2014.

In concert with the 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 harmonized CPI has been updated in 2010 with 2008 as the new reference year.

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 based on the *Government Finance Statistics Manual 1986*). However, further efforts are needed to improve the timeliness and coverage of the TOFE. Work is progressing with the assistance of STA, AFRITAC West and AFRISTAT to expand the coverage of the TOFE to public agencies and local governments, as well as to strengthen coverage of domestic financing items. Quarterly budget execution reports are posted on the Ministry of Finance website on a timely basis.

In July 2007, a GFS mission visited Bamako to advance further the implementation of the *Government Finance Statistics Manual 2001 (GFSM2001)*, and subsequently a country page was introduced in the 2007 issue of *GFS Yearbook*. To date the authorities have supplied six years of annual GFS data and they are preparing to disseminate quarterly data to STA for publication in *IFS*. However the reporting has stopped in 2012. In April 2013, a GFS mission visited Bamako and discussed some issues related to the current TOFE, as well as the reporting of *GFSM 2001*. Hopefully, Mali will resume reporting GFS data for the *GFS Yearbook 2013*. In addition, the mission discussed the implementation of the new TOFE (Directive n°10/2009/CM/UEMOA on TOFE) based on the *GFSM 2001*.

Public debt statistics (domestic and Foreign) are prepared and monitored by the Public Debt General Directorate (PDGD). The PDGD 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 Debt Management Performance Assessment (DeMPA) was finalized in late 2009, and the authorities are working to strengthen debt data in line with the DeMPA report's recommendations.

Monetary data

Monetary and financial statistics:

Monetary and financial statistics, compiled and disseminated by the regional Central Bank of West African States (BCEAO), are broadly adequate and their institutional coverage is comprehensive. The dissemination of monthly monetary data from the BCEAO takes four to six weeks consistent with GDDS recommendations. Data are posted on the BCEAO website with a considerably longer lag. Accuracy is somewhat hampered by the use of 1990 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. Standardized Report Forms (in line with the *Monetary and Financial Statistical Manual*) are still not regularly used to report monetary data to the IMF.

Balance of payments

In December 1998, the responsibility for compiling and disseminating balance of payments statistics was formally assigned to the BCEAO by area-wide legislation adopted by the countries participating in the WAEMU. The BCEAO national agency finalizes the data toward mid-November of the following year, and publishes immediately thereafter in the form of a brochure, which however are not sufficiently robust.

In general, the external sector statistics in Mali exhibit serious deficiencies. Concepts and definitions used to compile the balance of payments statistics are in broad conformity with the guidelines presented in the fifth edition of the *Balance of Payments Manual* (*BPM5).*
The adoption of BPM6 methodology is not required before 2013/2014, except for the recording of SDR allocations as debt liabilities. The Mali balance of payments metadata should also be updated.

The BCEAO set up a sub-regional unit responsible for reconciling intra-WAEMU trade data, which is responsible for harmonizing the bilateral statistics of member states to eliminate asymmetries before these data on internal transactions in the Union are consolidated to prepare the WAEMU regional balance of payments. The corrections made are retroactive to national data and help to improve them.

Balance of payments data remain weak in a number of key areas. Data on remittances, foreign direct investment and portfolio flows are similarly weak. Several large in-kind projects are not captured in the balance of payments data properly. However, project aid that used to be classified as current transfers are now classified in the capital account.

Data on international investment position is published in IFS and BOPSY up to 2007. A foreign private capital survey (FPC) from DFI called "PRC CPE" is underway as in all Franc Zone countries. However, foreign assets of the private non banking sector are not well covered in the financial accounts as the surveys of residents' foreign assets remain very partial, and no use is made of an existing alternative source, e.g., BIS statistics.

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

In May 2013, the BECAO published a new methodology guide for the elaboration of the balance of payment and the global external position for the WAMU countries that is consistent with the sixth edition of the IMF BOP Manual. Mali BOP is currently presented according to new guide.

Poverty statistics

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

Mali: Common Indicators Required for Surveillance

(As of October 31, 2013)

	Date of latest observation	Date received	Frequency of data	Frequency of reporting	Frequency of publication
Exchange Rates	Current	Current	D	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	August 2013	October 2013	M	M	M
Reserve/Base Money	August 2013	October 2013	M	M	M
Broad Money	August 2013	October 2013	M	M	M
Central Bank Balance Sheet	August 2013	October 2013	M	M	M
Consolidated Balance Sheet of the Banking System	August 2013	October 2013	M	M	M
Interest Rates[2]	Current	Current	I	W	M
Consumer Price Index	September 2013	October 2013	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	August 2013	October 2013	M	Q	A
Stocks of Central Government and Central Government-Guaranteed Debt[5]	2012	September 2013	M	I	A
External Current Account Balance	2012	September 20 13	A	A	A
Exports and Imports of Goods and Services	2012	September 20 13	A	A	A
GDP/GNP	2012	September 20 13	A	A	Semi-A
Gross External Debt	2012	September 20 13	A	A	A
International Investment Position[6]	2010	April 2012	A	A	A

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Includes external gross financial asset and liability position vis-à-vis nonresidents.

Note: Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).

INTERNATIONAL MONETARY FUND

MALI

December 3, 2013

REQUEST FOR A THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS

Approved By
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Prepared by
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Mali's risk of debt distress continues to be assessed as moderate—unchanged from the previous Debt Sustainability Analysis (DSA). Debt sustainability remains mostly sensitive to a hardening of financial terms, a reduction in transfers and foreign direct investment, and an export shock stemming from the concentration of exports on gold.

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 89 percent of GDP in 2001 to 19 percent in 2006 owing to enhanced HIPC debt relief in 2002 and MDRI debt relief in 2006 (Text Table 1). At end–2012, it had increased to 26 percent of GDP owing mainly to new loans granted 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 in 2009). 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, 2001–12
(billions of CFAF)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total	1968.6	1156.1	1169.4	1184.5	1474.3	606.4	643.4	810.8	955.2	1134.1	1227.8	1380.3
(percent of GDP)	89.0	52.0	47.7	45.0	50.9	18.9	18.8	20.7	22.6	24.3	24.4	26.0
Multilateral	1503.9	824.5	741.5	878.3	1198.8	357.3	447.6	615.9	766.8	895.8	1005.5	1104.7
IMF [1]	110.1	100.1	94.5	78.8	65.7	4.1	6.1	18.6	67.6	72.1	100.7	100.6
World Bank/IDA	343.3	106.0	176.5	268.3	383.5	83.8	216.3	262.5	313.2	413.6	493.5	577.5
African Development Bank	328.9	116.0	239.2	289.4	379.7	121.4	133.7	112.3	136.3	157.7	257.0	247.1
Islamic Development Bank	45.0	40.5	36.4	54.7	63.9	31.4	57.3	96.3	111.8	113.8	124.1	117.8
Others	676.5	461.9	154.9	187.0	290.6	64.0	109.1	129.1	137.9	138.6	30.3	61.7
Bilateral	459.0	328.4	423.5	301.9	270.0	246.9	193.3	149.7	188.4	235.8	222.2	275.6
Paris Club official debt	127.4	30.6	7.6	16.9	17.7	13.0	15.6	4.4	4.4	10.2	13.2	12.9
Non-Paris Club official debt	331.6	297.8	415.9	285.0	252.3	233.8	177.7	145.3	184.0	225.5	209.1	262.7
Other Creditors	7.4	4.3	4.4	4.4	5.5	2.3	2.5	2.8	2.9	2.6	1.7	1.6

Source: Malian authorities, staff estimates.

[1] Includes August 2009 SDR allocation.

B. Recent Developments in Public Domestic Debt

2. Mali's domestic public debt is small (4.1 percent of GDP in 2012, Text Table 2). It consists of treasury bills and bonds issued on the regional market of the West African Economic and Monetary Union (WAEMU), and commercial bank loans. Domestic debt has almost doubled between 2009 and 2012 mainly as a result of new issuances of treasury bills and bonds, but also owing to an inventory of all loans contracted or guaranteed by the government that the authorities have been conducting as part of their plan to strengthen debt management.

Text Table 2: Mali: Public Domestic Debt Stock at Year-End, 2001–12 (billions of CFAF)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total	58.5	48.7	37.5	36.0	61.6	45.4	80.2	74.1	90.3	203.4	238.1	215.4
Nominal GDP	2,212	2,223	2,454	2,632	2,894	3,201	3,425	3,913	4,233	4,667	5,038	5,303
(percent of GDP)	2.6	2.2	1.5	1.4	2.1	1.4	2.3	1.9	2.1	4.4	4.7	4.1
Debt to the Central Bank	25.8	25.1	23.1	20.3	17.9	15.3	13.1	10.7	8.3	5.8	3.3	0.7
Central Bank Statutory Advances	23.2	23.2	21.7	19.7	17.5	15.3	13.1	10.7	8.3	5.8	3.3	0.7
Other debt to the Central Bank	2.6	1.9	1.4	0.6	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt to Commercial Banks	32.7	23.6	14.4	15.7	43.6	30.0	67.1	63.4	82.0	197.5	234.8	214.7 [1]

Source: Malian authorities, staff estimates.

[1] At end–2012 Treasury-issued short term debt totaled CFAF 143.1 billion, while Treasury-issued long-term debt stood at CFAF 54.2 billion, and other debt to banks at CFAF 17.4 billion.

C. Debt Burden Thresholds under the Debt Sustainability Framework

3. **Mali is a medium policy performer for the purpose of determining the debt burden thresholds under the Debt Sustainability Framework (DSF).** Mali's rating on the World Bank's Country Policy and Institutional Assessment (CPIA) averaged 3.53 (on a scale of 1 to 6) during 2010–12, making it a medium policy performer. The corresponding external public debt burden thresholds are shown in Text Table 3.

Text Table 3. External Public Debt 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	20

BASELINE SCENARIO UNDERLYING THE DEBT SUSTAINABILITY ANALYSIS

4. **In the short run the economy is expected to grow above trend as donors resume aid to help Mali recover from the political and security crisis of 2012.** The baseline scenario assumes a stable political environment, the implementation of sound macroeconomic and structural policies, and the resumption of aid and foreign direct investment (FDI), which in the near term allow for above-trend GDP

growth and slightly larger fiscal and current account deficits. Notable revisions compared to the January 2013 DSA[1] include (Text Table 4):

- Official aid is expected to resume faster and stronger, in line with the commitments made by donors at the Brussels conference to help Mali's recovery from the security and political crisis of 2012.[2]
- Real GDP growth is expected to exceed trend in the near term owing to the expected resumption of aid, FDI, and public capital expenditure.
- The overall fiscal deficit (excluding grants) is projected to be moderately higher than in the previous DSA, especially in the near term, when aid picks up above historical trend.
- The near-term current account deficit (excluding grants) is also expected to be higher than in the previous DSA due to lower gold prices and higher imports linked to the economy's recovery.[3]

Text Table 4. Mali: Evolution of selected macroeconomic indicators

	2012	2013	2014	2015	2016	Long term [1]
Real GDP growth						
Current DSA	-0.4	5.1	6.6	5.5	5.5	5.1
Previous DSA	-1.5	4.8	5.8	5.3	5.0	5.0
Overall fiscal deficit (excluding grants, percent of GDP)						
Current DSA	-1.5	-6.7	-7.8	-6.5	-6.0	-5.3
Previous DSA	-2.9	-3.4	-5.5	-5.5	-5.5	-5.4
Current account deficit (excluding grants, percent of GDP)						
Current DSA	-4.5	-24.2	-19.5	-14.2	-13.2	-9.3
Previous DSA	-7.3	-8.8	-10.4	-10.1	-9.7	-8.6
Official aid [2] (percent of GDP)						
Current DSA	0.7	6.8	8.8	7.2	6.7	6.0
Previous DSA	1.6	3.1	6.4	6.4	6.4	6.4

[1] Defined as the last 15 years of the projection period. For the current DSA, the long term covers the 2019-33 period. For the previous DSA, it covered 2018-32.
[2] Defined as the sum of grants and loans.

[1] See Joint IDA/IMF Debt Sustainability Analysis in IMF Country Report No. 13/44.

[2] The Brussels meeting of May 2013 resulted in aid pledges totaling €3.25 ($4.4) billion.

[3] The large current account deficit in 2013 reflects the foreign military intervention in the North, which is registered as imports of security services financed by grants.

5. **The central feature of Mali's medium- and long-term macroeconomic outlook is the steady decline of annual gold production expected to be compensated only in part by other exports.** The baseline long-term scenario assumes a slightly higher-than-trend GDP growth as agriculture offsets the steady decline of gold production (Box 1). Inflation is expected to remain moderate as prudent fiscal policies are implemented with no recourse to domestic borrowing. The current account deficit is expected to remain stable, as the decline in gold exports is compensated by an increase of other exports including agricultural products and other minerals, and a deceleration in import growth. The deceleration of import growth stems from the decline in gold exports that are import intensive.

Box 1. Mali: Macroeconomic Assumptions Underlying the Baseline Scenario, 2013–33

- **Real GDP growth** is expected to pick up after a 0.4 percent decline caused by the political and security challenges in 2012, and average 5.1 percent per year. Expected long-term growth is moderately higher than the trend observed during the last 10 years (4.3 percent), and near term growth is projected to rebound significantly as Mali recovers from the recent crisis. Gold output is projected to decline by about 2 percent annually starting in 2015. Higher agricultural production is expected to outweigh this decline over time owing to cotton and other agricultural sector reforms. Growth in construction and services is expected to be higher over 2014–16, and then return to trend. With a projected rapid population growth, the baseline scenario thus assumes low per capita income growth (and therefore no access to middle income status which would reduce concessional financing).

- **Consumer price inflation** is projected to remain below the WAEMU convergence criterion of 3 percent.

- **Fiscal policy**. Owing to pressing public spending needs, the overall fiscal deficit (excluding grants) is expected to increase to about 8 percent of GDP in 2014 from about 7 percent in 2013 with the difference to be financed by an increase in grants and loans pledged by the international community to help with the country's recovery from the 2012–13 crisis. The overall fiscal deficit (excluding grants) is projected to come down to and hover around 5,5 percent of GDP from 2017 onward, and to be financed in equal proportion by grants and external loans. The basic fiscal balance (revenue plus budgetary grants minus domestically financed expenditure) is expected to remain at zero in line with the convergence criterion of the West African Economic and Monetary Union, of which Mali is a member. Tax revenue is expected to increase by about 5 percent of GDP over the projection period, finance the increase of domestically financed expenditure, and compensate the reduction of aid after the surge in 2013–16. Therefore, there is no recourse to domestic borrowing to finance the budget, except for rolling over current stock of domestic debt at market rates.

- **The non-interest current account deficit** is projected to average around 5.4 percent of GDP over 2013–33, slightly above the historic average (4.5 percent of GDP). The non-interest current account deficit is expected to increase to 7 percent of GDP in 2014–2015, and this increase is expected to be financed by the above mentioned surge in grants and loans. Gold export volumes are expected to decline steadily over time, and the share of gold in total exports is projected to fall from 69 percent in 2012 to about 23 percent in 2033. This decline is projected to be compensated by a gradual increase in other exports (including food, cotton, and other minerals such as cement, phosphate, uranium, bauxite, iron ore, copper, nickel, oil) ,and a deceleration of import growth. Remittances are projected to stay at 5.6 percent of GDP, in line with historical average.

DEBT SUSTAINABILITY ANALYSIS

A. Debt Sustainability Analysis Without Remittances

External Debt

6. **Under the baseline assumptions, all external debt and debt-service ratios remain well below the policy-dependent thresholds throughout the projection period** (Figure 1). The present value (PV) of external debt, calculated using a 5 percent discount rate, is expected to climb slightly from 17 percent of GDP in 2013 to 19 percent in 2033 (Table 1a). As production from existing gold mines declines starting in 2015 and growing other exports only partly compensate for that decline, the PV of the external debt-to-exports ratio is projected to increase from 66 percent in 2013 to 128 percent in 2033, below the threshold of 150 percent (Figure 1c, Table 1a). With a 5 percent increase in tax revenue to GDP during the projection period, the PV of the external debt-to-revenue ratio is expected to decrease from 95 percent in 2013 to 84 percent in 2033, remaining, significantly below the threshold of 250 percent (Figure 1d, Table 1a).

7. **Mali's external debt sustainability is sensitive to a hardening of financial terms, a reduction in transfers and FDI, and an export shock, limiting the scope for non-concessional borrowing.** Under a hardening of financial terms, the PV of debt-to-exports ratio would breach the threshold in 2023 and continue to increase until the end of the projection period to reach about 213 percent in 2033 (Figure 1c, Table 1b, Scenario A2). Under a bound test that reduces FDI and official and private transfers in 2014–15 with the effect of reducing the combined inflows permanently by 10 percent, the PV of the debt-to-exports ratio would exceed the threshold from 2020 until the end of the projection period (Table 1b, Scenario B4). Under a bound test that reduces exports' *growth* temporarily in 2014–15 with the effect of reducing exports *levels* permanently by 10 percent, the PV of the debt-to-exports ratio would reach the threshold at the end of the projection period (Table 1b, Scenario B2).

Public Debt

8. **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 absence of recourse to domestic borrowing in the baseline 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 stays around 20 percent of GDP during the whole projection period.

B. Debt Sustainability Analysis Including Remittances

9. **Mali's external debt sustainability assessment remains similar when remittances are accounted for.** Workers' remittances represent a reliable source of foreign exchange in Mali: they averaged 5.2 percent of GDP during the past decade and 6.6 percent of GDP during the past three years. Under the baseline assumptions, all external debt and debt-service ratios remain below the policy-dependent thresholds throughout the projection period (Figure 3, Table 3a). Over 2013–33, the PV of debt-to-GDP plus remittances slightly increases from 16 percent to 18 percent, and the PV of debt-to-exports

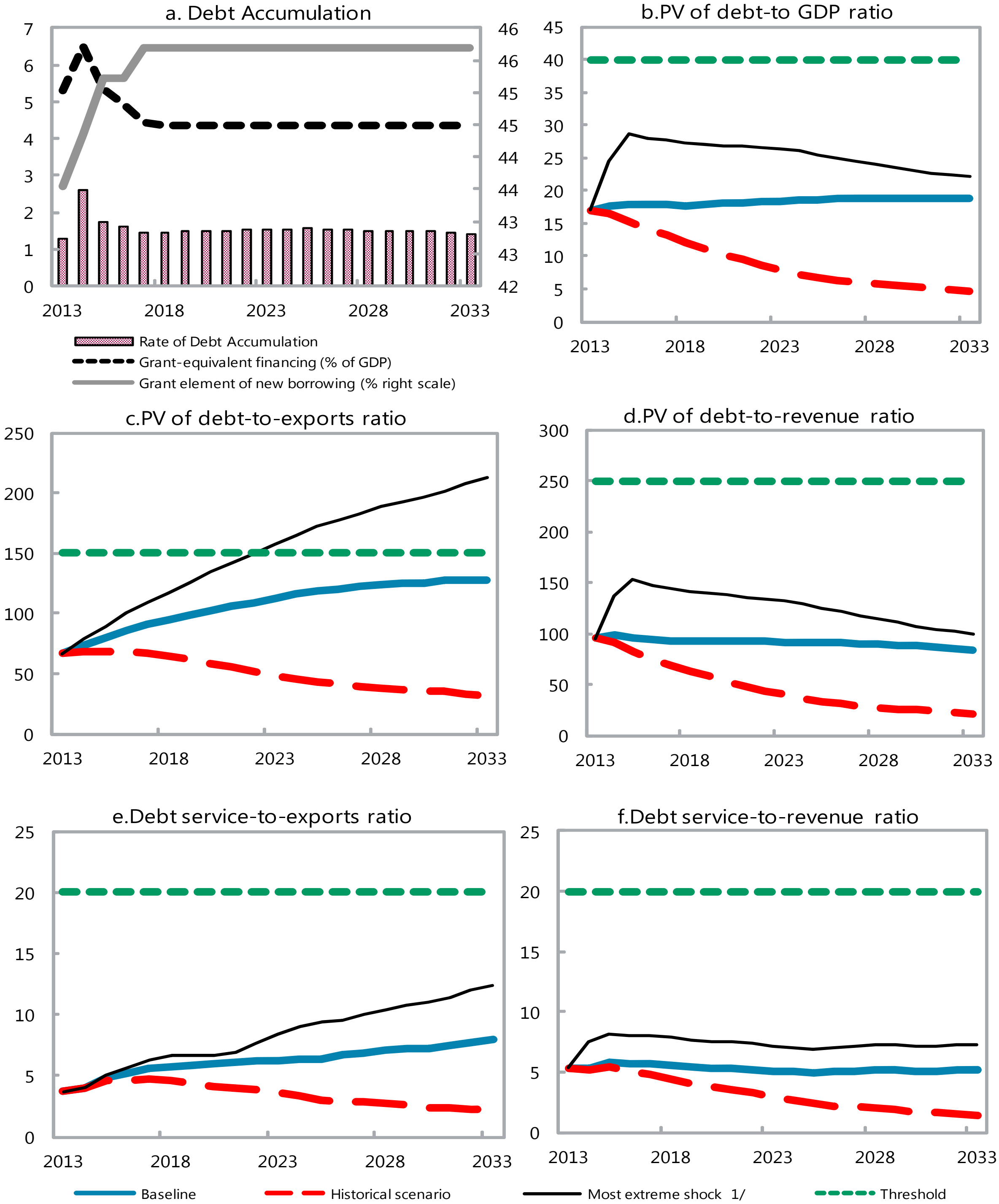
plus remittances increases from 53 percent to 92 percent (Table 3a). Under a hardening of financial terms, the PV of debt-to-exports plus remittances ratio would breach the threshold in 2024, and remain above it until the end of the projection period (Figure 3c, Table 3a, Scenario A2).

10. The Malian authorities agreed with the conclusions of the DSA. They reaffirmed their commitment to continue meeting their financing need with grants and non concessional loans to the extent possible. However confronted with high needs for investment in infrastructure, they expressed the willingness to finance investment projects carrying high return and/or positive spillovers to the rest of the economy with market financing if concessional finance is not available and provided that the implementation of such projects would remain compatible with debt sustainability.

DEBT DISTRESS CLASSIFICATION AND CONCLUSIONS

11. The DSA indicates that Mali remains at moderate risk of debt distress based on the external debt burden indicators. As in last year's DSA, none of the debt burden thresholds are breached over the 20–year projection period under the baseline scenario, and debt sustainability remains mostly sensitive to a hardening of financing terms, a reduction in transfers and FDI, and an export shock owing to the export concentration on gold,. However, 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. The above mentioned factors necessitate recommending that the government continue to meet its external financing needs mostly with grants and concessional loans. Increasing other exports to compensate the expected decline in gold exports will be critical to maintain external debt sustainability.

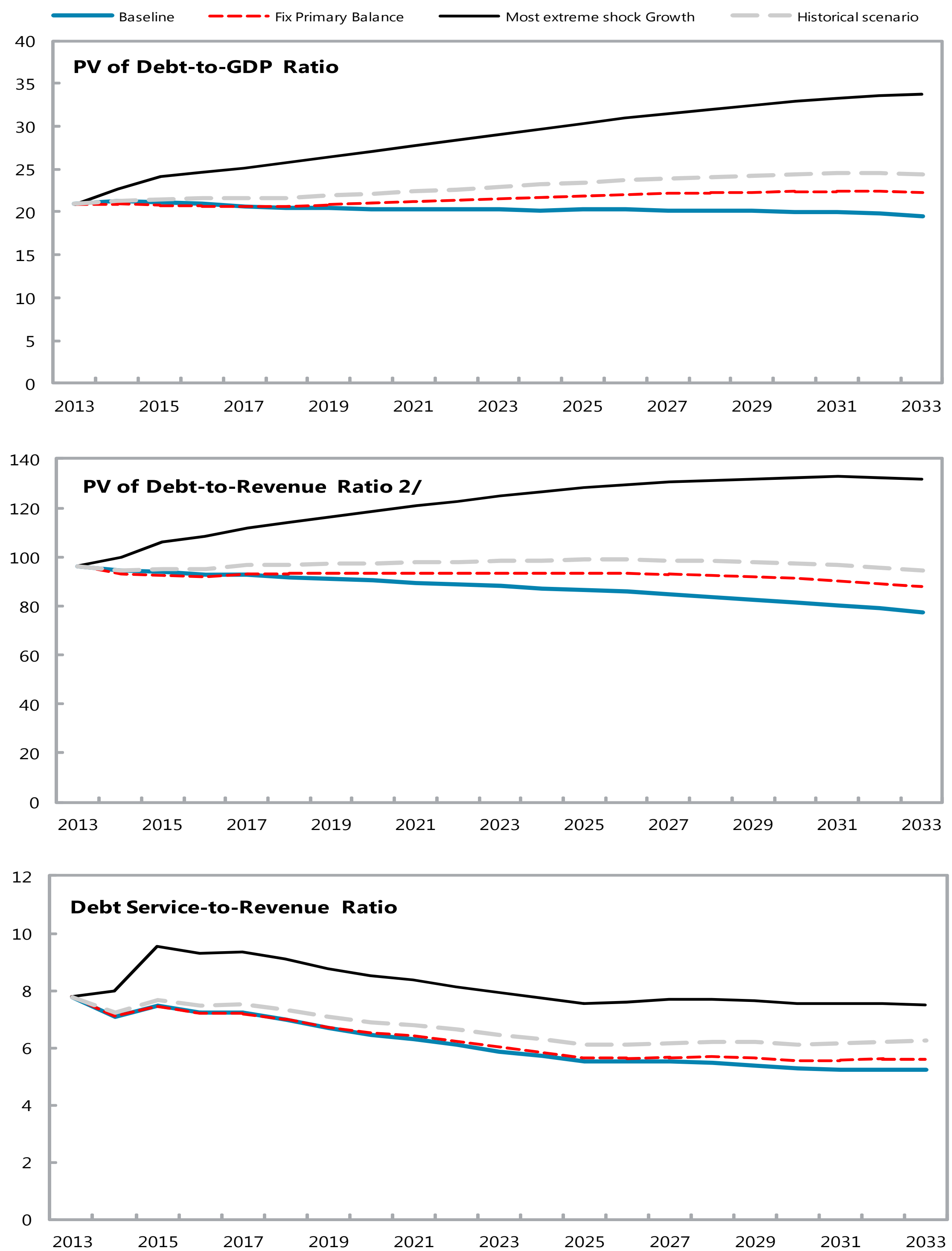
Figure 1. Mali: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2013-2033 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2024. In figure b. it corresponds to a Non-debt flows shock; in c. to a Terms shock; in d. to a Non-debt flows shock; in e. to a Terms shock and in figure f. to a One-time depreciation shock

Figure 2.Mali: Indicators of Public Debt Under Alternative Scenarios, 2013-2033 1/



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in 2023.
2/ Revenues are defined inclusive of grants.

Table 1a.Mali: External Debt Sustainability Framework, Baseline Scenario, 2010-2033 1/

(In percent of GDP, unless otherwise indicated)

	Actual			Historical 6/ Average	Standard 6/ Deviation	Projections									
	2010	2011	2012			2013	2014	2015	2016	2017	2018	2013-2018 Average	2023	2033	2019-2033 Average
External debt (nominal) 1/	**24.3**	**24.4**	**26.0**			**26.1**	**27.4**	**27.8**	**27.9**	**28.0**	**28.0**		**29.2**	**30.1**	
of which: public and publicly guaranteed (PPG)	24.3	24.4	26.0			26.1	27.4	27.8	27.9	28.0	28.0		29.2	30.1	
Change in external debt	1.7	0.1	1.7			0.0	1.4	0.3	0.2	0.0	0.1		0.2	-0.1	
Identified net debt-creating flows	5.6	-4.6	1.1			0.9	1.9	1.5	1.3	1.4	1.4		1.6	1.3	
Non-interest current account deficit	**10.6**	**3.0**	**3.1**	**4.5**	**3.2**	**5.5**	**7.3**	**6.8**	**6.3**	**6.2**	**6.0**		**5.4**	**3.7**	4.8
Deficit in balance of goods and services	17.0	9.8	6.5			26.5	21.8	16.6	15.6	12.8	12.8		13.1	12.7	
Exports	26.0	26.3	31.1			25.6	23.9	22.2	20.7	19.6	18.7		16.3	14.6	
Imports	43.0	36.1	37.6			52.1	45.7	38.8	36.2	32.4	31.5		29.4	27.3	
Net current transfers (negative = inflow)	-8.8	-8.0	-7.7	-7.1	1.4	-23.6	-15.0	-10.4	-9.7	-7.0	-7.1		-7.3	-7.6	-7.4
of which: official	-2.1	-1.6	-0.9			-17.2	-9.0	-4.7	-4.3	-1.9	-1.9		-1.9	-1.9	
Other current account flows (negative = net inflow)	2.5	1.2	4.3			2.5	0.4	0.6	0.4	0.4	0.3		-0.5	-1.4	
Net FDI (negative = inflow)	**-4.2**	**-5.2**	**-3.0**	**-3.4**	**2.1**	**-3.6**	**-4.1**	**-4.2**	**-3.9**	**-3.9**	**-3.7**		**-2.7**	**-1.3**	-2.3
Endogenous debt dynamics 2/	**-0.8**	**-2.5**	**1.0**			**-0.9**	**-1.3**	**-1.1**	**-1.1**	**-0.9**	**-0.9**		**-1.0**	**-1.1**	
Contribution from nominal interest rate	0.3	0.4	0.4			0.3	0.3	0.3	0.3	0.3	0.3		0.4	0.4	
Contribution from real GDP growth	-1.3	-0.6	0.1			-1.2	-1.6	-1.4	-1.4	-1.3	-1.3		-1.4	-1.5	
Contribution from price and exchange rate changes	0.2	-2.2	0.6			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**-3.9**	**4.7**	**0.6**			**-0.8**	**-0.5**	**-1.1**	**-1.2**	**-1.4**	**-1.3**		**-1.4**	**-1.5**	
of which: exceptional financing	-0.2	-0.3	-0.1			-0.5	-0.4	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	17.1			17.0	17.7	17.8	17.8	17.8	17.7		18.4	18.7	
In percent of exports	...	...	54.9			66.3	73.9	79.9	86.1	90.7	94.9		112.6	127.6	
PV of PPG external debt	**...**	**...**	**17.1**			**17.0**	**17.7**	**17.8**	**17.8**	**17.8**	**17.7**		**18.4**	**18.7**	
In percent of exports	**...**	**...**	**54.9**			**66.3**	**73.9**	**79.9**	**86.1**	**90.7**	**94.9**		**112.6**	**127.6**	
In percent of government revenues	**...**	**...**	**99.3**			**95.4**	**97.8**	**95.1**	**93.3**	**92.9**	**92.2**		**91.8**	**83.6**	
Debt service-to-exports ratio (in percent)	**3.7**	**4.9**	**3.5**			**3.7**	**4.0**	**4.9**	**5.2**	**5.6**	**5.7**		**6.3**	**7.9**	
PPG debt service-to-exports ratio (in percent)	**3.7**	**4.9**	**3.5**			**3.7**	**4.0**	**4.9**	**5.2**	**5.6**	**5.7**		**6.3**	**7.9**	
PPG debt service-to-revenue ratio (in percent)	**5.6**	**7.4**	**6.3**			**5.3**	**5.3**	**5.8**	**5.7**	**5.7**	**5.6**		**5.1**	**5.2**	
Total gross financing need (Billions of U.S. dollars)	0.7	-0.1	0.1			0.3	0.5	0.5	0.5	0.6	0.6		0.9	1.9	
Non-interest current account deficit that stabilizes debt ratio	8.9	3.0	1.4			5.4	5.9	6.4	6.1	6.2	5.9		5.2	3.9	
Key macroeconomic assumptions															
Real GDP growth (in percent)	5.8	2.7	-0.4	4.3	2.3	5.1	6.6	5.5	5.5	4.9	4.9	5.4	5.1	5.2	5.1
GDP deflator in US dollar terms (change in percent)	-0.7	10.2	-2.3	8.2	8.7	4.3	4.1	3.5	3.3	3.2	3.2	3.6	2.4	1.8	2.3
Effective interest rate (percent) 5/	1.2	1.7	1.4	1.5	0.3	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.4
Growth of exports of G&S (US dollar terms, in percent)	15.0	14.3	15.4	12.7	15.2	-9.8	3.8	1.6	1.3	2.5	3.4	0.5	5.1	6.3	5.8
Growth of imports of G&S (US dollar terms, in percent)	30.9	-5.0	1.3	15.2	22.9	52.0	-2.6	-7.2	1.8	-3.2	5.1	7.6	5.7	6.6	6.5
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	43.5	44.3	45.2	45.2	45.7	45.7	45.0	45.7	45.7	45.7
Government revenues (excluding grants, in percent of GDP)	17.3	17.2	17.2			17.8	18.1	18.7	19.1	19.1	19.2		20.0	22.3	20.7
Aid flows (in Billions of US dollars) 7/	0.6	0.8	0.1			0.7	1.0	0.9	0.9	0.9	0.9		1.3	2.7	
of which: Grants	0.3	0.4	0.0			0.5	0.6	0.5	0.5	0.5	0.5		0.8	1.6	
of which: Concessional loans	0.3	0.3	0.0			0.2	0.4	0.3	0.3	0.4	0.4		0.5	1.1	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			5.3	6.5	5.3	4.9	4.4	4.3		4.3	4.3	4.3
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			75.1	72.0	74.1	73.7	73.6	73.2		73.2	73.2	73.2
Memorandum items:															
Nominal GDP (Billions of US dollars)	9.4	10.7	10.4			11.4	12.7	13.8	15.1	16.3	17.7		25.4	52.5	
Nominal dollar GDP growth	5.0	13.2	-2.7			9.7	11.0	9.2	9.0	8.2	8.3	9.2	7.7	7.1	7.5
PV of PPG external debt (in Billions of US dollars)			1.8			2.0	2.3	2.5	2.7	2.9	3.1		4.7	10.1	
(PVt-PVt-1)/GDPt-1 (in percent)						1.3	2.6	1.7	1.6	1.4	1.5	1.7	1.5	1.4	1.5
Gross workers' remittances (Billions of US dollars)	0.6	0.7	0.7			0.7	0.8	0.8	0.8	0.8	0.9		1.4	3.0	
PV of PPG external debt (in percent of GDP + remittances)	...	...	16.0			16.0	16.7	16.8	16.9	16.9	16.9		17.4	17.7	
PV of PPG external debt (in percent of exports + remittances)	...	...	45.1			53.2	59.2	63.7	68.3	71.8	74.1		84.4	91.6	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	2.9			3.0	3.2	3.9	4.2	4.4	4.5		4.7	5.7	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external 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, 2013-2033
(In percent)

	Projections							
	2013	2014	2015	2016	2017	2018	**2023**	2033
PV of debt-to GDP ratio								
Baseline	17	18	18	18	18	18	**18**	19
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	17	16	15	14	13	12	**8**	5
A2. New public sector loans on less favorable terms in 2013-2033 /2	17	19	20	21	21	22	**26**	31
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	17	19	19	19	19	19	**20**	21
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	17	19	20	20	20	20	**20**	20
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	17	19	19	19	19	19	**20**	21
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	17	25	29	28	28	27	**26**	22
B5. Combination of B1-B4 using one-half standard deviation shocks	17	24	28	27	27	27	**26**	23
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	17	25	25	25	25	25	**26**	27
PV of debt-to-exports ratio								
Baseline	66	74	80	86	91	95	**113**	128
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	66	69	69	69	67	65	**49**	32
A2. New public sector loans on less favorable terms in 2013-2033 /2	66	79	89	100	109	117	**158**	213
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	66	74	80	86	91	95	**113**	131
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	66	83	99	106	112	116	**136**	150
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	66	74	80	86	91	95	**113**	131
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	66	103	128	136	141	146	**162**	152
B5. Combination of B1-B4 using one-half standard deviation shocks	66	97	113	120	125	129	**145**	141
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	66	74	80	86	91	95	**113**	131
PV of debt-to-revenue ratio								
Baseline	95.4	98	95	93	93	92	**92**	84
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	95	91	82	75	69	63	**40**	21
A2. New public sector loans on less favorable terms in 2013-2033 /2	95	105	106	108	111	114	**128**	139
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	95	103	103	101	101	100	**100**	93
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	95	103	106	104	103	102	**100**	88
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	95	103	104	102	101	101	**100**	93
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	95	136	153	147	144	141	**132**	99
B5. Combination of B1-B4 using one-half standard deviation shocks	95	135	149	144	141	139	**131**	102
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	95	138	134	132	131	130	**130**	120

Table 1b.Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2013-2033 (Continued)

(In percent)

	Projections							
	2013	2014	2015	2016	2017	2018	**2023**	2033
Debt service-to-exports ratio								
Baseline	4	4	5	5	6	6	**6**	8
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	4	4	5	5	5	5	**4**	2
A2. New public sector loans on less favorable terms in 2013-2033 /2	4	4	5	6	6	7	**8**	12
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	4	4	5	5	6	6	**6**	8
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	4	4	6	6	6	7	**7**	9
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	4	4	5	5	6	6	**6**	8
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	4	4	6	6	7	7	**7**	10
B5. Combination of B1-B4 using one-half standard deviation shocks	4	4	5	6	6	6	**7**	9
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	4	4	5	5	6	6	**6**	8
Debt service-to-revenue ratio								
Baseline	5	5	6	6	6	6	**5**	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	5	5	5	5	5	4	**3**	1
A2. New public sector loans on less favorable terms in 2013-2033 /2	5	5	6	6	6	7	**7**	8
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	5	6	6	6	6	6	**6**	6
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	5	5	6	6	6	6	**5**	5
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	5	6	6	6	6	6	**6**	6
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	5	5	7	7	7	7	**6**	7
B5. Combination of B1-B4 using one-half standard deviation shocks	5	6	7	7	7	7	**6**	7
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	5	7	8	8	8	8	**7**	7
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 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, 2010-2033

(In percent of GDP, unless otherwise indicated)

	Actual					Estimate	Projections								
	2010	2011	2012	Average 5/	Standard Deviation 5/	2013	2014	2015	2016	2017	2018	2013-18 Average	2023	2033	2019-33 Average
Public sector debt 1/	28.7	29.1	30.1			30.0	31.1	31.1	31.0	30.9	30.7		31.1	31.0	
of which: foreign-currency denominated	24.3	24.4	26.0			26.1	27.4	27.8	27.9	28.0	28.0		29.2	30.1	
Change in public sector debt	4.0	0.4	1.0			-0.1	1.0	0.1	-0.1	-0.2	-0.1		0.1	-0.2	
Identified debt-creating flows	1.8	0.6	-0.3			-0.9	0.2	0.1	-0.1	-0.1	-0.1		0.0	-0.1	
Primary deficit	2.3	3.1	0.7	2.2	1.0	2.2	2.9	2.2	2.0	1.8	1.8	2.1	1.8	1.8	1.8
Revenue and grants	20.1	21.1	17.5			21.7	22.5	22.5	22.5	22.2	22.2		23.0	25.3	
of which: grants	2.9	3.8	0.2			3.9	4.5	3.8	3.5	3.1	3.0		3.0	3.0	
Primary (noninterest) expenditure	22.4	24.1	18.1			23.9	25.4	24.6	24.5	24.0	24.0		24.8	27.1	
Automatic debt dynamics	0.3	-1.4	-0.9			-1.7	-2.3	-2.1	-2.1	-1.9	-1.9		-1.7	-1.9	
Contribution from interest rate/growth differential	-1.2	-0.6	0.2			-1.4	-1.9	-1.7	-2.4	-1.6	-1.5		-1.6	-1.3	
of which: contribution from average real interest rate	0.1	0.2	0.0			0.1	0.0	-0.1	-0.8	-0.1	-0.1		-0.1	0.3	
of which: contribution from real GDP growth	-1.4	-0.8	0.1			-1.5	-1.9	-1.6	-1.6	-1.5	-1.4		-1.5	-1.5	
Contribution from real exchange rate depreciation	1.5	-0.8	-1.0			-0.3	-0.5	-0.4	0.3	-0.3	-0.3		...	...	
Other identified debt-creating flows	-0.7	-1.1	-0.1			-1.4	-0.4	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			-1.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	-0.7	-1.1	-0.1			-0.5	-0.4	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	-0.2	1.3			0.8	0.9	0.0	0.0	-0.1	-0.1		0.0	-0.1	
Other Sustainability Indicators															
PV of public sector debt	...	...	21.2			20.9	21.3	21.1	20.9	20.7	20.4		20.2	19.6	
of which: foreign-currency denominated	...	...	17.1			17.0	17.7	17.8	17.8	17.8	17.7		18.4	18.7	
of which: external	...	...	17.1			17.0	17.7	17.8	17.8	17.8	17.7		18.4	18.7	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	4.4	6.4	4.8			6.4	6.8	6.0	5.6	5.2	5.1		4.3	3.7	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	121.2			96.3	94.5	94.0	92.7	93.0	91.9		88.0	77.2	
PV of public sector debt-to-revenue ratio (in percent)	...	...	122.9			117.6	117.9	113.1	109.7	108.0	106.3		101.2	87.6	
of which: external 3/	...	...	99.3			95.4	97.8	95.1	93.3	92.9	92.2		91.8	83.6	
Debt service-to-revenue and grants ratio (in percent) 4/	7.6	10.8	10.9			7.8	7.1	7.5	7.2	7.2	7.0		5.9	5.2	
Debt service-to-revenue ratio (in percent) 4/	8.9	13.2	11.0			9.5	8.8	9.0	8.6	8.4	8.0		6.8	5.9	
Primary deficit that stabilizes the debt-to-GDP ratio	-1.7	2.6	-0.3			2.3	1.8	2.1	2.1	1.9	1.9		1.7	2.0	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	5.8	2.7	-0.4	4.3	2.3	5.1	6.6	5.5	5.5	4.9	4.9	5.4	5.1	5.2	5.1
Average nominal interest rate on forex debt (in percent)	1.2	1.7	1.4	1.5	0.3	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.4
Average real interest rate on domestic debt (in percent)	2.5	1.5	0.4	0.2	2.6	4.9	2.3	2.5	2.4	2.4	2.4	2.8	2.2	1.8	2.2
Real exchange rate depreciation (in percent, + indicates depreciation)	6.9	-3.4	-4.2	-4.5	9.1	-1.2	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	4.2	5.1	5.7	4.6	1.8	1.2	2.3	2.1	2.2	2.2	2.2	2.0	2.4	2.8	2.4
Growth of real primary spending (deflated by GDP deflator, in percent)	-7.3	10.7	-25.1	2.2	14.3	38.5	13.3	2.4	5.0	2.7	5.0	11.2	5.8	6.3	6.0
Grant element of new external borrowing (in percent)	...	...	...	...	...	43.5	44.3	45.2	45.2	45.7	45.7	45.0	45.7	45.7	45.7

Sources: Country authorities; and staff estimates and projections.

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

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

3/ Revenues excluding grants.

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

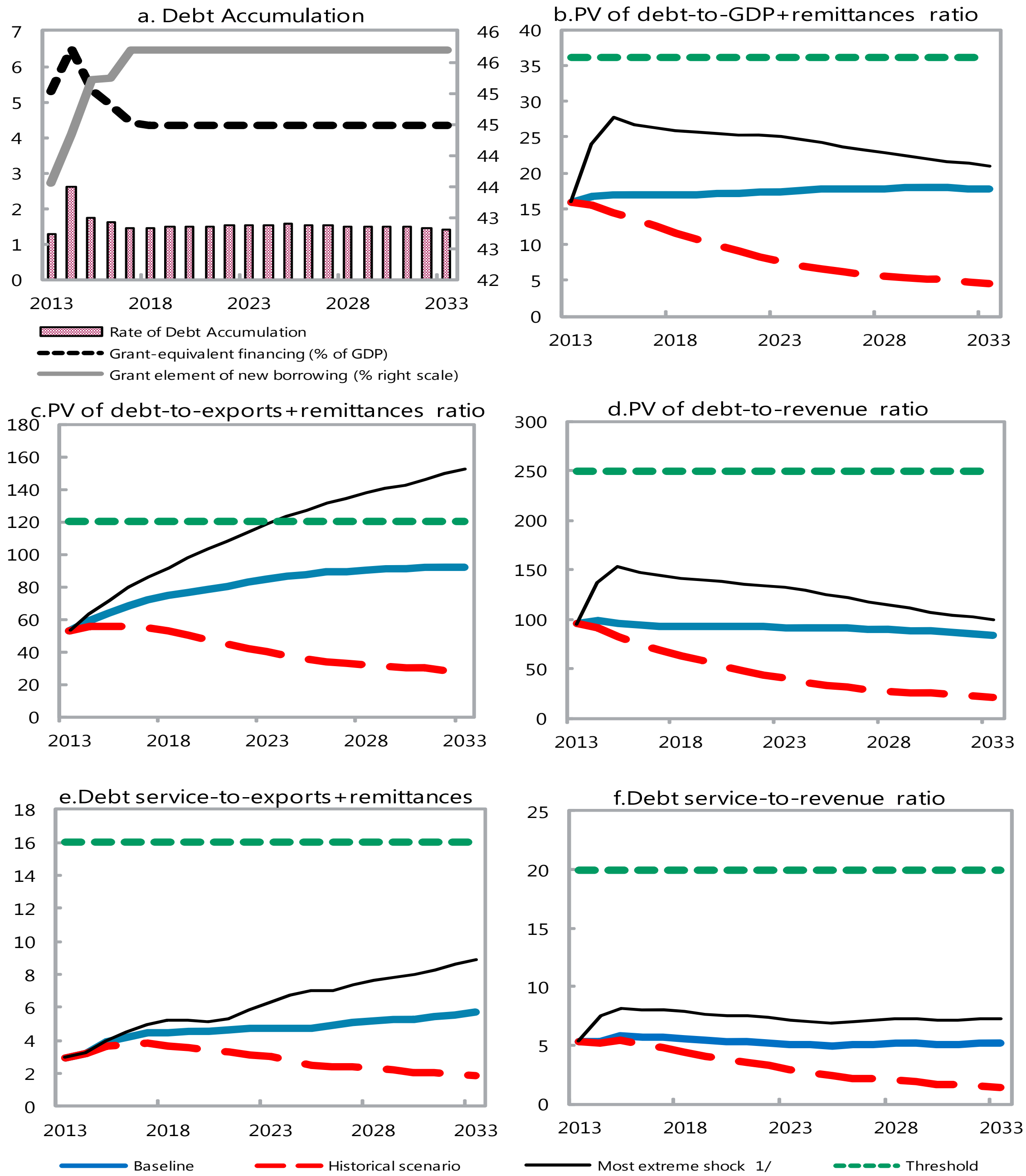
5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 2b.Mali: Sensitivity Analysis for Key Indicators of Public Debt 2013-2033

		Projections						
	2013	2014	2015	2016	2017	2018	2023	2033
PV of Debt-to-GDP Ratio								
Baseline	21	21	21	21	21	20	20	20
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	21	21	21	22	22	22	23	24
A2. Primary balance is unchanged from 2013	21	21	21	21	21	21	22	22
A3. Permanently lower GDP growth 1/	21	21	21	21	22	22	24	31
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	21	23	24	25	25	26	29	34
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	21	21	22	22	21	21	21	20
B3. Combination of B1-B2 using one half standard deviation shocks	21	22	22	23	23	23	26	29
B4. One-time 30 percent real depreciation in 2014	21	27	26	25	24	23	21	17
B5. 10 percent of GDP increase in other debt-creating flows in 2014	21	27	26	26	25	25	24	22
PV of Debt-to-Revenue Ratio 2/								
Baseline	96	94	94	93	93	92	88	77
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	96	94	95	95	97	97	98	94
A2. Primary balance is unchanged from 2013	96	93	92	92	93	93	93	88
A3. Permanently lower GDP growth 1/	96	95	95	95	97	97	103	122
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	96	100	106	108	112	114	125	132
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	96	95	97	96	96	95	90	78
B3. Combination of B1-B2 using one half standard deviation shocks	96	96	99	100	103	105	111	115
B4. One-time 30 percent real depreciation in 2014	96	121	116	111	108	104	89	69
B5. 10 percent of GDP increase in other debt-creating flows in 2014	96	119	117	115	115	113	105	86
Debt Service-to-Revenue Ratio 2/								
Baseline	8	7	7	7	7	7	6	5
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	8	7	8	7	7	7	6	6
A2. Primary balance is unchanged from 2013	8	7	7	7	7	7	6	6
A3. Permanently lower GDP growth 1/	8	7	8	7	7	7	6	7
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	8	7	8	8	8	8	7	8
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	8	7	7	7	7	7	6	5
B3. Combination of B1-B2 using one half standard deviation shocks	8	7	8	8	8	7	7	7
B4. One-time 30 percent real depreciation in 2014	8	8	10	9	9	9	8	7
B5. 10 percent of GDP increase in other debt-creating flows in 2014	8	7	8	8	8	7	6	6

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.

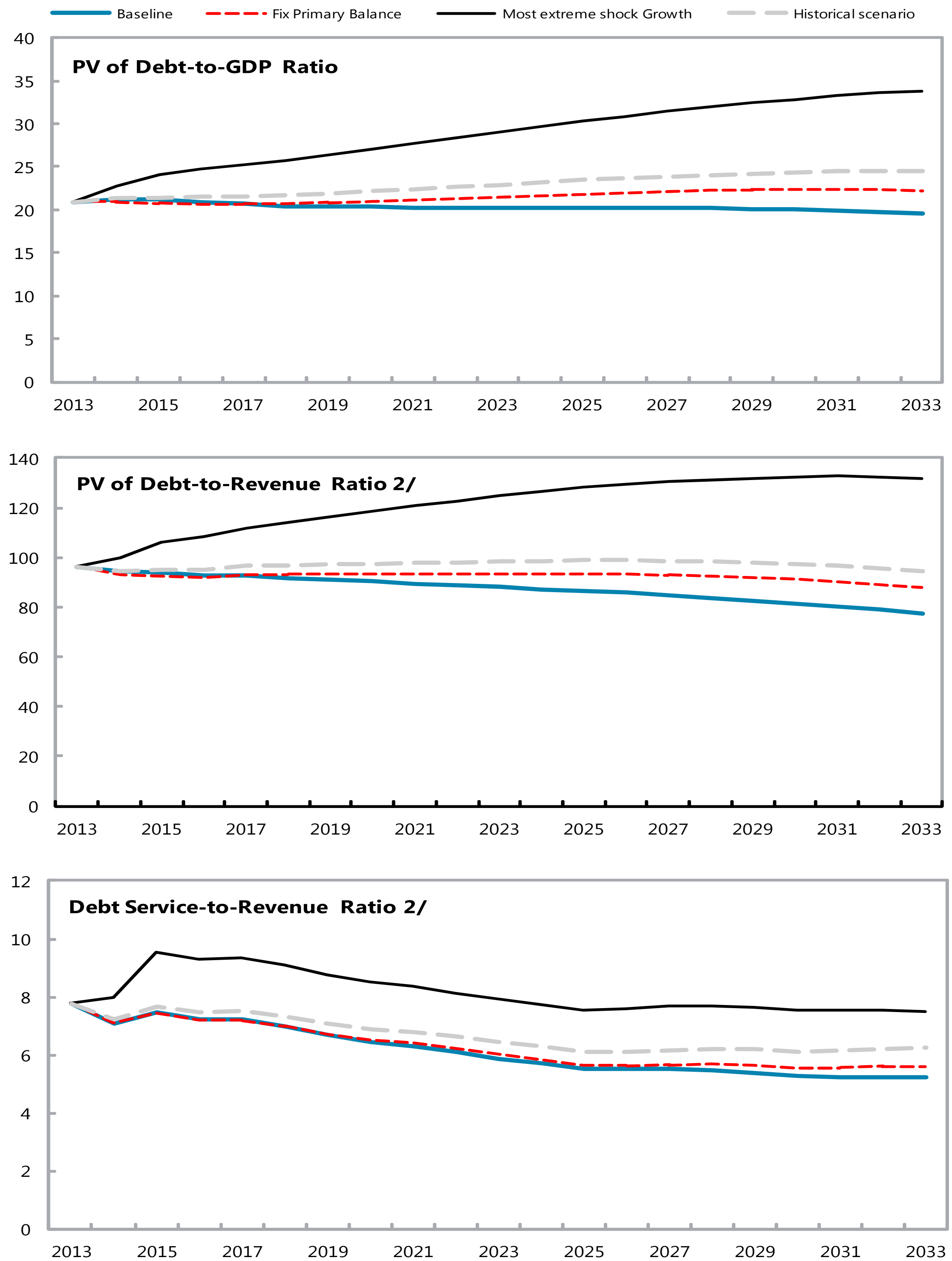
Figure 3. Mali: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2013-2033 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2024. In figure b. it corresponds to a Non-debt flows shock; in c. to a Terms shock; in d. to a Non-debt flows shock; in e. to a Terms shock and in figure f. to a One-time depreciation shock

Figure 4.Mali: Indicators of Public Debt Under Alternative Scenarios, 2013-2033 1/



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in 2023.
2/ Revenues are defined inclusive of grants.

Table 3a.Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2013-2033
(In percent)

	Projections							
	2013	2014	2015	2016	2017	2018	**2023**	2033
PV of debt-to-GDP+remittances ratio								
Baseline	16	17	17	17	17	17	**17**	18
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	16	15	14	14	13	12	**8**	5
A2. New public sector loans on less favorable terms in 2013-2033 2	16	18	19	20	20	21	**24**	29
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	16	17	18	18	18	18	**19**	19
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	16	18	19	19	19	19	**19**	19
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	16	18	18	18	18	18	**19**	20
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	16	24	28	27	26	26	**25**	21
B5. Combination of B1-B4 using one-half standard deviation shocks	16	24	27	26	26	25	**25**	21
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	16	23	23	23	23	23	**24**	25
PV of debt-to-exports+remittances ratio								
Baseline	53	59	64	68	72	74	**84**	92
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	53	55	55	55	54	53	**40**	27
A2. New public sector loans on less favorable terms in 2013-2033 2	53	63	71	79	86	92	**118**	153
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	53	60	64	69	72	74	**85**	94
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	53	65	77	83	86	89	**99**	104
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	53	60	64	69	72	74	**85**	94
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	53	94	113	108	112	114	**121**	109
B5. Combination of B1-B4 using one-half standard deviation shocks	53	88	98	95	99	101	**109**	101
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	53	60	64	69	72	74	**85**	94
PV of debt-to-revenue ratio								
Baseline	95	98	95	93	93	92	**92**	84
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	95	91	82	75	69	63	**40**	21
A2. New public sector loans on less favorable terms in 2013-2033 2	95	105	106	108	111	114	**128**	139
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	95	103	103	101	101	100	**100**	93
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	95	103	106	104	103	102	**100**	88
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	95	103	104	102	101	101	**100**	93
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	95	136	153	147	144	141	**132**	99
B5. Combination of B1-B4 using one-half standard deviation shocks	95	135	149	144	141	139	**131**	102
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	95	138	134	132	131	130	**130**	120

Table 3a.Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2013-2033 (Continued)

(In percent)

	Projections							
	2013	2014	2015	2016	2017	2018	**2023**	2033
Debt service-to-exports+remittances ratio								
Baseline	3	3	4	4	4	4	**5**	6
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	3	3	4	4	4	4	**3**	2
A2. New public sector loans on less favorable terms in 2013-2033 2	3	3	4	4	5	5	**6**	9
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	3	3	4	4	4	4	**5**	6
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	3	3	4	5	5	5	**5**	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	3	3	4	4	4	4	**5**	6
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	3	4	5	5	5	5	**5**	7
B5. Combination of B1-B4 using one-half standard deviation shocks	3	4	5	5	5	5	**5**	7
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	3	3	4	4	4	4	**5**	6
Debt service-to-revenue ratio								
Baseline	5	5	6	6	6	6	**5**	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	5	5	5	5	5	4	**3**	1
A2. New public sector loans on less favorable terms in 2013-2033 2	5	5	6	6	6	7	**7**	8
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	5	6	6	6	6	6	**6**	6
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	5	5	6	6	6	6	**5**	5
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	5	6	6	6	6	6	**6**	6
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	5	5	7	7	7	7	**6**	7
B5. Combination of B1-B4 using one-half standard deviation shocks	5	6	7	7	7	7	**6**	7
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	5	7	8	8	8	8	**7**	7
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.

Statement by the Staff Representative on Mali

Executive Board Meeting

December 18, 2013

1. This statement provides information that has become available since the issuance of EBS/13/155 on December 4, 2013. The new information does not alter the thrust of the staff appraisal.

2. Prices increased by 0.2 percent year-on-year in November and decreased by 0.4 percent on average for the 12-month period ending in November 2013.

3. Preliminary estimates indicate that all the indicative targets were met at end-September with one exception. The indicative target on tax revenue was missed by 0.8 percent of GDP owing to under-performance of direct taxes. The authorities are working to recoup this revenue shortfall by tax audits of companies of which the interdepartmental tax intelligence committee identified anomalies in tax returns.

Press Release No. 13/524
FOR IMMEDIATE RELEASE
December 18, 2013

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Approves New Extended Credit Facility Arrangement for Mali and US$9.2 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today approved a new arrangement under the Extended Credit Facility (ECF) for Mali for an amount equivalent to SDR 30 million (about US$ 46.2 million or 32 percent of quota). The approval enables the immediate disbursement of an amount equivalent to SDR 6 million (about US$9.2 million).

The authorities' program is designed to reduce balance-of-payments vulnerabilities and lay foundations for stronger, more inclusive growth. Reform efforts are focused on tax policy and revenue administration, public financial management and improving the business environment.

The new Fund-supported program builds on the success of the authorities' policies supported by disbursements under the Rapid Credit Facility in 2013

Following the Executive Board's discussion, Mr. Min Zhu, Deputy Managing Director and Acting Chair issued the following statement:

"Mali's authorities have succeeded in maintaining macroeconomic stability in very difficult circumstances. The economy is recovering and the outlook is improving with the resumption of donor support and a gradual return of investor confidence. However, significant challenges remain. Against this background, a new Fund-supported arrangement under the Extended Credit Facility will help support the authorities' economic program to sustain growth, maintain fiscal sustainability, and reduce poverty.

"Higher domestic revenue mobilization and increased efficiency of public spending will create fiscal space for needed development spending. Limited government recourse to domestic bank borrowing will safeguard credit to the private sector. Improved public financial management will ensure that donor funding is put to effective use, and improved internal expenditure controls will help prevent the accumulation of domestic arrears. More broadly, a prudent debt management centered on concessional borrowing will be needed in the period ahead.

"Far-reaching reforms will help improve the business environment, promote economic diversification, and boost Mali's growth prospects. Priority areas include increasing financial development, combating corruption, streamlining tax procedures, improving infrastructure, and increasing labor productivity through improved education and health spending. Well communicated reforms in the production and pricing of energy are also important for fostering durable growth and reducing poverty."

Annex

Recent economic developments

Mali is emerging from the most serious security and political crisis in its recent history. The recent arrival of a UN security force (MINUSMA) is helping the government restore law and order in the north. Political normalization is well under way with the successful presidential and parliamentary elections. International financial support has been successfully mobilized: in May 2013, at the international donor conference in Brussels, donors pledged €3.25 billion ($4.4 billion) in financial assistance.

In the meantime, the economy is recovering and inflationary pressures have abated. After a 0.4 percent GDP decline in 2012, the improvement in the security situation and the resumption of donor assistance has helped revive business confidence. Activity is picking up in the service sectors hardest hit by the crisis (commerce, hotels, and restaurants). Favorable rainfall has boosted agricultural production. Average inflation declined from 5.3 percent in 2012 to negative 0.1 percent by October 2013 as food prices declined following the good harvest.

Prospects for the remainder of 2013 and for 2014 are generally favorable. The nascent recovery should gather strength as donor support builds up and credit to economy picks up. Real GDP is projected to increase by 5.1 percent in 2013 and 6.6 percent in 2014 supported by the rebound in agricultural output, the establishment of a third mobile phone operator, recovery in the service sector, and restart of construction projects. After 2014, growth is projected to settle in the 5–6 percent range. Average inflation is projected to remain close to zero in 2013 and reach 2 percent in 2014, below the 3 percent West African Economic and Monetary Union's (WAEMU) ceiling.

The positive outlook is subject to several risks. Agricultural output is vulnerable to adverse weather conditions. Because of strong export concentration on gold (70 percent of the total) and cotton (15 percent of the total), export revenues depend to a large extent on volatile international gold and cotton prices. The security situation remains fragile despite recent improvements. Any setbacks in peace consolidation could weaken consumer, investor, and donor confidence and derail the incipient recovery. On the other hand, Mali is not significantly exposed to negative risks in the euro area because its exports are inelastic toward traditional trade partners' growth. The banking sector is mostly financed by local deposits and is not directly exposed to the ongoing deleveraging of European banks.

Program Summary

The authorities' programs aims at promoting policies that: (i) maintain macroeconomic stability, while allocating sufficient resources to poverty-reducing and other priority spending, including in the North; (ii) mobilize more government revenue; (iii) strengthen public financial management; and (iv) improve the business environment, including by implementing anti-corruption measures.

Public spending will support national reconciliation, growth and poverty reduction. Budgetary allocations will be in line with the Growth and Poverty Reduction Strategy (G-PRSP) and the Plan for Sustainable Recovery (PRED). To that end, the authorities are committed to giving priority social spending—health, education and social development.

To increase tax revenue and lighten the administrative burden on the taxpayer, the Government will implement ambitious tax policy and administration reforms. Transparency will be used to build political support for a reduction of tax exemptions. In that context, the authorities intend to reform fuel pricing. Starting in 2013, the budget law has begun presenting estimates of the cost to the budget of the failure to adjust fuel prices to international oil price movements. To stem, and ultimately reverse, the erosion of tax revenue from petroleum products, the authorities will abandon the practice of setting the administrative value (used for tax calculation) below the market value. In order to improve the business climate, the government will take steps to address the most problematic factors for doing business. Investors consider access to financing, corruption, poor infrastructure (including electricity), tax regulation are key ingredients. The state electricity company will be reformed with the view of putting it on a sound financial footing.

The authorities have also stated their deep commitment to combating corruption. They will put in place concrete actions, one of which is a systematic follow up of all recommendations of varying control agencies, with regular reports on judicial or administrative actions taken. Another is the publication of judicial decisions.

Given the early stage of Mali's recovery from the recent political and security crisis, reforms will be implemented progressively. The initial phase—through mid–2014—focuses on strengthening institutional capacity and developing strategies to address the most pressing issues. The following phases of the program will involve rolling out policy actions in these areas. These actions will be specified at the time of the first and subsequent reviews of the arrangement.

Statement by Mr. Diallo on Mali
Executive Board Meeting
December 18, 2013

Introduction

My Malian authorities would like to reiterate their thanks to the Executive Board, Management and Staff for their continued engagement and support to Mali's recovery efforts. The valuable policy advice and the financial and technical assistance received from the Fund in the context of the recent program supported by the Rapid Credit Facility (RCF) have helped Mali recover from a very difficult political, social and institutional crisis. Mali is now firmly engaged in a process of return to civil rule and a normal constitutional life. Thus, a President of the Republic was democratically elected in August 2013 and legislative elections are currently taking place, while security has been restored in the major part of the country. However, Mali still faces significant challenges for national reconciliation, renewed decentralization and sound governance while maintaining macroeconomic stability. In order to sustain their recovery efforts, my authorities are requesting an Extended Credit Facility (ECF) arrangements which will help Mali remain on the path of macroeconomic stability and sustainable growth. The new arrangement is expected to support the nascent economic recovery, consolidate the key achievements in the area of public financial management, and improve the business environment for private sector development.

Recent Economic Developments and Performance under the RCF

The economy is recovering from the 2012 recession, but growth needs to be consolidated. As a result of the improvement of the security situation and the resumption of foreign aid, real GDP growth should resume and reach 5.1 percent in 2013. This reflects the sustained recovery expected in almost all economic sectors with the exception of gold production. The good performance of the agricultural sector, which benefitted from favorable rainfalls and subsidies to agricultural inputs, should maintain inflation at less than 1 percent for the whole year. The external current account deficit should increase and reach 7.8 percent of GDP as a result of the drop in gold prices and increase of imports concomitantly with the economic recovery. This deficit is expected to be entirely financed by net capital inflows in the form of foreign aid, remittances, and FDI. In the financial sector, the damages and losses experienced by banks in the north and the 2012 recession led to a deterioration of the banking sector stability. Non- performing loans increased and represented 21.5 percent of total credit in June 2013. The financial stability of the microfinance sector also deteriorated, with nonperforming loans reaching 11.5 percent in 2012.

The economic performance under the program supported by the Rapid Credit Facility (RCF) was good. All program targets at end-March and end-June were observed except for the ceiling on the cumulative increase in external public payments arrears. Despite the authorities' repayment of approximately US$42 million in external debt arrears, new arrears originated on a loan with the Libyan Foreign Bank. The authorities have sent several requests for rescheduling of the debt to the Libyan authorities but have not yet received a response.

While awaiting a response from the Libyan authorities, the government opened an escrow account at the regional Central Bank (BCEAO) and deposited approximately US$18 million. The authorities will continue to deposit an equivalent of amounts falling due until they resolve this issue with the Libyan authorities. Progress was also made in improving public finances. As current expenditures were lower than expected, the basic fiscal balance was significantly above the end-June floor, and net domestic bank and financial market financing of the government was below the ceiling. Spending in priority sectors was higher than the floor set, and the authorities have not contracted any non-concessional loan other than the two loans aimed at increasing the supply of electricity, and which were expected under the RCF program. Regarding structural benchmarks, four out of six were successfully implemented.

Policy and Reform Agenda under the new ECF Arrangement

The economic prospects of the country appear favorable due to the improvement of the security and political situation, and the resumption of foreign aid. As a result of the positive impact of these developments on the construction and services sectors, real GDP growth should accelerate and reach 6.6 percent in 2014 and 5.5 percent in 2015-16. However, in the coming years, the authorities will continue to confront the challenges of promoting national reconciliation and strengthening the foundations for strong and inclusive growth while maintaining macroeconomic stability.

In the fiscal area, the authorities will continue to implement sustainable policies which would support growth while giving priority to expenditures in the social sectors including in the northern part of the country. In this connection, they aim at maintaining the basic fiscal balance close to equilibrium as defined by the West African Economic and Monetary Union (WAEMU). Furthermore, they will ensure that the overall fiscal balance (including project grants, budget support and externally-financed capital expenditures) is maintained at a level compatible with debt sustainability.

The authorities undertake to increase the ratio of tax revenues to GDP by at least 0.5 percent a year through fiscal reforms aimed at broadening the tax base. They will also step up the reforms initiated at the Tax, Customs and Government Property administrations to enhance revenue collection. The gradual reduction to the extent possible of all exemptions under the General Tax Code, Customs Code, Investment Code, Mining Code and all other laws or government decisions granting tax benefits will be pursued starting with the 2015 budget.

The authorities also intend to stop the erosion of fiscal revenues on petroleum products. In this respect, they are working towards the preparation of different options to adjust the prices of petroleum products to the evolution of international prices. My authorities are mindful of the potential social negative impacts of these adjustments and will develop supporting measures to minimize these adverse social effects. In order to increase awareness on this issue, they will continue to present explicitly in the budget laws the budgetary implications of a non-adjustment of fuel prices, as initiated in the 2013 budget law.

The efforts aimed at simplifying the fiscal legislation will be pursued with the objective of reducing the administrative burden for taxpayers and making it easier for tax agencies to collect taxes.

With technical assistance from the Fund, the authorities will continue reforming the tax, customs and government properties administrations to improve the effectiveness of their operations. Most notably, the reforms aimed at improving the performance of the Value Added Tax (VAT) which accounts for 40 percent of fiscal revenues will remain a priority. The authorities are committed to ensure that VAT refunds are made timely by simplifying the budgetary procedures to that effect, and they will also simplify VAT collection by raising the turnover threshold required for businesses to be liable to VAT. Furthermore, the authorities will continue to implement a multidisciplinary control mechanism aimed at strengthening the efficiency of fiscal control and the identification of new taxpayers. To this effect, all the databases available in various administrations will be utilized to verify and compare the information provided by taxpayers.

On the expenditures side, the authorities will continue their efforts to improve the regulatory framework for public financial management in the context of regional directives and regulations. In this regard, several directives from the West African Economic and Monetary Union (WAEMU) have been implemented and draft laws for some of the remaining directives have been submitted to WAEMU for approval. In order to improve the budget presentation and the effectiveness of public expenditures, the authorities will gradually implement results-based budget programming and management. The first step in this process will be the presentation of the 2015 budget according to these new standards. With the assistance of the Fund, an audit of the expenditures cycle will also be made to identify shortcomings and recommend measures to improve its effectiveness and strengthen the monitoring of arrears. Regarding the transparency of public financial management, the authorities will continue to improve cash management and accounting by gradually implement the WAEMU directive on the Government Financial Operation (TOFE). The actions undertaken to establish a single Treasury account at the regional central bank (BCEAO) and to monitor the net government position (NGP) in the banking system will also be pursued. Internal control structures will continue to be strengthened in compliance with the national internal control strategy (2011-15) and regional directives, notably the staffing of the Supreme Court accounting section which will be converted into a Court of Accounts as per a WAEMU directive.

The authorities will continue to conduct a debt policy in line with the preservation of debt sustainability. They are committed to cover their financing needs principally with grants and highly concessional loans. Non-concessional loans will remain limited to the two loans already contracted for the strategic energy sector. No new non-concessional loan will be contracted in 2014, but the authorities will consult staff if there is a need to reconsider this commitment if critical investment projects for the Malian economy could not be financed through concessional resources. Domestic debt management will also be consolidated by performing an audit of all domestic public debt and guarantee contracts and including repayment schedules in the budget.

The modernization of the business environment for private sector development and competitiveness remains a major commitment of the authorities. Measures will be taken tomobilize resources for investments in infrastructures, simplify the fiscal legislation and increase access to and maintain the stability of the financial sector. Other major constraints to be addressed will be the improvement of economic governance as well as the financial and production capacity in the electricity sector. The authorities are very much aware of the need to address the structural deficit between the production cost and selling price of electricity. While they will have to continue with budget transfers to support the electricity company (EDM) in the short term, the authorities will strive with the assistance of donors to mobilize financial resources for investments in the energy sector, increase the interconnection with neighboring countries and diversify production modes.

Conclusion

My Malian authorities are determined to preserve macroeconomic stability, improve public financial management and promote growth with the support of the international community. In view of Mali's overall satisfactory performance under the RCF arrangement and the commitment of my authorities to pursue sound macroeconomic policies, I would appreciate Directors' favorable consideration of their request for a new three-year arrangement under the ECF.