INTERNATIONAL MONETARY FUND

IMF Country Report No. 15/339

# MALI

## 2015 ARTICLE IV CONSULTATION, FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REQUEST FOR MODIFICATION OF A PERFORMANCE CRITERION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR MALI

December 2015

In the context of the 2015 Article IV Consultation, fourth review under the Extended Credit Facility Arrangement, and request for modification of a performance criterion, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on lapse of time basis, following discussions that ended on | September 16, 2015, 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 November 10, 2015.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association (IDA).
- A **Statement by the Executive Director** for Mali.

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

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

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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**International Monetary Fund**
**Washington, D.C.**

Press Release No. 15/548
FOR IMMEDIATE RELEASE
December 3, 2015

International Monetary Fund
Washington, D.C. 20431 USA

**IMF Executive Board Concludes 2015 Article IV Consultation with Mali, Completes Fourth Review under the Extended Credit Facility Arrangement, and Approves US$5.5 Million Disbursement**

On December 2, 2015, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] and completed the fourth review of Mali's performance under an economic program supported by a three-year Extended Credit Facility (ECF) arrangement. The Board's decision enables the disbursement of SDR 4 million (about US$5.5 million), bringing total disbursements under the arrangement to SDR 22 million (about US$30 million).

In completing the review, the Executive Board approved the authorities' request for the modification of the performance criterion on non-concessional external borrowing in light of the new policy on debt limits that became effective in June 2015. The Executive Board approved the ECF arrangement for Mali on December 18, 2013 for SDR 30 million (about US$41 million), see Press Release No. 13/524).

The program performance through June was strong, with all performance criteria and most structural benchmarks met. The 2016 program features a somewhat higher fiscal deficit compared to 2015 to allow for increased public investment and reconstruction spending. The program's structural component incorporates measures to support continued revenue growth, strengthen public financial management, and promote good governance.

Mali's recovery has entered its third year. After a 7 percent spurt in 2014, reflecting a return to more normal levels of agricultural production and a strong pickup in manufacturing, growth is moderating in 2015, but is projected to remain robust in the near term (at over 5 percent). The external current account is projected to strengthen in the near term but would weaken thereafter, mainly as a result of less favorable terms of trade. Robust public capital inflows and foreign direct investment should allow Mali to finance these deficits and even slightly strengthen its imputed international reserve position. The overall fiscal deficit is expected to remain contained in the near term and decline over the medium term, keeping nominal public debt below 40 percent of GDP. Tax collections are expected to continue

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

strengthening, with revenue gains allowing to create space to accommodate higher public investment and social spending.

Following the Executive Board's discussion, Mr. David Lipton, Deputy Managing Director and Acting Chair, made the following statement:

"The Malian authorities have continued to take necessary steps to ensure that the goals established under their Fund-supported program are achieved. Program performance through June was solid, enabling the authorities to strengthen their fiscal program for 2015. The program for 2016 allows for a somewhat higher, but still moderate, fiscal deficit to accommodate increased capital spending and reconstruction needs. This is expected to be accompanied by continued robust GDP growth, although the challenging security situation represents a risk to the economic outlook.

"The turnaround in tax revenue growth observed in 2015 is particularly welcome, and follows various measures taken by the Ministry of Economy and Finance early in the year. Higher tax revenue, together with improvements in the quality and efficiency and spending, is key to creating additional space to finance infrastructure and social expenditure to support growth and poverty reduction. However, going forward, it would be important that further increases in revenue rely on broadening the tax base, including through the reduction of large exemptions.

"The authorities' continued efforts to strengthen public financial management are also welcome. Further improvements in this area are important to support overall fiscal discipline and help the adequate use of public resources.

"Fiscal decentralization should help improve accountability over public spending, and provide increased support to Mali's less-favored regions. It is important that this is implemented gradually and that adequate transparency and accountability mechanisms are put in place to help ensure that resources transferred to local governments are well-used.

"Reforms aimed at improving the business environment are key to boosting Mali's economic prospects. The authorities' agenda under their Fund-supported program targets areas with documented weaknesses. Progress in these areas, notably in improving governance and lightening the administrative burden for taxpayers, is crucial to raising growth and employment, and ultimately to reducing poverty."

**Executive Board Assessment**[2]

Executive Directors commended the authorities for the recent strong macroeconomic performance featuring robust economic growth, low inflation, and a sustainable fiscal position. While the economic outlook is favorable, Directors also pointed to key downside risks, particularly those stemming from Mali's still fragile security situation. They welcomed the recent peace agreement between the government and rebel groups, but noted that the recent tragic events in Bamako underscore the need for continued efforts to strengthen security with support from the international community.

Directors commended the authorities for their commitment to policies aimed at safeguarding macroeconomic stability and fostering inclusive economic growth. In particular, they supported the efforts to increase tax revenue mobilization and improve the quality and efficiency of spending in order to create space for basic infrastructure and social expenditures. They concurred that additional revenue mobilization should take place through broadening the tax base and reducing exemptions. Directors also encouraged the authorities to step up ongoing efforts to strengthen public financial management to support the adequate use of public resources while maintaining sound public finances. A cautious approach to taking on additional non-concessional financing will further ensure the preservation of debt sustainability.

Directors supported the authorities' plans to move gradually with fiscal decentralization with the goal of improving the accountability over spending while increasing support for less-favored regions in the country. They underscored that this process should be phased in tandem with an increase in the administrative and absorption capacity of local governments, and be accompanied by adequate transparency and accountability mechanisms.

Directors emphasized that boosting long-term sustainable growth will require diversifying Mali's sources of growth and export base through reforms to improve infrastructure, education, and the business environment. Private sector activity and investment would be facilitated by better regulation, lower labor taxation, increased labor force participation, particularly by women, and improved governance.

Directors called on the authorities to continue their efforts to address weaknesses in the financial sector to help promote financial inclusion, stability, and growth. This includes cleaning up the balance sheets of banks with high NPL levels, reducing credit concentration on a few large borrowers, and strengthening the microfinance sector. Directors welcomed the authorities' plans to restructure the Malian Housing Bank, which should reduce fiscal risks and make the institution attractive to private investors. They also called for continued work on strengthening the AML/CFT framework.

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[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm

INTERNATIONAL MONETARY FUND

# MALI

November 10, 2015

## STAFF REPORT FOR THE 2015 ARTICLE IV CONSULTATION, FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REQUEST FOR MODIFICATION OF A PERFORMANCE CRITERION

## KEY ISSUES

**Context.** The political situation stabilized somewhat during the first half of 2015. A new government was appointed in January, with a mandate to implement sound public financial management after the governance lapses of 2014. In June, the government signed a peace agreement with rebel groups, involving more decentralization and the implementation of development projects in the North and other parts of the country. However, the security situation remains fragile, with continuing attacks by jihadist groups, especially in the North. There have also been attacks in the South, including a deadly one in Bamako targeting expatriates in March. On the economic side, the recovery has entered its third year, and growth is projected to remain robust in the near term.

**Article IV discussions.** Discussions focused on creating space for priority spending, boosting long-run economic growth, and strengthening the financial system. Increasing tax revenue and improving the efficiency and quality of public spending are key to help finance large infrastructure, social, and human capital needs while maintaining healthy public finances. Addressing such needs is required to raise long-run economic growth and reduce poverty in a context of high population growth. Reducing labor taxation and improving governance would also help foster growth, employment, and poverty reduction. In the financial sector, it is important to reduce credit concentration on a few borrowers and the high level of non-performing loans while consolidating and strengthening supervision of the micro-credit sector.

**Program implementation.** Program performance through June was strong, with all performance criteria and most structural benchmarks met. The fiscal program for 2015 has been strengthened, mainly to reflect higher tax revenue. The 2016 program allows for a higher fiscal deficit to accommodate increased capital spending and reconstruction needs. The program's structural component incorporates measures to support continued revenue growth, strengthen public financial management, and promote good governance. The authorities request modification of the performance criterion on non-concessional external borrowing in light of the new policy on debt limits.

Approved By
**Roger Nord (AFR) and Peter Allum (SPR)**

Discussions took place in Bamako during September 2–16. The staff team comprised Christian Josz (head), Lisandro Abrego, Milan Cuc, John Hooley (all AFR), Moussé Sow (FAD), Anton Op de Beke (Resident Representative), and Bakary Traore (local economist). The mission met with Modibo Keita, Prime Minister; Mamadou Igor Diarra, Minister of Economy and Finance; Abdine Koumare, President of the Finance Committee of the National Assembly; Konzo Traore, National Director, Central Bank of West African States; and representatives from the National Assembly, civil society, trade unions, the private sector, and Mali's development partners.

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**ANNEX**



**APPENDIX**

# RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

1. **Political and security context.** The political situation stabilized somewhat during the first half of 2015. In January, the President appointed a new government, with a mandate to implement sound public financial management after the governance lapses which delayed the first and second reviews of the ECF arrangement. In June, the government signed a peace agreement with armed rebel groups, involving more decentralization and the implementation of regional development projects, not only in the north but also the in south of the country. The government is preparing a strategy to give coherence to such projects, following the needs assessment conducted jointly with multilateral developments banks (MDBs). Meanwhile, the security situation remains fragile, with continuing guerilla attacks on the UN force (MINUSMA) and the Malian army by jihadist groups mainly in the North. There has also been activity by armed groups in the South, including in in Bamako, where a terrorist attack claimed six victims in March.

2. **After an unusually strong performance in 2014, growth is projected to decelerate in 2015–16, but should remain robust.** After reaching 7.2 percent in 2014, thanks mainly to a record harvest, real GDP growth is projected to slow to about 5 percent in 2015. Agricultural outqut is expected to expand as more land is coming under cultivation and thanks to good rainfall, but manufacturing growth should soften. For 2016, growth is expected to rise to 5.4 percent, driven partly by higher public investment and strong donor support. Growth should remain above trend through 2018 on account of the ongoing rebound from the 2012/13 crisis, and then fall back to trend (about 4.5 percent). Inflation in 2015 is expected to rise slightly to 2.1 percent (0.9 percent in 2014), driven by food, and remain below the regional ceiling of 3 percent in coming years. The recent depreciation of the CFA franc against the US dollar (which reached 13 percent during the year ending in September) appears to have had limited effects on domestic consumer prices.

3. **The external current account is projected to strengthen in the near term, but weaken over the medium term, mainly as a result of less favorable terms of trade.** The current account deficit is projected to decline to 2.8 percent of GDP in 2015 (5.5 percent of GDP in 2014)—significantly lower than previously anticipated—driven largely by lower oil prices and higher volumes of gold exports. However, the deficit is projected to rise to close to 4 percent of GDP in 2016 and continue to weaken in subsequent years as terms of trade deteriorate and gold output declines. The deficits are expected to be financed by public capital inflows and foreign direct investment, in amounts that should still allow a slow improvement in Mali's imputed international reserve position at the regional central Bank (BCEAO).

4. **Monetary conditions remain supportive of economic activity.** Commercial banks have continued to take advantage of the BCEAO's accommodative policy, and expanded credit to the private sector. Credit growth stood at 17.7 percent (year-on-year) in June 2015, after reaching 19 percent in 2014. The BCEAO's policy has also allowed local banks to finance purchases of Mali's and other WAEMU countries' government paper. The depreciation of the CFA franc against the US dollar might also support economic activity, although likely in a limited fashion only owing to Mali's export structure (with its reliance on gold and cotton) and little-diversified economy.

**5. The overall fiscal balance is projected to remain contained.** On a payment order basis, the overall deficit is expected to narrow to 2.5 percent of GDP in 2015 (4.3 percent of GDP on cash basis as the float is paid off and domestic arrears are reduced), reflecting increased tax collections, notably from fuel, as the authorities have taken advantage of the drop in import petroleum prices to remove the implicit subsidy without affecting retail prices. The deficit would rise to slightly above 3 percent of GDP in 2016–17 to accommodate higher capital spending—partly to support the Peace Accord—before being reduced to the WAEMU convergence criterion of 3 percent of GDP from 2018. This trajectory would be consistent with keeping nominal public debt below 40 percent of GDP (or below 25 percent of GDP in NPV terms) over the medium term.

**Text Table 1. Mali: Key Economic Indicators, 2014–20**

| | 2014 | 2015 | | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|
| | Est. | Prog. [1] | Rev. prog. | Prog. | | Proj. | | |
| | (in percent of GDP, unless otherwise indicated) | | | | | | | |
| Real GDP growth | 7.2 | 5.0 | 4.9 | 5.4 | 5.1 | 4.5 | 4.5 | 4.5 |
| Consumer price inflation (average) | 0.9 | 1.5 | 2.1 | 2.8 | 1.9 | 1.9 | 2.2 | 2.5 |
| Revenue | 17.7 | 19.1 | 18.8 | 19.8 | 20.6 | 21.1 | 21.5 | 21.7 |
| *of which*: Tax revenue | 14.9 | 16.7 | 16.4 | 17.5 | 18.0 | 18.5 | 18.8 | 19.0 |
| Grants | 2.6 | 4.4 | 2.9 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 |
| Total expenditure and net lending | 23.7 | 26.8 | 24.2 | 25.5 | 26.2 | 26.4 | 26.9 | 27.0 |
| Overall balance (payment orders) | -3.4 | -3.2 | -2.5 | -3.3 | -3.3 | -2.9 | -3.0 | -3.0 |
| Overall balance (cash) | -2.8 | -5.0 | -4.3 | -3.6 | -3.3 | -3.0 | -3.0 | -3.0 |
| Basic fiscal balance [2] | -1.4 | -0.8 | -0.8 | -0.9 | -0.5 | 0.0 | 0.0 | 0.0 |
| Total public debt | 35.4 | 36.7 | 36.1 | 35.7 | 36.5 | 36.8 | 37.6 | 38.4 |
| Current external balance (including official transfers) | -5.5 | -5.5 | -2.8 | -3.9 | -5.2 | -6.9 | -7.4 | -7.4 |
| Overall balance of payments | -2.9 | 0.7 | 0.1 | 0.1 | 0.2 | 0.3 | 0.3 | 0.4 |

Sources: Malian authorities; and IMF staff estimates and projections.
[1] IMF Country Report No. 15/151, Mali: Thrid Review Under the Extended Credit Facility Arrangement.
[2] Defined in Table 3, footnote 3.

**6. Bank financial soundness indicators appear to have improved somewhat over the last year, although non-performing loans remain high.** The latest available data (March 2015) show that banks have strengthened their capital, which remains well above the relatively low regional required minimum (8 percent, Table 8). Non-performing loans (NPLs) have experienced a slight decline over the last year, but still represent 17 percent of total loans and are not fully provisioned. About 30 percent of NPLs date back to more than ten years ago, and are concentrated in three banks, including the state-owned Malian Housing Bank (BHM), which is in the process of being restructured (paragraph 19). Bank liquidity also rose in the year ending in March 2015, partly reflecting the BCEAO's accommodative monetary policy stance.[1] Bank profitability looks adequate.

**7. The macroeconomic outlook is subject to several risks (Box 1).** In the event the current Peace Accord does not lead to a permanent improvement in the fragile security situation, there may

[1] See IMF Country Report No. 15/100, *West African Economic and Monetary Union—Staff Report for Common Policies of Member Countries* (March 2015).

## Box 1. Mali: Risk Assessment Matrix[1]

| Source of Risk | Relative Likelihood | Potential Impact | Recommended Policy Response |
|---|---|---|---|
| **Spillover Risks** | | | |
| Tighter or more volatile global financial conditions: | | | |
| • Sharp asset price adjustment and decompression of credit spreads as investors reassess underlying risk and respond to unanticipated changes in growth prospects, Fed policy amplifying the effects from market volatility. | **High** | • *Low* . The impact of wider credit spreads would be limited given Mali's low level of financial integration with non-WAEMU economies. | Use the opportunity of a stronger dollar to diversify exports to areas outside euro-based economies |
| • Persistent dollar strength from improving U.S. economic prospects versus the rest of the world, boosting non-U.S. trade but creating balance sheet strains for dollar debtors. | **High** | • *Low* . Tradable sectors would benefit from a stronger dollar, but, given Mali's little-diversified economy and export structure, this would be limited. | |
| Structually weaker growth in key advanced and emerging economies: | | | |
| • Euro area and Japan: Weak demand and persistently low inflation leads to weak economic growth. | **High** | • *Medium* . Slower growth in Europe, in particular, could affect on exports, remittances, foreign aid, and FDI. | Strengthen domestic revenue mobilization. Continue to search for ways to diversify exports. Explore other external means of financing. |
| • Sharp China slowdown in 2015–16 possibly due to a housing downturn or a shock in the shadow banking system. | **Low** | • *Medium* . Slower growth in China could weaken Mali's export prices (gold, cotton) and lower access to Chinese financing. | |
| **Regional/Local Risks** | | | |
| Adverse weather conditions. | **Medium** | *High.* Lower agricultural output would lead to lower overall growth and revenue, and higher spending on food distribution. | Seek international support and make room for more food security-related assistance. |
| A collapse in the peace agreement over greater autonomy for the North and/or increased violent activity by non-signatories (jihadists, drug-traffickers). | **Medium** | *High.* Rise in political tensions, renewed decline in confidence, investment and business activity | Seek international support and make room for more security-related spending. |
| A recurrence of lapses in public financial management and/or governance. | **Medium** | *High.* Fall in business and consumer confidence, declines in revenue collection, lower budget support and FDI. | Lower non-priority spending, and implement remedial measures. |

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

be knock-on implications for consumer, donor, and investor confidence and increased security-related spending pressures. Spillovers from security dislocation in neighboring countries could produce similar impacts. Agricultural output remains vulnerable to adverse weather conditions. High dependence on gold and cotton exports (60 and 13 percent, respectively) leaves Mali's balance of payments—and, to a lesser extent, its public finances— exposed to fluctuations in international commodity prices. Although the new government has made progress in addressing some of the weaknesses in public financial management, new lapses could dampen consumer and business confidence, discourage donors, and drag down growth. Changes to the global environment, in particular lower growth in Europe and China, could have a moderate impact on Mali's growth and external sector. Given Mali's limited financial integration with the rest of the world, the impact from tighter global financial conditions would be low, and so would the impact of a stronger U.S. dollar (see paragraph 4). Further declines in oil prices would benefit Mali, which is fully dependent on imports for its petroleum needs.

# POLICY DISCUSSIONS

**8. Focus of the Article IV consultation.** In addition to the outlook and downside risks, the discussions focused on the following issues: (i) creating fiscal space for priority spending that will foster growth and employment; (ii) boosting the growth potential of the economy, given the results of the assessment of the structural transformation of the economy; and (iii) strengthening the stability of the financial system. There was broad agreement between the authorities and staff on the economic policies required to address these issues.

**9. Implementation of recommendations of 2012 Article IV consultation (Box 2).** Overall, the authorities' policies in the fiscal policy area have been in line with recommendations during the 2012 Article IV consultation. Fiscal discipline has been maintained—including in the face of difficult circumstance following the suspension of donor support in 2012—and underpinned by the current ECF-supported program during the last two years. Progress has also been made on tax policy and administration reform, as well as on improving cash-flow management. Energy reforms have also advanced through the elimination of fuel subsidies; in the electricity sector, there has recently been, in effect, a reduction in subsidies as the authorities have not passed lower fuels costs to consumers, but—absent an increase in tariffs—significant untargeted subsidies remain. Progress on financial sector reform has been modest thus far, although there are concrete plans to restructure BHM (see paragraph 19).

**Box 2. Mali: Implementation of Key Recommendations from the 2012 Article IV Consultation[1/]**

| Recommendation | Status |
|---|---|
| Maintain tight fiscal policy until potential donor aid materializes. | Implemented. Public finance stability was ensured in a difficult period when donor support was put on hold. |
| Avoid accumulation of new external arrears. | Implemented. With improved fiscal discipline, existing external arrears were cleared over time. |
| Reform tax policy and administration, cash flow management. | Partly implemented. Efforts to strengthen these areas are continuing, supported by Fund technical assistance. |
| Adopt reforms in the energy sector (petroleum pricing and the electricity sector). | Subsidization of fuel products has recently been eliminated, following the decline in international prices. In the electricity sector, transparency regarding government subsidies has been improved, but needed tariff adjustment has not taken place and significant untargeted subsidies remain |
| Implement policies to free up fiscal space for increased public investment. | Progress made under the ECF-supported program. The need to increase security and defense spending in the face of the deterioration of the security situation has contributed to the slowdown in the reallocation of funds toward more investment. |
| Strengthen the financial sector and improve the private sector's access to bank financing. | In progress. Government restraint regarding use of bank financing helped avoid crowding-out the private sector. Progress made in identifying options for restructuring the housing bank. The government is developing a strategy for improving the health of the microfinance sector. |

[1/] See *IMF Country Report No. 13/44, Mali: 2012 Article IV Consultation Staff Report.*

## A. Creating Space for Priority Spending

**10. The authorities and staff concurred that increasing tax revenue was key to financing priority spending while maintaining fiscal sustainability.** Mali has large gaps in the infrastructure and social sectors that need to be addressed to support inclusive long-run economic growth and reduce poverty. To help finance these needs while maintaining healthy public finances, the authorities plan to continue raising the tax revenue ratio to reach 18 percent of GDP by 2017—three percentage points up from its 2014 level. The authorities recently raised taxes on financial transactions and telecommunication. By keeping retail prices constant, the drop in import prices for petroleum products turned into a windfall for the treasury to the tune of 0.8 percent of GDP in 2015. With the support of FAD,[2] they have been strengthening tax and customs administration to broaden

[2] Mali benefits from multi-year technical assistance programs by FAD financed by the Topical Trust Funds in Tax Policy and Administration and in Managing National Resource Wealth (TTFs-TPA and NRWM).

the base and increase compliance, although with mixed success thus far. Staff argued that the incentive system for tax and customs inspectors, especially the sharing in penalties (just raised to 45 percent for tax inspectors), had potentially distortionary effects and discouraged the adoption of reforms favoring voluntary self-declarations combined with risk-based controls for a maximum number of tax payers. Going forward, the authorities agreed that efforts are needed to further bolster revenue administration (MEFP, paragraphs 22 and 26).[3] Particularly important is the gradual reduction in tax exemptions, which amounted to 4 percent of GDP in 2014. A new automated central registry should help facilitate this. The authorities also concurred that the level of taxation of petroleum products was now appropriate and that future movements in international prices should be passed to consumers in a symmetrical fashion. The authorities target raising tax revenue to 20 percent of GDP over the medium term, as required by WAEMU commitments.

**11. Spending reprioritizing may also help meet peace-related needs in the near term.** To this effect, the authorities will exploit any scope for expenditure reallocation to cover security and humanitarian needs. However, this may not suffice and a slower fiscal consolidation in 2016–17 may be appropriate, with the overall deficit rising somewhat above 3 percent of GDP. The authorities would bring the deficit to 3 percent of GDP by 2018 (which would imply a basic deficit of zero) to meet the WAEMU convergence criterion and consistent with maintaining fiscal sustainability. This fiscal stance would allow providing better support to the implementation of the Peace Accord and higher capital spending, while avoiding the crowding out of private investment. Strengthening the public expenditure chain from budget preparation to expenditure payment, as envisioned under the ECF arrangement,[4] should also help improve the quality of expenditure and improve its efficiency while helping avoid the accumulation of arrears.

**12. Staff supported ongoing efforts to strengthen public financial management.** With technical assistance from FAD, AFRITAC, and donors, the authorities are improving public financial management, including budget preparation and execution, treasury management, and public procurement (MEFP, paragraphs 30, 33, 35, and 38). Against this background, the authorities have continued to consolidate the cash held by government agencies in commercial banks into the treasury single account at the central bank, which should help improve cash management and reduce borrowing costs (MEFP, paragraph 45). With technical support from the World Bank, they have adopted a new public procurement code. The government is also putting in place measures to bolster budget transparency and improve the presentation of Mali's fiscal accounts, including by adopting a presentation based on the 2001 Government Finance Statistics Manual from 2016 onward (MEFP, paragraph 41).

[3] The measures the authorities are planning comprise: (i) increasing the compliance with VAT, currently estimated at only 50 percent for large and medium-size taxpayers; (ii) implementing multidisciplinary audits of tax returns, customs duties and government procurement to widen the tax base and identify companies which underreport their income (estimated to have a large revenue cost); (iii) enlisting specialized firms to audit the tax returns of mining companies; and (iv) bringing the Mining Code up to current international standards.

[4] See MEFP, paragraphs 27–39, in the IMF Country Report No. 15/151.

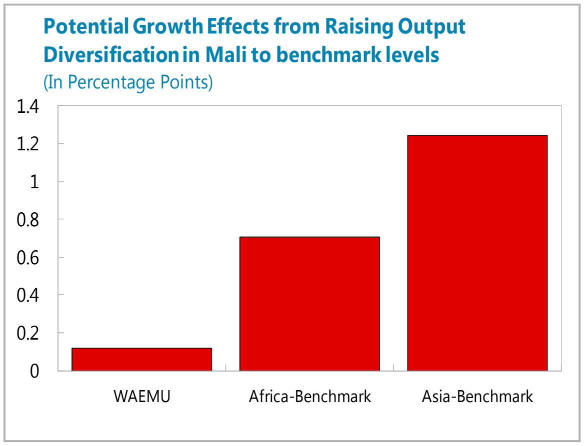
**13. The government is moving gradually on fiscal decentralization.** The Peace Accord between the government and the rebel groups in the North (paragraph 1) aims for a transfer of 30 percent of government revenue by 2018 to the country's 8 existing regions and the new regions which will be created (see SIP on Fiscal Decentralization in Mali and Lessons from International Experience, chapter III). Currently, the central government transfers about 12 percent of budget revenue to local governments and, in addition, spends at a local level the equivalent of about 8 percent of budget revenue (decentralized resources).[5] The authorities plan to help achieve the 30-percent transfer objective partly by reassigning to the newly empowered regions staff currently "decentralized". While acknowledging the commitments under the peace agreement and the need to foster a higher level of development in the North and other less developed regions, the authorities stressed the importance of building administrative capacity and expenditure control at the local level to ensure expenditure quality—in line with the recommendations from recent FAD technical assistance.[6] They underscored that this would require the transfer of additional resources to the regions to take place gradually, which would also help ease the burden on the public finances and preserve fiscal stability.

## B. Building the Foundations for Higher and More Inclusive Growth

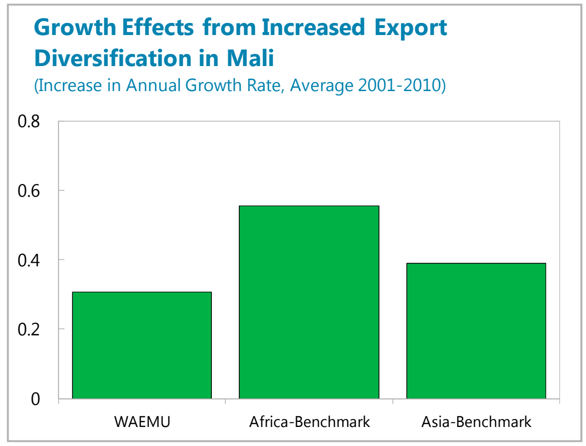
**14. Growth in Mali has been relatively low and volatile over the past twenty years.** (See Selected Issues paper, chapter I, on "*Growth, Structural Transformation, and Diversification in Mali*"). Despite a lower starting level of income per capita, Mali has grown more slowly on average over the past two decades relative to the average for Sub-Saharan Africa. The majority of Mali's population is employed in low-productivity agriculture and the secondary sector is underdeveloped. Further structural transformation and diversification of output and exports could yield significant growth dividends. Improving the business environment should be a key policy priority; along with boosting agricultural productivity (possible measures include liberalization of the cotton sector, increasing support for agricultural R&D, increasing land cultivation of semi-arid agriculture, increasing production of export-competitive products, and improving management practices of land and water). With half of the population being less than 15 years old and the population set to double in the next 25 years, the demand for public services and jobs will increase strongly. The authorities are aware that meeting this demand will require steadfast progress in domestic resource mobilization, public financial management, and other structural reforms to promote private sector development and job creation.

[5] See *Mali—Implementing Fiscal Decentralization* (FAD Technical Assistance Report, No. 15/287, February 2015). "Decentralized resources" are those stationed in the regions but reported to the central government in Bamako.

[6] See the following FAD Technical Assistance Reports: *Mali—Implementing Fiscal Decentralization,* No. 15/287 (February 2015), and *Mali—Local taxation and Decentralization,* No. 15/291 (October 2015).



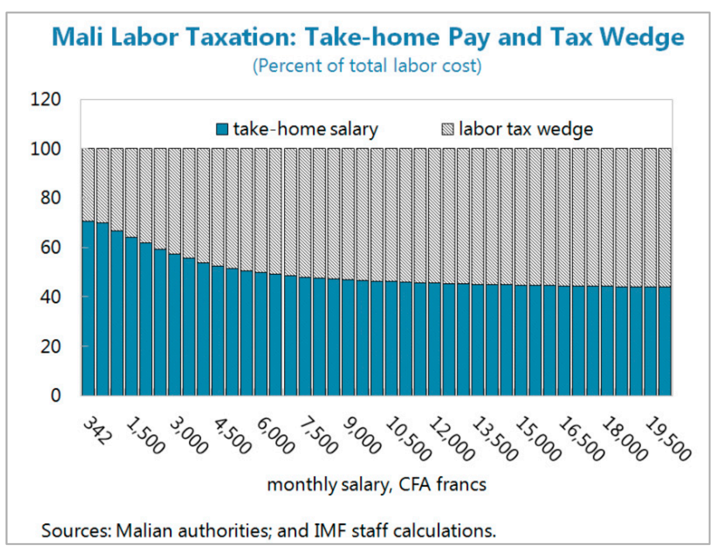

Potential Growth Effects from Raising Output Diversification in Mali to benchmark levels
(In Percentage Points)




Growth Effects from Increased Export Diversification in Mali
(Increase in Annual Growth Rate, Average 2001-2010)

**15. Improving infrastructure and increasing human capital are key to raising long-run economic growth.** The authorities agreed on the need to address structural weaknesses which hinder the development of new economic activities, such as the lack of infrastructure, electricity shortages, inadequate education and training, limited access to finance, underdeveloped trading networks, a malfunctioning labor market, and poor regulation. While the evidence is mixed concerning the success of industry-focused measures, there seems to be scope for targeted measures in agriculture, such as increased irrigation, better use of fertilizer, and the use of motorized equipments. This is especially important given Mali's potential for a large increase in the land area under cultivation. These measures could make a substantial difference to growth and poverty reduction, given the large scope for increasing productivity in agriculture and the high share of agricultural employment in Mali.

**16. High labor taxation is a drag on formal sector employment and overall economic growth.** (See Selected Issues paper, Chapter III, on "*Labor Income Taxation and Its Implications in Mali*"). Staff stressed the need to reduce the high tax wedge to boost formal employment by reducing the number of taxes levied on labor income and shifting the tax burden away from it. The authorities were concerned about the revenue loss that lower labor taxation would entail and were not prepared to move in this direction in the near term. Staff argued that short-term revenue losses would be manageable under plausible scenarios: lowering the tax wedge by one third, for example, would bring it close to Senegal's level and reduce tax revenue by 0.5 percent of GDP. However, this revenue loss would be reduced as more labor shifts from the informal to the formal sector in response to lighter taxation. Any residual loss




Mali Labor Taxation: Take-home Pay and Tax Wedge
(Percent of total labor cost)

Sources: Malian authorities; and IMF staff calculations.

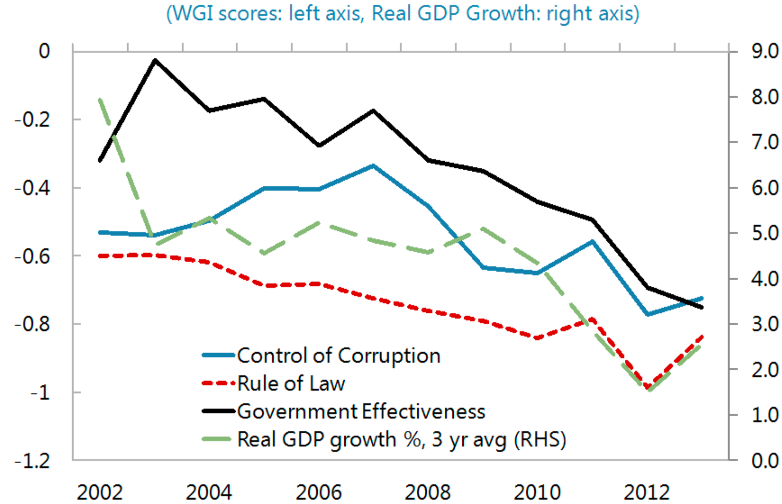
would be covered by intensifying revenue mobilization—including via reduction of exemptions—as envisaged under the program or greater reliance on indirect taxation (see MEFP, 21–15).

**17. Staff also pointed to the potential benefits from increasing women's participation in the labor market in terms of boosting growth and reducing gender inequality and poverty.** (Please see Selected Issues paper, Chapter I, "*Growth, Structural Transformation, and Diversification in Mali*"). It noted that measures that can help reduce gender inequality (e.g., education and increased access to contraception), might also help promote the structural transformation of the economy and harness the demographic dividend. There is thus a case for the government to focus their efforts on them.

**18. Improving governance can produce high economic dividends.** (See Selected Issues paper, on *the Economic Benefits of Reducing Corruption*, Chapter II). Governance indicators in Mali generally weakened over the 2007–13 period, including relative to peers in the region. If they had not, Mali could have enjoyed 0.7 percentage points more annual growth over that period. While these are broad, illustrative estimates, there is little doubt that reducing corruption can yield significant growth dividends in Mali. In that respect, the mission encouraged the authorities to continue pushing forward with the implementation of the strategy to address corruption contained in the ECF arrangement.[7] This includes initiatives such as publishing regular reports on remedial measures taken in response to the findings of the Auditor General's reports; implementing the asset declaration system prescribed by the 2014 law against illegal enrichment; and strengthening the implementation of Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) legislation. The authorities were broadly receptive to these recommendations and agreed to the implementation of the 2014 law against illicit enrichment as part of the ECF-supported program for 2016. Staff also suggested making public the asset declarations by high-ranking government officials (under current legislation, such officials are only required to submit asset declarations to the Supreme Court). However, the authorities were not prepared to commit to this measure at this point, arguing that overall Mali was already moving in the right direction in the area of promoting good governance, including compared to peers in the region.

**Mali: World Governance Indicators**

(WGI scores: left axis, Real GDP Growth: right axis)




Sources: World Bank

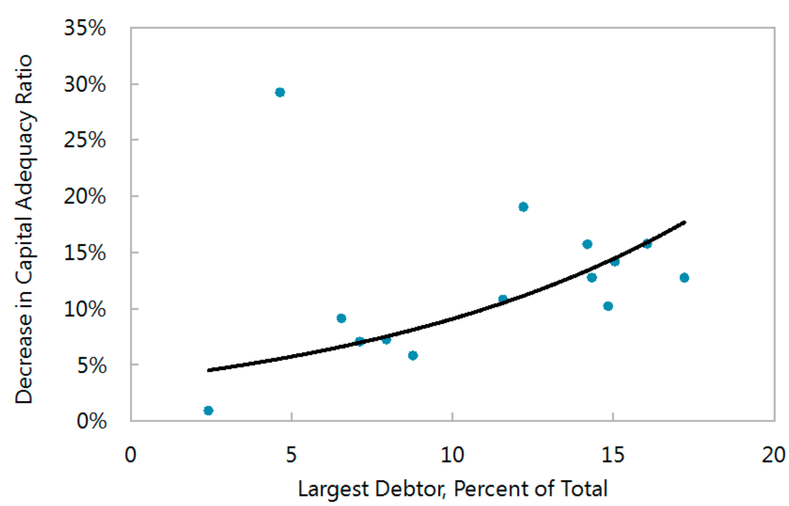
[7] See MEFP, paragraph 58, in IMF Country Report No. 15/151.

## C. Strengthening the Financial Sector

**19. The banking system continues to face important risks.** Stress tests conducted during the regional consultation with the BCEAO and the Banking Commission earlier this year indicated that the concentration of credit on a few large borrowers is the main risk for the stability of the banking sector.[8] At present, this risk remains largely unaddressed. Macro-financial linkages are weak given the small size of the financial sector. However, serious fluctuations in economic activity, as experienced in 2012, do affect the financial sector, especially its profitability and asset quality While bank capital has increased over the last year, there are uncertainties about the valuation of the large amount of real estate not linked to bank operations in excess of the prudential norm on banks' balance sheet. Staff recommended that the authorities conduct an assessment of the market value of these real estate assets in collaboration with the regional Banking Commission. Such an assessment would provide information to determine whether banks need more capital. Banks' large holding of real estate is related to the high NPLs, an important share of which is accounted for by three banks, including the state-owned Malian Housing Bank (BHM). Staff encouraged the authorities to address this problem by designing and implementing a plan to extract the related NPLs from the balance sheets of the three banks concerned.

**Concentration of Credit and Deterioration in Capitalization**

(Bankcruptcy of the Largest Creditor, Effects by Bank)




Sources: BCEAO and IMF staff calculations.

**20. The authorities have plans to restructure BHM, the only state-owned bank remaining in the country (MEFP, paragraph 55)**. The authorities have changed their approach to dealing with BHM, which initially envisaged outright privatization or liquidation. They now envisage BHM's restructuring in two stages. In a first stage, to be completed by end-2015, they plan to merge BHM with the stronger and larger Malian Solidarity Bank (BMS). Besides reducing fiscal risks, the merger would establish a new entity with a sufficiently-strong balance sheet to attract participation by private investors in the new bank. In a second stage, the government would divest itself from its equity stake in this new institution.

[8] See IMF Country Report No. 15/100, *West African Economic and Monetary Union—Staff Report for Common Policies of Member Countries* (March 2015).

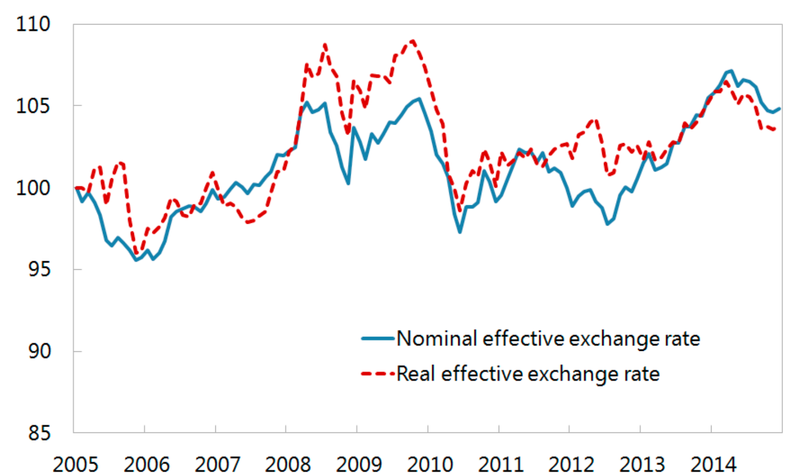
**21. Staff encouraged the authorities to strengthen the micro-finance sector.** The financial soundness of the micro-finance sector is weak (non-performing loans in the sector stood at 13 percent in March 2015) and its structure is highly fragmented, with over 100 weakly managed and supervised institutions. Although the sector represents only a small fraction (about 3 percent) of banking system assets and does not seem to pose a major risk to financial stability, its weakness undermines confidence by the population in financial institutions and may be a hurdle to raising financial inclusion, and ultimately to economic growth. The mission encouraged the authorities to develop and implement a plan to strengthen the stability of the micro-finance sector—in line with the recommendations of the March 2015 Word Bank developmental FSAP mission—including closing down weaker institutions and paying off their depositors.

## D. External Sector Issues

**22. An external stability assessment suggests that the exchange rate is broadly in line with fundamentals, but structural competitiveness needs to improve (Annex I).** Since the events of 2011–13, Mali's balance of payments has been dominated by flows relating to external security assistance, with weak export performance due to declines in the world gold price. However, the recent drop in the world oil price, together with high levels of aid, is expected to lead to a temporary improvement in the current account balance in 2015. While the exchange rate appears to be broadly in line with Mali's fundamentals, medium-term improvements in structural competitiveness are essential to enable Mali to raise economic growth, diversify its exports away from gold and contribute to safeguarding external stability of the zone (see paragraphs 14–15, in Chapter I of the Selected Issues Paper). Qualitative competitiveness indicators point to significant structural bottlenecks, a challenging business environment and weak governance, implying a large scope for improvement.

**Real and Nominal Effective Exchange Rates**

(Index: 2005 = 100, Increase = Appreciation)




Sources: IMF INS Data

**23. Mali is assessed to be at a moderate risk of debt distress—unchanged from the previous DSA.** (See accompanying DSA Supplement)**.** Debt sustainability is highly sensitive to a tightening of financial terms, underscoring the importance for the Malian government of continuing to meet its external financing needs with grants and concessional loans, wherever possible. Debt indicators are also vulnerable to a reduction in transfers and foreign direct investment and an export shock stemming from the concentration of exports in gold.

# PROGRAM ISSUES

**24. All quantitative performance criteria and indicative targets for end-June were met, (Tables 3–5 MEFP, paragraph 8 and Table 1).** After underperforming in 2014, owing to administrative weaknesses at the customs administration and a conflict with importers,[9] gross tax revenue has been back on track since March. The turnaround in tax collections follows actions taken by the Ministry of Economy and Finance in early 2015. These comprise a change of management at customs; the introduction of results-based management at the tax and customs administrations; and the increase in revenue from fuel taxation by utilizing the space created by the lower international petroleum prices. The authorities are now on track to achieve an increase in gross tax revenue of 1.5 percent of GDP in 2015, as targeted under the program.[10] Expenditure at end-June was lower than programmed, owing mainly to a slow release of budget credits to spending departments.

**25. Except for one, all structural benchmarks for end-June were observed, (MEFP, paragraph 9 and Table 2).** Benchmarks focused on dealing with fuel pricing, and on measures to increase tax revenue and improve public financial management. By keeping retail prices unchanged, against the backdrop of lower international prices, the authorities have eliminated fuel subsidies. They also produced a report on their efforts to improve tax audits. However, a benchmark geared towards improving the monitoring of import value declarations was missed because the Customs Administration's contract with the inspection company does not provide for the production of monthly reconciliation reports. The government undertakes to amend the contract to obtain monthly reconciliation reports per declaration from January 2016, and proposes to move the benchmark to August 2016. The government also prepared a detailed borrowing plan underpinning the 2015 budget and the 2016 draft budget. The Public Service Audit Office produced its first audit of secret defense procurement, covering the last quarter of 2014.

**26. Fiscal policy in 2015 is expected to be tighter than previously envisaged.** While revenue growth this year has remained strong, expenditure has been lower than anticipated, owing mainly to under execution of the capital budget financed with external resources (paragraph 5). The 2015 program now targets an overall fiscal deficit of 2.5 percent of GDP on a payment-order basis, compared to the previous target of 3.2 percent of GDP (on a cash basis, the deficit is projected at 4.3 percent of GDP, below the 5 percent of GDP previously targeted) (Tables 3-5, and MEFP paragraph 7). The basic fiscal deficit would, however, remain at 0.8 percent of GDP.

**27. The fiscal program for 2016 maintains the target for the overall deficit at 3.3 percent of GDP (MEFP, paragraph 15).** The higher deficit from 2016 would be driven by increased capital

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[9] See IMF Country Report No. 15/151 *Mali: Third Review under the Extended Credit Facility Arrangement-Staff Report*, paragraph 5.

[10] About half of this increase would stems from higher petroleum taxation because of the very limited pass through of the decline in international oil prices to retail prices. The remainder comes mainly from tax administration measure and increases in taxes on financial transactions, telecommunications, alcohol and tobacco.

spending as the authorities continue their reconstruction efforts while implementing other critical infrastructure projects. The program targets an increase in tax revenue of about 1 percent of GDP, supported by the tax measures adopted in the first half of 2015 (higher rates for the financial transactions, telecommunications and excise taxes) and ongoing efforts to strengthen tax and customs administration (See footnote 3 and MEFP, paragraphs 21–25 and Table 3). Sustaining these efforts and reducing current large tax exemptions would maintain revenue growth over the medium term. The target for the basic fiscal balance has been revised down from zero to -0.9 percent of GDP, but would remain broadly unchanged from 2015. The downward revision reflects higher expenditures on security and, in the wake of the Peace Accord, reconstruction, plusan increase in the share of these expenditures financed with domestic sources. The basic deficit is projected to decline to zero by 2018 and remain at that level thereafter. The Peace Accord calls for a needs assessment of the North by the MDBs, which will be the basis for a Special Development Strategy to be designed by all stakeholders. At the October Paris conference,[11] the government appealed to donors for support; concrete new financing will be incorporated into a revision of the 2016 budget to be agreed in the context of the fifth program review in March 2016 (MEFP, paragraph 17).

**28. Structural conditionality for 2016 focuses on the need to further increase tax revenue, improve public resource management, and promote good governance.** With this aim, the program includes several measures to strengthen tax and customs administration, some supported with technical assistance from the Fund, as well as to progressively reduce tax exemptions (MEFP, paragraphs 22–27 and Table 4). The program also incorporates measures to strengthen public procurement, budget practices and process, and transparency (MEFP, paragraphs 30–36, and 57).

**29. The new policy on debt limits has been incorporated into the program.** Since Mali remains at a moderate risk of external debt distress (paragraph 22) and is assessed as having a weak debt-monitoring capacity, the program includes a performance criterion on the nominal value of new external non-concessional borrowing and a memorandum item on the nominal value of new external concessional borrowing, based on the authorities' detailed borrowing plan and consistent with fiscal and debt sustainability (Tables 13 and 14). The authorities are requesting modification of the performance criterion on non-concessional external borrowing to incorporate this change. The program also incorporates a new structural benchmark for 2016 to improve the capacity of debt monitoring (MEFP, paragraph 50 and Table 4), focusing on the weaknesses identified in the most recent Public Expenditure and Financial Accountability (PEFA) assessment and the Debt Management Performance Assessment (DeMPA). The authorities also plan to strengthen the debt committee created in 2014 to screen all loans and government guarantees envisaged by line ministries before submitting them for approval by the Minister of Economy and Finance.

[11] The conference, which brought together Mali and its bilateral and multilateral development partners, aimed at presenting the government's action plan to implement the June 2015 peace agreement, reinforcing the dialogue on Mali's development policies, and underlining the commitment of Mali's international partners to support the implementation of the peace agreement.

**30. Program risks.** The fragile security situation constitutes the main risk to the program (see paragraph 7). Other potential exogenous shocks, such as poor weather conditions and a less favorable external environment, could also affect economic growth and tax collections, threatening the authorities' ambitious tax revenue targets. The authorities, however, see considerable space to increase tax collections by improving revenue administration to broaden the tax base and reduce evasion, as well as by reducing tax exemptions. They are also prepared to lower non-priority spending in the event of revenue shortfalls, or in case there is a need to accommodate higher security spending should security conditions deteriorate.

**31. PRSP implementation review (Box 3).** Mali's growth and poverty reduction strategy builds on five pillars: peace and security, macroeconomic stability, pro-poor growth, equitable access to quality social services, and governance. Implementation of the strategy was undercut by the 2012–13 political crisis and the ensuing deterioration in the security situation. Although macroeconomic stability was maintained during the crisis, this event generated significant output losses, which were compounded by the 2012 drought. Growth has resumed, but the economic setback and other dislocations caused by the crisis likely led to an increase in poverty. Although social spending has continued to increase, defense spending has risen more rapidly as a result of the crisis, doubling (from 2 to 4 percent of GDP) during 2012–15 and taking resources away from more productive uses. Little progress has been made in improving governance and corruption has also been costly to the economy. All in all, three years into its implementation, results from the poverty reduction strategy have been mixed as assessed against its objectives.

## Box 3. Review of Poverty Reduction Strategy Implementation

**Mali's comprehensive and ambitious agenda for growth and poverty reduction is outlined in Mali's third Growth and Poverty Reduction Strategy Paper** (GPRSP–3, 2012–17).[1] The strategy builds on five pillars: peace and security, macroeconomic stability, pro-poor growth, equitable access to quality social services, and governance. Three years into its implementation, the program's results have been mixed as assessed against these broad objectives.

**Implementation of the strategy in its initial years has been undercut by the conflict in 2012 and by deterioration in the security situation in its aftermath.** The security situation remains volatile despite the signing of the Peace Accord in June 2015. Violent confrontations between competing rebel groups have continued in the North, while the risk of terrorist attacks has spread to the rest of the country, including the capital Bamako. Finding a lasting peaceful solution to the conflict is urgent and needs to include greater autonomy for the North along with fiscal decentralization reforms.

**Mali has maintained macroeconomic stability**. Its efforts, reinforced by the ECF-supported program, have led to successful completion of three program reviews. The peg to the euro, which serves as the policy anchor, has been supported by fiscal discipline. General government deficits have been kept in the sustainable range despite intensifying spending pressures; inflation remains subdued; and the current account deficit of the balance of payments has narrowed.

**The population living in poverty conditions likely increased following the drought in 2012 and the conflict in the North, reversing the past favorable trend.**[2] Public spending is broadly aligned with the poverty reduction strategy but is not well targeted and access to services is generally poor, particularly in the North. The pro-poor strategy aims to strengthen the agricultural sector and improve education. Public spending on health, education, and social services has been on a rising trend (in percent of GDP),[3] but held back because of the competing need to improve security. Defense spending doubled between 2012 and 2015, rising from 2 percent of GDP to slightly more than 4 percent of GDP, outstripping social spending growth.

**The recent drop in the international oil prices has helped reduce electricity subsidies and eliminate petroleum product subsidies, which had benefited non-poor urban residents.** As a result, the targeting of subsidies has improved somewhat relative. To further improve the targeting, the government should consider introducing a system of direct transfers to the poorest households, while allowing diesel and gasoline prices to respond automatically to changes in international oil prices.

**Progress in improving governance has been slow** (see Selected Issues paper, Chapter II, on "*Corruption and Economic Performance in Mali*"). Serious lapses in public financial management caused a delay in the program review set for mid-2014. Businesses point to the obstacles they face, including uneven treatment from various regulators, and in public tenders. Corruption has a negative effect on much needed reforms, saps the strength of the private sector, discourages business investment and creates incentives for companies to operate in the informal economy.

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1/ IMF Country Report No. 13/112, April 29, 2013. The progress report was circulated to the Board on June 17, 2014.

2/ Weak statistical capacity hinders the accurate measurement of poverty and its trends. The last poverty survey is from 2010. The World Bank estimates that the number of poor has likely increased since 2010 (World Bank, *Republic of Mali: Systematic Country Diagnostic*, 2015). Poverty had experienced a significant decline during 2001-10. Various indicators consistently place Mali among the poorest countries in the world—the 2014 Human Development Index, for example, ranks Mali at the 176th (12th from the bottom).

3/ Social spending increased from 6.1 percent of GDP in 2012 to an estimated (based on this year's supplementary budget) 7.4 percent of GDP in 2015.

# STAFF APPRAISAL

**32. Recent macroeconomic performance has been strong, and the outlook is favorable.** The economic recovery following the 2012/13 crisis is in its third year and is expected to continue, with the economy projected to grow robustly in 2015–17, before it returns to its long-run trend of about 4.5 percent. Inflation is expected to remain low, and fiscal and external sector deficits are expected to remain at sustainable levels.

**33. The authorities remain strongly committed to maintaining sound fiscal policy to safeguard macroeconomic stability and inclusive growth**. Staff supports their goal of keeping the overall fiscal balance at moderate levels. This should allow Mali to adequately respond to priority spending needs while ensuring public debt sustainability. Staff also supports the authorities' commitment to mobilize more tax revenue and improve the quality and efficiency of spending. This is required to create space to finance expenditure on infrastructure and the social sectors to support long-run economic growth and poverty reduction. Staff encourages the authorities to continue to strengthen public financial management, which is also key to the adequate use of public resources and to maintaining healthy public finances while making progress toward meeting development goals.

**34. Staff supports fiscal decentralization plans and the authorities' intent to implement them gradually**. As envisaged in the June Peace Accord, fiscal decentralization would involve a significant increase in the resources transferred to the regional and local governments, including in the North. The goal is to improve the accountability over spending by bringing the decisions closer to the affected population while helping less favored regions improve their socio-economic conditions. It is important that the decentralization process and resource transfer are implemented gradually and in tandem with an improvement in the administrative and absorption capacities of local governments to protect the quality and efficiency of expenditure. Putting in place adequate transparency and accountability mechanisms would also help ensure that transferred resources are well-used.

**35. Improving infrastructure, education, and the business climate are key to raising long-run economic growth**. Mali's growth record in recent decades does not compare favorably with that of peers in the region and elsewhere. To improve this record, staff encourages the authorities to strengthen basic infrastructure (roads, electricity, and irrigation) as well as education and training to raise human capital. The authorities' policies to create fiscal space to address priority spending needs are in this respect a step in the right direction. It is also important that public resources are spent in a sound and efficient manner, prioritizing projects with the highest social returns. Strengthening Mali's business climate, including through better regulation, lower labor taxation, and an enhanced AML/CFT framework, would help the country raise its long-term economic potential. Determined implementation of the government's strategy to address corruption will be important for achieving these economic dividends. Finally, Mali's growth strategy will also need to tackle the challenges posed by rapid population growth for job creation and the provision of public services.

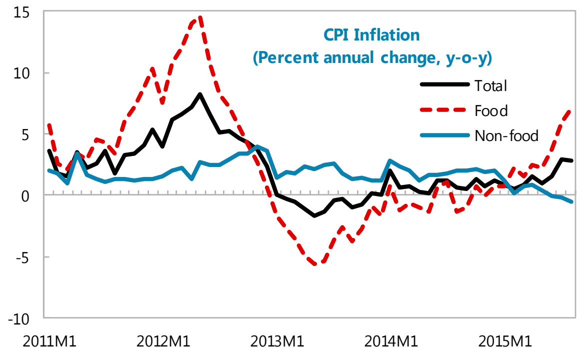
**36. It is necessary to address weaknesses in the financial sector.** While the recent improvement in some financial soundness indicators is welcome, risks stemming from the concentration of bank credit on a few borrowers need to be addressed. It is also important to reduce the high NPL ratio and find an appropriate solution to this problem by putting in place a plan to extract NPLs related to real estate assets from the balance sheets of the banks concerned. Staff encourages the authorities to implement the plan to restructure BHM to reduce fiscal risks and strengthen its balance sheet to make it attractive to potential private investors. Strengthening the traditional banking system and the micro-finance sector would help promote financial inclusion and overall economic growth in Mali

**37. The Malian economy faces several risks**. The still-unsettled security situation constitutes an important risk to the outlook and the ECF-supported program. The authorities would need to be prepared to reallocate budgetary resources to cover priority needs while protecting the public finances. Mali's vulnerability to poor weather conditions and external economic factors, owing to the economy's high dependence on agriculture and very few export products, is also a source of risks. These vulnerabilities can be addressed through the implementation of sound fiscal policies, as well as policies to diversify Mali's economy.

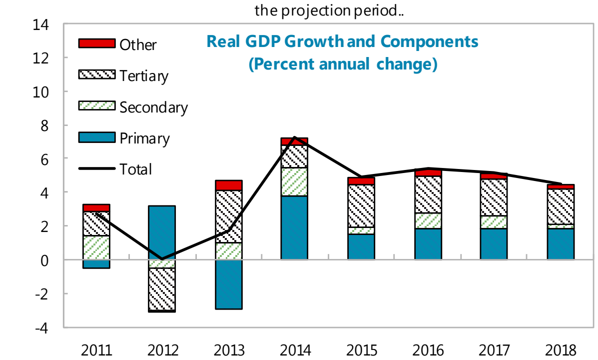
**38. Staff supports completion of the fourth ECF review**. The program remains on track and economic policies for 2016 are consistent with the program's objectives. Staff also supports the authorities' request for modification of the performance criterion on non-concessional external borrowing. It is proposed that the next Article IV consultation take place on the 24-month cycle.

## Figure 1. Mali: Macroeconomic Developments, 2011–18

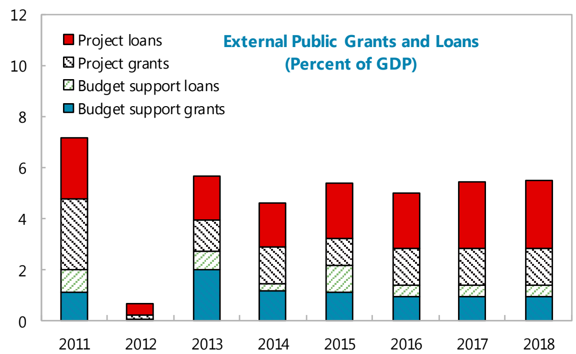
Inflation has been subdued in recent years. It has risen slightly in 2015, but remains well below the 3% WAEMU convergence threshold



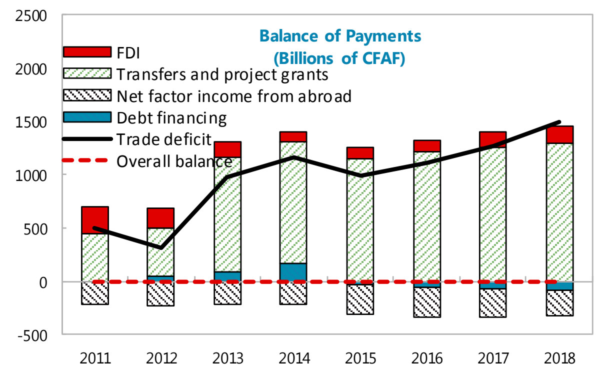

In 2014, a better harvest and strong manufacturing production led to growth of over 7%. As it returns to trend, growth will become more balanced over the projection period..



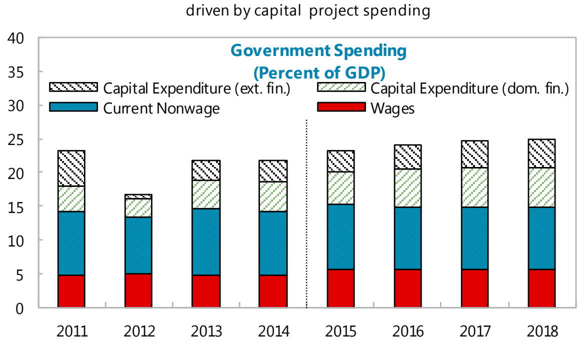

Following a slight dip in 2014 when governance problems led to temporary suspension of budget support, external assistance flows have



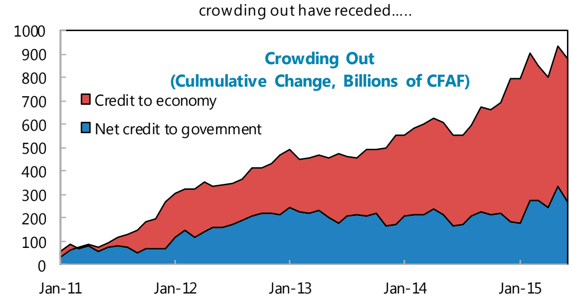

The trade balance improved in 2015 as the petroleum import bill shrank with the drop of international crude oil prices. Over the medium term, the trade deficit will widen in response to a deterioration in terms of trade and expected decline in gold production.



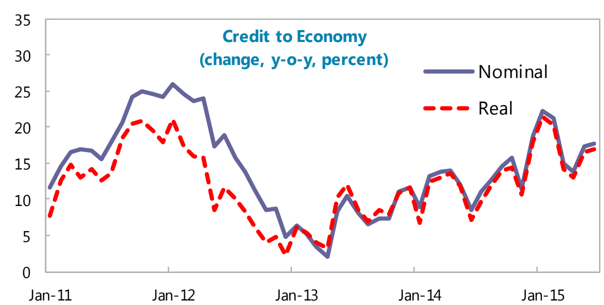

Growth in public expenditure (in percent of GDP) since 2012 is being driven by capital project spending



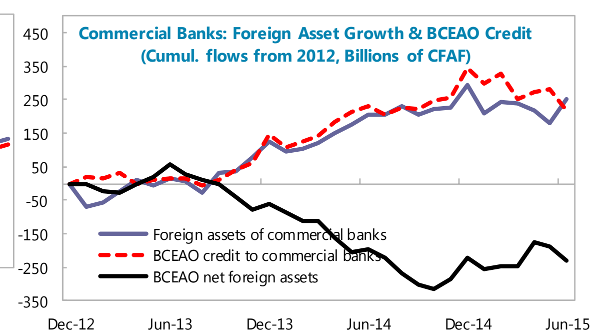

As the government curbs its use of bank financing after 2012, the risks of crowding out have receded.....




... and growth of .credit to the economy has accelerated.




At the same time, commercial banks looked outside Mali for lending opportunities. Tapping the central bank credit, they increased their foreign asset holdings. This increase was matched by declines in the BCEAO's NFA.




Sources: Malian authorities and Fund staff estimates.

## Table 1. Mali: Selected Economic and Financial Indicators, 2013–20

| | 2013 | 2014 | 2015 | | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|
| | Est. | | Prog.[1] | Rev. prog. | Prog. | Projections | | | |
| | (Annual Change in percentage) | | | | | | | | |
| National income and prices | | | | | | | | | |
| Real GDP | 5.8 | 7.2 | 5.0 | 4.9 | 5.4 | 5.1 | 4.5 | 4.5 | 4.5 |
| GDP deflator | 0.6 | 1.7 | 2.1 | 3.2 | 2.4 | 1.9 | 1.8 | 1.9 | 2.5 |
| Consumer price inflation (average) | 1.0 | 0.9 | 1.5 | 2.1 | 2.8 | 1.9 | 1.9 | 2.2 | 2.5 |
| Consumer price inflation (end of period) | 0.0 | 1.2 | 1.2 | 2.6 | 1.0 | 1.9 | 1.9 | 2.5 | 2.5 |
| External sector (percent change) | | | | | | | | | |
| Terms of trade (deterioration -) | -0.7 | 5.3 | 7.9 | 15.2 | -2.6 | -0.5 | -5.4 | -3.6 | -1.3 |
| Real effective exchange rate (depreciation -) | ... | 1.8 | ... | ... | ... | ... | ... | ... | ... |
| Money and credit (contribution to broad money growth) | | | | | | | | | |
| Credit to the government | 2.9 | 0.8 | 5.9 | 5.9 | 5.2 | 2.5 | 1.2 | 1.0 | 0.9 |
| Credit to the economy | 3.2 | 12.4 | 5.1 | 6.2 | 6.0 | 5.9 | 5.7 | 5.6 | 5.5 |
| Broad money (M2) | 13.0 | 7.1 | 14.0 | 13.4 | 12.2 | 9.5 | 8.4 | 7.8 | 7.7 |
| | (Percent of GDP, unless otherwise indicated) | | | | | | | | |
| Investment and saving | | | | | | | | | |
| Gross domestic investment | 24.5 | 24.1 | 34.1 | 31.1 | 34.6 | 35.9 | 38.4 | 40.1 | 41.1 |
| *Of which* : government | 11.7 | 7.7 | 10.0 | 8.1 | 9.1 | 9.9 | 10.1 | 10.2 | 10.4 |
| Gross national savings | 17.6 | 18.6 | 28.6 | 28.2 | 30.7 | 30.7 | 31.5 | 32.3 | 33.2 |
| *Of which* : government | 2.7 | 0.8 | 2.1 | 1.2 | 1.3 | 1.5 | 1.7 | 2.1 | 2.2 |
| Gross domestic savings | 2.1 | 4.7 | 15.1 | 15.8 | 18.7 | 19.0 | 19.7 | 20.7 | 22.0 |
| Central government finance | | | | | | | | | |
| Revenue | 18.2 | 17.7 | 19.1 | 18.8 | 19.8 | 20.6 | 21.1 | 21.5 | 21.7 |
| Grants | 5.4 | 2.6 | 4.4 | 2.9 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 |
| Total expenditure and net lending | 28.3 | 23.7 | 26.8 | 24.2 | 25.5 | 26.2 | 26.4 | 26.9 | 27.0 |
| Overall balance (cash basis, including grants) | -5.5 | -2.8 | -5.0 | -4.3 | -3.6 | -3.3 | -3.0 | -3.0 | -3.0 |
| Basic fiscal balance (WAEMU def.)[2] | -0.9 | -1.4 | -0.8 | -0.8 | -0.9 | -0.5 | 0.0 | 0.0 | 0.0 |
| Domestic debt (end period)[3] | 3.9 | 7.4 | 8.1 | 8.6 | 8.1 | 8.4 | 8.4 | 8.4 | 8.4 |
| External sector | | | | | | | | | |
| Current external balance, including official transfers | -7.0 | -5.5 | -5.5 | -2.8 | -3.9 | -5.2 | -6.9 | -7.4 | -7.4 |
| Current external balance, excluding official transfers | -19.8 | -16.4 | -16.4 | -12.9 | -13.2 | -13.9 | -15.1 | -15.2 | -14.7 |
| Exports of goods and services | 25.4 | 26.6 | 25.5 | 26.5 | 24.7 | 23.5 | 21.0 | 19.7 | 18.9 |
| Imports of goods and services | 47.9 | 46.1 | 44.5 | 41.8 | 40.6 | 40.4 | 39.7 | 38.6 | 37.6 |
| Debt service to exports of goods and services | 3.8 | 3.5 | 6.7 | 6.3 | 4.3 | 4.2 | 4.8 | 5.3 | 5.9 |
| External debt (end period) | 28.4 | 28.0 | 28.5 | 27.5 | 27.7 | 28.2 | 28.5 | 29.2 | 30.1 |
| Memorandum items: | | | | | | | | | |
| Nominal GDP (CFAF billions) | 5,840 | 5,987 | 6,396 | 6,479 | 6,990 | 7,491 | 7968 | 8529 | 9185.7 |
| Overall balance of payments (US$ millions) | 53.9 | -353.5 | 73.9 | 14.0 | 7.6 | 21.0 | 35.3 | 38.3 | 57.6 |
| Money market interest rate (in percent, end of period) | ... | 3.0 | ... | ... | ... | ... | ... | ... | ... |
| Gross international reserves (US$ millions) | | | | | | | | | |
| Central Bank of West African States (BCEAO) | ... | 13,221 | ... | ... | ... | ... | ... | ... | ... |
| in percent of broad money | ... | 40.5 | ... | ... | ... | ... | ... | ... | ... |
| in months of imports of g. and s. | ... | 4.6 | ... | ... | ... | ... | ... | ... | ... |
| BCEAO Mali (imputed) | 1,353 | 874 | 905 | 832 | 840 | 888 | 930 | 990 | 1,039 |
| in percent of broad money | 31.8 | 23.5 | 23.3 | 21.9 | 21.9 | 20.4 | 19.4 | 18.8 | 18.3 |
| US$ exchange rate (end of period) | ... | 532.0 | ... | ... | ... | ... | ... | ... | ... |
| Gold Price (US$/fine ounce London fix) | 1,290 | 1,266 | 1,180 | 1,175 | 1,158 | 1,171 | 1,188 | 1,208 | 1,234 |
| Petroleum price (crude spot)(US$/bbl) | 99 | 96 | 58 | 52 | 50 | 55 | 60 | 62 | 63 |

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

[1] IMF Country Report No. 15/151, Mali: Third Review Under the Extended Credit Facility Arrangement.

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

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

## Table 2. Mali: National Accounts, 2013–16

| | 2013 | 2014 | 2015 | | 2016 |
|---|---|---|---|---|---|
| | | Est. | Prog.[1] | Rev. prog. | Prog. |
| | (Annual growth rate, constant prices) | | | | |
| Primary sector | -7.5 | 10.4 | 3.2 | 3.9 | 5.0 |
| Agriculture | -13.9 | 14.8 | 2.9 | 3.9 | 6.1 |
| Food crops, excluding rice | -26.0 | 22.7 | 1.5 | 2.0 | 5.0 |
| Rice | 15.5 | -2.0 | 6.0 | 8.0 | 9.0 |
| Industrial agriculture, excluding cotton | 5.0 | 7.3 | 7.3 | 5.9 | 5.9 |
| Cotton | -2.1 | 24.7 | 1.0 | 5.0 | 5.0 |
| Livestock | 4.0 | 3.7 | 3.8 | 3.7 | 3.0 |
| Fishing and forestry | 4.5 | 4.0 | 3.8 | 4.0 | 3.2 |
| Secondary sector | 5.5 | 9.2 | 3.3 | 2.6 | 5.0 |
| Mining | 1.5 | -2.2 | -2.0 | 0.5 | 0.5 |
| Industry | 4.8 | 22.9 | 3.0 | -0.9 | 4.7 |
| Food-beverage-tobacco | 14.1 | 35.0 | 1.0 | -18.0 | 4.3 |
| Textile | -4.8 | 28.4 | 5.0 | 15.0 | 4.8 |
| Others | 5.8 | -0.4 | 3.4 | 6.0 | 5.2 |
| Energy | 9.9 | 10.0 | 10.4 | 10.4 | 10.0 |
| Construction and public works | 10.0 | 5.0 | 5.6 | 5.6 | 7.5 |
| Tertiary sector | 8.9 | 3.6 | 7.3 | 6.9 | 5.9 |
| Transportation and telecommunications | 9.0 | 4.0 | 9.8 | 9.8 | 8.7 |
| Trade | 8.0 | 2.0 | 7.0 | 6.0 | 5.7 |
| Financial services | 5.0 | 3.0 | 4.1 | 5.0 | 5.0 |
| Other nonfinancial services | 15.0 | 3.0 | 3.9 | 3.9 | 3.9 |
| Public administration | 7.4 | 6.8 | 7.6 | 7.5 | 4.5 |
| Indirect taxes and Interior VAT | 7.8 | 5.5 | 6.0 | 5.5 | 5.6 |
| GDP at market prices | 1.7 | 7.2 | 5.0 | 4.9 | 5.4 |
| National accounts | (Percent of GDP, unless otherwise indicated) | | | | |
| Gross domestic investment | 18.5 | 24.1 | 34.1 | 31.1 | 34.6 |
| Gross national savings | 15.1 | 18.6 | 28.6 | 28.2 | 30.7 |
| Current account balance (including official transfers) | -3.4 | -5.5 | -5.5 | -2.8 | -3.9 |
| *Memorandum items:* | | | | | |
| Nominal GDP (in CFAF billions) | 5,490 | 5,987 | 6,396 | 6,479 | 6,990 |
| GDP deflator (annual percent change) | 1.3 | 1.7 | 2.1 | 3.2 | 2.4 |

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

[1] Share of 2013 Real GDP.

[2] IMF Country Report No. 15/151, Mali: Third Review Under the Extended Credit Facility Arrangement.

## Table 3. Mali: Consolidated Fiscal Transactions of the Government, 2013–20

(in billions of CFAF)

| | 2013 | 2014 | 2015 | | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|
| | Est. | Est. | Prog.[1] | Rev. prog. | Prog. | Proj. | Proj. | Proj. | Proj. |
| Revenue and grants | 1,137.2 | 1,215.1 | 1,507.6 | 1,406.5 | 1,555.0 | 1,720.4 | 1,874.4 | 2,035.9 | 2,211.4 |
| Total revenue | 951.2 | 1,057.6 | 1,224.3 | 1,219.0 | 1,387.0 | 1,540.3 | 1,682.9 | 1,830.9 | 1,990.7 |
| Budgetary revenue | 842.7 | 940.8 | 1,119.3 | 1,114.0 | 1,282.0 | 1,427.8 | 1,563.2 | 1,702.8 | 1,852.7 |
| Tax revenue | 804.5 | 890.5 | 1,071.0 | 1,064.4 | 1,222.4 | 1,348.9 | 1,475.3 | 1,604.3 | 1,741.7 |
| Direct taxes | 258.1 | 324.0 | 330.6 | 349.9 | 390.9 | 431.9 | 469.7 | 503.7 | 547.1 |
| *Of wich:* Gold sector | 71.0 | 56.2 | 51.2 | 51.2 | 63.5 | 64.6 | 66.4 | 58.2 | 57.5 |
| Indirect taxes | 546.4 | 566.5 | 740.4 | 714.5 | 831.5 | 917.0 | 1,005.6 | 1,100.7 | 1,194.7 |
| VAT | 325.7 | 335.0 | 397.0 | 397.0 | 445.4 | 495.1 | 546.5 | 601.4 | 658.3 |
| Excises on petroleum products | 22.3 | 27.8 | 71.5 | 71.5 | 86.9 | 96.0 | 105.9 | 114.7 | 124.4 |
| Import duties | 111.8 | 115.5 | 139.5 | 134.8 | 155.1 | 170.8 | 186.8 | 205.9 | 223.7 |
| Other indirect taxes | 146.9 | 149.9 | 202.1 | 187.6 | 215.6 | 226.3 | 228.8 | 245.5 | 260.2 |
| *Of wich:* Gold sector | 55.3 | 51.9 | 55.5 | 49.7 | 63.9 | 63.7 | 55.9 | 55.2 | 55.3 |
| Tax refund | -60.3 | -61.7 | -69.7 | -76.5 | -71.4 | -71.2 | -62.4 | -66.8 | -72.0 |
| Nontax revenue | 38.2 | 50.2 | 48.2 | 50.4 | 70.3 | 78.9 | 87.9 | 98.5 | 111.0 |
| *Of wich:* Gold sector | 17.4 | 7.2 | 9.0 | 12.0 | 8.3 | 9.6 | 9.9 | 9.1 | 8.4 |
| Special funds and annexed budgets | 108.5 | 116.8 | 105.0 | 105.0 | 105.0 | 112.5 | 119.7 | 128.1 | 138.0 |
| Grants | 186.0 | 157.5 | 283.3 | 187.5 | 168.0 | 180.0 | 191.5 | 205.0 | 220.8 |
| Projects grants | 56.6 | 61.6 | 92.6 | 34.6 | 83.2 | 89.2 | 94.9 | 101.6 | 109.4 |
| Budgetary support | 120.1 | 96.0 | 148.3 | 110.4 | 84.7 | 90.8 | 96.6 | 103.4 | 111.4 |
| *Of which:* General | 110.8 | 70.2 | 111.9 | 74.0 | 67.3 | 72.1 | 76.7 | 82.1 | 88.5 |
| *Of which:* Sectoral | 9.3 | 25.8 | 36.4 | 36.4 | 17.4 | 18.7 | 19.9 | 21.3 | 22.9 |
| Debt cancellation | 0.0 | 0.0 | 42.5 | 42.5 | 0.0 | 0.0 | 0.0 | | |
| Total expenditure and net lending (payment orders basis) | 1,292.4 | 1,419.9 | 1,712.0 | 1,567.8 | 1,785.5 | 1,965.4 | 2,105.0 | 2,294.5 | 2,483.7 |
| Budgetary expenditure | 1,190.1 | 1,308.4 | 1,612.0 | 1,467.8 | 1,684.6 | 1,857.0 | 1,985.3 | 2,166.4 | 2,345.7 |
| Current expenditure | 800.5 | 848.1 | 985.9 | 985.9 | 1,045.4 | 1,113.0 | 1,185.1 | 1,270.0 | 1,369.8 |
| Wages and salaries | 290.8 | 313.4 | 367.0 | 367.0 | 402.3 | 432.6 | 460.2 | 492.6 | 530.6 |
| Goods and services | 239.6 | 240.5 | 290.6 | 290.6 | 298.1 | 321.6 | 342.5 | 366.9 | 395.5 |
| Transfers and subsidies | 237.7 | 252.4 | 276.7 | 276.7 | 290.0 | 306.1 | 325.2 | 348.6 | 375.8 |
| Interest | 32.4 | 41.7 | 51.6 | 51.6 | 55.0 | 52.6 | 57.2 | 61.9 | 67.9 |
| *Of which:* domestic | 14.0 | 24.5 | 28.3 | 28.3 | 28.9 | 31.0 | 33.0 | 35.3 | 38.0 |
| Capital expenditure | 389.6 | 460.3 | 626.1 | 524.5 | 639.3 | 744.0 | 800.2 | 896.4 | 975.9 |
| Externally financed | 161.0 | 190.5 | 310.5 | 208.9 | 252.6 | 301.3 | 327.3 | 364.5 | 404.6 |
| Domestically financed | 228.6 | 269.8 | 315.6 | 315.6 | 386.7 | 442.7 | 472.9 | 531.9 | 571.3 |
| Special funds and annexed budgets | 108.5 | 116.8 | 105.0 | 105.0 | 105.0 | 112.5 | 119.7 | 128.1 | 138.0 |
| Net lending | -6.2 | -5.4 | -5.0 | -5.0 | -4.1 | -4.1 | 0.0 | 0.0 | 0.0 |
| Expenditure adjustment | | | 0.0 | -42.6 | 0.0 | | | | |
| Overall fiscal balance (excl. grants) | -341.2 | -362.3 | -487.7 | -348.8 | -398.5 | -425.1 | -422.1 | -463.6 | -493.0 |
| Overall fiscal balance (incl. grants) | -155.1 | -204.7 | -204.4 | -161.3 | -230.5 | -245.0 | -230.6 | -258.6 | -272.3 |
| Variation of arrears | 6.0 | -50.4 | -48.8 | -46.9 | -31.5 | -7.8 | -11.4 | -8.1 | -7.9 |
| *Of which:* Domestic | 7.5 | -50.4 | -48.8 | -46.9 | -31.5 | -7.8 | -11.4 | -8.1 | -7.9 |
| *Of which:* External (Interest) | -1.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Adjustment to cash basis | -8.1 | 85.0 | -67.7 | -67.7 | 9.1 | 8.0 | 5.8 | 8.9 | 7.9 |
| Overall balance (cash basis, incl. grants) | -157.2 | -170.1 | -320.9 | -275.9 | -252.9 | -244.8 | -236.2 | -257.8 | -272.3 |
| Financing | 157.3 | 175.6 | 320.9 | 275.9 | 252.8 | 244.8 | 236.2 | 257.8 | 272.3 |
| External financing (net) | 103.9 | 70.5 | 162.9 | 122.4 | 141.9 | 182.8 | 202.3 | 229.2 | 244.1 |
| Loans | 134.7 | 119.5 | 243.6 | 203.1 | 182.6 | 226.3 | 247.5 | 279.1 | 312.7 |
| Project loans | 95.1 | 103.1 | 178.6 | 137.9 | 151.9 | 193.4 | 212.5 | 241.6 | 272.3 |
| *Of which:* non-concessional | 0.0 | 0.0 | 83.3 | 0.0 | 83.3 | 83.3 | 83.3 | 0.0 | 0.0 |
| Budgetary loans | 39.6 | 16.4 | 64.9 | 65.1 | 30.7 | 32.9 | 35.0 | 37.5 | 40.3 |
| Amortization | -42.9 | -52.0 | -97.5 | -97.5 | -58.4 | -61.3 | -63.3 | -66.9 | -68.6 |
| Debt relief | 25.6 | 14.9 | 16.8 | 16.8 | 17.7 | 17.8 | 18.1 | 17.0 | 0.0 |
| Variation of External Arrears (Principal) | -13.5 | -11.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Domestic financing (net) | 53.4 | 105.1 | 158.1 | 153.6 | 111.0 | 62.0 | 33.9 | 28.6 | 28.2 |
| Banking system | -23.1 | 61.6 | 117.6 | 117.5 | 116.5 | 62.0 | 33.9 | 28.6 | 28.2 |
| Central bank | -75.5 | -65.8 | -2.1 | -2.1 | -0.1 | -9.6 | -10.4 | -56.5 | -41.4 |
| Commercial banks | 29.4 | 80.3 | 119.7 | 119.6 | 116.6 | 71.6 | 44.3 | 85.1 | 69.5 |
| Adjustment[2] | -23.0 | 47.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Privatization receipts | 55.1 | 0.0 | -13.5 | -13.5 | -17.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-bank financing | 21.4 | 43.5 | 54.0 | 49.6 | 12.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financing gap | 0.0 | -5.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Memorandum items* | | | | | | | | | |
| Basic fiscal balance[3] | -43.7 | -86.7 | -48.5 | -49.0 | -61.0 | -33.8 | 0.0 | 0.0 | 0.0 |
| Tax and non tax revenue from gold sector | 143.6 | 115.4 | 115.7 | 112.9 | 135.8 | 137.9 | 132.1 | 122.5 | 121.2 |
| Total official assistance (loans and grants) | 320.7 | 277.0 | 526.9 | 390.5 | 350.6 | 406.3 | 439.0 | 484.1 | 533.4 |
| Nominal GDP | 5,840 | 5,987 | 6,396 | 6,479 | 6,990 | 7,491 | 7,968 | 8,529.0 | 9,185.7 |

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

[1] IMF Country Report No. 15/151, Mali: Third Review Under the Extended Credit Facility Arrangement.

[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, 2015

(in billions of CFAF)

| | March | | June | | September | December | |
|---|---|---|---|---|---|---|---|
| | Prog.[1] | Est. | Prog.[1] | Est. | Prog.[1] | Prog.[1] | Rev. Prog. |
| Revenue and grants | 312.6 | 320.0 | 691.3 | 727.3 | 1,060.8 | 1,507.6 | 1,406.5 |
| Total revenue | 267.1 | 285.0 | 605.1 | 634.0 | 913.2 | 1,224.3 | 1,219.0 |
| Budgetary revenue | 240.9 | 251.6 | 552.5 | 569.7 | 834.3 | 1,119.3 | 1,114.0 |
| Tax revenue | 228.6 | 247.1 | 525.7 | 529.6 | 794.2 | 1,071.0 | 1,064.4 |
| Direct taxes | 68.9 | 80.6 | 177.6 | 181.3 | 244.9 | 330.6 | 349.9 |
| Indirect taxes | 159.6 | 176.7 | 348.1 | 348.3 | 549.3 | 740.4 | 714.5 |
| VAT | 94.6 | 95.7 | 191.2 | 203.5 | 298.5 | 397.0 | 397.0 |
| Excises on petroleum products | 6.8 | 20.5 | 38.4 | 43.9 | 55.5 | 71.5 | 71.5 |
| Import duties | 36.6 | 30.0 | 66.4 | 64.5 | 104.2 | 139.5 | 134.8 |
| Other indirect taxes | 43.6 | 30.5 | 90.6 | 74.5 | 147.8 | 202.1 | 187.6 |
| Tax refund | -22.0 | -10.2 | -38.6 | -38.1 | -56.7 | -69.7 | -76.5 |
| Nontax revenue | 12.3 | 4.7 | 26.8 | 40.0 | 40.1 | 48.2 | 50.4 |
| Special funds and annexed budgets | 26.3 | 33.2 | 52.6 | 64.3 | 78.9 | 105.0 | 105.0 |
| Grants | 45.4 | 35.0 | 86.2 | 93.3 | 147.6 | 283.3 | 187.5 |
| Projects | 30.5 | 0.0 | 46.3 | 13.0 | 69.4 | 92.6 | 34.6 |
| Budgetary support | 15.0 | 35.0 | 39.9 | 37.8 | 78.1 | 148.3 | 110.4 |
| General | 6.9 | 14.3 | 19.3 | 17.2 | 45.5 | 111.9 | 74.0 |
| Sectoral | 8.1 | 20.7 | 20.7 | 20.7 | 32.7 | 36.4 | 36.4 |
| Debt cancellation | 0.0 | 0.0 | 0.0 | 42.5 | 0.0 | 42.5 | 42.5 |
| Total expenditure and net lending (payment order basis) | 435.2 | 220.9 | 856.1 | 561.1 | 1,284.4 | 1,712.0 | 1,567.8 |
| Budgetary expenditure | 411.1 | 188.7 | 806.1 | 499.0 | 1,209.2 | 1,612.0 | 1,467.8 |
| Current expenditure | 253.1 | 171.8 | 516.2 | 389.5 | 757.0 | 985.9 | 985.9 |
| Wages and salaries | 87.4 | 76.9 | 183.5 | 160.4 | 275.3 | 367.0 | 367.0 |
| Goods and services | 67.8 | 40.6 | 145.3 | 105.2 | 218.0 | 290.6 | 290.6 |
| Transfers and subsidies | 88.7 | 41.6 | 161.9 | 101.5 | 225.4 | 276.7 | 276.7 |
| Interest | 9.1 | 12.7 | 25.4 | 22.3 | 38.4 | 51.6 | 51.6 |
| *Of which:* domestic | 3.3 | 7.9 | 14.2 | 12.0 | 21.2 | 28.3 | 28.3 |
| Capital expenditure | 158.0 | 16.9 | 290.0 | 109.5 | 452.2 | 626.1 | 524.5 |
| Externally financed | 97.5 | 0.0 | 127.3 | 65.2 | 215.5 | 310.5 | 208.9 |
| Domestically financed | 60.5 | 16.9 | 162.7 | 44.3 | 236.7 | 315.6 | 315.6 |
| Special funds and annexed budgets | 26.3 | 33.2 | 52.6 | 64.3 | 78.9 | 105.0 | 105.0 |
| Net lending | -2.1 | -1.0 | -2.7 | -2.2 | -3.8 | -5.0 | -5.0 |
| Overall fiscal balance (excl. grants) | -168.1 | 64.1 | -251.0 | 72.8 | -371.1 | -487.7 | -348.8 |
| Overall fiscal balance (incl. grants) | -122.6 | 99.1 | -164.8 | 166.1 | -223.6 | -204.4 | -161.3 |
| Variation of arrears | -5.1 | -3.0 | -4.6 | -37.4 | -6.9 | -48.8 | -46.9 |
| Adjustment to cash basis | -50.5 | -122.6 | 0.0 | -131.4 | 0.0 | -67.7 | -67.7 |
| Overall balance (cash basis, incl. grants) | -178.2 | -26.5 | -169.4 | -2.7 | -230.5 | -320.9 | -275.9 |
| Financing | 178.2 | 26.5 | 169.4 | -18.1 | 230.5 | 320.9 | 275.9 |
| External financing (net) | 48.4 | 22.0 | 68.6 | 24.3 | 113.2 | 162.9 | 122.4 |
| Loans | 57.9 | 26.0 | 86.3 | 80.9 | 139.4 | 243.6 | 203.1 |
| Project loans | 57.9 | 0.0 | 60.3 | 51.5 | 113.4 | 178.6 | 137.9 |
| *Of which:* non-concessional | 0.0 | 0.0 | 0.0 | 0.0 | 41.7 | 83.3 | 0.0 |
| Budgetary loans | 0.0 | 26.0 | 26.0 | 29.3 | 26.0 | 64.9 | 65.1 |
| Amortization | -15.5 | -5.3 | -30.2 | -69.2 | -39.9 | -97.5 | -97.5 |
| Debt relief | 6.0 | 1.2 | 12.4 | 12.6 | 13.6 | 16.8 | 16.8 |
| Variation of External Arrears (Principal) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Domestic financing (net) | 129.9 | 4.5 | 100.8 | -42.4 | 117.3 | 158.1 | 153.6 |
| Banking system | 119.3 | 93.3 | 87.4 | 40.8 | 116.6 | 117.6 | 117.5 |
| Central bank | -2.9 | 87.1 | -2.0 | 83.0 | -1.1 | -2.1 | -2.1 |
| Commercial banks | 122.2 | 6.2 | 89.4 | -4.2 | 117.7 | 119.7 | 119.6 |
| Adjustment[3] | 0.0 | 0.0 | 0.0 | 38.0 | 0.0 | 0.0 | 0.0 |
| Privatization receipts | 0.0 | 0.0 | -13.5 | -5.6 | -13.5 | -13.5 | -13.5 |
| Non-bank financing | 10.6 | -88.8 | 26.9 | -77.6 | 14.3 | 54.0 | 49.6 |
| Financing gap | 0.0 | 0.0 | 0.0 | -20.8 | 0.0 | 0.0 | 0.0 |
| *Memorandum items* | | | | | | | |
| Basic fiscal balance[4] | -57.7 | 79.6 | -92.1 | 167.8 | -96.6 | -48.5 | -49.0 |
| Government bank and market financing | 127.0 | 67.2 | 122.7 | 42.4 | 146.8 | 171.8 | 171.7 |

Sources: Ministry of Finance; and IMF staff projections.

[1] IMF Country Report No. 14/337, Mali: First and Second Reviews Under the Extended Credit Facility Arrangement.

[2] IMF Country Report No. 15/151, Mali: Third Review Under the Extended Credit Facility Arrangement.

[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: Consolidated Fiscal Transactions of the Government, 2013–20

(Percent of GDP)

| | 2013 | 2014 | 2015 | | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|
| | | Est. | Prog.[1] | Rev. Prog. | Prog. | Projections | | | |
| Revenue and grants | 19.5 | 20.3 | 23.6 | 21.7 | 22.2 | 23.0 | 23.5 | 23.9 | 24.1 |
| Total revenue | 16.3 | 17.7 | 19.1 | 18.8 | 19.8 | 20.6 | 21.1 | 21.5 | 21.7 |
| Budgetary revenue | 14.4 | 15.7 | 17.5 | 17.2 | 18.3 | 19.1 | 19.6 | 20.0 | 20.2 |
| Tax revenue | 13.8 | 14.9 | 16.7 | 16.4 | 17.5 | 18.0 | 18.5 | 18.8 | 19.0 |
| Direct taxes | 4.4 | 5.4 | 5.2 | 5.4 | 5.6 | 5.8 | 5.9 | 5.9 | 6.0 |
| *Of wich:* Gold sector | 1.2 | 0.9 | 0.8 | 0.8 | 0.9 | 0.9 | 0.8 | 0.7 | 0.6 |
| Indirect taxes | 9.4 | 9.5 | 11.6 | 11.0 | 11.9 | 12.2 | 12.6 | 12.9 | 13.0 |
| VAT | 5.6 | 5.6 | 6.2 | 6.1 | 6.4 | 6.6 | 6.9 | 7.1 | 7.2 |
| Excises on petroleum products | 0.4 | 0.5 | 1.1 | 1.1 | 1.2 | 1.3 | 1.3 | 1.3 | 1.4 |
| Import duties | 1.9 | 1.9 | 2.2 | 2.1 | 2.2 | 2.3 | 2.3 | 2.4 | 2.4 |
| Other indirect taxes | 2.5 | 2.5 | 3.2 | 2.9 | 3.1 | 3.0 | 2.9 | 2.9 | 2.8 |
| *Of wich:* Gold sector | 0.9 | 0.9 | 0.9 | 0.8 | 0.9 | 0.9 | 0.7 | 0.6 | 0.6 |
| Tax refund | -1.0 | -1.0 | -1.1 | -1.2 | -1.0 | -1.0 | -0.8 | -0.8 | -0.8 |
| Nontax revenue | 0.7 | 0.8 | 0.8 | 0.8 | 1.0 | 1.1 | 1.1 | 1.2 | 1.2 |
| *Of wich:* Gold sector | 0.3 | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Special funds and annexed budgets | 1.9 | 2.0 | 1.6 | 1.6 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| Grants | 3.2 | 2.6 | 4.4 | 2.9 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 |
| Projects grants | 1.0 | 1.0 | 1.4 | 0.5 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| Budgetary support | 2.1 | 1.6 | 2.3 | 1.7 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| General | 1.9 | 1.2 | 1.7 | 1.1 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Sectoral | 0.2 | 0.4 | 0.6 | 0.6 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Debt cancellation | 0.0 | 0.0 | 0.7 | 0.7 | 0.0 | 0.0 | 0.0 | | |
| Total expenditure and net lending | | | | | | | | | |
| (payment order basis) | 22.1 | 23.7 | 26.8 | 24.2 | 25.5 | 26.2 | 26.4 | 26.9 | 27.0 |
| Budgetary expenditure | 20.4 | 21.9 | 25.2 | 22.7 | 24.1 | 24.8 | 24.9 | 25.4 | 25.5 |
| Current expenditure | 13.7 | 14.2 | 15.4 | 15.2 | 15.0 | 14.9 | 14.9 | 14.9 | 14.9 |
| Wages and salaries | 5.0 | 5.2 | 5.7 | 5.7 | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 |
| Goods and services | 4.1 | 4.0 | 4.5 | 4.5 | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 |
| Transfers and subsidies | 4.1 | 4.2 | 4.3 | 4.3 | 4.1 | 4.1 | 4.1 | 4.1 | 4.1 |
| Interest | 0.6 | 0.7 | 0.8 | 0.8 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 |
| *Of which:* domestic | 0.2 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Capital expenditure | 6.7 | 7.7 | 9.8 | 8.1 | 9.1 | 9.9 | 10.0 | 10.5 | 10.6 |
| Externally financed | 2.8 | 3.2 | 4.9 | 3.2 | 3.6 | 4.0 | 4.1 | 4.3 | 4.4 |
| Domestically financed | 3.9 | 4.5 | 4.9 | 4.9 | 5.5 | 5.9 | 5.9 | 6.2 | 6.2 |
| Special funds and annexed budgets | 1.9 | 2.0 | 1.6 | 1.6 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| Net lending | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | 0.0 | 0.0 | 0.0 |
| Overall fiscal balance (excl. grants) | -5.8 | -6.1 | -7.6 | -5.4 | -5.7 | -5.7 | -5.3 | -5.4 | -5.4 |
| Overall fiscal balance (incl. grants) | -2.7 | -3.4 | -3.2 | -2.5 | -3.3 | -3.3 | -2.9 | -3.0 | -3.0 |
| Variation of arrears | 0.1 | -0.8 | -0.8 | -0.7 | -0.5 | -0.1 | -0.1 | -0.1 | -0.1 |
| *Of which:* Domestic | 0.1 | -0.8 | -0.8 | -0.7 | -0.5 | -0.1 | -0.1 | | |
| *Of which:* External (Interest) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Adjustment to cash basis | -0.1 | 1.4 | -1.1 | -1.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Overall balance (cash basis, incl. grants) | -2.7 | -2.8 | -5.0 | -4.3 | -3.6 | -3.3 | -3.0 | -3.0 | -3.0 |
| Financing | 2.7 | 2.9 | 5.0 | 4.3 | 3.6 | 3.3 | 3.0 | 3.0 | 3.0 |
| External financing (net) | 1.8 | 1.2 | 2.5 | 1.9 | 2.0 | 2.4 | 2.5 | 2.7 | 2.7 |
| Loans | 2.3 | 2.0 | 3.8 | 3.1 | 2.6 | 3.0 | 3.1 | 3.3 | 3.4 |
| Project loans | 1.6 | 1.7 | 2.8 | 2.1 | 2.2 | 2.6 | 2.7 | 2.8 | 3.0 |
| *Of which:* non-concessional | 0.0 | 0.0 | 1.3 | 0.0 | 1.2 | 1.1 | 1.0 | 0.0 | 0.0 |
| Budgetary loans | 0.7 | 0.3 | 1.0 | 1.0 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Amortization | -0.7 | -0.9 | -1.5 | -1.5 | -0.8 | -0.8 | -0.8 | -0.8 | -0.7 |
| Debt relief | 0.4 | 0.2 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.0 |
| Variation of External Arrears (Principal) | -0.2 | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| Domestic financing (net) | 0.9 | 1.8 | 2.5 | 2.4 | 1.6 | 0.8 | 0.4 | 0.3 | 0.3 |
| Banking system | -0.4 | 1.0 | 1.8 | 1.8 | 1.7 | 0.8 | 0.4 | 0.3 | 0.3 |
| Central bank | -1.3 | -1.1 | 0.0 | 0.0 | 0.0 | -0.1 | -0.1 | -0.7 | -0.5 |
| Commercial banks | 0.5 | 1.3 | 1.9 | 1.8 | 1.7 | 1.0 | 0.6 | 1.0 | 0.8 |
| Adjustment[2] | -0.4 | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Privatization receipts | 0.9 | 0.0 | -0.2 | -0.2 | -0.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-bank financing | 0.4 | 0.7 | 0.8 | 0.8 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financing gap | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Memorandum items* | | | | | | | | | |
| Basic fiscal balance[3] | -0.7 | -1.4 | -0.8 | -0.8 | -0.9 | -0.5 | 0.0 | 0.0 | 0.0 |
| Tax and non tax revenue from gold sector | 2.5 | 1.9 | 1.8 | 1.7 | 1.9 | 1.8 | 1.7 | 1.4 | 1.3 |
| Total official assistance (grants plus loans) | 5.5 | 4.6 | 8.2 | 6.0 | 5.0 | 5.4 | 5.5 | 5.7 | 5.8 |
| Nominal GDP (in billions of CFAF) | 5,840 | 5,987 | 6,396 | 6,479 | 6,990 | 7,491 | 7,968 | 8,529 | 9,186 |

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

[1] IMF Country Report No. 15/151, Mali: Third Review Under the Extended Credit Facility Arrangement.

[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 foreign-financed capital spending.

## Table 6. Mali: Central Government Consolidated Financial Operations, 2016

(in billions of CFAF)

| | March | June | September | December |
|---|---|---|---|---|
| | Prog.[1] | Prog.[1] | Prog.[1] | Prog.[1] |
| Revenue and grants | 336.9 | 745.7 | 1,151.6 | 1,555.0 |
| Total revenue | 324.9 | 709.3 | 1,036.2 | 1,387.0 |
| Budgetary revenue | 299.0 | 655.4 | 959.4 | 1,282.0 |
| Tax revenue | 287.0 | 619.3 | 915.0 | 1,222.4 |
| Direct taxes | 91.1 | 214.0 | 300.8 | 390.9 |
| Indirect taxes | 195.8 | 405.3 | 614.2 | 831.5 |
| VAT | 100.8 | 215.5 | 330.2 | 445.4 |
| Excises on petroleum products | 22.7 | 46.1 | 63.1 | 86.9 |
| Import duties | 36.6 | 74.2 | 115.1 | 155.1 |
| Other indirect taxes | 53.2 | 104.5 | 157.7 | 215.6 |
| Tax refund | -17.5 | -35.0 | -52.0 | -71.4 |
| Nontax revenue | 12.1 | 36.1 | 44.4 | 59.6 |
| Special funds and annexed budgets | 25.9 | 53.9 | 76.8 | 105.0 |
| Grants | 11.9 | 36.4 | 115.4 | 168.0 |
| Projects | 8.6 | 29.5 | 44.5 | 83.2 |
| Budgetary support | 3.3 | 6.9 | 70.8 | 84.7 |
| General | 0.0 | 0.0 | 64.0 | 67.3 |
| Sectoral | 3.3 | 6.9 | 6.8 | 17.4 |
| Debt cancellation | | | | |
| Total expenditure and net lending (payment order basis) | 423.5 | 913.0 | 1,315.6 | 1,785.5 |
| Budgetary expenditure | 398.4 | 861.3 | 1,242.0 | 1,684.6 |
| Current expenditure | 268.9 | 564.2 | 802.7 | 1,045.4 |
| Wages and salaries | 100.6 | 201.2 | 301.7 | 402.3 |
| Goods and services | 74.5 | 149.1 | 223.6 | 298.1 |
| Transfers and subsidies | 85.5 | 188.2 | 242.5 | 290.0 |
| Interest | 8.3 | 25.8 | 34.9 | 55.0 |
| *Of which:* domestic | 1.8 | 13.2 | 15.7 | 28.9 |
| Capital expenditure | 129.5 | 297.1 | 439.3 | 639.3 |
| Externally financed | 32.8 | 103.7 | 149.3 | 252.6 |
| Domestically financed | 96.7 | 193.4 | 290.0 | 386.7 |
| Special funds and annexed budgets | 25.9 | 53.9 | 76.8 | 105.0 |
| Net lending | -0.8 | -2.2 | -3.2 | -4.1 |
| Overall fiscal balance (excl. grants) | -98.6 | -203.7 | -279.4 | -398.5 |
| Overall fiscal balance (incl. grants) | -86.7 | -167.2 | -164.1 | -230.5 |
| Variation of arrears | -18.3 | -36.5 | -34.0 | -31.5 |
| Adjustment to cash basis | -15.7 | -31.5 | -11.2 | 9.1 |
| Overall balance (cash basis, incl. grants) | -120.7 | -235.3 | -209.2 | -252.9 |
| Financing | 120.7 | 235.3 | 209.3 | 252.8 |
| External financing (net) | 12.1 | 51.7 | 80.9 | 141.9 |
| Loans | 20.8 | 70.7 | 110.1 | 182.6 |
| Project loans | 20.8 | 67.3 | 97.9 | 151.9 |
| *Of which:* non-concessional | 20.8 | 41.7 | 62.5 | 83.3 |
| Budgetary loans | 0.0 | 3.5 | 12.2 | 30.7 |
| Amortization | -10.0 | -31.9 | -43.3 | -58.4 |
| Debt relief | 1.2 | 12.9 | 14.1 | 17.7 |
| Variation of External Arrears (Principal) | 0.0 | 0.0 | 0.0 | 0.0 |
| Domestic financing (net) | 108.6 | 183.6 | 128.4 | 111.0 |
| Banking system | 88.7 | 154.3 | 121.9 | 116.5 |
| Central bank | -0.3 | 0.8 | -0.6 | -0.1 |
| Commercial banks | 89.0 | 153.5 | 122.5 | 116.6 |
| Adjustment[3] | 0.0 | 0.0 | 0.0 | 0.0 |
| Privatization receipts | -8.8 | -17.5 | -17.5 | -17.5 |
| Non-bank financing | 28.7 | 46.8 | 24.0 | 12.0 |
| Financing gap | 0.0 | 0.0 | 0.0 | 0.0 |
| *Memorandum items* | | | | |
| Basic fiscal balance[4] | -64.6 | -87.1 | -52.1 | -61.0 |
| Government bank and market financing | 125.2 | 216.9 | 169.5 | 160.0 |

Sources: Ministry of Finance; and IMF staff projections.

[1] IMF Country Report No. 14/337, Mali: First and Second Reviews Under the Extended Credit Facility Arrangement.

[2] IMF Country Report No. 15/151, Mali: Third Review Under the Extended Credit Facility Arrangement.

[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 7. Mali: Balance of Payments, 2013–20

| | 2013 | 2014 | 2015 | | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|
| | Est. | Est. | Prog.[1] | Rev. prog. | Prog. | Projections | | | |
| | | | | (Billions of CFAF) | | | | | |
| Current account balance | | | | | | | | | |
| Excluding official transfers | -814.2 | -980.6 | -1,050.4 | -837.9 | -924.3 | -1,043.1 | -1,205.6 | -1,294.7 | -1,354.5 |
| Including official transfers | -188.8 | -331.2 | -354.7 | -181.9 | -276.0 | -390.9 | -549.7 | -631.0 | -682.1 |
| Trade balance | -126.5 | -217.9 | -240.9 | 10.4 | -75.9 | -172.6 | -359.0 | -448.3 | -504.3 |
| Exports, f.o.b. | 1,419.5 | 1,376.6 | 1,425.5 | 1,510.7 | 1,513.1 | 1,533.6 | 1,438.0 | 1,433.5 | 1,483.9 |
| Cotton fiber | 176.8 | 166.7 | 174.6 | 194.1 | 195.0 | 200.8 | 206.8 | 185.6 | 198.9 |
| Gold | 964.5 | 917.8 | 918.5 | 1,002.2 | 986.8 | 983.8 | 862.4 | 852.8 | 854.0 |
| Other | 278.2 | 292.2 | 332.5 | 314.4 | 331.3 | 349.0 | 368.8 | 395.1 | 431.0 |
| Imports, f.o.b. | -1,546.1 | -1,594.5 | -1,666.4 | -1,500.3 | -1,588.9 | -1,706.2 | -1,797.1 | -1,881.8 | -1,988.2 |
| Petroleum products | -434.3 | -425.5 | -326.3 | -284.8 | -291.3 | -330.4 | -357.3 | -383.2 | -404.2 |
| Foodstuffs | -231.6 | -243.4 | -300.0 | -258.6 | -275.6 | -291.3 | -307.0 | -323.1 | -343.9 |
| Other | -880.1 | -925.7 | -1,040.1 | -956.9 | -1,022.0 | -1,084.5 | -1,132.8 | -1,175.5 | -1,240.1 |
| Services (net) | -854.1 | -945.6 | -977.1 | -1,000.8 | -1,035.6 | -1,095.9 | -1,131.3 | -1,167.6 | -1,211.3 |
| Credit | 211.7 | 217.5 | 203.7 | 206.1 | 214.1 | 223.8 | 233.7 | 244.1 | 255.0 |
| Debit [2] | -1,065.9 | -1,163.0 | -1,180.8 | -1,206.8 | -1,249.7 | -1,319.8 | -1,365.0 | -1,411.8 | -1,466.3 |
| *Of which*: freight and insurance | -319.7 | -329.8 | -360.9 | -324.9 | -344.1 | -369.5 | -389.1 | -407.5 | -430.5 |
| Income (net) | -213.7 | -212.4 | -254.6 | -275.3 | -274.2 | -269.0 | -241.3 | -241.8 | -245.3 |
| *Of which:* interest due on public debt | -18.4 | -17.2 | -23.3 | -23.3 | -26.1 | -21.6 | -24.2 | -27.1 | -30.3 |
| Transfers (net) | 1,005.5 | 1,044.7 | 1,117.9 | 1,083.7 | 1,109.8 | 1,146.7 | 1,181.9 | 1,226.7 | 1,278.8 |
| Private transfers (net) | 380.2 | 395.2 | 422.2 | 427.7 | 461.4 | 494.5 | 526.0 | 563.0 | 606.3 |
| Official transfers (net) [2] | 625.4 | 649.4 | 695.7 | 656.0 | 648.4 | 652.2 | 655.9 | 663.7 | 672.4 |
| *Of which:* budgetary grants | 110.8 | 70.2 | 111.9 | 74.0 | 67.3 | 72.1 | 76.7 | 81.8 | 87.9 |
| Capital and financial account | 103.9 | 148.0 | 397.5 | 190.1 | 280.4 | 403.1 | 570.0 | 652.9 | 714.9 |
| Capital account (net) | 90.8 | 108.5 | 194.6 | 136.8 | 125.3 | 134.3 | 142.9 | 152.5 | 163.8 |
| Debt forgiveness | 0.0 | 0.0 | 43.0 | 43.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Of which:* project grants | 65.9 | 87.4 | 129.0 | 71.0 | 100.7 | 107.9 | 114.8 | 122.4 | 131.4 |
| Financial account | 13.2 | 39.6 | 202.9 | 53.3 | 155.1 | 268.8 | 427.2 | 500.4 | 551.1 |
| Private (net) | -63.5 | -14.7 | 55.1 | -53.9 | 29.1 | 101.8 | 240.8 | 295.7 | 300.0 |
| Direct investment (net) | 150.7 | 94.5 | 106.3 | 102.2 | 110.3 | 141.8 | 150.8 | 185.7 | 200.0 |
| Portfolio investment private (net) | -1.0 | -1.0 | -1.1 | -1.1 | -1.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other private capital flows | -213.2 | -108.1 | -50.0 | -155.0 | -80.0 | -40.0 | 90.0 | 110.0 | 100.0 |
| Official (net) | 75.2 | 52.7 | 146.0 | 105.5 | 124.2 | 165.0 | 184.2 | 202.5 | 248.7 |
| Disbursements | 134.7 | 119.5 | 243.6 | 203.1 | 182.6 | 226.3 | 247.5 | 269.4 | 317.1 |
| Budgetary | 39.6 | 16.4 | 64.9 | 65.1 | 30.7 | 32.9 | 35.0 | 37.3 | 40.1 |
| Project related | 95.1 | 103.1 | 178.6 | 137.9 | 151.9 | 193.4 | 212.5 | 232.1 | 277.0 |
| Amortization due on public debt | -42.9 | -52.0 | -97.5 | -97.5 | -58.4 | -61.3 | -63.3 | -66.9 | -68.4 |
| Errors and omissions | -1.3 | 8.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Overall balance | -86.2 | -174.5 | 42.8 | 8.2 | 4.4 | 12.2 | 20.3 | 21.9 | 32.8 |
| Financing | 86.2 | 174.5 | -42.8 | -8.2 | -4.4 | -12.2 | -20.3 | -21.9 | -32.8 |
| Foreign assets (net) | 60.6 | 159.6 | -59.6 | -25.1 | -22.2 | -30.0 | -38.4 | -38.9 | -41.2 |
| *Of which:* IMF (net) | 18.8 | 4.3 | 1.9 | 1.9 | -0.1 | -9.6 | -10.4 | -11.3 | -12.4 |
| HIPC Initiative assistance | 25.6 | 14.9 | 16.8 | 16.8 | 17.7 | 17.8 | 18.1 | 17.0 | 8.3 |
| Financing gap | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | (in percent of GDP, unless otherwise indicated) | | | | | |
| Current account balance | | | | | | | | | |
| Excluding official transfers | -14.8 | -16.4 | -16.4 | -12.9 | -13.2 | -13.9 | -15.1 | -15.2 | -14.7 |
| Including official transfers | -3.4 | -5.5 | -5.5 | -2.8 | -3.9 | -5.2 | -6.9 | -7.4 | -7.4 |
| | | | | (annual percentage change) | | | | | |
| External trade | | | | | | | | | |
| Export volume index | 7.1 | 0.0 | 4.8 | 4.4 | 3.1 | 2.7 | -2.7 | 2.9 | 3.1 |
| Import volume index | 0.5 | 13.2 | 9.1 | 3.6 | 6.4 | 5.0 | 4.3 | 4.4 | 4.2 |
| Export unit value | -14.3 | -4.0 | 1.7 | 4.6 | -3.0 | -1.3 | -4.5 | -3.3 | 0.1 |
| Import unit value | 4.1 | -8.9 | -5.7 | -9.2 | -0.4 | 2.3 | 0.9 | 0.3 | 1.4 |
| Terms of trade | -17.7 | 5.3 | 7.9 | 15.2 | -2.6 | -0.5 | -5.4 | -3.6 | -1.3 |

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

[1] IMF Country Report No. 15/151, Mali: Third Review Under the Extended Credit Facility Arrangement.

[2] Includes financing by the international community for imports of security services in relation to the foreign military intervention in the country.

## Table 8. Monetary Survey, 2013–20

| | 2013 | 2014 | 2015 | | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|
| | | Est. | Prog.[1] | Rev. prog. | Prog. | | Projections | | |
| | | | | | (Billions of CFAF) | | | | |
| Net Foreign Assets | 758 | 623 | 683 | 648 | 670 | 700 | 738 | 777 | 818 |
| BCEAO | 482 | 322 | 382 | 347 | 369 | 399 | 438 | 476 | 518 |
| Commercial Banks | 277 | 301 | 302 | 301 | 301 | 301 | 301 | 301 | 301 |
| Net Domestic Assets | 1,087 | 1,354 | 1,571 | 1,594 | 1,844 | 2,054 | 2,246 | 2,441 | 2,648 |
| Credit to the government (net) | -101 | -86 | 31 | 31 | 148 | 210 | 244 | 272 | 301 |
| BCEAO | 0 | -66 | -68 | -68 | -68 | -77 | -88 | -144 | -186 |
| Commercial banks, net | -101 | -20 | 99 | 99 | 196 | 267 | 312 | 397 | 466 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Credit to the economy | 1,228 | 1,458 | 1,558 | 1,580 | 1,714 | 1,862 | 2,020 | 2,187 | 2,365 |
| Other items (net) | -41 | -18 | -19 | -18 | -18 | -18 | -18 | -18 | -18 |
| Money supply (M2) | 1,845 | 1,977 | 2,254 | 2,242 | 2,514 | 2,754 | 2,984 | 3,218 | 3,466 |
| Currency outside banks | 509 | 443 | 506 | 503 | 564 | 618 | 669 | 722 | 778 |
| Bank deposits | 1,337 | 1,533 | 1,749 | 1,739 | 1,950 | 2,136 | 2,315 | 2,496 | 2,689 |
| Memorandum item: | | | | | | | | | |
| Base Money (M0) | 742 | 715 | 815 | 811 | 909 | 996 | 1,079 | 1,164 | 1,254 |
| Gross international reserves BCEAO | 613 | 465 | 525 | 490 | 513 | 533 | 561 | 588 | 616 |
| in percent of broad money | 33.2 | 23.5 | 23.3 | 21.9 | 20.4 | 19.4 | 18.8 | 18.3 | 17.8 |
| | | | | | (in percentage of beginning of period broad money) | | | | |
| Contribution to growth of broad money | | | | | | | | | |
| Money supply (M2) | 7.4 | 7.1 | 14.0 | 13.4 | 12.2 | 9.5 | 8.4 | 7.8 | 7.7 |
| Net foreign assets | 3.6 | -7.3 | 3.0 | 1.3 | 1.0 | 1.2 | 1.4 | 1.3 | 1.3 |
| BCEAO | -3.5 | -8.6 | 3.0 | 1.3 | 1.0 | 1.2 | 1.4 | 1.3 | 1.3 |
| Commercial banks | 7.1 | 1.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net domestic assets | 3.8 | 14.5 | 11.0 | 12.1 | 11.2 | 8.3 | 7.0 | 6.5 | 6.4 |
| Credit to the central government | -2.7 | 0.8 | 5.9 | 5.9 | 5.2 | 2.5 | 1.2 | 1.0 | 0.9 |
| Credit to the economy | 7.5 | 12.4 | 5.1 | 6.2 | 6.0 | 5.9 | 5.7 | 5.6 | 5.5 |
| Other items net | -1.0 | -3.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | (Annual growth rate) | | | | |
| Memorandum items: | | | | | | | | | |
| Money supply (M2) | 7.4 | 7.1 | 14.0 | 13.4 | 12.2 | 9.5 | 8.4 | 7.8 | 7.7 |
| Base money (M0) | 1.3 | -3.7 | 14.0 | 13.4 | 12.2 | 9.5 | 8.4 | 7.8 | 7.7 |
| Credit to the economy | 11.7 | 18.7 | 6.9 | 8.4 | 8.5 | 8.6 | 8.5 | 8.3 | 8.2 |
| Velocity (GDP/M2) | 3.0 | 3.0 | 2.8 | 2.9 | 2.8 | 2.7 | 2.7 | 2.7 | 2.7 |
| Money Multiplier (M2/M0) | 2.5 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| Currency outside banks / M2 | 27.6 | 22.4 | 22.4 | 22.4 | 22.4 | 22.4 | 22.4 | 22.4 | 22.4 |

Sources: BCEAO; and Fund staff estimates and projections.

1 IMF Country Report No. 15/151, Mali: Third Review Under the Extended Credit Facility Arrangement.

## Table 9. Mali: Financial Soundness Indicators for the Banking Sector, 2008–15

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 March |
|---|---|---|---|---|---|---|---|---|
| | | | | (in percent) | | | | |
| Capital | | | | | | | | |
| Capital to risk-weighted assets | 9.8 | 7.7 | 13.7 | 11.7 | 11.4 | 12.9 | 12.7 | 14.7 |
| Tier 1 capital to risk-weighted assets | 9.0 | 7.2 | 12.7 | 10.8 | 10.0 | 12.2 | 11.4 | 13.3 |
| Capital (net worth) in percent of assets | 6.2 | 4.6 | 7.5 | 8.3 | 7.7 | 7.9 | 6.7 | 7.5 |
| Sectoral distribution of credit to the economy | | | | | | | | |
| Agriculture and fishing | 12.8 | 7.9 | 1.6 | 11.7 | 10.9 | 6.5 | 5.5 | 3.1 |
| Minining sector | 0.2 | 0.2 | 0.1 | 0.1 | 3.8 | 4.7 | 3.4 | 3.8 |
| Manufacturing | 7.4 | 5.9 | 7.3 | 8.0 | 9.6 | 11.1 | 12.7 | 12.5 |
| Electricity, gas, and water | 3.9 | 4.3 | 11.1 | 10.0 | 6.4 | 9.6 | 11.9 | 12.7 |
| Building and construction | 1.6 | 1.6 | 4.3 | 4.4 | 5.0 | 3.8 | 4.9 | 4.9 |
| Wholesale and retail trade, hotels and restaurants | 38.7 | 37.4 | 44.4 | 43.3 | 44.6 | 45.2 | 40.9 | 43.5 |
| Transportation, warehouses, communications | 14.1 | 11.3 | 8.8 | 7.1 | 5.6 | 9.3 | 10.1 | 8.3 |
| Insurance, real estate, and services for enterprises | 14.1 | 18.8 | 14.9 | 9.8 | 8.2 | 5.7 | 6.9 | 7.4 |
| Collectives and social services | 7.3 | 14.6 | 7.6 | 5.6 | 5.8 | 4.0 | 3.8 | 3.9 |
| Asset quality | | | | | | | | |
| Non-performing loans to total loans | 23.1 | 25.4 | 22.1 | 18.0 | 21.0 | 19.3 | 15.8 | 17.1 |
| Non-performing loans to total loans (net of provisioning) | 9.5 | 11.6 | 8.5 | 6.5 | 8.7 | 8.3 | 5.6 | 6.7 |
| Provisions to gross non-performing loans | 66.9 | 59.5 | 64.0 | 69.3 | 65.0 | 62.0 | 65.9 | 69.8 |
| Earnings and profitability | | | | | | | | |
| Return on assets (ROA) | 0.8 | 0.6 | 1.4 | 1.7 | 1.3 | 1.2 | 1.5 | … |
| Return on equity (ROE) | 10.4 | 6.8 | 8.6 | 14.9 | 12.5 | 14.1 | 21.6 | … |
| Liquidity | | | | | | | | |
| Liquid assets to total assets | 37.9 | 33.8 | 32.7 | 36.7 | 34.8 | 34.4 | 51.6 | 49.0 |
| Liquid assets to short term liabilities | 84.0 | 61.2 | 92.9 | 89.4 | 90.0 | 98.0 | 95.3 | 92.6 |
| Ratio of loans to deposits | 77.5 | 72.2 | 82.6 | 88.0 | 88.5 | 89.7 | 78.0 | 75.2 |
| Memorandum items [1] | | | | | | | | |
| Deposit rate | 1.9 | 1.9 | 1.9 | 1.8 | 1.9 | 1.8 | 1.8 | … |
| Lending rate | 9.8 | 9.7 | 9.4 | 9.3 | 8.9 | 9.5 | 8.2 | … |

Source: BCEAO, and IMF staff estimates.
[1] Average

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

| Amount | Available date | Conditions for disbursement |
|---|---|---|
| SDR 6 million | December 18, 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, 2015–22[1]

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|
| | (Millions of SDRs, unless noted otherwise) | | | | | | | |
| Fund obligations based on existing credit | | | | | | | | |
| Principal | 2.3 | 8.2 | 11.6 | 12.7 | 13.8 | 15.2 | 12.7 | 8.6 |
| Charges and interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.0 |
| Fund obligations based on existing and prospective credit[2] | | | | | | | | |
| Principal | 2.3 | 8.2 | 11.6 | 12.7 | 13.8 | 15.2 | 15.4 | 17.0 |
| Charges and interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.2 | 0.2 | 0.1 |
| Total obligations based on existing and prospective credit | | | | | | | | |
| In millions of SDRs | 2.3 | 8.2 | 11.6 | 12.7 | 14.1 | 15.4 | 15.6 | 17.1 |
| In billions of CFA francs | 1.9 | 6.8 | 9.6 | 10.4 | 11.5 | 12.6 | 12.8 | 14.0 |
| In percent of government revenue | 0.2 | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| In percent of exports of goods and services | 0.1 | 0.4 | 0.5 | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 |
| In percent of debt service | 1.5 | 3.8 | 3.9 | 3.6 | 3.6 | 3.6 | 3.3 | 3.4 |
| In percent of GDP | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| In percent of quota | 2.4 | 8.8 | 12.4 | 13.6 | 15.1 | 16.5 | 16.7 | 18.4 |
| Outstanding Fund credit[1] | | | | | | | | |
| In millions of SDRs | 98.8 | 98.6 | 87.0 | 74.3 | 60.5 | 45.3 | 29.9 | 12.9 |
| In billions of CFA francs | 81.6 | 81.5 | 71.6 | 61.0 | 49.5 | 37.1 | 24.5 | 10.6 |
| In percent of government revenue | 6.7 | 5.9 | 4.7 | 3.6 | 2.7 | 1.9 | 1.1 | 0.5 |
| In percent of exports of goods and services | 4.8 | 4.7 | 4.1 | 3.6 | 3.0 | 2.1 | 1.4 | 0.6 |
| In percent of debt service | 66.3 | 45.5 | 29.3 | 20.9 | 15.5 | 10.7 | 6.3 | 2.5 |
| In percent of GDP | 1.3 | 1.2 | 1.0 | 0.8 | 0.6 | 0.4 | 0.2 | 0.1 |
| In percent of quota | 105.9 | 105.7 | 93.2 | 79.6 | 64.8 | 48.5 | 32.0 | 13.8 |
| Disbursements and Repurchases | 5.7 | -0.2 | -11.6 | -12.7 | -13.8 | -15.2 | -15.4 | -17.0 |
| Disbursements | 8.0 | 8.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Repayments and Repurchases | 2.3 | 8.2 | 11.6 | 12.7 | 13.8 | 15.2 | 15.4 | 17.0 |
| *Memorandum items:* | (in CFAF billions, unless otherwise indicated) | | | | | | | |
| Nominal GDP | 6,479 | 6,990 | 7,491 | 7,968 | 8,529 | 9,186 | 9,847 | 10,559 |
| Exports of goods and services | 1,717 | 1,727 | 1,757 | 1,672 | 1,678 | 1,739 | 1,804 | 1,874 |
| Government revenue | 1,219 | 1,387 | 1,540 | 1,683 | 1,831 | 1,991 | 2,150 | 2,326 |
| Debt service | 123 | 179 | 244 | 291 | 320 | 348 | 388 | 418 |

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 1995–2013

| | 1995 | 2000 | 2005 | 2010 | 2013 |
|---|---|---|---|---|---|
| **Goal 1: Eradicate extreme poverty and hunger** | **2015 target = halve 1990 poverty and malnutrition rates** | | | | |
| Employment to population ratio, 15+, total (%) | 46 | 47 | 49 | 60 | 61 |
| Employment to population ratio, ages 15-24, total (%) | 36 | 36 | 39 | 52 | 52 |
| GDP per person employed (constant 1990 PPP $) | 2,660 | 2,772 | 3,199 | 3,422 | 3,165 |
| 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 | 51 | .. |
| 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) | .. | .. | 31 | 34 | .. |
| Literacy rate, youth male (% of males ages 15-24) | .. | .. | 47 | 56 | .. |
| Persistence to last grade of primary, total (% of cohort) | .. | 83 | 74 | *75* | .. |
| Primary completion rate, total (% of relevant age group) | .. | 33 | 46 | 62 | 59 |
| Adjusted net enrollment rate, primary (% of primary school age children) | .. | 47 | 61 | 74 | 69 |
| **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 | 10 | 10 | 10 |
| Ratio of female to male primary enrollment (%) | 69 | 75 | 80 | 87 | 88 |
| Ratio of female to male secondary enrollment (%) | 50 | 57 | 63 | 70 | 80 |
| Ratio of female to male tertiary enrollment (%) | 18 | 49 | .. | 42 | 43 |
| Share of women employed in the nonagricultural sector (% of total nonagricultural employment) | .. | .. | 35 | .. | .. |
| **Goal 4: Reduce child mortality** | **2015 target = reduce 1990 under 5 mortality by two-thirds** | | | | |
| Immunization, measles (% of children ages 12-23 months) | 52 | 49 | 73 | 76 | 72 |
| Mortality rate, infant (per 1,000 live births) | 125 | 116 | 97 | 83 | 78 |
| Mortality rate, under-5 (per 1,000 live births) | 240 | 220 | 172 | 137 | 123 |
| **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) | 190 | 187 | 183 | 178 | 174 |
| Births attended by skilled health staff (% of total) | 40 | 41 | 49 | *56* | 59 |
| Contraceptive prevalence (% of women ages 15-49) | 7 | 8 | 8 | 10 | .. |
| Maternal mortality ratio (modeled estimate, per 100,000 live births) | 1,000 | 860 | 710 | 600 | 550 |
| Pregnant women receiving prenatal care (%) | 47 | 57 | 70 | *75* | 74 |
| Unmet need for contraception (% of married women ages 15-49) | 28 | 30 | 28 | .. | 26 |
| **Goal 6: Combat HIV/AIDS, malaria, and other diseases** | **5 target = begin to reverse AIDS and other major dise** | | | | |
| Children with fever receiving antimalarial drugs (% of children under age 5 with fever) | .. | .. | 32 | 32 | 23 |
| Condom use, female (% of females ages 15-24) | 3 | 3 | 4 | .. | 4 |
| Condom use, male (% of males ages 15-24) | 26 | 26 | 29 | .. | 27 |
| Incidence of tuberculosis (per 100,000 people) | 80 | 77 | 69 | 63 | 60 |
| Prevalence of HIV, total (% of population ages 15-49) | 1 | 2 | 1 | 1 | 1 |
| Tuberculosis case detection rate (%, all forms) | 43 | 53 | 57 | 60 | 63 |
| **Goal 7: Ensure environmental sustainability** | | | | | |
| CO2 emissions (kg per PPP $ of GDP) | 0 | 0 | 0 | 0 | .. |
| CO2 emissions (metric tons per capita) | 0 | 0 | 0 | 0 | .. |
| Forest area (% of land area) | 11 | 11 | 11 | 10 | 10 |
| Improved sanitation facilities (% of population with access) | 17 | 18 | 20 | 21 | 22 |
| Improved water source (% of population with access) | 37 | 46 | 55 | 64 | 67 |
| **Goal 8: Develop a global partnership for development** | | | | | |
| Debt service (PPG and IMF only, % of exports of goods, services and primary income) | 16 | 13 | 4 | 4 | 5 |
| Internet users (per 100 people) | 0 | 0 | 1 | 2 | 2 |
| Mobile cellular subscriptions (per 100 people) | 0 | 0 | 6 | 53 | 129 |
| Telephone lines (per 100 people) | 0 | 0 | 1 | 1 | 1 |
| Fertility rate, total (births per woman) | 0 | 0 | 0 | 0 | 0 |
| **Other** | | | | | |
| GNI per capita, Atlas method (current US$) | 260 | 250 | 440 | 660 | 670 |
| GNI, Atlas method (current US$) (billions) | 2 | 3 | 5 | 9 | 10 |
| Gross capital formation (% of GDP) | 23 | 25 | 23 | 21 | 16 |
| Life expectancy at birth, total (years) | 48 | 49 | 52 | 54 | 55 |
| Literacy rate, adult total (% of people ages 15 and above) | .. | .. | 26 | 31 | .. |
| Population, total (billions) | 9.0 | 10.3 | 11.9 | 14.4 | 14.9 |
| Trade (% of GDP) | 57 | 66 | 63 | 66 | 69 |

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

# Annex I. External Stability Assessment

*Since the events of 2011–13, Mali's balance of payments has been dominated by flows relating to external security assistance, although underlying export performance has been weak due to declines in the world gold price and led Mali to run a large current account deficit. But sharp declines in the world oil price during 2014, together with high levels of aid, are expected to lead to a near term, albeit temporary, improvement in the balance in 2015. At present, the real exchange rate appears to be broadly in line with Mali's fundamentals. But medium term improvements in structural competitiveness are essential to enable Mali to diversify its exports away from gold and maintain external stability. Qualitative competitiveness indicators point to significant structural bottlenecks, a challenging business environment and weak governance, indicating there is much progress that can be made.*

## A. External Sector Developments

1. **Mali is a low income country with a significant current account deficit that over the last decade averaged over 7 percent of GDP (Text Table 1A).** The deficit has been mainly financed by inflows of foreign aid and foreign direct investment (the latter mainly in the gold and telecommunications sectors).

2. **From 2013, the balance of payments has been dominated by flows relating to external security and recovery assistance (Figure 1A).** Following the instability in Mali's political and security situation in 2011–13 and international military intervention in the North in 2013, foreign aid increased to help strengthen security capacity and the reconstruction effort.[1] These flows were reflected in the current account as imports of military services (and some food and machinery imports), financed by grants. In addition, the international community committed at the Brussels Conference in May 2013 to resume aid to Mali to help the country recover from the crisis. They announced disbursements of US$4 billion over 2013 and 2014, and of that nearly 90 percent was disbursed.

**Text Table 1A. Mali: Balance of Payments Selected Items**

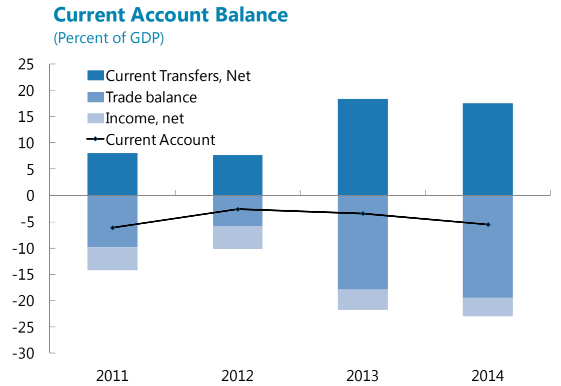
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Current account balance** | **-9.6** | **-10.2** | **-2.5** | **-6.6** | **-7.5** | **-8.1** | **-3.7** | **-6.3** | **-15.2** | **-12.3** | **-12.6** | **-6.1** | **-2.6** | **-3.4** | **-5.5** |
| Current account balance (ex official grants and remittances) | -15.8 | -16.5 | -9.6 | -13.6 | -13.2 | -14.1 | -11.1 | -14.6 | -20.4 | -17.7 | -21.4 | -14.2 | -10.2 | -21.8 | -23.0 |
| Official grants | 2.4 | 2.2 | 1.4 | 2.7 | 2.0 | 2.1 | 2.7 | 1.8 | 1.2 | 1.9 | 2.1 | 1.6 | 0.5 | 11.4 | 10.8 |
| Private remittances | 3.8 | 4.2 | 5.8 | 4.3 | 3.7 | 3.9 | 4.7 | 6.4 | 4.0 | 3.5 | 6.7 | 6.4 | 7.1 | 6.9 | 6.6 |
| **Capital and financial account** | **11.2** | **9.7** | **8.1** | **12.5** | **5.9** | **10.8** | **3.3** | **7.4** | **11.7** | **8.1** | **10.1** | **6.6** | **2.8** | **3.5** | **5.4** |
| FDI | 3.0 | 3.4 | 2.2 | 3.1 | 1.8 | 2.7 | 1.2 | 2.3 | 2.1 | 8.4 | 1.9 | 5.2 | 3.7 | 2.7 | 1.6 |
| Official loans | 5.8 | 5.5 | 7.1 | 6.9 | 5.5 | 6.2 | -23.9 | 6.7 | 5.4 | 9.3 | 7.4 | 5.4 | 0.4 | 3.0 | 2.6 |
| Other | 2.5 | 0.8 | -1.2 | 2.5 | -1.4 | 1.9 | 26.0 | -1.6 | 4.2 | -9.5 | 0.9 | -3.9 | -1.2 | -2.3 | 1.2 |
| **Change in reserves** | **-1.6** | **0.6** | **-5.6** | **-5.9** | **2.5** | **-2.8** | **-1.9** | **0.0** | **0.6** | **-7.5** | **-0.9** | **-0.3** | **0.8** | **1.1** | **2.7** |

Source: BCEAO and IMF staff calculations

[1] Major providers of security assistance included the UN (through its MINUSMA mission), France (*Opération Serval* and *Opération Barkhane*) and the EU. Donors who have supported Mali to recover from the security and political crisis include 18 countries and 11 international institutions.

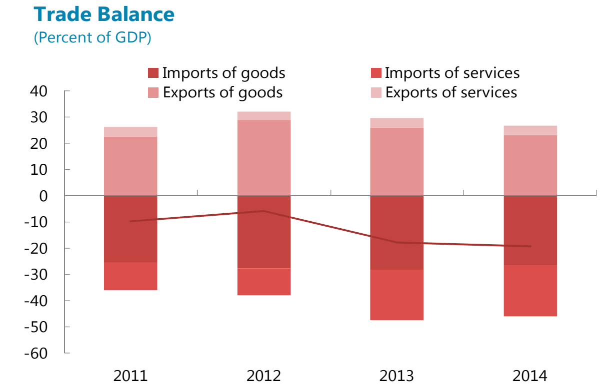
## Figure 1A. Mali: External Sector Developments

*From 2013, the current account has been dominated by post conflict- related flows, with large imports of security services financed by grants…*



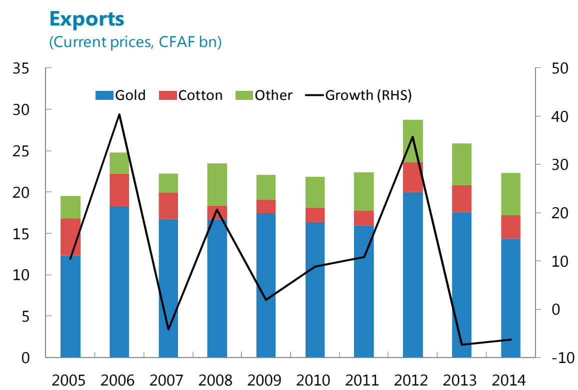

Sources: Malian authorities

*…. while the underlying current account has deteriorated modestly due to weak export performance…*



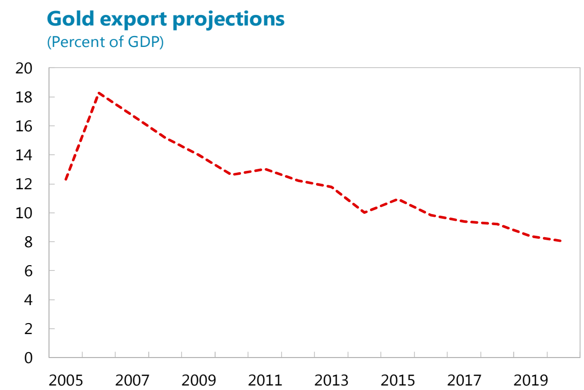

Sources: Malian Authorities

*…, which mainly reflected declines in gold exports ….*



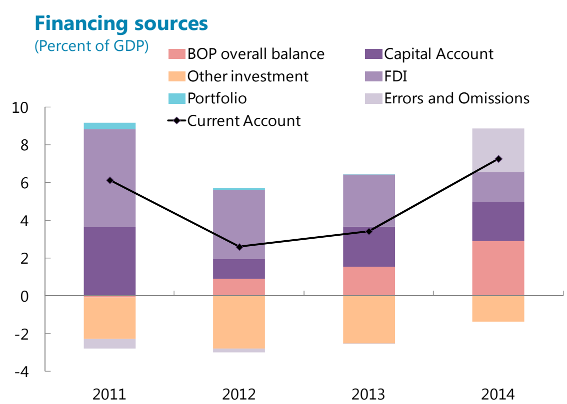

Sources: Malian authorities

*…. gold exports are projected to continue to decline secularly in the medium term, as reserves dwindle.*



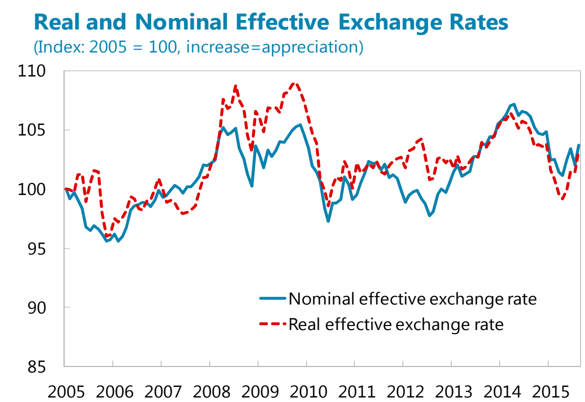

Sources: Malian authorities and IMF staff calculations

*The current account deficit has been mostly financed by project grants and FDI.*




Sources: Malian authorities

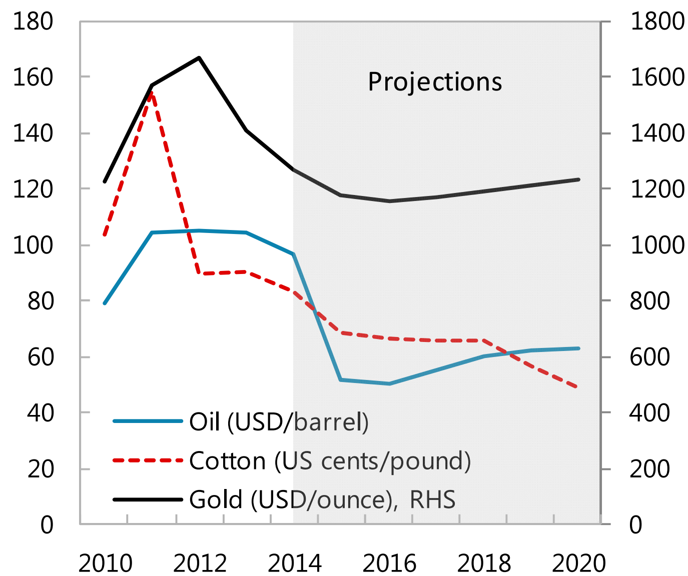
*The real and nominal exchange rates both depreciated during 2014.*




Sources: IMF INS Data

**3. Mali's recent export performance has been weak mainly due to declines in world gold and cotton prices (Figure 2A).** Gold exports represent around two thirds of Mali's total exports and hence tend to drive overall export growth. Although the volume of gold exports remained flat at around 50,000 tonnes between 2012 and 2014, a 20 percent fall in the unit price led to a concomitant fall in the value of gold exports over this period. Cotton is Mali's other main export good (13 percent of total exports in 2014). Cotton prices also declined sharply over the past three years, with a negative impact on the value of exports.

**Figure 2A. World Commodity Prices**




Source: IMF

**4. Given the finite nature of the gold reserves, Mali's future export performance will depend crucially on export diversification.** Notwithstanding new, productively viable, discoveries of reserves, Mali's gold production is assessed to have peaked around 2002 and is projected to decline secularly in the medium term. Alongside gold and cotton, other main exports include livestock, mangoes and nuts.

**5. The level of diversification of Mali's exports is low, both in terms of number of products and partners.** (See the Selected Issues paper, Chapter I, on "*Growth, Structural Transformation, and Diversification in Mali*"). Exporting new products, increasing the share of currently minor export markets, and exporting to new markets should therefore be key policy priorities to enhance competiveness and medium-term external stability.

**6. The Real Effective Exchange Rate (REER) depreciated sharply over 2014 and is now around its 10 year average level.** REER movements in Mali tend to be caused primarily by changes in the nominal effective exchange rate (NEER); the inflation differential with trading partners is small and therefore has little impact on the REER. Since Mali is a member of a common currency area whose currency is tied to the Euro, the significant depreciation of the euro against the US dollar during 2014 led to a depreciation of Mali's real effective exchange rate by over 6 percent (Figure 1). This unwound the gradual appreciation during 2012–14, such that Mali's real effective exchange rate is now broadly around its 10 year average level.

**7. The sharp decline in oil prices over 2014–15 will provide a modest boost to the current account in the near term.** Oil prices fell by 43 percent during the course of 2014 from US$105 per barrel to US$61 per barrel. At end-September 2015, prices were still below the US$50 mark after further declines this year. Mali is an importer of oil and the bulk of the impact of lower prices on the current account is expected to be felt in 2015, when oil imports are expected to fall by about 30 percent, equivalent to 2 percent of GDP.

## B. Structural Competitiveness

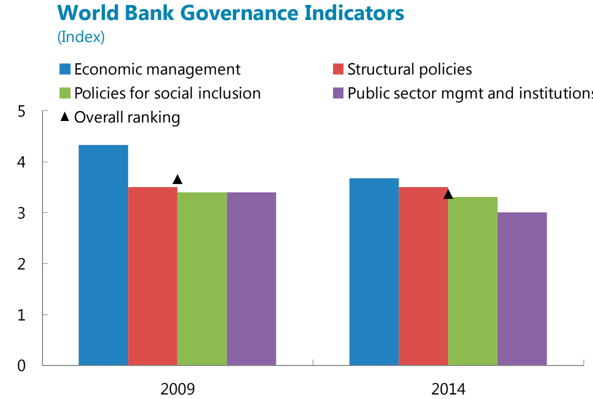
**8. The challenging business environment is a major impediment to improving the performance of non-gold exports.** While the macroeconomic environment is deemed favorable, Mali's overall structural competitiveness is ranked low by several survey indicators. Mali's business environment is notably hampered by inadequate investor protection, low financial market development, insufficient access to electricity, difficulties in paying taxes, and low health and education standards. At the current juncture, the business evironment is also likely to have been negatively impacted by the security situation.

**9. There has also been a deterioration in survey measures of competitiveness over the past few years (Figure 3A).** Although Mali has taken steps to improve its business environment, a number of qualitative indicators suggest that Mali's competitiveness has deteriorated in recent years. In the World Bank's Doing Business report, Mali ranks 146 out of 189 countries in 2015, a fall of three places since the last survey in 2014. Its lowest rankings relate to starting a business: (169) and trading across borders: (163). The World Economic Forum's Global Competitiveness Index ranks Mali 128 out of 144 countries in 2014–15, a rise of 3 places since 2013–14 but still far below its ranking of 115 in 2007-08.

**10. Mali also ranks low on governance measures.** Mali's government effectiveness, as measured by the World Bank's Country Policy and Institutional Assessment (CPIA) indicators, has declined over the last few years but its overall score of 3.4 remains about average for SSA. The largest deterioration in performance since 2009 has been in the economic management and public management and institutions categories, the latter of which includes corruption. On the other hand; however, Transparency International ranks Mali 115 out of 185 countries in its 2014 Corruption Perception Index, an improved score relative to 2013 (128).

## Figure 3A. Mali: Competitiveness Indicators


Sources: World Economic Forum




Source: World Bank CPIA, 2014

### World Bank Doing Business Indicator

| Topics | DB 2015 Rank | DB 2014 Rank | Change in Rank |
|---|---|---|---|
| Starting a Business | 169 | 159 | -10 |
| Trading Across Borders | 163 | 161 | -2 |
| Protecting Minority Investors | 146 | 153 | 7 |
| Paying Taxes | 145 | 145 | No change |
| Registering Property | 133 | 127 | -6 |
| Getting Electricity | 132 | 130 | -2 |
| Getting Credit | 131 | 125 | -6 |
| Enforcing Contracts | 128 | 128 | No change |
| Resolving Insolvency | 108 | 103 | -5 |
| Dealing with Construction | 97 | 106 | 9 |
| **Overall** | **146** | **143** | **-3** |

Source: World Bank

## C. Exchange Rate Assessment

*An empirical analysis suggests that Mali's current account deficit and REER are broadly in line with economic fundamentals. For that, three methodologies were applied from the IMF's new EBA-lite toolkit: the current account approach, the real effective exchange rate approach and the external stability approach (Figure 4A).*

### Background: new EBA-lite toolkit

11. **The IMF has updated its exchange rate assessment methodology for low income countries.** In 2015, the previous CGER-based toolkit was replaced by the the External Balance

Assessment Lite (EBA-Lite) toolkit.[2] EBA-lite builds on the CGER-based approach in three main regards. First, the analysis concentrates on present day fundamentals, rather than a medium term perspective, by controlling for cyclical factors. Second, it differentiates between factors under the control of the authorities ('policy' variables) and structural factors. Third, it has wider country coverage and a better model fit (although it has larger confidence intervals).

**The Current Account Approach**

**12. The current account approach compares Mali's actual balance with that of a model-predicted result, based on the fundamental determinants of saving-investment decisions in the economy and the policy stance.** If the actual and model predicted values are close, this suggests the current account is largely consistent with fundamentals and desired policies. If they are far apart, this may be evidence of imbalances in the external accounts, implying the need for a real exchange rate adjustment.

**13. The EBA-Lite methodology suggests a small undervaluation of Mali's REER in 2015.** The model uses the 2015 projected value of economic fundamentals to generate a norm of the current account deficit-to-GDP ratio based on coefficient estimates obtained using a panel regression on a dataset that includes 190 countries over the 1995–2012 period. Mali's current account norm is estimated as a deficit of 7.0 percent, which is larger than the *projected underlying* current account deficit in 2015 of 3.3 percent.[3] Using a trade elasticity of -0.2, a real appreciation of about 16 percent would be necessary to allow the underlying current account deficit to approach the level of the norm.[4] The decomposition of this estimate suggests that the norm of a large deficit is being driven mainly by Mali's high dependence on aid and remittances (Figure 4).

[2] The EBA-lite model uses a similar framework to the External Balance Assessment, but for a wider sample of countries. See External Balance Assessment (EBA): Technical Background of the Pilot Methodology for more details on the original model.

[3] The projected *actual* current account balance for 2015 was adjusted for one-off delayed budgetary transfers from 2014 (equivalent to 0.5 percent of GDP).

[4] CA elasticity=Export elasticity*Share of exports in GDP-((Import elasticity-1)*Share of Imports in GDP). The calculation of the trade elasticity of -0.24 for Mali used in this exchange rate assessment is based on the simple average of two separate estimates of import and export elasticities taken from Tokarick (2010) and Isard and Hamid (2010).

## Figure 4A. Mali: Real Exchange Rate Assessment, 2015

**Real Effective Exchange Rate Assessment, 2015**

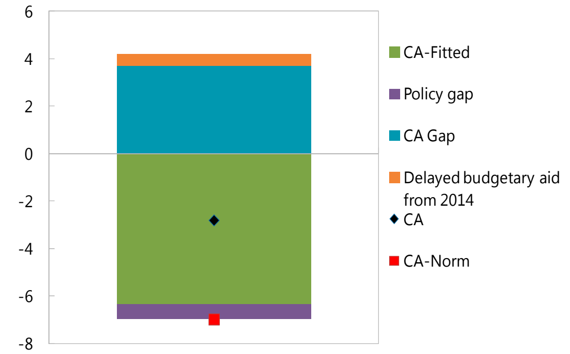
| | Current Account/GDP | | REER[1] |
|---|---|---|---|
| | Norm | Actual[2] | |
| **EBA-lite** | | | |
| Current account approach | -7.0 | -3.3 | -15.7 |
| Equilibrium real exchange rate | ... | ... | -8.3 |
| External sustainability | -4.8 | -3.3 | -6.5 |

[1]Negative values indicate percent undervaluation

[2] Including grants. 2015 predicted level, adjusted for one-off delayed budgetary transfers from 2014.

**Current Account Balance Decomposition, 2015**

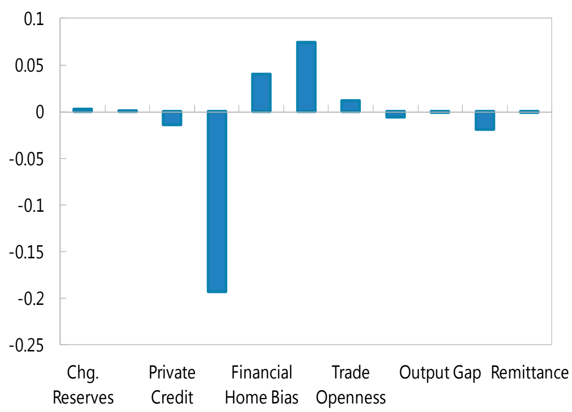
(EBA-lite Current Account Approach, in percent of GDP)




Sources: IMF staff calculations

**Contributions to REER fitted values, 2015**

(EBA-lite REER approach)




Sources: IMF staff calculations

**Debt Stabilizing Current Account**
**(EBA-lite External Sustainability Approach)**

| | |
|---|---|
| Benchmark NFA/GDP (2014 level) | -32% |
| Nominal GDP growth rate | 7.7% |
| Average capital transfers | 2.5% |
| NFA-stabilizing current account | -4.8% |
| Current account (2015) adjusted for one-off grants | -3.3% |
| Current account gap | 1.5% |
| Required exchange rate adjustment | 6.2% |
| *Alternative scenario: Current account at historic average* | |
| Current account (historic average) | -7.1% |
| Current account gap | -2.3% |
| Required exchange rate adjustment | -9.7% |

Sources: IMF staff calculations

### The External Sustainability Approach

**14. The external sustainability approach compares a country's current account balance with its net foreign asset (NFA) position.** It determines what level of the CA balance would stabilize the NFA position at its current level. The approach uses the following equation:

$$ca_i^n = \frac{g_i}{(1+g_i)} nfa_i^n \qquad (1)$$

where $\boldsymbol{ca_i^n}$ denotes a country's steady state equilibrium ratio of the current account balance to GDP (adjusted for not debt-creating flows such as capital transfers), $\boldsymbol{nfa_i^n}$ denotes the steady state equilibrium NFA-to-GDP ratio, and $\boldsymbol{g_i}$ denotes the steady state growth rate of nominal output. Figure 4 summarizes the assumptions for Mali.

**15. The approach concludes that to maintain NFA at its current level, the current account deficit must remain above historic averages.** The NFA ratio in 2015 is projected to be -32 percent of GDP, thus a net debt position. To prevent this indebtedness from growing, the current account deficit should not be larger than around -4.8 percent of GDP (Figure 4). The results differ depending on the assumption about the steady state level of the current account. If the 2015 underlying level of -3.3 percent of GDP is used, closing the gap with the NFA-stabilising current account would require a modest real *appreciation* of 6 percent. If, on the other hand, the underlying level of the current account is assumed to be the same as the historic average (7.1 percent of GDP), closing the relatively large gap with the NFA-stabilizing level would require a REER *depreciation* of 10 percent.

**16. In terms of international reserves, Mali can help strengthen the region's position.** WAEMU's (and Mali's) reserves declined steadily during 2011–13, and despite their partial recovery in 2014, reserve coverage in the region is below optimal levels estimated by staff in the context of the WAEMU regional consultation.[5] By adhering to its fiscal consolidation plans, Mali can contribute to increasing WAEMU's international reserves.

### The Real Effective Exchange Rate Approach

**17. In contrast to the previous two methods, the real effective exchange rate (REER) approach focuses directly on the exchange rate as the dependant variable.** It is a reduced form model (based on the REER regression from the EBA-lite toolkit) and estimates a fitted value for the real effective exchange rate as a function of a set economic variables that cause persistent deviations from long-run purchasing power parity, such as terms of trade, productivity, government consumption, aid, and remittances among others. A norm for the REER is then calculated based on these fitted values and adjusted for deviations of a countries' policies from desired levels (such as level of reserves, fiscal stance, capital account openness and the real interest rate).

**18. The baseline REER model suggests a small currency undervaluation of around 8 percent.** This result is driven entirely by terms of trade. In other words, according to the model, given Mali's currently favourable terms of trade, its real exchange rate should be slightly stronger.

## D. Conclusion

**19. The three empirical approaches suggest a modest undervaluation of Mali's real exchange rate in 2015.** Both the current account approach and the external sustainability approach suggest Mali's current account 'norm' is lower than the underlying 2015 balance of -3.3 percent, indicating a modest real exchange rate undervaluation. Similarly, the real effective exchange rate approach suggests Mali's current level of the REER is slightly undervalued relative to its 'norm' in 2015.

[5] See IMF Country Report No. 15/100. *West African Economic and Monetary Union—Staff Report for Common Policies of Member Countries* (March 2015), Box 1.

**20. But the 2015 level of Mali's current account is boosted by the impact of lower oil prices and is significantly higher than its historic average.** The long run average of Mali's current account is around -7 percent, which is also in line with the projected level for the medium term current account deficit in staff's debt sustainability analysis. Over time, the current account is likely to deteriorate gradually as the impact from lower oil prices on import volumes wanes due to substiution and income effects and gold export volumes decline. If the norm for the current account balance from the current account approach were compared to an underlying value of -7 percent, the approach would suggest the real effective exchange rate is at equilibrium. Similarly if -7 percent were also used as the steady state level of the current account in the external sustainability approach, the real exchange rate would be assessed as slightly *overvalued*.

**21. Given the uncertainties in determining Mali's underlying current account balance, together with the small magnitude of estimated real exchange rate misalignments, staff's best assessment is that Mali's real exchange rate Mali's real exchange rate appears to be broadly in line with fundamentals.** The latest External Stability Assessment for the West African Economic and Monetary Union (WAEMU) REER came to a similar conclusion.[6]

**22. Maintenance of external stability in the medium-term, however, will depend on successful diversification into other exports as gold production declines.** This, in turn, requires improvements in Mali's competitiveness. Competitiveness indicators suggest there is great scope for improving non-price or structural competitiveness. The Malian economy faces serious structural bottlenecks, such as energy, infrastructure and human resources. While governance indicators suggest more progress is needed on increasing transparency and reducing corruption. The business environment can be improved by enhancing access to finance, protecting investors, widening the tax net and helping tax payers to comply, and raising health and education levels.

[6] See the staff report for the WAEMU 2015 Article IV Consultation for more details.

# References

Isard, P. and H. Faruqee, (1998), "Exchange Rate Assessment: Extension of the Macroeconomic Balance Approach", *IMF Occasional Paper,* No. 167.

Stephen Tokarick , S. (2010), A Method for Calculating Export Supply and Import Demand Elasticities, *IMF Working Paper,* No. 10/180.

# Appendix I. Letter of Intent

Bamako, November 9, 2015

Madame Christine Lagarde
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431
U.S.A.

Dear Madame Managing Director:

1. On December 18, 2013, the Executive Board of the International Monetary Fund (IMF) approved a three-year arrangement under the Extended Credit Facility (ECF) for Mali in an amount equivalent to SDR 30 million. The arrangement aims at supporting the government's policies to maintain macroeconomic stability and revive growth in 2014–16, with broad-based support from technical and financial partners for the country's renewal following the 2012 security and political crisis.

2. The attached Memorandum of Economic and Financial Policies (MEFP) discusses recent developments in Mali's economy and progress made in implementing our policies in 2015. As explained in the MEFP, all performance criteria and indicative targets at June 30 were met as well as all continuous performance criteria. Four out of five of the measures subject to structural benchmarks were implemented. In light of the budget execution during the first six months of the year and since then, the objectives of our budgetary programming for end-2015 approved at the time of the third review under the ECF arrangement are within our grasp. As a result, the government requests completion of the fourth review under the ECF arrangement and the disbursement of the fifth tranche of SDR 4 million. Although negotiations with creditors for non-concessional loans in the electricity sector are taking longer than envisaged, the government has decided to keep the non-concessional borrowing ceiling of CFAF 250 billion (USD 425 million) approved at the time of the third review for 2015 and to carry forward this ceiling to 2016. The government also requests modification of the performance criterion on non-concessional external borrowing in light of the new policy on debt limits that became effective in June 2015.

3. The MEFP also sets out the economic and financial policies for the rest of 2015. Pending the outcome of the Paris conference of October 22, 2015, where the government presented its strategy for implementing the Accord for Peace and Reconciliation in Mali (APRM), the government presented its 2016 draft budget to the National Assembly to implement its program of economic and financial policies for 2016. With oil taxation remaining at the level recorded during the first

quarter and measures taken to implement results-based management in tax revenue collection agencies, net tax revenue is set to rise by 1.5 percent of GDP in 2015 and 0.8 percent of GDP in 2016. With these revenue increases and the external aid expected, it will be possible to increase public spending on our strategies for promoting growth and reducing poverty and on the implementation of the APRM, while at the same time reducing the budget deficit (cash basis) from 4.3 percent of GDP in 2015 to 3.8 percent of GDP in 2016. In light of the outcome of the Paris conference, the government will prepare, if needed, at the time of the fifth review under the ECF arrangement, a draft supplementary budget during the first half of 2016 to take into account the new expenditure with a view to implementing the specific strategy for development of the Northern regions.

4. This MEFP also outlines the other economic and financial policies that the Malian government undertakes to implement this year in order to maintain macroeconomic stability, consolidate the economic recovery, step up the implementation of reforms with a view to improving public financial management, and facilitate private-sector development.

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

6. The government will continue to provide IMF staff with any relevant information referred to in the Technical Memorandum of Understanding (TMU) concerning progress made under the program.

7. The government intends to make public the content of the IMF staff report, including this letter, the MEFP and the TMU attached, and the informational annex. It therefore authorizes the IMF to publish these documents on its website once the IMF Executive Board approves the fourth review of the three-year arrangement under the ECF.

Very truly yours,

/ s /

Mamadou Igor Diarra
Minister of Economy and Finance

Attachments:

I. Memorandum of Economic and Financial Policies
II. Technical Memorandum of Understanding

# Attachment I. Memorandum on Economic and Financial Policies

1. This memorandum on economic and financial policies (MEFP) presents recent developments and performance with respect to Mali's program of economic and financial policies implemented in connection with the three-year arrangement under the Extended Credit Facility (ECF).[1]

## ECONOMIC DEVELOPMENTS IN 2015 AND PERFORMANCE WITH RESPECT TO ECF-SUPPORTED POLICIES

### A. Economic Developments in 2015

2. Real growth is projected at 4.9 percent compared to 5.0 percent expected under the program, and after an already strong 7.2 percent in 2014. This change reflects a return to normal after the recovery of growth observed in the primary and secondary sectors in 2014. With good rainfall and the provision of agricultural inputs at the start of the growing season, agricultural production is expected to surpass the exceptional level seen in 2014 by roughly 4 percent. In the secondary sector, production is expected to increase by 2.4 percent. Tertiary sector production is expected to expand by 6.9 percent, driven by increased activity in the telecommunications and non-market services sectors. Consumer price inflation is forecast at 2.4 percent, compared to 0.9 percent in 2014.

3. The current account deficit (including grants) is expected to narrow to 2.8 percent of GDP compared to 5.5 percent under the program and 5.5 percent in 2014. The deficit is expected to narrow following the sharp decline in petroleum prices since mid-2014. The current account deficit is expected to be financed entirely by net capital inflows, mainly in the form of foreign aid and foreign direct investment. As a result, the overall balance of payments should post a surplus of CFAF 8.2 billion (US$14 million), contributing to the accumulation of international reserves by the same amount at the Central Bank of West African States (BCEAO).

4. The money supply is expected to grow by 13.6 percent, driven by credit to the economy and to the government.

5. In the banking sector, the risk-weighted capital ratio increased from 12.7 percent in December 2014 to 14.7 percent in March 2015. Aided by the government's efforts to repay arrears to its suppliers, the stock of past-due credits decreased from 18.9 percent of total credits (7.6 percent after provisions) in June 2014 to 16.3 percent (6.0 percent after provisions) in June 2015. The financial stability of the micro-finance sector improved slightly: the share of nonperforming loans declined from 8.8 percent in 2014 to 8.2 percent at end-June 2015.

[1] IMF Country Report No. 15/151. Mali: Third Review under the Extended Credit Facility Arrangement – Staff Report.

6. Tax revenue recovered during the first half of 2015, returning to program levels despite the underperformance seen in 2014.[2] Net tax revenue totaled CFAF 569 billion, an increase of 22 percent compared to June 2014. The increase reflects the intention to maintain petroleum taxation at the high level observed since the start of the year (¶ 23) and efforts to implement results-based management at the revenue-collecting agencies. Expenditures were substantially below the programmed level (by 37 percent) due to the low execution rate of capital expenditures. As a result, the basic deficit[3] and overall deficit were below programmed levels. The government took particular care to ensure that expenditures authorized at end-2014 for which payment was deferred to 2015—an unusually high total of CFAF 140 billion—were paid in full during the first half of the year, and that expenditures authorized in 2015 were timely paid. As a result, at end-June 2015, expenditures pending payment totaled CFAF 8.4 billion. With these efforts, the government intends to prevent any accumulation of arrears and support businesses' cash flows, thereby helping reduce banks' stock of nonperforming loans.

7. The overall fiscal deficit (cash basis, grants included) is programmed at 4.3 percent of GDP in 2015, compared to 5 percent of GDP programmed in 2015 and 2.8 percent observed in 2014. Gross tax revenue is unchanged with respect to the objectives set for in the 2015 supplementary budget (*Loi de finances rectificative*) approved by the National Assembly in June. Projected revenue and grants totaled CFAF 1407 billion (21.7 percent of GDP), below the programmed level (23.6 percent), following the downward adjustment of general budget assistance, in light of the status of negotiations with non-traditional partners, and to project capital expenditures financed from external resources, in light of the execution rates observed during the first half of the year (¶ 6). The government undertakes to under-execute domestically financed expenditures relative to the amounts provided in the 2015 supplementary budget by an amount equal to CFAF 42.6 billion (0.7 percent of GDP) to offset the CFAF 38 billion downward adjustment of general budget assistance and the upward adjustment of VAT credits to be refunded to mining companies. Accordingly, the projected basic deficit (CFAF 48.5 billion, or 0.7 percent of GDP) remains unchanged with respect to the supplementary budget. Despite the concentration of expenditure in the third quarter, the government undertakes to ensure strict adherence to fiscal rules in the execution of the budget.

## B. Performance with Respect to ECF-Supported Policies

8. All of the performance criteria and indicative targets at end-June 2015 were met (Table 1):

- The ceiling on net domestic financing of the government by banks and the financial market was met. Considering the adjustors provided in the Technical Memorandum of Understanding (TMU),[4] net domestic financing of the government by banks and the financial

[2] See IMF Country Report No. 15/151, ¶ 4.

[3] The basic budget balance is the difference between total revenue and expenditures under the authorities' direct control; in other words, revenue (including resources from the Heavily Indebted Poor Countries Initiative) plus grants used for general budget support less current expenditure and domestically financed capital expenditure.

[4] See IMF Country Report No. 15/151, page 68, ¶¶ 7–9.

market was exceeded by CFAF 177 billion (US$300 million or 2.7 percent of GDP) due to early payment of the float of outstanding invoices combined with under-execution of expenditure during the first half of the year (¶ 6).

- The zero ceiling on the cumulative increase in external payment arrears was met.
- The ceiling of CFAF 250 billion (US$424 million) on new external loans contracted or guaranteed by the government on non-concessional terms was met. The government did not contract or guarantee any non-concessional external loans.
- The floor on gross tax revenue was met. Gross tax revenue totaled CFAF 568 billion (US$964 million), exceeding the program total by CFAF 4 billion.
- The floor on the basic fiscal balance was met. Considering the adjustors provided in the TMU,[5] the floor was exceeded by CFAF 30 billion (US$61 million or 0.5 percent of GDP), largely due to the shortfall in customs receipts and delays in disbursing general budgetary assistance grants (¶ 6).
- The floor on priority poverty-related spending, i.e., domestically financed spending on education (basic, secondary, and tertiary), scientific research, health, and social development sectors (excluding transfers to the *Malian Social Security Fund* (CMSS)) was met. The floor was exceeded by roughly CFAF 30 billion (US$50 million or 0.5 percent of GDP).

9. Four out of the five measures defined as structural benchmarks were implemented; a one-year delay is proposed for the implementation of one measure (Table 2):

- The public sector oversight agency (Inspector General of the Public Sector, CGSP) conducted a compliance audit of contracts covered by the "defense secret" or "essential government interests" exemptions pursuant to Decree 2014-764/P-RM of October 9, 2014 establishing procedures applicable to procurements of goods, services, and works exempt from the public contracts code (¶ 36).
- The National Petroleum Products Office prepared a strategy to gradually eliminate the revenue losses identified in the petroleum products pricing structure (¶ 22).
- The Customs Administration (DGD) did not prepare an analysis of monthly reconciliation reports comparing taxes paid and outstanding per import declaration during the first half of 2015, because its contract with the inspection company does not provide for the production of monthly reconciliation reports. The government undertakes to amend the contract to obtain monthly reconciliation reports per declaration as from January 1, 2016. The DGD will prepare an analysis of monthly reconciliation reports comparing taxes paid and outstanding per import declaration during the first half of 2016 by August 31, 2016 (new proposed benchmark, Table 4).

[5] See IMF Country Report No. 15/151, page 67, ¶¶ 22–23.

- The Tax Administration (DGI) prepared a report comparing importer turnover declared to the DGI and the amounts declared to the DGD during 2012 through 2014
- The Directorate General of Public Debt (DGDP) prepared a detailed chart of the loan agreements supporting the execution of the 2015 supplementary budget and the 2016 draft budget with assistance from the IMF mission. The chart indicates the amount disbursed and the financial terms of each agreement, and will be annexed to the draft budget.

## ECONOMIC AND FINANCIAL POLICIES FOR 2016

10. The 2012–17 Growth and Poverty Reduction Strategy Paper (GPRSP) adopted in December 2011; the 2013–18 Government Action Program (PAG) adopted in April 2013; and the Agreement for Peace and Reconciliation in Mali (APRM) signed in Bamako on May 15, 2015 and completed on June 20, 2015 serve as reference for the 2016-18 economic and financial policies:

- The objective of the GPRSP is to promote strong, sustained growth to significantly reduce poverty and provide a better standard of living for all Malians.[6] The GPRSP is based on five pillars: (i) strengthening peace and security; (ii) increasing macroeconomic stability; (iii) 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 PAG, prepared through a process involving all the ministries, focuses on six areas: establishing strong, credible institutions; restoring the security of persons and property throughout the national territory; implementing a proactive national reconciliation policy; rebuilding Malian schools; building an emerging economy; and implementing a proactive social development policy.
- The APRM provides for the creation of a Northern Regions Development Zone and the development of a specific development strategy to bring the northern regions' development indicators to the same levels as those of Mali's other regions. The government will prepare the strategy based on the needs assessment for the northern regions conducted jointly by the World Bank, the African Development Bank, and the Islamic Development Bank. A donor conference was held on October 22, 2015 in Paris to establish the Sustainable Development Fund, which will be the financial instrument for the development strategy.

11. Despite an uncertain international environment, Mali's economic outlook appears favorable in light of the signature of the APRM, the gradual restoration of security, and the support of Mali's technical and financial partners (TFP) following the Paris conference. The government's efforts, particularly in the agricultural sector, and the re-engagement of TFPs should lead to increased GDP growth in real terms at 5.4 percent in 2016, 5.1 percent in 2017, and 5.5 percent in 2018 through the effects on the construction and services sectors. The current account deficit (including grants) is

[6] IMF Country Report No. 13/111. *Mali: Poverty Reduction Strategy Paper*.

expected to widen to 3.9 percent of GDP in 2016, in view of the continued economic recovery, and to be financed entirely by foreign direct investment in the gold and telecommunications sectors and by external assistance in the form of loans. The overall balance of payments is expected to be close to equilibrium during 2016-18. The implementation of prudent monetary and fiscal policies is expected to maintain inflation in line with the community convergence criterion of 3 percent per year, assuming sufficient rainfall.

12. The government intends to continue implementing its program to: (i) support growth through a prudent fiscal policy while giving preference to priority poverty-related spending; (ii) improve public financial management from the revenue as well as the expenditure side; and (iii) modernize the business environment to encourage private sector development and improve competitiveness.

## A. Promote Growth through Prudent Fiscal Policy Aligned with the Priorities of the Growth and Poverty Reduction Strategy

13. The government intends to continue implementing sustainable fiscal policies in accordance with its commitments as a WAEMU member country. In particular, the government will adopt and implement a fiscal policy aimed at maintaining the basic fiscal balance close to equilibrium. Moreover, the government will maintain the overall fiscal balance (including project grants, sector budget 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 International Monetary Fund (IMF) and World Bank staff (¶51), and with the community convergence criteria of 3 percent of GDP to be met in 2018.

14. The execution of budget expenditures will reflect the priorities of the GPRSP, the Accelerated Development Program for the Northern Regions (PDARN), and the PAG (¶10). As proof of its determination to implement those priorities, the government undertakes to maintain spending in social sectors above a floor (proposed indicative target, Tables 1 and 3).

15. In the context of these commitments, the government proposes the following budget framing in 2016 for its ECF-supported program[7]:

- A total of CFAF 1566 billion, or 22.4 percent of GDP, is provided for revenue and grants, of which CFAF 1222 billion in net tax revenue, or 17.5 percent of GDP, compared to CFAF 1064 billion, or 16.4 percent of GDP, under the 2015 revised program (¶ 7). The framing also provides for sufficient resources to refund VAT credits (¶ 26).

[7] The budget framing is identical to the framing used as the basis for the 2016 draft budget submitted to the National Assembly, with one exception: the expenditures financed by grants and project loans are included at 75 percent of the amounts provided in the draft budget in light of the historical execution rates for these expenditures.

- The proposed total expenditure and net loans is CFAF 1786 billion, or 25.5 percent of GDP, compared to CFAF 1568 billion, or 24.2 percent of GDP, in the 2015 revised program, of which CFAF 1533 billion, or 22.1 percent of GDP, from domestic resources, compared to CFAF 1359 billion, and 21.0 percent of GDP, in the 2015 revised program. The composition of expenditure is aligned with the GPRSP objectives, with 25 percent allocated to strengthening the education, health, and social sectors; 25 percent to the development of agriculture, water supply and distribution systems, public works, and urban development; 27 percent for defense and public administration; and 8 percent to development of the North of the country.[8] A provision of CFAF 25 billion is provided to pay the government's audited domestic arrears accumulated to suppliers during the spending freeze following the event of March 2012 (¶ 50).
- As a result, the target basic fiscal balance is a deficit of CFAF 52 billion, or 0.7 percent of GDP, compared to CFAF 49 billion, or 0.8 percent of GDP, in 2015. The target overall balance including grants (cash basis) is CFAF 242 billion (or 3.5 percent of GDP), compared to CFAF 276 billion and 4.3 percent of GDP in 2015.

16. Pending the results of the needs assessment of the North and the results of the Paris conference (¶ 10), the draft budget provides for CFAF 116 billion (US$198 million or 1.7 percent of GDP) to support the implementation of the APRM, distributed as follows:

- CFAF 52 billion from domestic resources, of which CFAF 39 billion allocated to the creation of entities provided by the APRM and development projects, and CFAF 13 billion to fund emergency measures; and
- CFAF 64 billion for investment projects in the transportation, energy, agriculture, and food security sectors as provided in the APRM, including CFAF 13 billion from domestic resources and CFAF 53 billion from external resources.

17. In light of the results of the Paris conference, the government will prepare a supplementary budget in the first half of 2016, if necessary, to provide for new expenditures to implement the specific strategy for development of the northern regions.

18. As provided by the APRM, the government undertakes to transfer 30 percent of budget revenue to the subnational jurisdictions (*collectivités territoriales*) by 2018. In 2016, the draft budget increases the share to 16.7 percent compared to 14.0 percent in the 2015 supplementary budget. The government plans to attain the 30 percent target by transferring a portion of decentralized resources (*resources déconcentrées*), i.e., expenditure by the central government through its regional and local agencies, which represents 23 percent of budget revenue in the draft budget. Specifically,

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[8] The effective number of civil servants (excluding members of the army and regional government civil servants) has fallen by 2 percent between December 2014 and September 2015. This reduction in headcount has coincided with a 4 percent increase in nominal salaries (equivalent to a 3 point fall as a percentage of fiscal revenues). A small increase in the number of civil servants (1 percent) is expected in 2016, concurrent with a 9 percent increase in nominal salaries (equivalent to a 1 point fall as a percentage of fiscal revenues).

the decentralized resources will be transferred by devolving authority for central government personnel working in the regions to the regional authorities once the regional governing boards have been elected by universal suffrage.

19. The investment projects totaling CFAF 5500 billion (US$11 billion or 93 percent of GDP) for which memoranda of understanding were signed with foreign companies in September 2014 and regional integration projects in Mali totaling CFAF 1750 billion (US$3.5 billion or 30 percent of GDP), as presented by the WAEMU Commission in September 2014 in Dubai, are still at the preliminary study phase and therefore have no impact on the draft budget. Their implications for the public finances will continue to be analyzed during the preparation of future budget laws. The implementation of all of the projects will be subject to adherence to the government's commitments regarding financial sustainability, public debt, and good practices for public financial management assumed in the context of the ECF arrangement.

## B. Improve Public Financial Management

20. The government will continue to improve public financial management, in particular by remedying the weaknesses identified by the 2011 PEFA assessment and technical assistance missions from the IMF Fiscal Affairs Department.

### Strengthen revenue management

21. The government undertakes to increase tax revenue by a minimum of 1 percent of GDP in 2016 by implementing reforms to expand the tax base (performance criterion, Table 2). Specifically, the government intends to expand the reforms undertaken by the DGI, the DGD, and the National Directorate of Government Property and Lands (DNDC) and transform the culture of the revenue collecting units, in particular through ethical standards and performance-based management. In cooperation with economic partners, the government also intends to undertake efforts to improve the revenue-collecting agencies' civic-mindedness in regard to taxes.

#### Reform tax policy

22. The government intends to continue to phase out exemptions by implementing the following measures:

- As introduced in the 2013 budget, the inclusion of tables as annexes to the draft budgets identifying each exemption provided in the General Tax Code, the Customs Code, the Petroleum Code, the Investment Code, the Mining Code, the law governing property development, and all other laws or government decisions providing for tax benefits, with the respective legal basis of the exemption and the implementation date during 2013, 2014, and the first half of 2015, and the estimated loss of revenue for the government.[9]

[9] In 2013, total tax expenditure resulting from exemptions totaled CFAF 233 billion (US$466 million, or 4.2 percent of GDP), of which CFAF 162 billion (2.9 percent of GDP) in exemptions for taxes collected by the DGI and CFAF

(continued)

- Analysis of the central database of tax and customs exemptions to identify the total amount of exemptions by type of tax and by legal and regulatory source, expiration date, beneficiaries, and any other relevant information that was finalized in 2014. In 2014, the DGI identified 452 tax exemptions representing a tax expenditure of CFAF 147 billion (US$294 million or 2.5 percent of GDP), of which VAT exemptions represented 86 percent; financial transactions tax (TAF) exemptions, 10 percent; and corporate income tax exemptions, 4 percent. The tax expenditures by legal basis were as follows: General Tax Code (CGI), 52 percent; mining codes, 20 percent; ministerial decisions, 18 percent; Investment Code, 7 percent; specific agreements, 2 percent; public contracts, grants, and externally financed NGOs, 1 percent. The DGI will produce by February 28, 2016 a memorandum analyzing the exemptions compiled in the database by type of tax, legal or regulatory basis, economic sector, and expiration date; and the amount of the exemptions in 2015 for each of the above categories, identifying options to reduce the expenditures. The DGI will publish on its website a list of beneficiaries of tax exemptions (including those granted by the DGD), the duration of the exemptions, and associated tax expenditures for 2015, replacing the name of the beneficiaries with a unique identifier.
- To reduce customs fraud, approach the TFP to propose eliminating the tax exemptions for projects they finance; in 2014, these exemptions represented CFAF 45 billion (US$91 million, or 0.8 percent of GDP), of which CFAF 26 billion for the DGI and CFAF 19 billion for the DGD.
- Continue efforts to control discretionary exemptions and gradually reduce to a minimum the exemptions provided under the CGI, the Customs Code, the Investment Code, the Mining Code, the Petroleum Code, the real property development law, and all other laws or government decisions providing for preferential tax treatment, beginning with the 2016 budget.
- Considering the financial impact of these exemptions, contract the services of a private firm to audit the amounts and terms under which exemptions were granted from taxes collected by the DGI and the DGD in 2014 and 2015 by June 30, 2016 (proposed structural benchmark, Table 4).

23. To halt the erosion of tax revenue on petroleum products,[10] the government is implementing the following measures:

- calculation of retail petroleum product prices based on actual market values of imported products, as provided by Community's legislation; determination of the loss of revenue or

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71 billion (1.3 percent of GDP) for taxes collected by the DGD. In 2014, the total tax expenditure representing exemptions totaled CFAF 206 billion (US$351 million or 3.4 percent of GDP), of which CFAF 147 billion (2.4 percent of GDP) for taxes collected by the DGI and CFAF 59 billion (1 percent of GDP) for taxes collected by the DGD of which CFAF 37 billion in VAT (US$63 million or 0.6 percent of GDP).

[10] Since 2005, tax revenue from petroleum products has declined from 3 percent of GDP in 2005 to less than 1 percent of GDP in 2012. In 2014, they increased to 1.5 percent of GDP. See IMF Country Report No. 14/31. *Mali–Automatic Fuel Pricing Mechanism;* Technical Assistance Report; International Monetary Fund; Fiscal Affairs Department; Figure 6, p. 17.

potential revenue attributable to setting retail prices below the prices indicated by that calculation; and publication of this presentation of the price structure;

- presentation, in budget laws, of the potential loss of revenue on petroleum products during the preceding year based on the revenue loss per unit resulting from the price structures, by main road, product, and liter;[11]
- implementation of a pricing mechanism that ensures that changes in the cost of imported petroleum products are fully reflected in pump prices within a margin of 3 percent per month[12]; implementation of this mechanism could be suspended in the event of successive, particularly steep increases in petroleum product costs;

24. The government undertakes to simplify tax laws to reduce to a minimum the administrative burden of tax returns for operators and tax collection for the DGI. The simplification will involve taxes assessed on actual income (the ordinary tax applied to large taxpayers and the simplified version applied to medium-size taxpayers), the alternative minimum business tax (*impôt synthétique*) (AMBT) applied to small taxpayers, the tax on wages and salaries, employer contributions, real property taxes, the tax on securities, and the financial transactions tax. The government will conduct all relevant preliminary studies and consultations to continue implementing the simplification efforts. Simplification of the AMBT in the 2015 budget, including replacement of the schedule of rates with a single rate of 3 percent of turnover, serves as a model in this area. The draft budget provides for a reduction of VAT prepayments from 12 to 4 for taxpayers who pay the simplified tax on actual income.

25. *With assistance from the IMF Topical Trust Fund on Managing Natural Resource Wealth, the government hopes to increase receipts from mining and petroleum resources while improving the competitiveness of the business environment in Mali*. The mining and petroleum codes will be modernized in light of current international standards. The government submitted a new Petroleum Code which was promulgated in July 2015. It will introduce amendments to the Mining Code by end-2015. In this context, it will take steps to reduce the tax stability period from 30 to 15 years, in line with the average length of time deposits are exploited. To increase the government's share of income from mining operations, the government plans to retain specialized firms to audit mining contracts and identify any cases of tax avoidance and tax optimization. It plans do to the same with telephone companies. It also plans to strengthen the capacities of DGI and DNDC staff in auditing the companies' tax returns. Finally, to increase transparency in the mining sector, the government has published all mining and petroleum contracts on the Ministry of Mines website and will publish the feasibility studies pertaining to companies currently in the production phase by end-2015.[13]

[11] During the first seven months of 2014, petroleum product consumption subsidies are estimated at CFAF 22 billion (US$44 million or 0.4 percent of GDP). For the 12 months of the year they are projected at CFAF 38 billion (US$76 million or 0.6 percent of GDP).

[12] See IMF Country Report No. 14/31, p. 23, ¶22.

[13] See www.mines.gouv.ml.

### Reform the tax, customs, and government property administrations

26. Priority will be given to implementing the reforms begun in 2011 to sustainably improve the operation and efficiency of VAT, which generates roughly 40 percent of tax revenue. The following measures have been implemented to this end:

- To ensure that VAT credits are timely refunded, a special allocation account was created to be used exclusively for refunding VAT credits. The account will continue to be funded by the full amount of VAT revenue paid by mining companies and their subcontractors on imports, and 10 percent of domestic VAT revenue, or more if needed: the Ministry of Economy and Finance (MEF) issued a directive indicating that if the balance of the account is insufficient to cover the refund of VAT credits, the contribution of VAT revenue collected by the DGI can be increased by the amount required. This mechanism will ensure that VAT credits are effectively and regularly refunded, in accordance with Community legislation, to exporting gold companies and to all other companies that generate VAT credits, with the exception of resellers at this time. VAT refunds owed to gold mining companies for 2014 total CFAF 56 billion, of which CFAF 30 billion was refunded in 2014 and CFAF 26 billion in 2015. In addition, the government refunded CFAF 49 billion in VAT credits from prior years. In 2015, the estimated total VAT credits to be refunded to gold mining companies for fiscal year 2015 is CFAF 67 billion, of which CFAF 50 billion will be refunded in 2015 and CFAF 17 billion during first quarter 2016. In 2016, the estimated total VAT credits to be refunded to gold mining companies for fiscal year 2016 is CFAF 65 billion, of which CFAF 49 billion will be refunded in 2016 and CFAF 16 billion during first quarter 2017. The DGI has produced a table of VAT credits by company from the time of issuance to refund, indicating the mode of payment (by offset or cash) for fiscal years 2013 and 2014 and the first half of 2015.

- *To ensure that the process of refunding VAT credits operates efficiently*, submit a formal request to the Section of Accounts of the Supreme Court to conduct an audit to ensure that the amounts refunded and the refund process are consistent with applicable laws by June 30, 2016.

- *To avoid the accumulation of VAT credits by domestic operators, VAT withholding at source will be completely abolished on January 1, 2017*. VAT withholding at source was eliminated for large businesses on December 31, 2011. Beginning January 1, 2016, withholding will also be eliminated for the Treasury. To ensure that the elimination of VAT withholding does not result in loss of tax revenue, the DGI: (i) conducted a communication campaign directed to suppliers of large businesses on VAT reporting and payment obligations, and will conduct a similar campaign for all government suppliers by end-October 2016; (ii) will conduct heightened monitoring of VAT payments by suppliers to large businesses immediately, and by suppliers to the government once VAT withholding is eliminated for those suppliers; and (iii) will systematize production of the annex on deductible VAT included in the VAT returns of taxpayers managed by the DGE and make better use of the information contained in the annex.

- *To increase the number of businesses that effectively pay VAT,*[14] the DGI will expand the campaign of selective audits of VAT credits, beginning with businesses whose activity should not systematically generate VAT credits (particularly commercial activities and service providers). It produced a report on the interim results of the audits in 2015 and will produce another report of the results by February 28, 2016. To this end, the DGI will continue, with support from AFRITAC West, the training of staff assigned to research, targeted VAT audit, and audit of VAT credits.

27. *The DGI, the DGD, the DNDC, and the Directorate General of Government Property Administration (DGABE)* will continue their efforts to improve tax, customs, and public property administration in order to expand the tax base and increase tax yields:

- *Implementation of multidisciplinary audits.*
    - The Joint Economic and Financial Intelligence and Investigation Committee (CMRIEF) was established on March 15, 2012, to improve the effectiveness of tax audits and identify new taxpayers using, notably, all the databases of taxpayers and economic operators available to the DGI, the DGD, the DNDC, the DGABE, and the Directorate General of Public Contracts and Delegation of Public Services (DGMP-DSP).
    - 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 to the DGI in 2009, 2010, and 2011 by an estimated total of CFAF 500 billion per year. On June 30, 2015, the DGI issued tax adjustment notices to 139 taxpayers for a total of CFAF 273 billion (US$464 million or 4.2 percent of GDP), of which CFAF 30 billion (US$51 million or 0.5 percent of GDP) was recovered following the verification program. The DGI will update the analysis for the years 2012-2014 by August 31, 2015. For fiscal years 2012, 2013, and 2014, a comparison of figures for imports declared to the DGD and revenues declared to the DGI suggests that about 59 percent of importers would have understated the revenues they declared to the DGI.
    - 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 that appears to be lower than the value of the contracts awarded to them in 2010 and 2011. On June 30, 2015, the DGI issued tax adjustment notices to 17 taxpayers for total at CFAF 36 billion (US$61 million or 0.6 percent of GDP), of which CFAF 1.3 billion was recovered following the verification program.

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[14] In 2014, 51 percent of large businesses and 51 percent of medium-size businesses required to pay VAT effectively paid the tax, compared to 27 percent and 20 percent, respectively, between January 2012 and May 2013, given the large number of businesses that systematically claim VAT refunds. See IMF Country Report No. 13/355. Mali: Technical Assistance Report: *Continued Modernization of the Malian Tax System and Administration*, ¶ 49.

- The DGI has added these importers to its audit program, beginning with the businesses with the largest amounts apparently underreported in absolute terms. It regularly submits reports of the interim results of the audit program to the Council of Ministers. Since the second half of 2014, the DGI has included the recipients of government contracts in its audit program and provided an interim report on this subject to the Council of Ministers on September 10, 2015. It will submit a new report to the Council of Ministers covering importers and government contract awardees by February 28, 2016.

- *Improving DGI effectiveness*
  - *Change in the DGE and DME turnover thresholds to streamline 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 order raising the DGE turnover threshold from CFAF 500 million to CFAF 1 billion, and will adopt an order reducing the DME turnover threshold from CFAF 100 million to CFAF 50 million as of January 1, 2016. This change will improve the DGE's management and control of businesses, will quickly increase the number of taxpayers managed by the DME, and will improve management of the VAT by assigning all responsibility for this tax to the DGE and the DME effective January 1, 2016, given that the annual turnover threshold for payment of VAT is CFAF 50 million.
  - *Promoting tax compliance*. In October 2011 the DGI began publishing the lists of taxpayers managed by the DGE and the DME, respectively, on the MEF website.[15] It updates the lists on a regular basis so that the public can appreciate the results of efforts to expand the tax base. As of March 2014, the DGE handled 474 taxpayers, the DME handled 1,411 taxpayers, and the tax centers (CDIs) for the six communes of Bamako handled 49,665 taxpayers. As of August, 2015, the figures increased, respectively, to 536 for the DGE, 1,847 for the DME, and 55,839 for the Bamako CDI.
  - *Increase in the number of taxpayers managed by the DME*. Using mainly the results of audits arranged following the CMRIEF reports, the DGI has begun to increase the cumulative number of taxpayers managed by the DME to 2,250 by end-2015 to increase the proportion of DME revenue to DGI revenue from 5.2 percent in 2014 to 10 percent as quickly as possible. To achieve this objective, the DGI plans an institutional reform to convert the DME into one or more medium-size taxpayer centers (CME), which will come under the supervision of the Bamako District Directorate of Taxes beginning March 31, 2016.
  - *Introducing the capability to pay taxes to the DGE and DME via bank transfer*. To simplify and ensure the security of tax payments, the DGI is taking steps to gradually allow DGE and DME taxpayers to pay their taxes by bank transfer; as at August 31, 2015, 78 taxpayers had paid their taxes by bank transfer. The DGI undertakes to collect taxes from taxpayers managed by the DGE via bank transfer by August 31, 2016.

[15] http://www.dgi.gouv.ml/contenu_documentation.aspx?type=4.

- *Enhancing the accountability of tax collectors*. The government undertakes to enact measures to convert tax collectors, who are de facto government accountants, into full-fledged government accounting officers, so that they fully assume their tax collection responsibilities.
- *More effective tax audits*. The DGI undertakes to increase the proportion of large businesses audited annually from 19 percent in 2014 to 25 percent in 2015 and 30 percent in 2016. It undertakes to increase the ratio of medium-size businesses audited annually from 14 percent in 2014 to 20 percent in 2015 and 25 percent in 2016. The DGI undertakes to reduce the non-filer rate among medium-size businesses from 26 percent between January 2012 and April 2013 and 25 percent in 2014 to less than 10 percent in 2015 and 2016. To accomplish this, the DGI undertakes to complete the task of locating the 657 DME taxpayers who have not responded to DGI correspondence. The DGI undertakes to reduce the non-filer rate among taxpayers managed by CDIs from over 70 percent between January 2012 and April 2013 and 35 percent in 2014 to less than 15 percent in 2015 and 2016.
- *Identification of all taxpayers, including businesses and individuals, through the use of a national identification number (NINA)* to facilitate business creation and modernize tax administration. The government undertakes to conduct a feasibility study for the migration, taking into account the expertise gained since the taxpayer identification number (NIF) was introduced in 1996, by December 31, 2015.
- *Implementation of measures to improve tax dispute practices* in line with the recommendations of the World Bank technical assistance mission by June 30, 2016. The measures will include the establishment of a joint mediation committee (composed of representatives from the private sector and tax administration) chaired by an independent individual; the appointment of a tax mediator charged with receiving and reviewing taxpayer complaints against members of the revenue-collecting agencies' staff; and the establishment of taxpayer rights to bring disputes before the BVG or the Anti-Corruption and Unlawful Enrichment Commission when it becomes operational.

- *Improving DGD effectiveness:*
  - The DGD will carry out its action plan to implement the recommendations of the June 2013 technical assistance mission by the IMF Fiscal Affairs Department.[16] The action plan aims to: (i) optimize human resource management; (ii) improve management of material and financial resources; (iii) control commercial operations; (iv) step up efforts to combat fraud and cross-border crime; (v) facilitate trade and partnership; and (vi) optimize information and communication technologies through migration to the ASYCUDA World system. The purpose of this migration is to allow all customs documents to be processed in paperless form and to institute a fully electronic customs declaration system.

[16] See IMF Country Report No. 13/355.

- To increase customs duty collection, the DGD informed operators that it would impose a 30 percent fine on imports not inspected prior to loading, in accordance with applicable laws. The DGD will ask the inspection company to provide monthly reconciliation reports comparing duties paid and receivable by declaration, and will analyze them for the purpose of increasing collections by August 31, 2016 (¶ 9, proposed benchmark, Table 4).
- *Introducing the capability to pay customs duties to the DGD via bank transfer*. To simplify and ensure the security of customs duty payments, the DGD and DNTCP are taking steps to collect customs revenue by bank transfer by August 31, 2016.
- To help maintain the competitiveness of Malian businesses, the DGD will systematically verify WAEMU and Economic Community of West African States (ECOWAS) certificates of origin in cooperation with the issuing authorities and will draft an interim report on the results of verification by February 28, 2016. If the WAEMU and ECOWAS certificates of origin are found to be inapplicable, the DGD will collect the duties according to the tariff preference and will deposit the remainder in accordance with applicable rules.

- *Modernizing the DNDC*. The DNDC will continue to implement the recommendations of the organizational audit sponsored by the Institutional Development Commission (*Commissariat au development institutionnel*) on modernizing its organization and automating processes. The DNDC will take steps to increase the collection of capital gains tax on real estate sales by individuals, which was first assessed in October2011. The measures will include rationalizing recording fees and other fees and commissions on real estate transactions. It will continue efforts to establish the land registry and will create a secure archiving system. It undertakes to migrate 4,000 property titles already digitized in the cadastral information system database by end-December 2015 in addition to the 1500 titles recorded to date. It undertakes to migrate an additional 50,000 titles in 2016.
- *Modernizing the DGABE*. The MEF will modernize the DGABE through the introduction of modern management tools such as results-based management (RBM), greater use of IT (use of inventory accounting software in the accounting offices of ministries and public institutions), and implementation of reforms for better monitoring and appraisal of the government portfolio.

**Improve expenditure management**

28. The government will take steps to improve the regulatory framework for public financial management and the preparation, execution, monitoring, and control of budget execution.

**Transpose the harmonized legislative framework prescribed by WAEMU directives**

29. The government transposed WAEMU directives 01/2009 and 06/2009 through 10/2009 concerning the transparency code, budgets, public accounting, budget nomenclature, the government chart of accounts, and the TOFE into national laws and regulations. The government also undertakes to transpose Directive 01/2011 concerning the subnational jurisdictions' financial regimes in 2015. The government will ensure that the regulatory texts are published by December 31, 2015. They will be accompanied by directives and guides to ensure they are readily and

uniformly understandable in order that they can be implemented as they become available between now and the end of 2015.

### Improve government budget preparation

30. To improve the budget presentation and facilitate evaluation of the efficiency of public expenditure, the government will gradually implement program budgets and results-based management in accordance with the relevant WAEMU directive. A first step to test the budget management tools will be the presentation of the 2016 budget law to the National Assembly for information in the form of program budgets. During a transition period, the government will submit not only the annexes prescribed by the directive, but also, for information, the distribution of appropriations under the current resource-based budget and the distribution of appropriations by region.

31. To gain visibility of budget support from the TFPs as early as possible, the government will ask the TFPs to provide information in April on the budget support planned for the following year.

32. In order to involve the National Assembly as early as possible in the budget preparation process, the government will organize budget strategy discussions with the National Assembly during the first half of the year on the following year's draft budget. Discussions for the 2017 budget will be held before June 30, 2016. The information prepared for the discussions, and all other budget preparation and execution reports, will be published on the MEF website in order to fully inform all stakeholders in Mali's development.

### Improve government budget execution

33. To ensure compliance with budget rules and with good practices for governance and transparency in public financial management, the MEF will begin appointing directors of finance and equipment and administrative and financial directors in the ministerial departments beginning with the 2016 budget execution (proposed structural benchmark, Table 4). It will remind operators through the media that only contracts that have been approved in advance by the financial controller are binding on the government. The government has produced a report on off-budget spending during the first seven months of the year and will produce a new report covering the entire year before February 28, 2016. During the first 7 months of 2015, off-budget expenditure has been estimated at CFAF 806 million (0.01 percent of GDP).

34. Pursuant to Community directives, the following closing dates have been established for 2015 budget execution: November 30, 2015 for commitments of operating expenditures, investment expenditures, and expenditures under petty cash procedures; December 20 for commitments of other expenditures; December 31 for payment orders; and January 31, 2016 for government accountants' acceptance of payment orders, approval, and ex post validation. Under this arrangement, the carryover period will be limited to accounting operations. A memorandum on closing procedures was issued on September 8, 2015 indicating the deadlines for commitments and validation in preparation for the closing of commitments on November 30, 2015.

35. *To increase transparency and expedite the award of public contracts*, the DGMP-DSP will take steps to increase the amount of information on contract awards published on its website,[17] in line with practices observed in neighboring countries. The DGMP-DSP will publish a list of government contract awards at regular intervals, specifying for each contract the contractor, the contract amount, the type of procurement procedure (e.g., open or restricted competition or direct negotiation), and a citation to the provision of the public procurement code supporting the procurement procedure used.[18] To reduce the average time required to award contracts,[19] the government adopted the following measures in April:

- improve requirements planning by forwarding procurement plans to the DGMP-DSP in September (instead of November 30 under current practice) and allow procurements to proceed to the point of provisional award pending approval of appropriations, which represents a gain of two months in terms of planning and processing; in this context, the Minister of Economy and Finance asked all contracting authorities to prepare their 2016 procurement plans and forward them to the DGMP-DSP no later than September 30, 2015;
- increase the signature and approval thresholds to increase the accountability of contracting authorities;
- reduce the regulatory time frames provided for the various public procurement stakeholders from 108 to 80 business days, a gain of 28 business days;
- reduce the number of contract signatories from seven to four;
- eliminate the dual review of externally funded contracts;
- reduce the number of mandatory administrative documents required of candidates and bidders for public contracts;
- in accordance with the Accra Agenda and to improve the project implementation rate, the African Development Bank conducted an evaluation of Malian national contracting procedures that found that the procedures adhered to principles of economy, efficiency, and transparency in procurement and applicable best practices, and on that basis signed a letter agreement on July 17, 2014 with the Malian government authorizing the use of national procurement procedures in national competitive bidding; and finally

[17] See www.dgmp.gov.ml.

[18] In 2014, the government awarded 1352 public contracts for a total of CFAF 266 billion (US$539 million, or 4.5 percent of GDP), 85 percent of which were awarded pursuant to competitive bidding (90 percent in terms of value), 3 percent through limited competition (3 percent of value), and 7 percent through direct negotiation (12 percent of total value). During the first six months of 2015, the government awarded 317 public contracts for a total of CFAF 64.5 billion (US$110 billion or 1 percent of GDP), of which 87 percent were awarded pursuant to competitive bidding (65 percent in terms of value), 16 percent through limited competition (2 percent of value), and 27 percent through direct negotiation (33 percent of total value).

[19] The average time required to award contracts was reduced from 94 days in 2013 to 90 days in 2015 and 87 days during the first six months of 2015.

- to further improve the business environment, the public contracting authority presented a proposed new public contracts code to the government, which approved it in August 2015. The government recognizes the risk of incorrect interpretation of the provision in this new code concerning unsolicited bids. Therefore, the government has improved, in collaboration with the World Bank, the implementing regulations of the new code to take into account the amendments deemed necessary by the World Bank concerning the possibility for suppliers to make unsolicited bids. The scope of unsolicited bids has thus been limited in the implementing regulation signed on October 22, 2015. The government undertakes to modify this provision of the code in a durable manner, in consultation with the World Bank. Thus, a revised code will be approved by the Council of Ministers by end-August 2016.

36. To minimize the price of all government supplies, the government has executed all exempt contracts designated as "defense secret" or "essential government interests" pursuant to Decree 2014-764 of October 9, 2014—identical to the version of the same decree adopted by the Council of Ministers on September 19, 2014—(establishing the rules and procedures for procurements of supplies and services exempt from the provisions of Decree 08-85/P-RM of August 11, 2008 concerning the award, performance, and payment of public contracts and delegations of public service) since the adoption of the decree. As provided by the decree, the public sector oversight agency (*Contrôle Général des Services Publics*, CGSP) will audit all exempt contracts designated as "defense secret" or "essential government interests" from the previous year by June 30 of the following year to verify that they have been implemented in accordance with the decree (¶ 9). The CGSP report on exempt contracts between October 9 and December 31, 2014 indicated that exempt contracts in the amount of CFAF 1.5 billion (US$2.6 million) were awarded and that irregularities were found in the award and performance of those contracts. The government undertakes to execute all exempt contracts in accordance with Decree 2014–764. The MEF will send a letter to the ministers concerned to remind them of the need to comply with the decree. In 2016, the CGSP will prepare an audit of exempt contracts from 2015 by February 29, 2016, i.e. by the June 30 deadline provided by the decree (proposed benchmark, Table 4).

37. *To maximize returns on public investment and minimize the associated costs*, the Directorate General of Budget (DGB), the National Directorate of Development Planning (DNPD), and the General Directorate of Public Debt (DGDP) will:

- accelerate the sector ministries' implementation of investment projects for which the execution rate was 20 percent during the first half of 2015; to this end, increase project supervision missions to address the risks and constraints that slow execution down; in this regard, the DNPD undertakes to conduct supervision missions with the DGDP for at least 100 projects in 2016, compared to 29 projects in 2015;
- evaluate the cost of projects proposed by sector ministries with the help of a market price list posted on the MEF website on March 15, 2015[20];

[20] http://www.finances.gouv.ml/contenu_documentation.aspx.

- provide access to information on project financial execution: the DNPD and the DGDP undertake to publish quarterly information on the financial execution status of externally financed projects;
- improve the quality of project preparation through the use of the project studies and preparation fund and by conducting a study in 2016 to define all strategic infrastructure projects critical to the Malian economy;
- implement the public investment management application, beginning with the project programming and finance component in 2016 and the monitoring and evaluation component in 2017;
- continue redirecting appropriations to favor the completion of key projects, giving priority to projects with certain, programmed financing that can begin quickly; and
- strengthen the sector ministries' expertise and the DNPD's capacities for critical review in selecting investment projects.

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

- The 2013 budget introduced the budgeting of commitment authorizations (AEs) and payment appropriations (CPs) relating to three-year public investment expenditures. On that basis, the MEF is arranging to monitor the utilization of AEs and CPs through the PRED5 expenditure management application.
- Starting with implementation of the 2016 budget, the procedure for carrying over CPs will take effect under a mechanism providing for full implementation of the carryover procedures established by WAEMU directives, which allow only guaranteed CPs included in the cash flow plan to be carried over.

39. *Payment deadlines will be more strictly monitored to prevent the accumulation of arrears.* Public financial management applications (PRED5 and AICE) will be used to monitor payment order execution times and ensure that payments are made within 90 days of certification, in accordance with applicable WAEMU directives. Monthly tables will be posted on the MEF website for this purpose.[21]

40. The government will continue to implement the recommendations of BVG audit reports and those of the Supreme Court audit section on the purchase of an aircraft and a contract for equipment and supplies awarded by the Ministry of Defense and Former Combatants.[22] In line with those recommendations, the government has registered the aircraft acquired in 2014 and undertakes to record it in the government's material accounting system. The government will take steps to review the aircraft's operating mode.

[21] www.finances.gouv.ml.

[22] See IMF Country Report No. 14/337, pp. 38–41, ¶¶ 11–15.

### Improve fiscal transparency

41. To improve transparency in regard to the government's fiscal, liquidity, and asset position, the DNTCP will gradually implement the new WAEMU directive on the TOFE and other financial statements. To ensure an orderly transition to the new TOFE, the DNTCP will produce the TOFE during 2015–17 using the 1998 and 2009 nomenclatures. In 2015 and 2016, program monitoring will continue to be based on the 1998 TOFE. Beginning in 2018, the DNTCP will produce the TOFE using only the 2009 nomenclature to monitor budget execution, and any new program with the IMF will be based on the 2009 TOFE. In 2016, the DNTCP will first focus its attention on producing three of the four financial statements provided by the 2009 directive: (i) the TOFE; (ii) the statement of public debt; and (iii) the report on cash flow operations. The fourth financial statement, i.e. the government balance sheet, will be produced for the first time in 2015 based on the position as at end-2014.

42. *Implementation of the new Treasury integrated accounting application, AICE, will continue*. The application was installed in the Koulikoro regional treasury office in January 2013 and will be implemented at the Treasury Central Accounting Agency (ACCT) as regional government accounting office by January 1, 2016. Installation and testing of the various functions at the Kayes, Ségou, Sikasso, Mopti, Tombouctou, Gao, and Kidal regions, and of the component consolidating national budget execution and real-time accounting with accounting offices at the ACCT, will be completed by end-2016. The AICE implementation at the ACCT will allow consolidated statistical reports to be produced for all government entities connected to the system, including the integrated Treasury balance and TOFE, by January 1, 2017.

### Improve cash flow management

43. The DNTCP will prepare a monthly cash flow plan at the beginning of the year and update it each month to ensure that expenditures and payments are executed on a timely basis throughout the year. The plans will be updated each month to reflect revenue collected, expenditures executed, and external financing disbursed.

44. The DNTCP will continue the current efforts to develop a more accurate understanding of the components of the net government position (NGP) vis-à-vis the banking system.[23] It regularly publishes reports on the MEF website analyzing activity in PNG components, breaking out activity in the most important components of the net Treasury position (NTP) and the net position of other government entities (PNACP).[24] These reports present the opening and closing stocks and identify all owners of the accounts included in the PNACP. The DNTCP will update the tables every six months. The report for end-December 2015 will be available before February 28, 2016. The BCEAO

[23] As of June 30, 2015, the net government position (NGP) vis-à-vis the banks was a creditor position of CFAF 7 billion (US$12 million or 0.1 percent of GDP) for the government as broadly defined in the WAEMU directive on the Table of Financial Operations. That figure includes a net Treasury liability position of CFAF 176 billion (US$299 million or 2.7 percent of GDP) and a net creditor position of CFAF 183 billion (US$311 million or 2.8 percent of GDP) for other government entities.

[24] http://www.tresor.gouv.ml/documentation/position-nette-du-tresor-et-autres-comptes-publics.pdf.

will continue to provide the DNTCP with the NTP extracted from the monetary survey for the purpose of compiling the TOFE, in accordance with applicable WAEMU directives.

45. *The DNTCP will continue the implementation of the Treasury single account (TSA) at the BCEAO*. The first step, completed December 31, 2014, was the transfer to the TSA of the accounts of government accounting officers within the scope of the PNT, except officers assigned to regions where the BCEAO does not maintain a presence. All term accounts within the scope of the NTP were transferred to the TSA as they matured. However, if the DNTCP has a cash surplus, it will invest it in term deposits with commercial banks so long as the interest rates on those deposits exceed the BCEAO lending rate, as occurred during the first half of 2015 when the cash surplus was placed in a three-month term deposit paying 4 percent after taxes. In the second step, to be gradually implemented in 2015, the funds of administrative public entities (EPA), which are responsible for implementing government policy under the government's direct supervision and receive most of their funding from the government, will be incorporated in the TSA. As at June 30, 2015, those funds represented roughly CFAF 203 billion. The obligation to deposit EPA funds with the Treasury will be clearly reestablished and upheld in accordance with the principle of a single Treasury account and consolidation of cash holdings cited by the 2009 WAEMU directive on the subject. The exceptions will be public hospitals, as provided by Law 02-050 of July 20, 2002; the two pension fund administrators (CMSS and the National Social Insurance Administration (INPS)) and the national health insurance fund (CANAM), which are jointly held entities over which the government does not exercise direct control; and EPAs that do not receive government subsidies. The government will introduce proposed legislation to clarify existing provisions governing the deposit of EPA funds with the Treasury by December 31, 2015. In the interim, the government will combine the Malian counterparties to new co-financed projects in an escrow subaccount at the BCEAO for projects whose donors agree to the principle.

46. *The DNTCP will tighten supervision of EPAs*.[25] In January 2005, the government required all EPAs to adopt the accounting system developed by the DNTCP. The DGB will ensure that each EPA forwards its budget to the minister of finance for approval at the beginning of each fiscal year. The DNTCP will receive the EPAs' semiannual budget execution reports. The MEF will advise the EPAs that it will not approve their 2016 budgets until they have forwarded their financial statements for the first half of 2015 to the DNTCP. In 2016, the EPAs will be required to release financial statements including semiannual intermediate results (*résultat semestriel intérimaire*).

### Strengthen internal and external control

47. *The internal and external control agencies will be strengthened*. The internal and external control agencies identified numerous administrative weaknesses in the management of Mali's public finances. To correct these weaknesses, the government adopted a national internal control strategy in August 2011, covering the period 2012–15, to be implemented with the support of several TFPs.

[25] Of the 103 EPAs, only 11 have an accounting framework approved by the MEF; 73 forwarded monthly financial statements to the DNTCP in 2015 compared to 65 in 2014 and 43 in 2013.

- In the area of internal control, the CGSP prepared a risk map for the ministries of health, agriculture and rural development, national education, and equipment and transport.
- The National Financial Oversight Directorate (DNCF) will carry out new missions arising from the implementation of WAEMU directives (¶ 30), i.e., ex ante control of expenditure, ex post evaluation of program performance, and continued decentralization of activities. In addition, the DNCF will produce regular reports on the verification of services received.
- In the area of external control, the BVG programmed 29 inspections in 2015 and 36 in 2016, compared to 27 in 2014 and 20 in 2013. It audited all expenditures of the Ministry of Defense and Former Combatants from 2010 to mid-2014.
- The staff of the Supreme Court audit section will be increased. This section will be converted to a Court of Audit in accordance with the relevant WAEMU directive as soon as possible.

48. The government's annual financial statements will be produced and audited on a regular basis, as provided by applicable Community directives. The National Assembly approved the budget review laws for fiscal years 2008 through 2011. The government submitted proposed budget review laws for fiscal years 2012 and 2013 to the National Assembly. It will adopt the proposed budget review law for fiscal year 2014 before end-2015, as provided by the relevant community directives.

### Bring the Malian Social Security Fund and the National Social Insurance Administration into financial balance

49. The government intends to take action to ensure the financial soundness of the Malian Social Security Fund (CMSS), the public sector pension administrator, and the National Social Insurance Administration (INPS), which administers pensions, employee accident insurance, and family allowances for private-sector employees. According to the most recent available actuarial studies (2005 and 2010 for the CMSS, 2006 for the INPS), the deficits of both systems could each represent at least 1 percent of GDP in the near future. The government will commission new actuarial studies for both regimes, the results of which should be available by August 31, 2016.

### Conduct a sustainable borrowing policy

50. The government will continue to conduct a borrowing policy consistent with the objective of debt sustainability (¶ 13).

- The debt sustainability analysis conducted with IMF and World Bank staff concluded that the risk of debt distress continues to be moderate. The analysis also confirms that the sustainability of Mali's debt is highly sensitive to the price of gold (which represents 60 percent of exports, with production expected to decrease in the medium term), the financial terms of loans, and the continuation of sustainable fiscal policies.
- Accordingly, the government reiterates its commitment to cover its external financing needs primarily through grants and loans in foreign currency for which the grant element is at least 35 percent. The government proposes a cumulative ceiling of CFAF 250 billion (US$426 million, or 3.6 percent of GDP) for the contracting of non-concessional loans in

2015–16. This corresponds to four loans totaling CFAF 200 billion from Exim Bank of China (for which the grant element is 29 percent) that will finance investments in transportation and electricity distribution that the World Bank considers aligned with the sector development policy, and loans totaling CFAF 50 billion for projects with high rates of return, to be identified, and for which financing is not available under concessional terms; IMF staff will be consulted prior to the signature of these loans (continuous proposed performance criterion, Tables 1 and 3).

- *To prepare for implementation of the new public borrowing policy and IMF-supported programs*, which took effect June 30, 2015, the Directorate General of Public Debt (DGPD) prepared a detailed chart of loan agreements that will support execution of the proposed 2015 supplementary budget and the 2016 draft budget. The chart identifies the amount disbursed and the financial terms of each loan agreement and will be annexed to the 2016 draft budget (Table 5). Under the borrowing plan, the government requests a cumulative ceiling of CFAF 250 billion for 2015-16 (see previous bullet point, proposed performance criterion, Tables 1 and 3) and notes, for reference, the ceilings of CFAF 557 billion on concessional borrowing for the same period. The government reserves the right to revise these ceilings at the time of the next ECF review provided they remain compatible with the debt sustainability analysis. To improve debt management, the DGDP will prepare a report on the implementation of recommendations from the West AFRITAC October 2014 technical assistance mission to improve the quality of the public debt database, including an action plan with a detailed timetable for implementation of all the recommendations (proposed structural benchmark, Table 4).
- *To closely monitor its borrowing policy*, the government launched the National Public Debt Committee by decision of March 24, 2014. The committee's principal functions are to provide an opinion on any initiative or plan for government borrowing or the provision of a government guarantee and to produce an annual borrowing strategy document to be annexed to the budget law.

51. Domestic debt management will be strengthened.

- To this end, the DGDP will compile an inventory of all government domestic loan agreements and all government commitments to guarantee domestic debt to ensure that the repayment schedules are included in the public debt data and budget laws.
- The government will include an annual ceiling on increases in the total amount of guarantees the government is permitted to provide in the draft budgets submitted for approval by the National Assembly. In accordance with applicable laws and budget procedures, the 2016 draft budget will provide for a provision of 10 percent of risk falling due, i.e., the amount of guaranteed debt maturing in 2016.
- The government retained a firm to audit domestic arrears accumulated by the government during the spending freeze following the 2012 coup and in previous years since 1995. The audit identified a total of CFAF 206 billion in arrears (3.2 percent of GDP), of which 47 percent were accumulated in 2012 and another 28 percent during 2010 and 2011. Of the

total, CFAF 166 billion (2.6 percent of GDP) was validated by the consultant based on information provided by the administration. The government already paid CFAF 82 billion of the validated arrears, CFAF 36 billion of which in 2013 and CFAF 46 billion in 2014. To pay the remaining CFAF 84 billion, the government included a CFAF 27 billion provision in the 2015 proposed supplementary budget and a CFAF 25 billion provision in the 2016 draft budget (¶ 15). The validated arrears include a CFAF 34 billion court judgment against the government, which will review the matter by February 28, 2016 to determine whether it has exhausted all its appeals. If so, the government will include appropriations in the 2016 draft budget to pay the corresponding arrears. Before paying the full amount of its arrears, the government will ensure that the taxpayers concerned do not owe back taxes, and if so the government will withhold the amount of the tax arrears from the payments to its suppliers. The government has requested a supplementary audit by the firm, to be provided by February 28, 2016 if possible, to provide creditors of invalidated debts totaling CFAF 40 billion the opportunity to supplement their dossiers. If necessary, the government will include appropriations in the 2016 proposed supplementary budget to pay any additional validated arrears.

## C. Improve Economic Statistics

52. The National Statistics Institute (INSTAT) published new national accounts based on SNA 1993 for the years 1999–2013 by August 31, 2015. As a result, GDP was adjusted upward by an average of 15 percent. The government will use the revised series in monitoring the implementation of its economic and financial policy beginning January 1, 2016.

## D. Improve the Business Environment to Encourage Private Sector Development

53. *The government will remove the principal constraints on the business environment*, which were identified in the latest Africa Competitiveness Report—produced jointly by the World Economic Forum, the World Bank, and the African Development Bank—as access to financing, corruption, insufficient infrastructure (including in the energy sector), complex tax laws, government bureaucracy, and inadequate work force qualifications.

54. The government will take measures to mobilize resources for infrastructure investment and simplify tax legislation (¶ 24). In addition, it will take the measures described below to maintain the stability of the financial sector and improve access to financing provided by the sector, improve the financial position and productive capacity of the electricity sector, and reduce corruption.

**Promote the stability and development of the financial sector**

55. Recognizing that a strong financial sector is critical to continued, sustainable growth in Mali, the government is determined to resolve the most pressing problems for the sector. In particular, the government undertakes to:

- Provide security for bank branches that have reopened in Northern Mali since August 2013.

- Complete the restructuring of the Malian Housing Bank (BHM). The government has adopted a two-stage plan to restructure BHM. In a first stage, BHM will be merged with the stronger Malian Solidarity Bank (BMS) by the end of 2015. The government has submitted the merger for approval to the Regional Banking Commission); the government has retained several specialized firms to assess the status of the merger-absorption process and conduct due diligence. The interim goal is to consolidate the two entities and clean up the balance sheet of the new bank, which would help minimize risks to the public finances and make the new bank sufficiently attractive to private investors. In a second stage, the government will take the necessary steps to seek participation from the private sector in the new bank resulting from the merger, with the aim of eventually disengaging the state from it;
- Following the implementation from May 30, 2015 of a credit reporting bureau (BIC) in accordance with applicable WAEMU legislation, contribute, in support of the actions of the BCEAO, to strengthening the credibility of the BIC through communication campaigns in order to increase the rate of collection of consent from clients of financial institutions;
- Restore confidence in the micro-finance sector by implementing a detailed action plan in 2016 for reform of the sector.

**Reform the electricity sector**

56. The government will take steps to eliminate the structural deficit between the cost of producing electricity and the selling price in Mali. In 2014 the electric utility EDM posted a loss before subsidies of CFAF 57 billion (1 percent of GDP) which the government absorbed through a budget transfer in the same amount. In 2015, EDM is expected to post a loss of CFAF 36 billion (0.6 percent of GDP) before subsidies, an improvement relative to 2014 reflecting lower petroleum prices, which the government will absorb with a budget transfer of CFAF 42 billion, of which CFAF 12 billion was financed by an ECOWAS grant. The transfer will serve to limit EDM's debt to commercial banks to CFAF 33 billion at end-2015. If the ECOWAS grant is not forthcoming, the government undertakes to transfer to EDM the resources needed to maintain its bank debt below CFAF 33 billion in 2015. In 2016, EDM is expected to post a loss of CFAF 28 billion. The draft budget provides for a transfer of CFAF 20 billion, which will be adjusted upward if necessary in the 2016 proposed supplementary budget to absorb EDM losses and enable it to achieve its production objectives without accumulating arrears vis-à-vis the banks and its suppliers, and to stabilize EDM's bank debt at CFAF 33 billion at end-2016. The projections incorporate the government's commitment to pay invoices in advance at the beginning of each quarter. EDM will take the steps needed to increase its billing rates and reduce operating costs, in particular by outsourcing the fuel supply function. EDM will publish its financial statements (balance sheet and income statement) on its website and its performance indicators on that site and in an annex to the annual draft budget.

57. Due to its tight financial position, EDM has recently built up arrears to suppliers. As part of the regular annual audit of EDM’s accounts, we will determine the total amount of these arrears at end-2015, and present a plan for the clearance of these arrears by February 29, 2016. We will also take the necessary measures to ensure that EDM does not accumulate new arrears from now on.

### Promote good governance

58. The government will fight vigorously for good governance.

- To this end, the government undertakes to: carry out the measures described above to improve the management and transparency of public finances and forward senior government officials' financial disclosures pursuant to the unlawful enrichment law to the Supreme Court by August 31, 2016 (proposed structural benchmark, Table 4).
- The government also undertakes to promote good governance in the judicial system by publishing the decisions of commercial courts and the decisions of other courts concerning governance-related offenses.[26]
- The government will give priority to remedying failures of the administration identified by oversight agencies, including the BVG, in their annual and sector reports. It will take the steps required to sanction responsible staff members through the use of administrative or legal measures, as applicable. The CGSP published a first annual report on the implementation of oversight agencies' recommendations from 2011 to 2013.[27] It will publish a second annual report by February 28, 2016 highlighting the results of actions taken to remedy failures identified by oversight agencies in 2014, with particular attention to the measures taken to sanction staff misconduct through administrative or legal measures.
- The government will implement an action plan to strengthen the legal framework to combat money laundering, terrorism financing, and corruption, giving consideration to the recommendations of the IMF technical assistance mission that visited Bamako in September 2014.

## PROGRAM MONITORING

59. The program will undergo periodic reviews based on the performance criteria at end-December 2015 and end-June 2016, the continuous performance criteria and indicative targets at end-March and September 2016 (Tables 1 and 3), and the benchmarks (Table 4). The performance criteria and indicators are set forth in the technical memorandum of understanding (TMU), which also describes the nature and frequency of the reporting required for program monitoring purposes. The conclusions of the fifth and sixth reviews under the ECF arrangement are expected, respectively, on or after May 1 and November 1, 2016.

[26] See www.reforme-justice.gouv.ml.

[27] Posted online at the following address: http://primature.gov.ml.

## Table 1. Mali: Performance Criteria and Indicative Targets, 2015[1]

(in billions of CFAF)

| | 2015 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | March | | | | June | | | | September | December | |
| | Prog.[2] | Adj. Target | Est. | Status | Prog.[3] | Adj. Target | Est. | Status | Prog.[3] | Prog.[3] | Rev. prog. |
| **Performance criteria** | | | | | | | | | | | |
| Government bank and market financing (ceiling) [4] | 127 | 186 | 67 | Met | 123 | 236 | 42 | Met | 147 | 172 | 172 |
| Cumulative increase in external payments arrears (ceiling) [5] | 0 | | 0 | Met | 0 | | 0 | Met | 0 | 0 | 0 |
| New external debt contracted or guaranteed by the government on non-concessional terms (cumulative ceiling from June 2015) [5,6,9] | 0 | | 0 | Met | 250 | | 0 | Met | 250 | 250 | 250 |
| Gross tax revenue (floor) | 251 | | 257 | Met | 564 | | 568 | Met | 851 | 1,141 | 1,141 |
| **Indicative targets** | | | | | | | | | | | |
| Basic fiscal balance (floor) [7] | -58 | -46 | 80 | Met | -92 | -93 | 168 | Met | -97 | -49 | -49 |
| Priority poverty-reducing expenditure (floor) | 63 | | 60 | Not met | 134 | | 164 | Met | 244 | 394 | 394 |
| *Memorandum items:* | | | | | | | | | | | |
| External budgetary support [8] | 7 | | 40 | | 45 | | 46 | | 71 | 177 | 139 |
| General budgetary grant | 7 | | 14 | | 19 | | 17 | | 45 | 112 | 74 |
| Net change in budgetary float (– = reduction) | -50 | | -123 | | -50 | | -131 | | 0 | -68 | -68 |
| Tax refunds (–) | -22 | | -10 | | -39 | | -38 | | -57 | -70 | -76 |
| Net change in arrears (– = reduction) | -5 | | -3 | | -5 | | -37 | | -7 | -49 | -47 |
| New external debt contracted or guaranteed by the government on concessional terms (cumulative ceiling from June 2015) [9] | | | | | | | | | | | 257 |

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. The March and September test dates are for indicative targets, while the June and December test dates are for performance criteria.

[2] IMF Country Report No. 14/337, Mali: First and Second Reviews Under the Extended Credit Facility Arrangement.

[3] IMF Country Report No. 15/151, Mali: Third Review Under the Extended Credit Facility Arrangement.

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

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

[6] The positive ceiling starting in June corresponds to 4 electicity projects financed by the Chinese Exim Bank for a total amount of CFAF 200 billion with a grant element of 29 percent.

[7] This indicative target is subject to adjustment for budgetary grants and tax refunds. See TMU for more details.

[8] On a disbursements basis.

[9] On a contracting basis in accordance with the IMF's new debt limits policy: http://www.imf.org/external/np/pp/eng/2014/111414.pdf.

**Table 2. Mali: Structural Benchmarks for 2015**

| Measure | Implementation Deadline | Macroeconomic Rationale | Status |
|---|---|---|---|
| Preparation of a strategy to gradually eliminate losses identified in petroleum products structures | June 30 | Increase tax revenue | Met |
| CGSP audit of exempt contracts designated "defense secret" or "essential government interests" to verify compliance with the Council of Ministers September 19, 2014 decree on this subject | August 31 | Strengthen governance of public finance | Met |
| Preparation of DGD report analyzing monthly verification reports by the inspection company comparing duties paid and receivable by import declaration during the first half of 2015 | August 31 | Increase tax revenue | Not met. Postponed to August 31, 2016 |
| Preparation of DGI report comparing importer turnover declared to the DGI and values of imports declared to the DGD during the period 2012–14. | August 31 | Increase tax revenue | Met |
| Preparation of DGDP chart detailing loan agreements to support execution of the 2015 supplementary budget and the 2016 draft budget, specifying the amount dispersed and financial terms for each agreement, to be annexed to the 2016 budget law | August 31 | Maintain debt sustainability | Met |

Source: Malian authorities

## Table 3. Mali: Proposed Performance Criteria and Indicative Targets, 2016 [1]
(in billions of CFAF)

| | 2016 | | | |
|---|---|---|---|---|
| | March | June | September | December |
| | Prog. | Prog. | Prog. | Proj. |
| **Performance criteria** | | | | |
| Government bank and market financing (ceiling) [2] | 125 | 217 | 170 | 160 |
| Cumulative increase in external payments arrears (ceiling) [3] | 0 | 0 | 0 | 0 |
| New external debt contracted or guaranteed by the government on non-concessional terms (cumulative ceiling from June 2015) [3,4,7] | 250 | 250 | 250 | 250 |
| Gross tax revenue (floor) | 309 | 649 | 958 | 1,294 |
| **Indicative targets** | | | | |
| Basic fiscal balance (floor) [5] | -60 | -92 | -61 | -61 |
| Priority poverty-reducing expenditure (floor) | 57 | 146 | 264 | 410 |
| *Memorandum items:* | | | | |
| External budgetary support [6] | 0 | 3 | 76 | 98 |
| General budgetary grant | 0 | 0 | 64 | 67 |
| Net change in budgetary float (– = reduction) | -16 | -31 | -11 | 9 |
| Tax refunds (–) | -17 | -35 | -52 | -71 |
| Net change in arrears (– = reduction) | -18 | -37 | -34 | -31 |
| New external debt contracted or guaranteed by the government on concessional terms (cumulative ceiling from June 2015) [7] | 557 | 557 | 557 | 557 |

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. The March and September test dates are for indicative targets, while the June test date is for performance criteria. The December targets represent the authorities' projections, which post-date the December 17, 2016 expiration of the ECF arrangement.

[2] This performance criterion is subject to adjustment for external budget support, reduction of pending bills, tax refunds, and arrears payment. See TMU for more details.

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

[4] Provided the average grant element of these loans is about 30 percent.

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

[6] On a disbursements basis.

[7] On a contracting basis in accordance with the IMF's new debt limits policy: http://www.imf.org/external/np/pp/eng/2014/111414.pdf.

## Table 4. Mali: Proposed Structural Benchmarks for 2016

| Measure | Implementation Deadline | Macroeconomic Rationale |
|---|---|---|
| Nomination by the minister of economy and finance of all directors of finance and material and administrative and financial directors for the ministerial departments and other public institutions. | January 1 | Improve compliance with budget rules |
| CGSP audit of exempt contracts designated "defense secret" or "essential government interest" signed in 2015 to verify compliance with Decree 2014-764 of October 9. | February 28 | Strengthen governance of public finances |
| Report on implementation of the recommendations of October 2014 West AFRITAC technical assistance mission to strengthen the quality of the public debt database, including an action plan with specific timetable to implement all recommendations. | February 28 | Strengthen public debt management |
| Audit by a private firm of the amount and process of granting exemptions from taxes collected by the DGI and DGD in 2015. | June 30 | Increase tax revenue |
| Preparation of DGD report analyzing monthly reconciliation reports by the inspection company comparing duties paid and receivable by import declaration during the first seven months of 2015. | August 31 | Increase tax revenue |
| Transmittal to the Supreme Court of senior government officials' financial disclosures pursuant to the law against unlawful enrichment. | August 31 | Promote good governance |

## Table 5. Mali: Summary of External Borrowing Program[1]

| | 2015 | | | | 2016 prog. | |
|---|---|---|---|---|---|---|
| | Already signed | To be signed | Rev. prog. | PV | | PV |
| | | (CFAF Billions) | | | | |
| **Sources of debt financing** | **133** | **374** | **507** | **304** | **300** | **150** |
| Concessional debt,[2] of which | 133 | 124 | 257 | 129 | 300 | 150 |
| Multilateral debt | 133 | 124 | 257 | 129 | 300 | 150 |
| Bilateral debt | 0 | 0 | - | - | - | - |
| Non-concessional debt[3] | 0 | 250 | 250 | 175 | 0 | 0 |
| **Utilization of amounts borrowed** | **133** | **374** | **507** | **304** | **300** | **150** |
| Budgetary assistance | 0 | 32 | 32 | 18 | - | - |
| Infrastructure (roads, bridges, etc.) | 20 | 83 | 103 | 52 | - | - |
| Energy | 5 | 0 | 5 | 3 | - | - |
| Agriculture | 50 | 8 | 58 | 29 | - | - |
| Social (education, health) | 58 | 1 | 59 | 30 | - | - |
| Various | | 250 | 250 | 175 | - | - |

Source: Malian authorities
[1] New loans contracted or guaranteed (annual flows).
[2] Debt for which the grant element exceeds a floor of 35 percent.
[3] Debt with a positive grant element below the established floor.

# Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) defines the performance criteria and indicative targets presented in Tables 1 and 2 of the Memorandum of 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.

## I. 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.

## II. PERFORMANCE CRITERIA

3. Except as noted, the following financial targets will serve as performance criteria at end-December 2015 and end-June 2016, and as indicative targets at end-March 2016 and end-September 2016.

### 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.

# III. 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 (*instances de paiement*)** is higher (lower) than program amounts (MEFP, Tables 1 and 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, external arrears, and audited arrears from previous fiscal years,** which exceed (fall short of) program amounts (MEFP, Tables 1, and 3).

## B. Ceiling on Accumulation of External Government Payments Arrears

10. External payments arrears are defined as the obligations resulting from the service of an external debt (repayment of principal and interest expense) payable or guaranteed by the government that were not paid on the due date as specified in the loan agreement, taking any applicable grace period into consideration. The definition of external debt given in paragraph 15 applies here. Arrears payable to official bilateral creditors are not covered by this definition if the government is attempting to negotiate a rescheduling of the debt, provided the government pays into an escrow account the amounts coming due on such loans, taking any applicable grace period into account, as specified in the loan 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 Contracted or Guaranteed by the Government and/or Public Enterprises

12. **Definition of the debt**. The definition of the debt is set out in point 8 of the attachment to IMF Executive Board Decision N° 15688:

(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, while the lessor retains the title to the property. 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 that constitutes debt 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. The discount rate used for this purpose is five percent.

15. **External debt**. For the purposes of the relevant assessment criteria, external debt is defined as a debt denominated, or requiring payment, in a currency other than the CFA franc. This definition also applies to the debts contracted between WAEMU member countries.

16. **Debt-related performance criteria**. The performance criteria apply to new non-concessional 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 performance criteria shall apply to any debts or liabilities contracted or guaranteed for which value has not yet been received. They shall also apply to private debt for which official guarantees have been extended and which, therefore, constitute a contingent liability of the government. The performance criteria are monitored on a continuous basis. No adjusters will be applied to these performance criteria.

17. **Special provisions.** The performance criteria 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**. 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.

### 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.

## IV. INDICATIVE TARGETS

20. The following will serve as indicative targets at end-June, September, and December 2015.

[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/external/np/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, origination fees, and management fees.

### 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 N° 05/2009/CCEG/UEMOA of March 17, 2009, amending Act Nº04/1999 on the Convergence, Stability, Growth, and Solidarity Pact).

## V. 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 the 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, Tables 1 and 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 other than transfers to the Malian Social Security Fund (CMSS). It excludes project-related capital expenditure financed by foreign technical and financial partners.

## VI. 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** have been 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 changes in arrears (more than three months) with respect to budgetary expenditures (including VAT credits and called guarantees 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.

27. As of June 30, 2014, the **available balances in current account opened for government accounting officers** included within the scope of the net government position, narrowly defined (¶16), also known as the net Treasury position (NTP), with the exception of those located in regions where the BCEAO is not present, will be **transferred to the Treasury single account at the BCEAO.** The available balances are all the amounts in such accounts except for:

- frozen Treasury accounts at the Malian Development Bank (BDM) in the amount of CFAF 19.5 billion pursuant to the provisions of the privatization agreement concerning that bank;
- blocked Treasury funds at the Banque Régionale de Solidarité (BRS) in the amount of CFAF 12 billion following the financial difficulties of the BRS; Orabank, which will acquire the BRS, has agreed to reimburse the Treasurer for this deposit at the rate of CFAF 500 million per month in 2014 and clear the remaining balance no later than end-2015;
- accounts corresponding to grants from Japan in the amount of CFAF 3 billion at the BDM pursuant to an agreement with Japan providing for mobilization of these funds; and
- an account at the Banque Malienne de Solidarité (BMS) used for cash collection operations, which is zeroed out every day and transferred to the Receiver account at the BCEAO;
- term deposits (DAT) with commercial banks where the DNTCP places any cash surpluses, so long as the interest rates on such term deposits are greater than the BCEAO deposit rates.

28. **Extrabudgetary expenditures** are defined as domestically funded expenditures made by central government entities that are not provided for in the finance law and are not executed in accordance with applicable budgetary rules and procedures. This definition applies to all transactions, commitments, acceptances of goods or services, or provisions of guarantees that could create an expense for the government that was not authorized in the budget law.

### Additional Information for Program Monitoring

29. 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 | Yearly | 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 (including VAT credits) | Monthly | Month-end + 6 weeks |
| | Wage bill as recorded in the TOFE | Monthly | Month-end + 6 weeks |

| Sectors | Type of Data | Frequency | Reporting Deadline |
|---|---|---|---|
| | Basic fiscal balance as recorded in the TOFE | Monthly | Month-end + 6 weeks |
| | 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 |
| | Report by the Minister of Economy and Finance on extra-budgetary spending | Six-Monthly | End-February and August |
| 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 + 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 |

| Sectors | Type of Data | Frequency | Reporting Deadline |
|---|---|---|---|
| | Account statements showing the initial and final balances of the escrow account at the BCEAO in which the service coming due on the debt contracted from the Libyan Foreign Bank for construction of the Bamako Cité Administrative complex is deposited until an agreement is reached with the Libyan authorities to reschedule repayment of that debt. | Monthly | Month-and + 1 week |
| Balance of Payments | Balance of payments | Yearly | Year-end + 12 months |
| | Revised balance of payments | Variable | 8 weeks after each revision |
| External Debt | Breakdown of all new external loans | Monthly | Month-end + 4 weeks |
| | 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 ¶24. | Quarterly | End of quarter + 4 weeks |

# MALI

## STAFF REPORT FOR THE 2015 ARTICLE IV CONSULTATION, FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REQUEST FOR MODIFICATION OF A PERFORMANCE CRITERION—INFORMATIONAL ANNEX

November 10, 2015

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

## CONTENTS

# RELATIONS WITH THE FUND

(As of September 30, 2015)

**Membership Status:** Joined: September 27, 1963. Article VIII

| **General Resources Account:** | **SDR Million** | **%Quota** |
|---|---|---|
| Quota | 93.30 | 100.00 |
| Fund holdings of currency | 83.30 | 89.28 |
| Reserve Tranche Position | 10.00 | 10.72 |

| **SDR Department:** | **SDR Million** | **%Allocation** |
|---|---|---|
| Net cumulative allocation | 89.36 | 100.00 |
| Holdings | 73.35 | 82.08 |

| **Outstanding Purchases and Loans:** | **SDR Million** | **%Quota** |
|---|---|---|
| RCF loans | 22.00 | 23.58 |
| ECF Arrangements | 70.16 | 75.20 |

**Latest Financial Arrangements:**

| Type | Date of Arrangement | Expiration Date | Amount Approved (SDR Million) | Amount Drawn (SDR Million) |
|---|---|---|---|---|
| ECF | Dec 18, 2013 | Dec 17, 2016 | 30.00 | 14.00 |
| ECF | Dec 27, 2011 | Jan 10, 2013 | 30.00 | 6.00 |
| ECF [1/] | May 28, 2008 | Dec 22, 2011 | 52.99 | 52.99 |

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

| | Forthcoming | | | | |
|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Principal | 4.80 | 8.17 | 11.60 | 12.70 | 13.80 |
| Charges/Interest | 0.01 | 0.01 | 0.01 | 0.01 | 0.13 |
| **Total** | 4.81 | 8.18 | 11.61 | 12.71 | 13.93 |

[1/] Formerly PRGF.

[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 Catastrophe Containment and Relief (CCR):** Not Applicable
As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

**Decision Point:**
Point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decides 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 the common central bank of the countries of the West African Economic and Monetary Union (WAEMU). The latest safeguards assessment of the BCEAO of December 13, 2013 found that the bank continued to have a strong control environment and has enhanced its governance framework. Specifically, an internal audit committee was established and progress is underway to strengthen its capacity with external expertise 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 fully comply with international financial reporting standards for the audit of FY 2015. The assessment 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 external audits, which was done in 2015.

**Exchange Rate Arrangements:**
Mali is a member of the West African Economic and Monetary Union (WAEMU). 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 benefit 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** |
| FAD | Expert | November 2015 | Tax Administration |
| FAD | Expert | October 2015 | TOFE Methodology |
| AFRITAC | Expert | October 2015 | Strengthening Tax Administration of Medium-Size Enterprises |
| AFRITAC | Expert | September 2015 | Macroeconomic Modeling and Forecasting |
| LEG | Expert | September 2015 | AML/FT Reinforcement |
| AFRITAC | Expert | July 2015 | Computerization of customs disputes |
| FAD | Expert | July 2015 | Local Taxation and Decentralization |
| AFRITAC | Expert | June 2015 | Macro-prudential Surveillance, Systemic Risk, and Financial Sector Stability |
| FAD | Expert | June 2015 | Mineral Taxation; Rent Distribution |
| AFRITAC | Expert | April 2015 | Payroll |
| AFRITAC | Expert | April 2015 | National Accounts |
| FAD | Expert | March 2015 | Tax Administration |
| AFRITAC | Expert | January 2015 | Macroeconomic Forecasting |
| AFRITAC | Expert | January 2015 | Public Accounting |
| FAD | Expert | January 2015 | Fiscal Decentralization |
| AFRITAC | Expert | December 2014 | Government Finance Statistics |
| AFRITAC | Expert | December 2014 | Fiscal Reporting |
| AFRITAC | Expert | November 2014 | VAT Administration |
| FAD | Expert | November 2014 | Auditing the extractive industries |

| Technical Assistance (continued) | | | |
|---|---|---|---|
| **Department** | **Type of Assistance** | **Time of Delivery** | **Purpose** |
| FAD | Expert | November 2014 | Revenue Administration |
| AFRITAC | Expert | October 2014 | Fiscal Reporting |
| FAD | Expert | October 2014 | Natural Resource Management |
| AFRITAC | Expert | October 2014 | Public Debt Management |
| AFRITAC | Expert | October 2014 | Broadening the Tax Base |
| FAD | Expert | October 2014 | Accounting and fiscal reporting |
| AFRITAC | Expert | October 2014 | Revenue administration |
| AFRITAC | Expert | October 2014 | Public expenditure management |
| LEG | Expert | September 2014 | Corruption and money laundering |
| FAD | Expert | June 2014 | Fiscal policy (diagnostic) |
| FAD | Expert | June 2014 | Mining and oil codes (diagnostic) |
| FAD | Expert | May 2014 | Revenue administration |
| AFRITAC | Expert | May 2014 | Quarterly national accounts production |
| AFRITAC | Expert | May 2014 | Government finance statistics (TOFE) |
| MCM | Expert | February 2014 | Financial Stability |
| FAD | Expert | January 2014 | Fiscal decentralization |
| FAD | Expert | January 2014 | Audit of the Expenditure Chain |
| AFRITAC | Expert | December 2013 | Debt management |
| AFRITAC | Expert | December 2013 | Custom Administration |
| FAD | Expert | December 2013 | Accounting and Fiscal Reporting |
| AFRITAC | Expert | October–November 2013 | National accounts statistics |
| AFRITAC | Expert | October–November 2013 | Public expenditure management |
| AFRITAC | Expert | October 2013 | Reform of state housing bank |

| Technical Assistance (concluded) | | | |
|---|---|---|---|
| **Department** | **Type of Assistance** | **Time of Delivery** | **Purpose** |
| FAD | Long Term Expert | September 2013–September 2014 | Public finance accounting, information system, and treasury management |
| 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 |

**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** | Development Policy Operation | June and September 2015 | December 2015 |
| **Fund Work Program** | Article IV Consultation and Fourth review of three-year arrangement under the Extended Credit Facility | March 2016 | June 2016 |
| **B. Requests for Work Program Inputs** | | | |
| **Bank Request to the Fund** | Information on recent macroeconomic developments, macroeconomic projections and analysis for 2015–16 and the medium term | May 2015<br>September 2015 | June 2015<br>October 2015 |
| **Fund Request to the Bank** | Comments on the composition of the budget and its alignment with Growth Enhancing and Poverty Reduction Strategy papers<br>(G-PRSP3 and PAG) | March 2016 | June 2016 |
| | Budgetary implications of developments and reforms engaged in safety net, electricity, and agricultural sectors | March 2016 | June 2016 |
| **C. Agreement on Joint Products** | | | |
| | Joint Bank-Fund Debt Sustainability Analysis | March 2016 | June 2016 |

# STATISTICAL ISSUES

| Mali—Statistical Issues Appendix<br>(As of October 29, 2015) |
|---|
| **I. Assessment of Data Adequacy for Surveillance** |
| **General:** Data provision has some shortcomings, but is broadly adequate for surveillance. |
| **National Accounts**: The National Institute of Statistics (*INSTAT*) released in August 2015 a new series of annual national accounts covering the period 1999-2013, in accordance with the *System of National Accounts 1993 (SNA93)* and adapted to certain characteristics specific to Mali. They are compiled on an annual basis. There are, however, some weaknesses due to inadequacy of source data, along with insufficient funding and technical staffing of the INSTAT. The work on implementing quarterly national accounts is ongoing, with the support of AFRITAC West. |
| **Price Statistics:** In concert with the other member countries of the West African Economic and Monetary Union (WAEMU), the INSTAT has been compiling and timely 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:** Broadly adequate. 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 IMF technical assistance (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. |
| **Monetary and Financial Statistics:** African States (BCEAO) MFS 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 e-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. |
| **Financial Sector Surveillance:** Mali reports a basic set of financial soundness indicators on a quarterly basis, except for profitability indicators, which are provided on an annual basis. |
| **External Sector Statistics:** 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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>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.<br><br>In May 2013, the BECAO published a new methodology guide for the elaboration of the balance of payments and the global external position for the WAEMU countries that is consistent with the sixth edition of the IMF BOP Manual. Mali BOP is currently presented according to the new guide.<br><br>Mali reports balance of payments and international investment position data according to the methodology of the sixth edition of the Balance of Payments and International Investment Position Statistics Manual (BPM6). The authorities have submitted 2013 balance of payments and IIP data for publication in the 2015 Balance of Payments Statistics Yearbook (BOPSY) and in the 2015 International Financial Statistics Yearbook (IFSY). |

| **II. Data Standards and Quality** | |
|---|---|
| Mali has been participating in the General Data Dissemination System (GDDS) (and its successor e-GDDS) since September 2001. | No data ROSC mission has been done in Mali. |

## Mali: Common Indicators Required for Surveillance
(as of October 29, 2015)

| | 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 2015 | October 2015 | M | M | M |
| Reserve/Base Money | August 2015 | October 2015 | M | M | M |
| Broad Money | August 2015 | October 2015 | M | M | M |
| Central Bank Balance Sheet | August 2015 | October 2015 | M | M | M |
| Consolidated Balance Sheet of the Banking System | August 2015 | October 2015 | M | M | M |
| Interest Rates[2] | September | Current | I | W | M |
| Consumer Price Index | August 2015 | September 2015 | M | M | M |
| Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government | June 2015 | September 2015 | M | Q | A |
| Stocks of Central Government and Central Government-Guaranteed Debt[5] | June 2015 | September 2015 | M | I | A |
| External Current Account Balance | 2014 | March 2015 | A | A | A |
| Exports and Imports of Goods and Services | 2014 | March 2015 | A | A | A |
| GDP/GNP | 2014 | March 2015 | A | A | Semi-A |
| Gross External Debt | 2014 | March 2015 | A | A | A |
| International Investment Position[6] | 2014 | March 2015 | A | A | A |

[1] Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Includes external gross financial asset and liability position vis-à-vis nonresidents.

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

# MALI

November 10, 2015

## STAFF REPORT FOR THE 2015 ARTICLE IV CONSULTATION, FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REQUEST FOR MODIFICATION OF A PERFORMANCE CRITERION—DEBT SUSTAINABILITY ANALYSIS

Approved By
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Prepared jointly by staffs of the International Monetary Fund and the International Development Association

| | |
|---|---|
| **Risk of external debt distress:** | *Moderate* |
| **Augmented by significant risks stemming from domestic public debt?** | *No* |

*Mali's risk of debt distress continues to be assessed as moderate—unchanged from the previous Debt Sustainability Analysis (DSA). Debt sustainability is highly sensitive to a tightening of financial terms, limiting the room for non-concessional borrowing. It is also vulnerable to a reduction in transfers and foreign direct investment and an export shock stemming from the concentration of exports in 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 declined significantly in the early to mid-2000s.** 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-2014, it had increased to 25 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). The bulk of Mali's stock of external public debt is owed to multilateral creditors, mainly IDA, ADB and IsDB. There are no official estimates of Mali's total private external debt stock but a rough proxy suggests this is likely to be small, at around 8 percent of GDP at end-2014.[1]

**Text Table 1: Mali: External Debt Stock at Year-End, 2001–14**

(billions of CFAF)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total | 1,969 | 1,156 | 1,169 | 1,185 | 1,474 | 606 | 643 | 811 | 958 | 1,134 | 1,229 | 1,382 | 1,407 | 1,485 |
| (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 | 25.9 | 25.6 | 24.8 |
| Multilateral | 1,506 | 824 | 741 | 878 | 1,199 | 357 | 448 | 616 | 767 | 896 | 1,006 | 1,105 | 1,160 | 1,202 |
| IMF [1] | 110 | 100 | 94 | 79 | 66 | 4 | 6 | 19 | 68 | 72 | 101 | 101 | 83 | 94 |
| World Bank/IDA | 343 | 106 | 176 | 268 | 384 | 84 | 216 | 263 | 313 | 414 | 494 | 578 | 586 | 597 |
| African Development Bank | 329 | 116 | 239 | 289 | 380 | 121 | 134 | 112 | 136 | 158 | 257 | 247 | 229 | 245 |
| Islamic Development Bank | 45 | 40 | 36 | 55 | 64 | 31 | 57 | 96 | 112 | 114 | 124 | 118 | 111 | 92 |
| Others | 678 | 462 | 195 | 187 | 306 | 117 | 34 | 126 | 138 | 139 | 30 | 62 | 151 | 174 |
| Official Bilateral | 456 | 327 | 423 | 302 | 270 | 247 | 193 | 192 | 188 | 236 | 222 | 276 | 284 | 282 |
| Paris Club official debt | 127 | 31 | 8 | 17 | 18 | 13 | 16 | 4 | 4 | 10 | 13 | 13 | 10 | 8 |
| Non-Paris Club official debt | 328 | 297 | 416 | 285 | 252 | 234 | 178 | 188 | 184 | 226 | 209 | 263 | 275 | 273 |
| Other Creditors | 7 | 4 | 4 | 4 | 6 | 2 | 3 | 3 | 3 | 3 | 2 | 2 | 1 | 1 |

Sources: Malian authorities, staff estimates.

[1] Includes August 2009 SDR allocation.

## B. Recent Developments in Public Domestic Debt

**2. Mali's domestic public debt is low but has increased rapidly over the past few years.** At end 2014, domestic public debt was 7.4 percent of GDP, compared to 2.3 percent of GDP in 2009 (Text Table 2). The outstanding stock consists mainly of treasury bills and bonds issued on the regional market of the

[1] Calculated as the gross external liabilities of commercial banks resident in Mali from the monetary survey and the gross external liabilities of the Malian non-bank sector vis-à-vis banks that report to the Bank of International Settlements (BIS). The latter may also include any debt of the public sector to BIS-reporting banks.

West African Economic and Monetary Union (WAEMU), but it also includes some arrears owed to domestic suppliers that have been validated through audits and recognized as debt by the authorities. The sharp increase in the stock of domestic debt between 2009 and 2014 resulted mainly from new issuances of treasury bills and bonds. The increase also reflects the inclusion of debt previously unreported in the official statistics, following 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, 2009–14**
(billions of CFAF)

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|
| Total | 97 | 203 | 238 | 231 | 318 | 445 |
| Nominal GDP | 4233 | 4667 | 5038 | 5328 | 5490 | 5987 |
| (percent of GDP) | 2.3 | 4.4 | 4.7 | 4.3 | 5.8 | 7.4 |
| Central bank (ex IMF) | 8 | 6 | 3 | 1 | 0 | 0 |
| Commercial banks | 82 | 94 | 114 | 112 | 172 | 329 |
| Other [1] | 6 | 104 | 120 | 119 | 146 | 116 |

Sources: Malian authorities, staff estimates.
[1] Includes debt owed to non-banks and banks resident in WAEMU countries outside of Mali.

## 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 3.38 (on a scale of 1 to 6) during 2012–14, 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**

| | Without remittances | With remittances |
|---|---|---|
| Present value of external debt in percent of: | | |
| GDP | 40 | 36 |
| Exports | 150 | 120 |
| Revenue | 250 | 250 |
| External debt service in percent of: | | |
| Exports | 20 | 16 |
| Revenue | 20 | 20 |

# UNDERLYING ASSUMPTIONS

## A. Baseline Scenario

**4. In the short run, the economy is expected to grow slightly above trend as the recovery following the political and security crisis of 2012 takes hold.** The baseline scenario remains broadly in line with that of the December 2014 DSA[2] and assumes a stable political environment, the implementation of sound macroeconomic and structural policies, and the resumption of aid and foreign direct investment (FDI). Notable revisions compared to the December 2014 DSA include (Text Table 4):

- Real GDP growth is expected to be slightly weaker in the near term (2015) on the back of unusually strong agricultural production during the previous year. In the long run, growth is assumed to revert toward the historical average of 4.5 percent
- Oil prices are around 20 percent lower over the projection period, expected to result in a modest boost to the trade balance in the medium term from lower oil imports.
- Gold prices are around 7 percent lower over the projection period, although the impact on the value of export receipts is offset in the near term by upward revisions to the projected volume of production from existing mines and production from new mines expected to come on stream during the next five years. From 2019, however, the volume of gold production is expected to decline by around 2 percent per annum.
- The medium-term current account deficit (excluding grants) is expected to be higher than in the previous DSA in the medium term, due to staffs' updated assumption of the likely duration of international military assistance and associated military services imports.[3]
- The medium-term current account deficit (including grants) is expected to be lower than in the previous DSA in the medium term, due to the beneficial impact of lower oil prices on imports.
- The overall fiscal deficit (excluding grants) is projected to be slightly lower than in the previous DSA in 2015 due to under-executed capital spending, but broadly similar further out.
- All new external borrowing is projected to be on similar terms as in the recent past. The main change with respect to the previous DSA is a projected increase in the share of Mali's external loans provided by Chinese development banks.

[2] See Joint IDA/IMF Debt Sustainability Analysis in the IMF Country Report No. 14/337.

[3] International military assistance is registered in the balance of payments as imports of security services financed by grants and includes the United Nations MINUSMA mission and the French Barkhane operation. Although MINUSMA's mandate is renewed on an annual basis there are no indications it will be wound down soon, while to Staff's knowledge, there is no published end-date for Barkhane.

**Text Table 4. Mali: Evolution of Selected Macroeconomic Indicators**

| | 2014 | 2015 | 2016 | 2017 | 2018 | Long term [1] |
|---|---|---|---|---|---|---|
| | Est | Projections | | | | |
| Real GDP growth | | | | | | |
| Current DSA | 7.2 | 4.9 | 5.4 | 5.1 | 4.5 | 4.5 |
| Previous DSA | 7.2 | 5.0 | 5.5 | 5.6 | 5.7 | 5.0 |
| Overall fiscal deficit (excluding grants, percent of GDP) | | | | | | |
| Current DSA | -6.1 | -6.0 | -5.5 | -5.6 | -5.2 | -5.4 |
| Previous DSA | -6.2 | -7.7 | -5.7 | -5.8 | -5.8 | -5.9 |
| Current account deficit [2] (excluding grants, percent of GDP) | | | | | | |
| Current DSA | -16.4 | -12.9 | -13.2 | -13.9 | -15.1 | -8.3 |
| Previous DSA | -18.1 | -16.4 | -10.0 | -10.6 | -10.2 | -16.8 |
| Current account deficit (including grants, percent of GDP) | | | | | | |
| Current DSA | -5.5 | -2.5 | -3.2 | -4.4 | -6.1 | -6.1 |
| Previous DSA | -7.0 | -5.3 | -5.5 | -6.1 | -6.4 | -6.4 |
| Official aid [3] (percent of GDP) | | | | | | |
| Current DSA | 4.6 | 6.0 | 5.0 | 5.4 | 5.5 | 6.0 |
| Previous DSA | 4.6 | 8.3 | 6.3 | 6.4 | 6.4 | 6.6 |
| Gold prices (US$/fine ounce London fix) | | | | | | |
| Current DSA | 1266 | 1175 | 1158 | 1171 | 1188 | 1234 |
| Previous DSA | 1290 | 1286 | 1295 | 1320 | 1351 | 1394 |
| Gold exports (percent of GDP) | | | | | | |
| Current DSA | 15.3 | 15.5 | 14.1 | 13.1 | 10.8 | 5.8 |
| Previous DSA | 14.7 | 13.9 | 13.3 | 12.2 | 11.5 | 6.2 |
| Oil prices (US$/barrel)[4] | | | | | | |
| Current DSA | 96 | 52 | 50 | 55 | 60 | 63 |
| Previous DSA | 99 | 85 | 86 | 86 | 85 | 85 |

[1] Defined as the last 15 years of the projection period. For the current DSA, the long term covers the 2021-35 period. For the previous DSA, it covered 2020-34.

[2] The large current account (excluding grants) deficit in 2014-18 reflects the international military assistance, which is assumed to continue into the medium term. It is registered as imports of security services financed by grants, which average 6% of GDP per annum.

[3] Defined as the sum of concessional grants and loans.

[4] Simple average of three spot prices; Dated Brent, West Texas Intermediate, and the Dubai Fateh.

**5. The central feature of Mali's medium- and long-term external sector 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 trend GDP growth of 4.5 percent—in line with the historical average—as strong growth in the secondary and tertiary sectors 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 on a net basis, and the monetary policy stance stays consistent with the objectives of the regional central bank. The current account deficit is expected to remain stable (8–9 percent of GDP excluding grants, 6 percent including grants) 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 particularly import intensive relative to other exports.

**Box 1. Mali: Macroeconomic Assumptions Underlying the Baseline Scenario, 2015–35**

- **Real GDP growth.** It is expected to remain robust as Mali's recovery from the recent political and security challenges takes hold. Near term growth in 2015 is projected to remain strong at 5 percent, while long-term growth is expected to average 4.5 percent per year. This is moderately higher than the trend observed during the past 10 years which included the 2012 crisis (4.3 percent) but broadly in line with average growth over the past 30 years. Gold output is projected to decline by around 2 percent annually starting in 2019 but strong growth in the secondary and tertiary sectors, aided by political stability and supported by structural reforms, is expected to offset this decline over time. With a projected rapid population growth, the baseline scenario thus assumes low per capita income growth and therefore continuous access to concessional financing linked to low income status.
- **Consumer price inflation.** It is projected to remain below the WAEMU convergence criterion of 3 percent, reflecting low global inflation and normal domestic weather conditions.
- **Fiscal policy.** Owing to pressing public spending needs related to implementation of the peace agreement[1], the overall fiscal deficit (excluding grants) is expected to remain close to 6 percent of GDP in 2015. The 2015 deficit is expected to be financed by higher disbursements of grants and loans pledged by the international community to help with the country's recovery from the 2012–13 crisis, some of which represent undisbursed support from 2014. Thereafter, the overall fiscal deficit (excluding grants) is projected to come down to and average around 5.4 percent of GDP in 2021–35, 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 from 2018 onwards and the overall fiscal balance at 3 percent of GDP, in line with the convergence criterion of the WAEMU, of which Mali is a member. Tax revenue, as a percent of GDP, is expected to increase by about 5.0 percentage points over the projection period, finance the increase of domestically financed expenditure, and compensate the reduction of aid after the post-crisis surge in 2013–15. Therefore, there is no recourse to additional domestic borrowing to finance the budget, except for rolling over current stock of domestic debt at market rates.
- **The non-interest current account deficit (including transfers)**. It is projected to average 6.1 percent of GDP over 2021–35, slightly above the historic average (6.8 percent of GDP). It is expected to decline from 5.5 percent of GDP in 2014 to 2.5 percent of GDP in 2015, mainly resulting from a decline in the value of oil imports due to lower oil prices. The improvement in the current account (including grants), in turn, is expected to lead to a small accumulation of reserves at the BCEAO. Gold export volumes are expected to decline steadily over time, with the share of gold in total exports projected to fall from 67 percent in 2014 to about 31 percent in 2035.[2] This decline is projected to be compensated in part by a gradual increase in other exports (including food, cotton, tourism and other minerals such as cement, phosphate, uranium, bauxite, iron ore, copper, nickel, oil) and in part by a deceleration of import growth. Remittances are projected to remain at their current level of 7 percent of GDP.

1/ See paragraph 1 of Staff Report.

2/ New mining projected to come on stream from 2018 is, however, expected to provide some support to gold exports in the medium term.

## B. External DSA

6. **Under the baseline assumptions, all external debt and debt-service ratios remain below the policy-dependent thresholds throughout the projection period (Figure 1a).** The present value (PV) of external debt, calculated using a 5 percent discount rate, is expected to remain broadly constant throughout the projection period, between 15 and 19 percent of GDP (Table 1a). As production from

existing and planned new gold mines declines starting in 2019 and growth of other exports only partly compensate for that decline, the PV of the external debt-to-exports ratio is projected to increase from 52 percent in 2014 to 143 percent in 2035, only slightly below the threshold of 150 percent (Figure 1a, Table 1a). With a 5 percentage point increase in tax revenue to GDP during the projection period, the PV of the external debt-to-revenue ratio is expected to remain broadly stable between 70% - 80% percent of GDP, significantly below the threshold of 250 percent (Figure 1a, Table 1a).

7. **Under the alternative probability approach, all external debt and debt-service ratios also remain below the policy-dependent thresholds throughout the projection period (Figure 1b).** Since Mali's debt-to-export ratio lies within 10 percent of the threshold in the baseline case (and is hence considered borderline), the use of the "probability approach" is recommended. The "probability approach" is an alternative and complementary methodology for assessing external debt sustainability, based on the evolution of the probability of debt distress over time, rather than on the evolution of debt burden indicators. Under the probability approach, the projected probability of debt distress (expressed as a percent) associated with each debt burden indicator is compared to a threshold level, which in contrast to the baseline approach, is country specific; in this case, the thresholds incorporate Mali's individual CPIA score and average GDP growth rate. Application of the probability approach in Mali's case yields a similar conclusion as the standard approach, except that there are now no breaches under any of the shocks (Figure 1b).

8. **Mali's external debt sustainability is most sensitive to a tightening of financial terms while also being vulnerable to a reduction in transfers and FDI and an export shock.** Under a bound test where financial terms are tightened by 2 percentage points over the projection period, the PV of debt-to-exports ratio would breach the threshold in 2024 and continue to increase until the end of the projection period to reach about 270 percent in 2035 (Figure 1a, Table 1b, Scenario A2). Under a bound test that reduces FDI and official and private transfers in 2016–17 by 5 percent of GDP, the PV of the debt-to-exports ratio would exceed the threshold from 2019 until the end of the projection period (Table 1b, Scenario B4). And under a bound test that reduces export *growth* temporarily in 2016–17 with the effect of reducing exports *levels* permanently by 15 percent, the PV of the debt-to-exports ratio would breach the threshold in 2030 (Table 1b, Scenario B2). Under the probability approach, stress tests do not result in breaches of thresholds, though the margin relative to the threshold for the debt-to-export ratio is very small. Under this approach, external debt is most sensitive to a shock to non-debt flows for all debt level and debt service indicators (Figure 1b).

9. **Mali's external debt sustainability assessment remains similar when remittances are accounted for.**[4] Workers' remittances represent a reliable source of foreign exchange in Mali, averaging 7 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 2, Table 3). Over 2015–35, the PV of debt-to-GDP plus remittances remains broadly constant, between 14 and 18 percent, and the PV of debt-to-exports plus remittances increases from 47 percent to 96 percent. Under

[4] Note that the risk of external debt distress is based on the without-remittances assessment.

a bound test that tightens financial terms, the PV of debt-to-exports plus remittances ratio would breach the threshold in 2022, and remain above it for the entire projection period through 2032 (Figure 2, Table 3).

## C. Public DSA

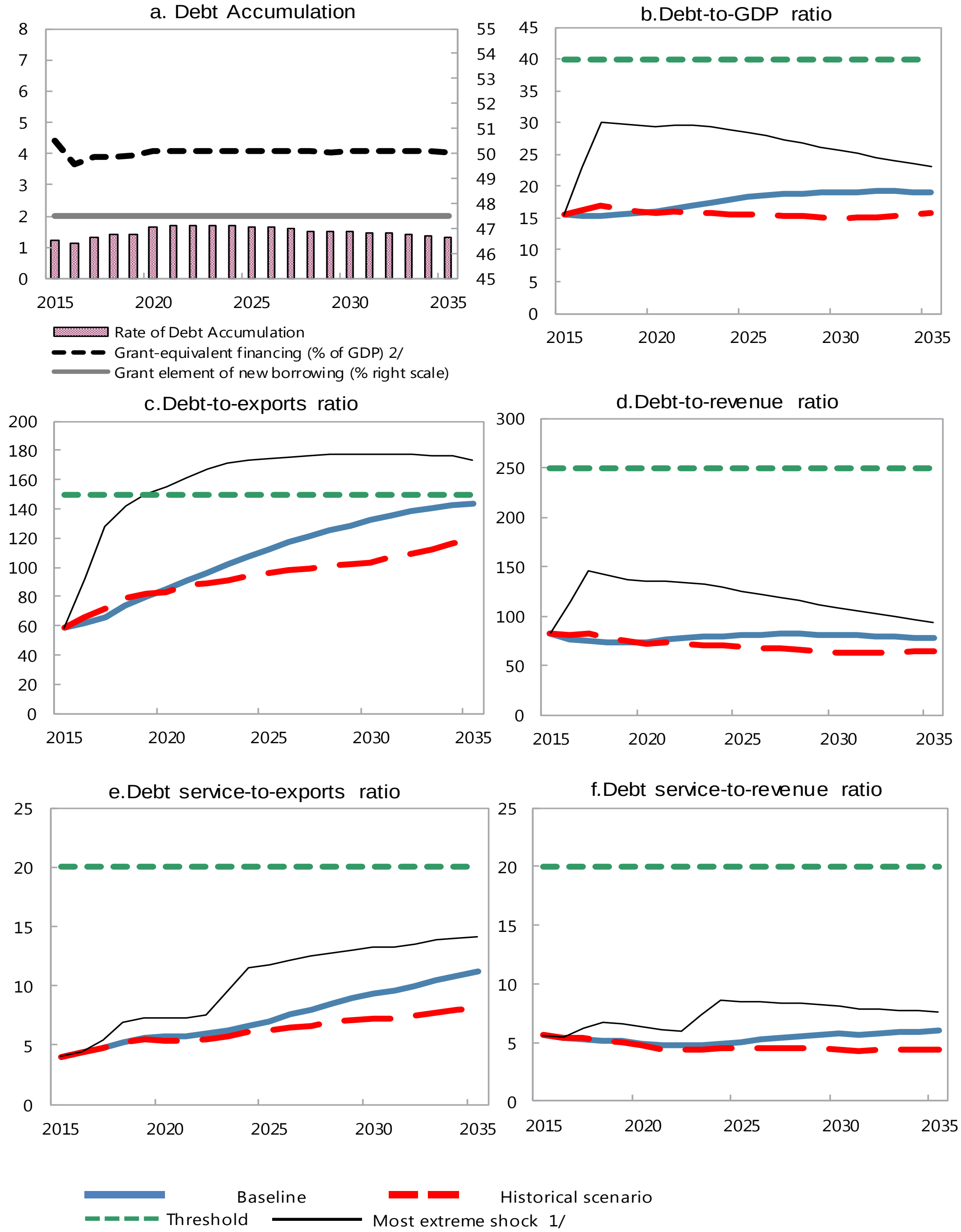
**10. The inclusion of domestic debt does not alter the assessment of Mali's debt sustainability.** Given the small size of Mali's domestic debt and the absence of recourse to additional domestic borrowing in the baseline scenario, the public debt sustainability analysis closely mirrors the external debt sustainability analysis (Figure 3 and Table 2a). The PV of public sector debt-to-GDP ratio stays between 23 and 28 percent of GDP during the whole projection period. However, in light of the recent rapid growth in the stock of domestic debt (¶2), new domestic borrowing should be closely monitored.

**11. The Malian authorities broadly agreed with the conclusions of the DSA.** Staffs stressed the importance of continuing to meet their financing needs with grants and concessional loans with a minimum grant element of 35 percent, where possible. The authorities indicated they found some of the DSA assumptions, notably on long-run economic growth (4.5 percent), conservative, but shared the staff's overall assessment. In accordance with the Fund's new debt limits policy, which will be applicable to Mali under its Extended Credit Facility (ECF) arrangement following the current 4th review, the authorities agreed a borrowing plan for 2015 and 2016 with IMF staff. Based on this, a ceiling for the nominal value of new external borrowing contracted during these years was included in the ECF-supported program.

## D. Conclusion

**12. The DSA indicates that Mali remains at moderate risk of debt distress based on the external debt burden indicators.** Although none of the debt burden thresholds are breached over the 20–year projection period under the baseline scenario—unchanged from the last DSA—the alternative scenario shows a sustained breach of the debt-to-exports limit under the most extreme shock. Contrary to this finding, the probability approach does not show breaches of the thresholds under stress tests, which could be consistent with a low risk of debt distress. However, the debt-to-export threshold is almost breached by stress tests on this approach, and given Mali's undiversified export base and significant uncertainties surrounding both gold export prices and volumes, vulnerabilities on this front merit retaining a moderate risk of debt distress rating. Debt sustainability is highly sensitive to a tightening of financing terms, underscoring the importance for the Malian government of continuing to meet its external financing needs with grants and concessional loans, wherever possible, and where loans are contracted on less concessional terms, ensuring that the underlying projects deliver a high return on investment. In addition to a financing shock, Mali's debt sustainability is also vulnerable to a reduction in transfers and FDI, and an export shock owing to the export concentration in gold. Given the expected decline in gold exports in the medium term, and the uncertain prospects for export diversification, improving export performance in other sectors to compensate for the expected decline in gold exports will also be critical to maintaining external debt sustainability.

## Figure 1a. Mali: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2015–35 1/

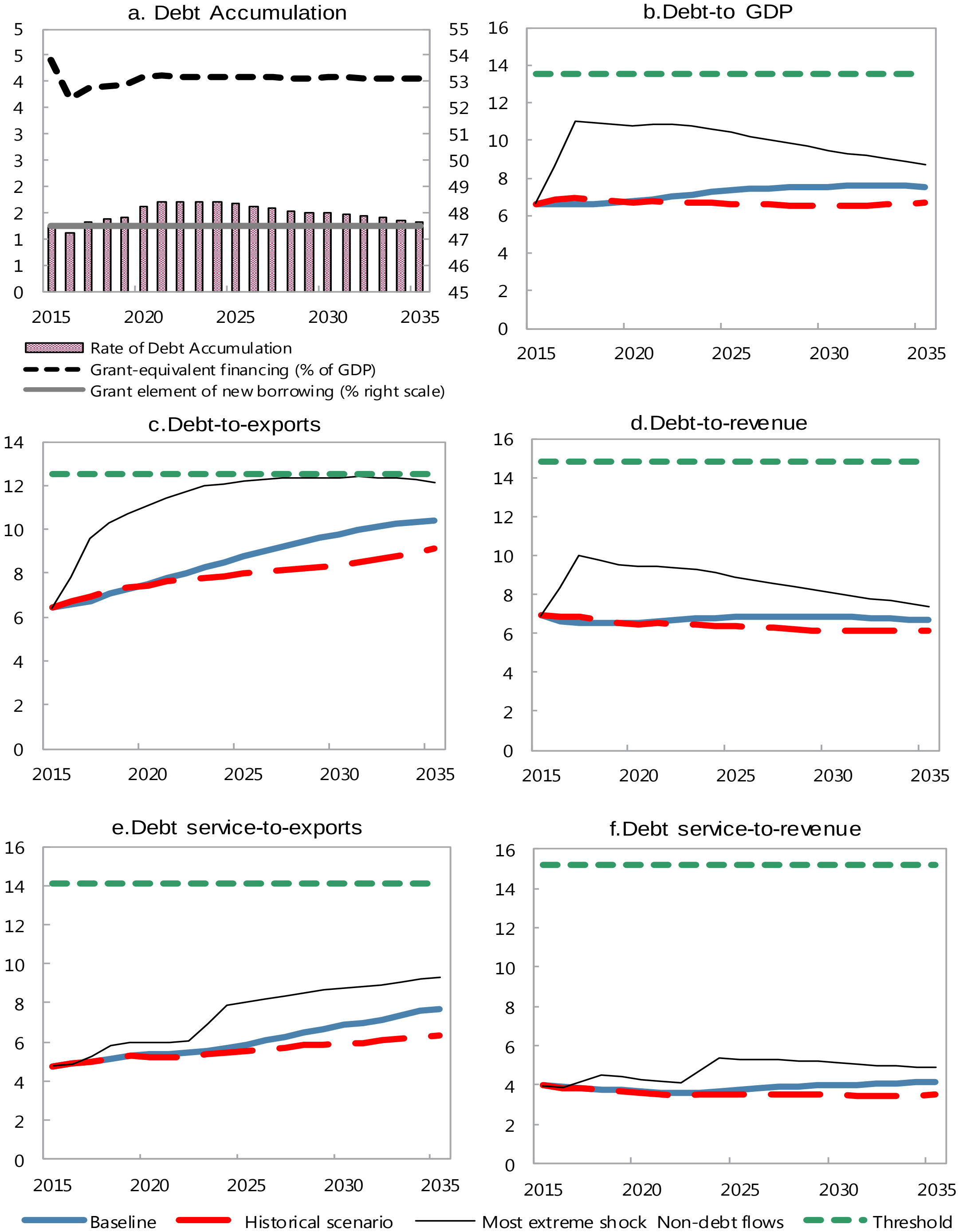



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2025. In figure b. it corresponds to a Non-debt flows shock; in c. to a Non-debt flows shock; in d. to a Non-debt flows shock; in e. to a Non-debt flows shock and in figure f. to a Non-debt flows shock

2/ The decline in grant-equivalent financing in 2016 reflects the return to more normal levels of concessional aid following the exceptionally high level of assistance related to the 2011-2012 crisis.

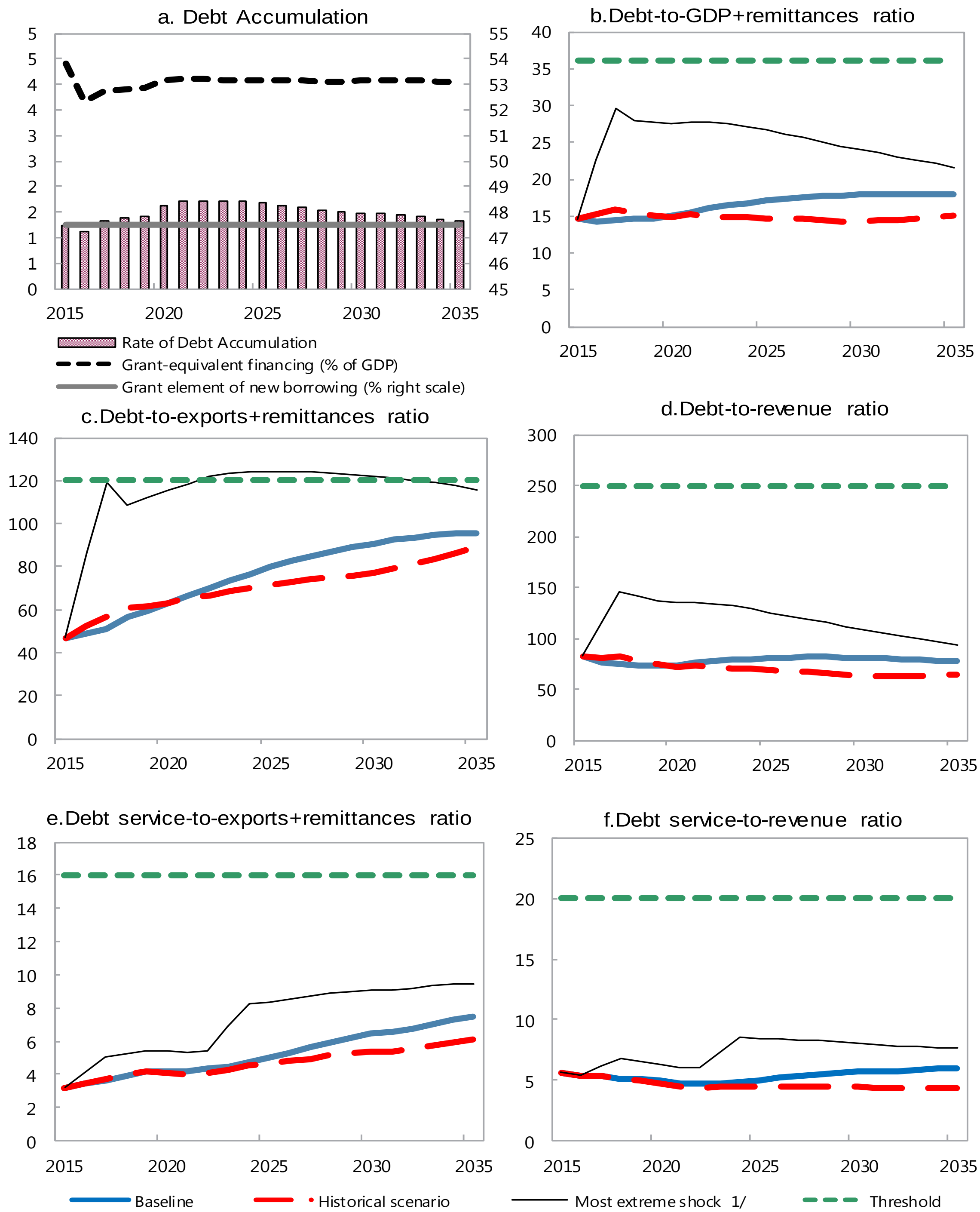
**Figure 1b. Mali: Probability of Debt Distress of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2015–35 1/**




Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2025. In figure b. it corresponds to a Non-debt flows shock; in c. to a Non-debt flows shock; in d. to a Non-debt flows shock; in e. to a Non-debt flows shock and in figure f. to a Non-debt flows shock

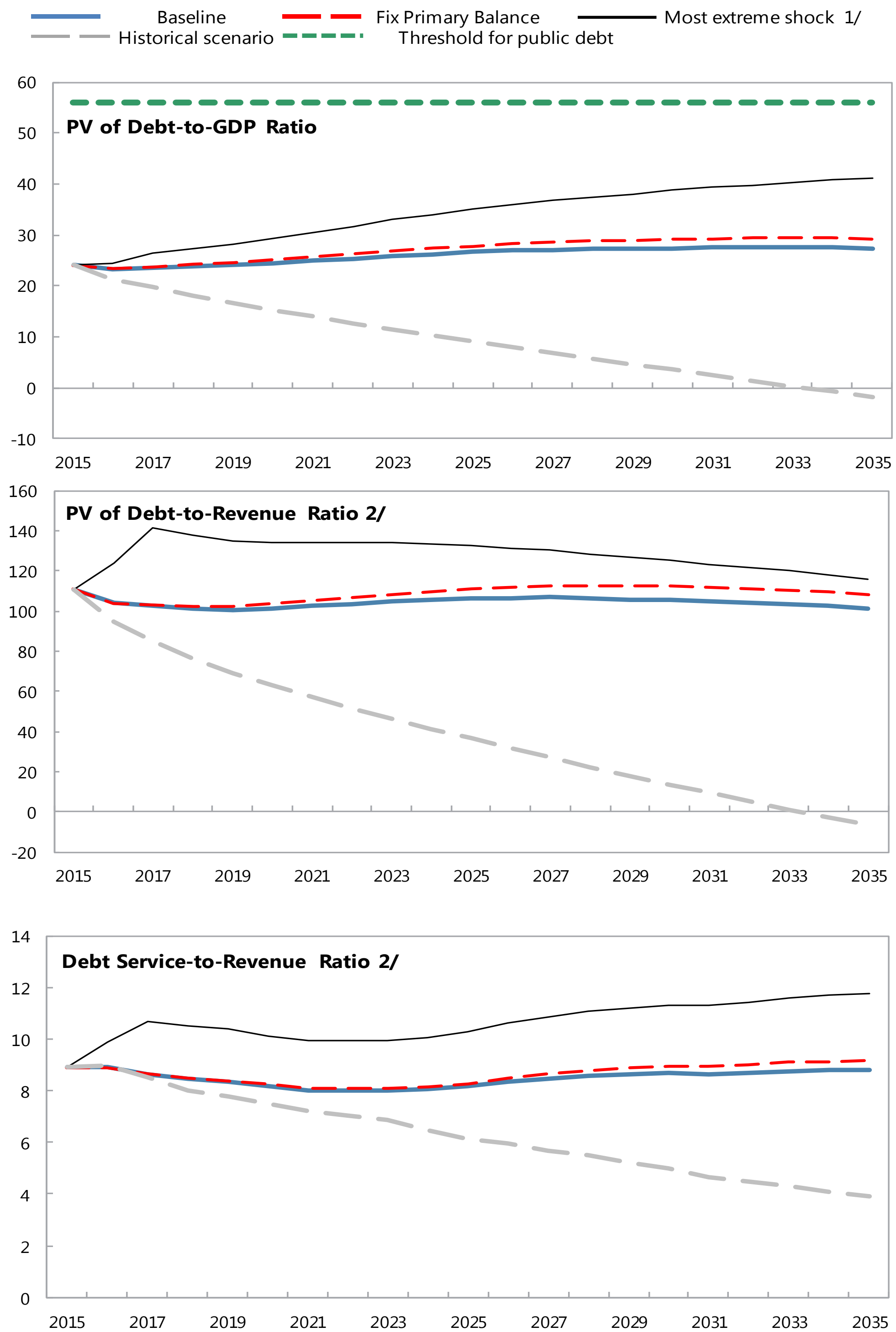
**Figure 2. Mali: Indicators of Debt Distress of Public and Publicly Guaranteed External Debt Including Remittances under Alternative Scenarios, 2015–35 1/**




Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2025. In figure b. it corresponds to a Non-debt flows shock; in c. to a Non-debt flows shock; in d. to a Non-debt flows shock; in e. to a Non-debt flows shock and in figure f. to a Non-debt flows shock

**Figure 3. Mali: Indicators of Public Debt Under Alternative Scenarios, 2015–35 1/**




Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2025.

2/ Revenues are defined inclusive of grants.

## Table 1a. Mali: External Debt Sustainability Framework, Baseline Scenario, 2014–34 1/

(In percent of GDP, unless otherwise indicated)

| | Actual | | | Historical 6/ Average | Standard 6/ Deviation | Projections | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2015-2020 Average | 2025 | 2035 | 2021-2035 Average |
| **External debt (nominal) 1/** | **25.9** | **25.6** | **25.0** | | | **28.0** | **27.5** | **27.7** | **28.2** | **28.5** | **29.2** | | **32.9** | **35.1** | |
| *of which: public and publicly guaranteed (PPG)* | 25.9 | 25.6 | 25.0 | | | 28.0 | 27.5 | 27.7 | 28.2 | 28.5 | 29.2 | | 32.9 | 35.1 | |
| Change in external debt | 1.5 | -0.3 | -0.7 | | | 3.0 | -0.5 | 0.1 | 0.5 | 0.3 | 0.7 | | 0.6 | 0.0 | |
| Identified net debt-creating flows | -0.5 | -0.9 | 1.8 | | | -0.4 | 0.3 | 1.2 | 3.0 | 3.1 | 3.1 | | 2.8 | 1.7 | |
| **Non-interest current account deficit** | **2.3** | **3.1** | **5.2** | **6.6** | **3.5** | **2.2** | **3.0** | **4.2** | **5.8** | **6.3** | **6.3** | | **6.0** | **5.0** | 5.7 |
| Deficit in balance of goods and services | 5.8 | 17.9 | 19.4 | | | 15.3 | 15.9 | 16.9 | 18.7 | 18.9 | 18.7 | | 13.1 | 12.8 | |
| Exports | 32.1 | 29.7 | 26.6 | | | 26.5 | 24.7 | 23.5 | 21.0 | 19.7 | 18.9 | | 16.3 | 13.3 | |
| Imports | 37.9 | 47.6 | 46.1 | | | 41.8 | 40.6 | 40.4 | 39.7 | 38.6 | 37.6 | | 29.3 | 26.1 | |
| Net current transfers (negative = inflow) | -7.6 | -18.3 | -17.4 | -9.2 | 4.7 | -17.1 | -16.6 | -16.1 | -15.6 | -15.2 | -14.7 | | -8.8 | -8.7 | -8.7 |
| *of which: official* | -0.5 | -11.4 | -10.8 | | | -10.4 | -10.0 | -9.5 | -9.0 | -8.6 | -8.1 | | -2.2 | -2.1 | |
| Other current account flows (negative = net inflow) | 4.1 | 3.6 | 3.3 | | | 4.0 | 3.7 | 3.3 | 2.7 | 2.5 | 2.3 | | 1.7 | 0.9 | |
| **Net FDI (negative = inflow)** | **-3.7** | **-2.7** | **-1.6** | **-3.2** | **2.2** | **-1.6** | **-1.6** | **-1.9** | **-1.9** | **-2.2** | **-2.2** | | **-2.2** | **-2.2** | -2.2 |
| **Endogenous debt dynamics 2/** | **0.9** | **-1.2** | **-1.9** | | | **-1.1** | **-1.1** | **-1.0** | **-0.9** | **-1.0** | **-1.0** | | **-1.0** | **-1.1** | |
| Contribution from nominal interest rate | 0.4 | 0.3 | 0.3 | | | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | | 0.4 | 0.4 | |
| Contribution from real GDP growth | 0.0 | -0.4 | -1.7 | | | -1.3 | -1.4 | -1.3 | -1.1 | -1.3 | -1.3 | | -1.4 | -1.5 | |
| Contribution from price and exchange rate changes | 0.6 | -1.2 | -0.4 | | | ... | ... | ... | ... | ... | ... | | ... | ... | |
| **Residual (3-4) 3/** | **2.0** | **0.6** | **-2.5** | | | **3.4** | **-0.7** | **-1.1** | **-2.5** | **-2.8** | **-2.4** | | **-2.3** | **-1.8** | |
| *of which: exceptional financing* | -0.5 | -0.2 | 0.0 | | | -0.3 | -0.3 | -0.2 | -0.2 | -0.2 | -0.1 | | 0.0 | 0.0 | |
| PV of external debt 4/ | ... | ... | 13.8 | | | 15.5 | 15.3 | 15.3 | 15.6 | 15.7 | 16.1 | | 18.2 | 19.0 | |
| In percent of exports | ... | ... | 51.9 | | | 58.5 | 61.8 | 65.2 | 74.2 | 79.8 | 84.9 | | 112.0 | 143.4 | |
| **PV of PPG external debt** | **...** | **...** | **13.8** | | | **15.5** | **15.3** | **15.3** | **15.6** | **15.7** | **16.1** | | **18.2** | **19.0** | |
| **In percent of exports** | **...** | **...** | **51.9** | | | **58.5** | **61.8** | **65.2** | **74.2** | **79.8** | **84.9** | | **112.0** | **143.4** | |
| **In percent of government revenues** | **...** | **...** | **78.2** | | | **82.4** | **76.0** | **74.1** | **73.3** | **72.7** | **73.8** | | **80.5** | **77.1** | |
| **Debt service-to-exports ratio (in percent)** | **3.4** | **3.8** | **4.3** | | | **4.0** | **4.4** | **4.7** | **5.2** | **5.6** | **5.7** | | **7.0** | **11.2** | |
| **PPG debt service-to-exports ratio (in percent)** | **3.4** | **3.8** | **4.3** | | | **4.0** | **4.4** | **4.7** | **5.2** | **5.6** | **5.7** | | **7.0** | **11.2** | |
| **PPG debt service-to-revenue ratio (in percent)** | **6.3** | **6.4** | **6.5** | | | **5.6** | **5.4** | **5.3** | **5.1** | **5.1** | **4.9** | | **5.0** | **6.0** | |
| Total gross financing need (Billions of U.S. dollars) | 0.0 | 0.2 | 0.6 | | | 0.2 | 0.3 | 0.4 | 0.7 | 0.8 | 0.8 | | 1.1 | 2.0 | |
| Non-interest current account deficit that stabilizes debt ratio | 0.7 | 3.4 | 5.9 | | | -0.8 | 3.4 | 4.0 | 5.3 | 6.0 | 5.6 | | 5.4 | 5.0 | |
| **Key macroeconomic assumptions** | | | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 0.0 | 1.7 | 7.2 | 4.3 | 2.2 | 4.9 | 5.4 | 5.1 | 4.5 | 5.0 | 5.1 | 5.0 | 4.5 | 4.5 | 4.5 |
| GDP deflator in US dollar terms (change in percent) | -2.3 | 4.7 | 1.8 | 5.0 | 6.4 | -13.6 | 2.9 | 3.1 | 2.9 | 2.7 | 2.5 | 0.1 | 2.6 | 2.7 | 2.7 |
| Effective interest rate (percent) 5/ | 1.4 | 1.3 | 1.2 | 1.5 | 0.3 | 1.0 | 1.0 | 1.1 | 1.1 | 1.2 | 1.2 | 1.1 | 1.3 | 1.3 | 1.3 |
| Growth of exports of G&S (US dollar terms, in percent) | 19.4 | -1.3 | -2.2 | 11.1 | 13.8 | -9.8 | 1.1 | 2.9 | -3.9 | 1.1 | 3.7 | -0.8 | 4.3 | 6.3 | 4.8 |
| Growth of imports of G&S (US dollar terms, in percent) | 2.6 | 33.7 | 5.6 | 13.9 | 17.9 | -17.8 | 5.4 | 7.8 | 5.6 | 5.0 | 4.9 | 1.8 | 5.9 | 6.3 | 4.8 |
| Grant element of new public sector borrowing (in percent) | ... | ... | ... | ... | ... | 47.5 | 47.5 | 47.5 | 47.5 | 47.5 | 47.5 | 47.5 | 47.5 | 47.5 | 47.5 |
| Government revenues (excluding grants, in percent of GDP) | 17.1 | 17.3 | 17.7 | | | 18.8 | 20.1 | 20.7 | 21.2 | 21.6 | 21.8 | | 22.6 | 24.7 | 23.2 |
| Aid flows (in Billions of US dollars) 7/ | 0.1 | 0.6 | 0.6 | | | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 | 0.7 | | 1.0 | 2.1 | |
| *of which: Grants* | 0.0 | 0.4 | 0.3 | | | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | | 0.5 | 1.1 | |
| *of which: Concessional loans* | 0.0 | 0.3 | 0.2 | | | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | | 0.5 | 1.0 | |
| Grant-equivalent financing (in percent of GDP) 8/ | ... | ... | ... | | | 4.4 | 3.7 | 3.9 | 3.9 | 3.9 | 4.1 | | 4.1 | 4.0 | 4.1 |
| Grant-equivalent financing (in percent of external financing) 8/ | ... | ... | ... | | | 72.4 | 72.4 | 70.5 | 70.1 | 69.9 | 68.8 | | 68.8 | 69.1 | 68.8 |
| *Memorandum items:* | | | | | | | | | | | | | | | |
| Nominal GDP (Billions of US dollars) | 10.4 | 11.1 | 12.1 | | | 11.0 | 11.9 | 12.9 | 13.9 | 15.0 | 16.1 | | 22.8 | 46.2 | |
| Nominal dollar GDP growth | -2.3 | 6.5 | 9.1 | | | -9.4 | 8.4 | 8.4 | 7.5 | 7.9 | 7.7 | 5.1 | 7.3 | 7.4 | 7.3 |
| PV of PPG external debt (in Billions of US dollars) | | | 1.6 | | | 1.7 | 1.8 | 2.0 | 2.2 | 2.4 | 2.6 | | 4.2 | 8.8 | |
| (PVt-PVt-1)/GDPt-1 (in percent) | | | | | | 1.2 | 1.1 | 1.3 | 1.4 | 1.4 | 1.6 | 1.4 | 1.7 | 1.3 | 1.6 |
| Gross workers' remittances (Billions of US dollars) | 0.7 | 0.8 | 0.8 | | | 0.7 | 0.8 | 0.9 | 0.9 | 1.0 | 1.1 | | 1.5 | 3.1 | |
| PV of PPG external debt (in percent of GDP + remittances) | ... | ... | 13.0 | | | 14.5 | 14.3 | 14.4 | 14.6 | 14.7 | 15.1 | | 17.1 | 17.8 | |
| PV of PPG external debt (in percent of exports + remittances) | ... | ... | 41.6 | | | 46.9 | 48.7 | 50.9 | 56.4 | 59.7 | 63.0 | | 79.7 | 95.8 | |
| Debt service of PPG external debt (in percent of exports + remittances) | ... | ... | 3.5 | | | 3.2 | 3.5 | 3.7 | 3.9 | 4.2 | 4.2 | | 5.0 | 7.5 | |

Sources: Country authorities; and staff estimates and projections.

1/ Public sector external debt only.
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); project grants, changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes. The calculation of the residual assumes the capital account is a debt-creating flow, which is inappropriate in Mali's case since the capital account consists primarily of project grants (around 2% of GDP).

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, 2014–2034

(In percent)

| | Projections | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2035 |
| **Debt-to-GDP ratio** | | | | | | | | | | | | |
| **Baseline** | 16 | 15 | 15 | 16 | 16 | 16 | 17 | 17 | 17 | 18 | 18 | 19 |
| **A. Alternative Scenarios** | | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2015-2035 1/ | 16 | 16 | 17 | 17 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| A2. New public sector loans on less favorable terms in 2015-2035 2 | 16 | 16 | 17 | 18 | 19 | 21 | 22 | 24 | 25 | 26 | 28 | 36 |
| **B. Bound Tests** | | | | | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2016-2017 | 16 | 16 | 16 | 17 | 17 | 17 | 18 | 18 | 19 | 19 | 20 | 20 |
| B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/ | 16 | 16 | 17 | 17 | 17 | 18 | 18 | 19 | 19 | 19 | 20 | 20 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017 | 16 | 16 | 17 | 17 | 17 | 18 | 18 | 19 | 19 | 20 | 20 | 21 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/ | 16 | 23 | 30 | 30 | 30 | 29 | 30 | 30 | 29 | 29 | 28 | 23 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 16 | 21 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 23 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/ | 16 | 22 | 22 | 22 | 22 | 23 | 24 | 24 | 25 | 25 | 26 | 27 |
| **Debt-to-exports ratio** | | | | | | | | | | | | |
| **Baseline** | 59 | 62 | 65 | 74 | 80 | 85 | 90 | 96 | 102 | 107 | 112 | 143 |
| **A. Alternative Scenarios** | | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2015-2035 1/ | 59 | 66 | 72 | 79 | 81 | 83 | 88 | 89 | 91 | 93 | 96 | 119 |
| A2. New public sector loans on less favorable terms in 2015-2035 2 | 59 | 65 | 73 | 87 | 99 | 110 | 122 | 134 | 146 | 158 | 170 | 269 |
| **B. Bound Tests** | | | | | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2016-2017 | 59 | 62 | 66 | 74 | 80 | 85 | 91 | 97 | 102 | 108 | 113 | 145 |
| B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/ | 59 | 67 | 81 | 91 | 98 | 103 | 110 | 116 | 122 | 127 | 132 | 163 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017 | 59 | 62 | 66 | 74 | 80 | 85 | 91 | 97 | 102 | 108 | 113 | 145 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/ | 59 | 93 | 128 | 142 | 150 | 155 | 161 | 167 | 171 | 173 | 174 | 173 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 59 | 81 | 104 | 116 | 123 | 128 | 134 | 139 | 143 | 146 | 149 | 158 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/ | 59 | 62 | 66 | 74 | 80 | 85 | 91 | 97 | 102 | 108 | 113 | 145 |
| **Debt-to-revenue ratio** | | | | | | | | | | | | |
| **Baseline** | 82 | 76 | 74 | 73 | 73 | 74 | 75 | 77 | 78 | 80 | 81 | 77 |
| **A. Alternative Scenarios** | | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2015-2035 1/ | 82 | 81 | 82 | 78 | 74 | 72 | 73 | 71 | 71 | 70 | 69 | 64 |
| A2. New public sector loans on less favorable terms in 2015-2035 2 | 82 | 80 | 83 | 86 | 90 | 96 | 102 | 107 | 113 | 118 | 122 | 144 |
| **B. Bound Tests** | | | | | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2016-2017 | 82 | 79 | 79 | 78 | 78 | 79 | 81 | 82 | 84 | 85 | 86 | 83 |
| B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/ | 82 | 79 | 83 | 82 | 81 | 82 | 83 | 84 | 86 | 86 | 87 | 80 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017 | 82 | 80 | 81 | 80 | 80 | 81 | 83 | 84 | 86 | 87 | 88 | 85 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/ | 82 | 114 | 146 | 141 | 137 | 135 | 135 | 134 | 132 | 129 | 125 | 93 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 82 | 106 | 131 | 127 | 124 | 124 | 124 | 124 | 123 | 121 | 119 | 94 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/ | 82 | 108 | 105 | 104 | 103 | 105 | 107 | 109 | 111 | 113 | 114 | 110 |

## Table 1b. Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2015–35 (concluded)

(In percent)

| | Projections | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2035 |
| **Debt service-to-exports ratio** | | | | | | | | | | | | |
| **Baseline** | 4 | 4 | 5 | 5 | 6 | 6 | 6 | 6 | 6 | 7 | 7 | 11 |
| **A. Alternative Scenarios** | | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2015-2035 1/ | 4 | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 6 | 6 | 6 | 8 |
| A2. New public sector loans on less favorable terms in 2015-2035 2 | 4 | 4 | 4 | 5 | 6 | 6 | 6 | 7 | 8 | 8 | 9 | 17 |
| **B. Bound Tests** | | | | | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2016-2017 | 4 | 4 | 5 | 5 | 6 | 6 | 6 | 6 | 6 | 7 | 7 | 11 |
| B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/ | 4 | 5 | 5 | 6 | 6 | 6 | 6 | 7 | 7 | 8 | 8 | 13 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017 | 4 | 4 | 5 | 5 | 6 | 6 | 6 | 6 | 6 | 7 | 7 | 11 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/ | 4 | 4 | 5 | 7 | 7 | 7 | 7 | 7 | 9 | 12 | 12 | 14 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 4 | 4 | 5 | 6 | 6 | 7 | 7 | 7 | 8 | 10 | 10 | 13 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/ | 4 | 4 | 5 | 5 | 6 | 6 | 6 | 6 | 6 | 7 | 7 | 11 |
| **Debt service-to-revenue ratio** | | | | | | | | | | | | |
| **Baseline** | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6 |
| **A. Alternative Scenarios** | | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2015-2035 1/ | 6 | 5 | 5 | 5 | 5 | 5 | 4 | 4 | 4 | 4 | 4 | 4 |
| A2. New public sector loans on less favorable terms in 2015-2035 2 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6 | 6 | 7 | 9 |
| **B. Bound Tests** | | | | | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2016-2017 | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6 |
| B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/ | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017 | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 7 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/ | 6 | 5 | 6 | 7 | 7 | 6 | 6 | 6 | 7 | 9 | 8 | 8 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 6 | 6 | 6 | 7 | 7 | 6 | 6 | 6 | 7 | 8 | 8 | 8 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/ | 6 | 8 | 8 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 8 |
| *Memorandum item:* | | | | | | | | | | | | |
| Grant element assumed on residual financing (i.e., financing required above baseline) 6/ | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

## Table 2a. Mali: Public Sector Debt Sustainability Framework, Baseline Scenario, 2015–2035

(In percent of GDP, unless otherwise indicated)

| | Actual | | | | | Estimate | | | | Projections | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | Average 5/ | Standard Deviation 5/ | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2015-20 Average | 2025 | 2035 | 2021-35 Average |
| **Public sector debt 1/** | 30.3 | 31.4 | 32.4 | | | 36.5 | 35.6 | 36.0 | 36.5 | 36.8 | 37.6 | | 41.3 | 43.5 | |
| *of which: foreign-currency denominated* | 25.9 | 25.6 | 25.0 | | | 28.0 | 27.5 | 27.7 | 28.2 | 28.5 | 29.2 | | 32.9 | 35.1 | |
| Change in public sector debt | 1.1 | 1.2 | 1.0 | | | 4.1 | -1.0 | 0.4 | 0.5 | 0.3 | 0.7 | | 0.6 | 0.0 | |
| Identified debt-creating flows | -0.5 | -0.6 | 3.2 | | | 3.1 | 0.1 | 0.3 | 0.2 | 0.0 | 0.2 | | 0.2 | 0.2 | |
| Primary deficit | 0.5 | 2.2 | 2.7 | 2.5 | 10.9 | 2.4 | 2.4 | 2.5 | 2.1 | 2.2 | 2.1 | 2.3 | 2.2 | 2.3 | 2.2 |
| Revenue and grants | 17.4 | 20.7 | 20.3 | | | 21.7 | 22.5 | 23.1 | 23.6 | 24.0 | 24.2 | | 25.0 | 27.1 | |
| *of which: grants* | 0.2 | 3.4 | 2.6 | | | 2.9 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | | 2.4 | 2.4 | |
| Primary (noninterest) expenditure | 17.9 | 23.0 | 23.0 | | | 24.2 | 24.9 | 25.5 | 25.7 | 26.2 | 26.3 | | 27.2 | 29.4 | |
| Automatic debt dynamics | -0.9 | -1.4 | 0.7 | | | 0.7 | -2.3 | -2.0 | -1.7 | -2.0 | -1.9 | | -2.0 | -2.1 | |
| Contribution from interest rate/growth differential | -0.1 | -0.3 | -1.9 | | | -1.5 | -1.9 | -1.7 | -1.5 | -1.7 | -1.8 | | -1.8 | -1.9 | |
| *of which: contribution from average real interest rate* | -0.1 | 0.2 | 0.2 | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 | |
| *of which: contribution from real GDP growth* | 0.0 | -0.5 | -2.1 | | | -1.5 | -1.9 | -1.7 | -1.5 | -1.7 | -1.8 | | -1.8 | -1.9 | |
| Contribution from real exchange rate depreciation | -0.8 | -1.0 | 2.6 | | | 2.2 | -0.4 | -0.3 | -0.1 | -0.3 | -0.1 | | ... | ... | |
| Other identified debt-creating flows | -0.1 | -1.5 | -0.2 | | | -0.1 | 0.0 | -0.2 | -0.2 | -0.2 | 0.0 | | 0.0 | 0.0 | |
| Privatization receipts (negative) | 0.0 | -1.0 | 0.0 | | | 0.2 | 0.3 | 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) | -0.1 | -0.5 | -0.2 | | | -0.3 | -0.3 | -0.2 | -0.2 | -0.2 | 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 | 1.6 | 1.8 | -2.2 | | | 1.0 | -1.1 | 0.2 | 0.3 | 0.3 | 0.5 | | 0.4 | -0.2 | |
| **Other Sustainability Indicators** | | | | | | | | | | | | | | | |
| **PV of public sector debt** | ... | ... | 21.3 | | | 24.1 | 23.3 | 23.7 | 23.9 | 24.1 | 24.4 | | 26.6 | 27.4 | |
| *of which: foreign-currency denominated* | ... | ... | 13.8 | | | 15.5 | 15.3 | 15.3 | 15.6 | 15.7 | 16.1 | | 18.2 | 19.0 | |
| *of which: external* | ... | ... | 13.8 | | | 15.5 | 15.3 | 15.3 | 15.6 | 15.7 | 16.1 | | 18.2 | 19.0 | |
| PV of contingent liabilities (not included in public sector debt) | ... | ... | ... | | | ... | ... | ... | ... | ... | ... | | ... | ... | |
| Gross financing need 2/ | 4.7 | 6.5 | 7.6 | | | 9.6 | 8.6 | 8.1 | 8.0 | 8.1 | 7.9 | | 8.1 | 8.6 | |
| PV of public sector debt-to-revenue and grants ratio (in percent) | ... | ... | 104.7 | | | 110.8 | 103.7 | 102.6 | 101.2 | 100.3 | 101.0 | | 106.2 | 101.2 | |
| PV of public sector debt-to-revenue ratio (in percent) | ... | ... | 120.3 | | | 127.8 | 116.1 | 114.6 | 112.7 | 111.5 | 112.2 | | 117.5 | 111.0 | |
| *of which: external 3/* | ... | ... | 78.2 | | | 82.4 | 76.0 | 74.1 | 73.3 | 72.7 | 73.8 | | 80.5 | 77.1 | |
| Debt service-to-revenue and grants ratio (in percent) 4/ | 10.9 | 7.9 | 8.8 | | | 8.9 | 8.9 | 8.6 | 8.5 | 8.4 | 8.2 | | 8.2 | 8.8 | |
| Debt service-to-revenue ratio (in percent) 4/ | 11.1 | 9.4 | 10.1 | | | 10.3 | 10.0 | 9.6 | 9.4 | 9.3 | 9.1 | | 9.0 | 9.7 | |
| Primary deficit that stabilizes the debt-to-GDP ratio | -0.6 | 1.1 | 1.7 | | | -1.7 | 3.3 | 2.0 | 1.6 | 1.9 | 1.4 | | 1.6 | 2.3 | |
| **Key macroeconomic and fiscal assumptions** | | | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 0.0 | 1.7 | 7.2 | 4.3 | 2.2 | 4.9 | 5.4 | 5.1 | 4.5 | 5.0 | 5.1 | 5.0 | 4.5 | 4.5 | 4.5 |
| Average nominal interest rate on forex debt (in percent) | 1.4 | 1.3 | 1.2 | 1.5 | 0.3 | 1.0 | 1.0 | 1.1 | 1.1 | 1.2 | 1.2 | 1.1 | 1.3 | 1.3 | 1.3 |
| Average real interest rate on domestic debt (in percent) | 0.5 | 4.7 | 5.9 | 1.6 | 3.8 | 3.1 | 2.8 | 3.5 | 3.4 | 3.3 | 2.8 | 3.1 | 2.6 | 2.5 | 2.6 |
| Real exchange rate depreciation (in percent, + indicates depreciation) | -3.3 | -4.1 | 11.1 | -0.9 | 8.7 | 9.4 | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Inflation rate (GDP deflator, in percent) | 5.7 | 1.3 | 1.7 | 4.2 | 2.2 | 3.2 | 2.4 | 1.9 | 1.8 | 1.9 | 2.5 | 2.3 | 2.6 | 2.7 | 2.7 |
| Growth of real primary spending (deflated by GDP deflator, in percent) | -26.3 | 30.4 | 7.5 | 1.2 | 13.6 | 10.1 | 8.4 | 8.0 | 5.1 | 6.9 | 5.6 | 7.4 | 5.1 | 5.4 | 5.3 |
| Grant element of new external borrowing (in percent) | ... | ... | ... | ... | ... | 47.5 | 47.5 | 47.5 | 47.5 | 47.5 | 47.5 | 47.5 | 47.5 | 47.5 | 47.5 |

Sources: Country authorities; and staff estimates and projections.

1/ Gross debt of central government

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. The historical average for the primary deficit, however, excludes 2006 (the year of MDRI debt relief and hence an unusually large primary surplus).

## Table 2b. Mali: Sensitivity Analysis for Key Indicators of Public Debt, 2015–35

| | Projections | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2025 | 2035 |
| **PV of Debt-to-GDP Ratio** | | | | | | | | |
| **Baseline** | 24 | 23 | 24 | 24 | 24 | 24 | 27 | 27 |
| **A. Alternative scenarios** | | | | | | | | |
| A1. Real GDP growth and primary balance are at historical averages | 24 | 21 | 20 | 18 | 16 | 15 | 9 | -2 |
| A2. Primary balance is unchanged from 2015 | 24 | 23 | 24 | 24 | 24 | 25 | 28 | 29 |
| A3. Permanently lower GDP growth 1/ | 24 | 23 | 24 | 25 | 25 | 26 | 31 | 41 |
| **B. Bound tests** | | | | | | | | |
| B1. Real GDP growth is at historical average minus one standard deviations in 2016-2017 | 24 | 24 | 26 | 27 | 28 | 29 | 35 | 41 |
| B2. Primary balance is at historical average minus one standard deviations in 2016-2017 | 24 | 28 | 33 | 33 | 32 | 32 | 33 | 31 |
| B3. Combination of B1-B2 using one half standard deviation shocks | 24 | 25 | 27 | 28 | 28 | 29 | 33 | 37 |
| B4. One-time 30 percent real depreciation in 2016 | 24 | 29 | 28 | 28 | 27 | 27 | 26 | 24 |
| B5. 10 percent of GDP increase in other debt-creating flows in 2016 | 24 | 29 | 29 | 29 | 29 | 29 | 31 | 30 |
| **PV of Debt-to-Revenue Ratio 2/** | | | | | | | | |
| **Baseline** | 111 | 104 | 103 | 101 | 100 | 101 | 106 | 101 |
| **A. Alternative scenarios** | | | | | | | | |
| A1. Real GDP growth and primary balance are at historical averages | 111 | 95 | 85 | 76 | 69 | 63 | 36 | -7 |
| A2. Primary balance is unchanged from 2015 | 111 | 104 | 103 | 102 | 102 | 103 | 111 | 108 |
| A3. Permanently lower GDP growth 1/ | 111 | 104 | 104 | 104 | 104 | 107 | 123 | 151 |
| **B. Bound tests** | | | | | | | | |
| B1. Real GDP growth is at historical average minus one standard deviations in 2016-2017 | 111 | 108 | 113 | 115 | 117 | 120 | 139 | 151 |
| B2. Primary balance is at historical average minus one standard deviations in 2016-2017 | 111 | 124 | 141 | 138 | 135 | 134 | 133 | 116 |
| B3. Combination of B1-B2 using one half standard deviation shocks | 111 | 111 | 116 | 116 | 117 | 119 | 132 | 136 |
| B4. One-time 30 percent real depreciation in 2016 | 111 | 129 | 123 | 118 | 113 | 111 | 104 | 87 |
| B5. 10 percent of GDP increase in other debt-creating flows in 2016 | 111 | 130 | 127 | 124 | 122 | 122 | 123 | 110 |
| **Debt Service-to-Revenue Ratio 2/** | | | | | | | | |
| **Baseline** | 9 | 9 | 9 | 8 | 8 | 8 | 8 | 9 |
| **A. Alternative scenarios** | | | | | | | | |
| A1. Real GDP growth and primary balance are at historical averages | 9 | 9 | 9 | 8 | 8 | 8 | 6 | 4 |
| A2. Primary balance is unchanged from 2015 | 9 | 9 | 9 | 8 | 8 | 8 | 8 | 9 |
| A3. Permanently lower GDP growth 1/ | 9 | 9 | 9 | 9 | 9 | 8 | 9 | 11 |
| **B. Bound tests** | | | | | | | | |
| B1. Real GDP growth is at historical average minus one standard deviations in 2016-2017 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 11 |
| B2. Primary balance is at historical average minus one standard deviations in 2016-2017 | 9 | 9 | 9 | 10 | 9 | 9 | 10 | 10 |
| B3. Combination of B1-B2 using one half standard deviation shocks | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 11 |
| B4. One-time 30 percent real depreciation in 2016 | 9 | 10 | 11 | 10 | 10 | 10 | 10 | 12 |
| B5. 10 percent of GDP increase in other debt-creating flows in 2016 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 10 |

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.

## Table 3. Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, including remittances, 2015–35

(In percent)

| | Projections | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2025 | 2035 |
| **Debt-to-GDP+remittances ratio** | | | | | | | | |
| **Baseline** | 15 | 14 | 14 | 15 | 15 | 15 | 17 | 18 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2015-2035 1/ | 15 | 15 | 16 | 16 | 15 | 15 | 15 | 15 |
| A2. New public sector loans on less favorable terms in 2015-2035 2 | 15 | 15 | 16 | 17 | 18 | 20 | 26 | 33 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2016-2017 | 15 | 15 | 15 | 16 | 16 | 16 | 18 | 19 |
| B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/ | 15 | 15 | 16 | 16 | 16 | 17 | 18 | 18 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017 | 15 | 15 | 16 | 16 | 16 | 16 | 19 | 19 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/ | 15 | 22 | 30 | 28 | 28 | 28 | 27 | 22 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 15 | 21 | 26 | 25 | 25 | 25 | 25 | 22 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/ | 15 | 20 | 20 | 20 | 20 | 21 | 24 | 25 |
| **Debt-to-exports+remittances ratio** | | | | | | | | |
| **Baseline** | 47 | 49 | 51 | 56 | 60 | 63 | 80 | 96 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2015-2035 1/ | 47 | 52 | 56 | 60 | 62 | 63 | 71 | 89 |
| A2. New public sector loans on less favorable terms in 2015-2035 2 | 47 | 52 | 57 | 67 | 74 | 82 | 121 | 179 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2016-2017 | 47 | 49 | 51 | 57 | 60 | 63 | 80 | 96 |
| B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/ | 47 | 52 | 62 | 68 | 71 | 75 | 92 | 105 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017 | 47 | 49 | 51 | 57 | 60 | 63 | 80 | 96 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/ | 47 | 86 | 119 | 108 | 112 | 115 | 124 | 116 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 47 | 73 | 93 | 88 | 92 | 95 | 105 | 105 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/ | 47 | 49 | 51 | 57 | 60 | 63 | 80 | 96 |
| **Debt-to-revenue ratio** | | | | | | | | |
| **Baseline** | 82 | 76 | 74 | 73 | 73 | 74 | 81 | 77 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2015-2035 1/ | 82 | 81 | 82 | 78 | 74 | 72 | 69 | 64 |
| A2. New public sector loans on less favorable terms in 2015-2035 2 | 82 | 80 | 83 | 86 | 90 | 96 | 122 | 144 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2016-2017 | 82 | 79 | 79 | 78 | 78 | 79 | 86 | 83 |
| B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/ | 82 | 79 | 83 | 82 | 81 | 82 | 87 | 80 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017 | 82 | 80 | 81 | 80 | 80 | 81 | 88 | 85 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/ | 82 | 114 | 146 | 141 | 137 | 135 | 125 | 93 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 82 | 106 | 131 | 127 | 124 | 124 | 119 | 94 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/ | 82 | 108 | 105 | 104 | 103 | 105 | 114 | 110 |

## Table 3. Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, Including Remittances, 2015–35 (concluded)

(In percent)

| | Projections | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2025 | 2035 |
| **Debt service-to-exports+remittances ratio** | | | | | | | | |
| **Baseline** | 3 | 3 | 4 | 4 | 4 | 4 | 5 | 7 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2015-2035 1/ | 3 | 3 | 4 | 4 | 4 | 4 | 5 | 6 |
| A2. New public sector loans on less favorable terms in 2015-2035 2 | 3 | 3 | 4 | 4 | 4 | 4 | 7 | 12 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2016-2017 | 3 | 3 | 4 | 4 | 4 | 4 | 5 | 7 |
| B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/ | 3 | 4 | 4 | 4 | 5 | 5 | 6 | 8 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017 | 3 | 3 | 4 | 4 | 4 | 4 | 5 | 7 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/ | 3 | 4 | 5 | 5 | 5 | 5 | 8 | 9 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 3 | 4 | 4 | 5 | 5 | 5 | 7 | 8 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/ | 3 | 3 | 4 | 4 | 4 | 4 | 5 | 7 |
| **Debt service-to-revenue ratio** | | | | | | | | |
| **Baseline** | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 6 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2015-2035 1/ | 6 | 5 | 5 | 5 | 5 | 5 | 4 | 4 |
| A2. New public sector loans on less favorable terms in 2015-2035 2 | 6 | 5 | 5 | 5 | 5 | 5 | 7 | 9 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2016-2017 | 6 | 6 | 6 | 5 | 5 | 5 | 5 | 6 |
| B2. Export value growth at historical average minus one standard deviation in 2016-2017 3/ | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 6 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2016-2017 | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 7 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2016-2017 4/ | 6 | 5 | 6 | 7 | 7 | 6 | 8 | 8 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 6 | 6 | 6 | 7 | 7 | 6 | 8 | 8 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2016 5/ | 6 | 8 | 8 | 7 | 7 | 7 | 7 | 8 |
| *Memorandum item:* | | | | | | | | |
| Grant element assumed on residual financing (i.e., financing required above baseline) 6/ | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |

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 Mr. Ngueto Tiraina Yambaye, Executive Director for Mali and by Mr. Oumar Diakite, Advisor to the Executive Director**
**December 2, 2015**

Our Malian authorities are appreciative of the constructive discussions held with staff last September in Bamako during the 2015 Article IV consultations and the fourth review under the Extended Credit Facility (ECF). The policy discussions focused on achieving structural transformation and long-run growth, creating space for priority spending, and strengthening the financial system, while also addressing the security situation, climatic and terms of trade shocks. Our authorities broadly concur with the main recommendations in the staff report. The good performance in the context of the ECF-supported program demonstrated the progress achieved by Mali in restoring and maintaining macroeconomic stability. All performance criteria at end-June 2015 were met, and four out of five structural measures were implemented.

The authorities are striving to improve the prospects for stability and security in the country. A peace agreement with rebel groups was signed in June 2015 which represents an important milestone in the efforts to restore peace in the north of the country. The authorities also organized jointly with the OECD in Paris a high level international conference on October 22, 2015, in co-operation with France and other partners of Mali. The expected assistance of the international community will be essential to allow the government to implement its development strategy, particularly in the northern regions.

In spite of this encouraging progress, it is worth noting that Mali continues to face security threats as demonstrated by the recent terrorist attacks operated in the capital Bamako on November 20, 2015. The casualties resulting from this terror besides its impact on the population and economic activity call for further strengthening of the security and increased international cooperation against terrorism in the region. Therefore, it is important that security issues be forcefully addressed in the context of Fund's surveillance and supported-programs.

## Recent Economic Developments and Performance under the ECF

In 2015, real GDP growth is expected to return to normal level following the rebound in 2014. It is projected at 4.9 percent, compared to 7.2 percent last year and reflects the strong growth in the primary and secondary sectors. As in 2014, agricultural output is expected to remain strong due to favorable rainfalls and early distribution of agricultural inputs. Performance in the secondary and tertiary sectors should also be sustained, while inflation would be contained at 2.4 percent, up from 0.9 percent in 2014.

Following the decline in oil prices since mid-2014, the external current account deficit (including grants) is projected to narrow to 2.8 percent of GDP, compared to 5.5 percent in 2014. This deficit is expected to be entirely financed by net capital inflows in the form of foreign aid and FDI. As a result, the overall balance of payments should post a surplus of about US$14 million, with increased international reserves.

The soundness of the financial sector improved slightly. In the banking system, the risk-weighted capital ratio increased from 12.7 percent in December 2014 to 14.7 percent in March 2015. The government made a determined effort to clear its arrears to suppliers, which helped nonperforming loans (NPLs) to decrease from 18.9 percent in June 2014 to 16.3 percent in June 2015. The financial stability of the microfinance sector also improved with the share of NPLs decreasing from 8.8 percent in 2014 to 8.2 percent at end-June 2014.

In the fiscal sector, the authorities continued their efforts to increase tax revenue and implement a prudent expenditure policy. During the first semester of 2015, tax revenue returned to the trajectory of the program and increased by 22 percent compared to 2014, as the authorities maintained the higher level of taxation on petroleum products observed since the beginning of the year. Furthermore, they implemented a results-based management framework in revenue-collecting agencies which resulted in positive outcomes on tax revenue. On the other hand, expenditures were lower than programmed due to the slow procurement process for capital expenditures in the beginning of the year. Important efforts were also made to strengthen public financial management notably by preventing the accumulation of arrears, supporting business cash flows, thus contributing to the reduction of NPLs in the banking sector. In light of these positive fiscal developments, the overall fiscal deficit in the program has been reviewed downwards from 3.8 percent of GDP to 2.5 percent.

The overall performance under the ECF program was satisfactory. All performance criteria and indicative targets at end-June 2015 were met. Four out of five structural benchmarks were observed. The measure on the monitoring of import value declarations has been postponed as the Customs Administration could not prepare a monthly reconciliation report since its contract with the inspection company does not provide for that activity. The authorities intend to amend the contract accordingly and implement this measure during the first semester of 2016.

**Economic and Financial policies in the medium term**

The economic and financial policies of the government will continue to be based mainly on the priorities of the growth and poverty reduction strategy paper (CSCRP) for the period 2012–17. In addition, other specific programs will guide the development efforts of the country, such as the Agreement for Peace and Reconciliation (ARPM) signed in May 2015 and which envisages the creation of a development zone in the northern regions of the country, together with a larger transfer of revenues to the regions.

***Fiscal Policy and Reforms***

Our authorities are mindful that creating fiscal space for priority spending is a necessity in the pursuit of long-run economic growth. They remain committed to implement a sustainable fiscal policy, while giving priority to poverty reduction expenditures and addressing infrastructure gaps. To this end, they will focus on improving the management of public finances and enhancing revenue mobilization.

On the revenue side, the authorities are committed to increase the ratio of tax revenue to GDP by at least 1 percent in 2016 through fiscal reforms aimed at broadening the tax base. The reforms initiated at the Tax, Customs and Government property administrations supported by a results-based management framework to enhance revenue collection will be pursued.

The authorities will also continue their efforts to gradually reduce exemptions notably by establishing a central file of tax and customs duties exemptions. This will allow determining the stock of exemptions granted by type of taxes, legal reference, and beneficiaries as a basis for their gradual reduction. The control of discretionary exemptions will be pursued. Starting with the 2016 budget and to the extent possible, the authorities aim to also gradually reduce exemptions under the Tax, Customs, Investment, Mining, petroleum and real estate codes. The exemptions granted to donor-financed development projects will also be discussed with the donors' community with a view to eliminate them.

The government is also committed to stop the erosion of fiscal revenue on petroleum products, notably by calculating the retail price structure on the basis of actual market value. They will continue to implement the new petroleum product price adjustment mechanism which will pass on the evolution of petroleum products prices to retail prices within a margin of 3 percent a month, as long as there are no protracted periods of price increases.

The efforts aimed at simplifying fiscal legislation will also be pursued with the objective of reducing the administrative burden on taxpayers and simplifying tax collection. Among the measures envisaged, the simplification of the minimum tax applied to small tax payers with a uniform rate of 3 percent is noteworthy. This should facilitate tax compliance by this category of taxpayers which are mostly in the informal sector. The authorities also intend to increase revenue from mining and oil activities, while improving the environment for private sector investments. With the assistance of the IMF Trust Fund on managing natural resource wealth, they will undertake the revision of the mining and petroleum code based on international standards.

On the expenditure side, the efforts to improve the regulatory framework for public financial management in the context of regional directives and regulations will be pursued. In this regard, the WAMU directives will continue to be transposed into the Malian laws, as it was done for the directives related to the transparency code, budget laws, public accounting, and the government chart of accounts and flow of funds table (TOFE)). The authorities will step up their efforts to improve the preparation, execution and control of the budget, and treasury operations as well. In this respect, the effectiveness of the single Treasury account opened at the regional central bank (BCEAO) will be strengthened with the integration of the accounts held by public administrative agencies operating under the direct control of the government. The implementation of the national internal control strategy for 2012–15 will continue in order to strengthen internal control structures, notably by enhancing the capacities of the accounting section of the Supreme Court which is expected to be transformed into a Court of Audit. A new public procurement code, which benefitted from technical assistance support from the World Bank, has been adopted.

***External debt and Structural Reforms***

The authorities will continue to meet their external financing needs while preserving debt sustainability. To this end, they will have recourse mostly to grants and highly concessional loans. A detailed borrowing plan has been prepared, outlining each loan agreement envisaged for the period 2015–16, the amounts disbursed and financial terms consistent with the framework of the new Fund debt limit policy. In that context, a ceiling of approximately US$426 million of non concessional borrowing is envisaged to finance critical investments in the transport and electricity sectors. IMF staff will be consulted during the next program review if there is a need to finance additional investment projects. In order to improve debt management, a national debt committee has been established with the view to examine all loans or publicly guaranteed contracts and publishing a yearly debt strategy document to be annexed to the budget.

Our Malian authorities recognize that infrastructure investments and good governance are essential to private sector development. To this effect, they will steadfastly implement structural reforms aimed at achieving more inclusive growth. They are committed to take measures to promote the stability and development of the financial sector, to reform the electricity sector, mobilize resources for infrastructure investments and improve economic governance.

The authorities will take steps to address the weaknesses of the financial sector. The Housing Bank (BHM) will be restructured in two stages. In the first stage, the BHM will be merged with the stronger and larger Malian Solidarity Bank (BMS) and its capital opened to private investors. In the second stage, the government intends to divest itself from its equity stake in the bank. Another important step to reduce the concentration of risks in the banking sector will be to strengthen the credit reporting bureau that was established in May 2015. The action plan for the microfinance sector will also be implemented in order to restore confidence and allow this sector to play its crucial role of promoting financial inclusion and hence economic growth. Regarding the electricity sector, the government will seek to eliminate the structural deficit and put the electricity company (EDM) on a sound financial footing. Actions to promote good governance will also be pursued, notably the implementation of the law against illicit enrichment and the strengthening of the legal framework for AML/CFT based on the recommendations of the IMF technical assistance.

**Conclusion**

Our Malian authorities remain committed to the objectives of the ECF program. They will continue to implement the reforms aimed at achieving strong economic growth, preserve macroeconomic stability and improve public financial management as well as the business environment. In view of Mali's satisfactory progress under the ECF arrangement, and the commitment to pursue the reforms, I would appreciate Directors' support for the completion of the fourth review and modification of a performance criterion.