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December 5, 2016

Mali: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

November 14, 2016

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The following item is a Letter of Intent of the government of Mali, which describes the policies that Mali intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Mali, is being made available on the IMF website by agreement with the member as a service to users of the [IMF](#) website.

Letter of Intent

Bamako, November 14, 2016

Madame Christine Lagarde
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, DC 20431
United States

Dear Madame Managing Director,

1. On December 18, 2013, the Executive Board of the International Monetary Fund (IMF) approved a three-year arrangement for Mali under the Extended Credit Facility (ECF) in an amount equivalent to SDR 30 million. When concluding the fifth review of the agreement on June 9th 2016, the Executive Board approved the authorities' request for a one-year extension of the arrangement to December 17, 2017, and an augmentation of access, bringing the overall access to 98 million SDR (52.5 percent of quota share). The arrangement aims at supporting the government's policies to maintain macroeconomic stability and revive growth over the 2014–17 period, with broad-based support from technical and financial partners for the country's renewal after the 2012 security and political crisis.
2. The attached Memorandum of Economic and Financial Policies (MEFP) gives an overview of recent economic developments in Mali, as well as the progress made in implementing our policies in 2016. As detailed in the MEFP, all end-June 2016 performance criteria and indicative targets have been met, as well as all continuous performance criteria. Two of four structural benchmarks were implemented by the agreed date, one was implemented with a delay, and the fourth measure will now be implemented by the year's end. In light of the budget execution recorded during the first half of 2016, the objectives of our budgetary programming for 2016 approved during the Fifth Review of the ECF arrangement, are within reach.
3. The MEFP also discusses the economic and financial policies for 2017. The government submitted the draft Fiscal Year 2017 budget law to the National Assembly, to implement its economic and financial policies for 2017. As petroleum product taxation have been kept at a level similar to the 2016 projections, and with continued domestic resources mobilization efforts by revenue administration agencies, net fiscal revenues are projected to increase by 0.4 percent of GDP in 2017. This increase in fiscal revenues, and expected aid inflows, will help finance adequate level of public spending to support growth and reduce poverty, implement the Agreement for Peace and

Reconciliation in Mali (APRM), while reducing the budget deficit to 4.1 percent of GDP on a cash basis in 2017—a 0.2 percent of GDP reduction relative to the 4.3 percent deficit projected for 2016.

4. The MEFP also presents other economic and financial policies that the Malian Government undertakes to implement in 2016–17 to preserve macroeconomic stability, strengthen economic recovery, strengthen the implementation of reforms aimed at improving public financial management, and facilitate private sector development.

5. Accordingly, the Government is requesting the conclusion of the sixth review of the arrangement under the ECF and the disbursement of the seventh installment for an amount equivalent to SDR 19 million. Furthermore, the government requests modification of the ceiling on the continuous performance criterion on non-concessional external debt for December 2016.

6. The government believes that the policies set forth in the attached MEFP are adequate to achieve the objectives of the program, but will take any further measures that may become appropriate for this purpose. The government will consult with the IMF on the adoption of these measures and in advance of the revisions to the policies contained in the MEFP in accordance with the IMF's policies on such consultation.

7. 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.

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

Respectfully yours,

/ s /

Boubou Cissé
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 arrangement under the Extended Credit Facility (ECF).

ECONOMIC DEVELOPMENTS IN 2015, OUTLOOK, AND PROGRAM PERFORMANCE

A. Economic Developments in 2015 and Outlook for 2016 and 2017

2. Real GDP growth is estimated at 6 percent in 2015, helped by the strong performance in agriculture and the strengthening of the tertiary sector. This mostly reflects favorable rainfall, increases in the area under cultivation, and the provision of agricultural inputs at the start of the growing season. Although GDP growth is projected to decrease somewhat in 2016—driven by slower growth in agricultural output—it would remain robust at 5.4 percent. Consumer price inflation reached 1.5 percent at end-2015 and is projected to decrease further to settle at around 0.5 percent on the basis of normal food output growth and low global inflation. For the 2017, GDP growth would remain robust at 5.3 percent driven by a strong demand and inflation will slightly increase to reach 1 percent on account of higher oil prices.

3. The current account deficit (including grants) of the balance of payments widened to 7.3 percent of GDP. This deterioration is due to a strong increase of imports associated with strong economic growth, which more than offset the impact lower import bill of petroleum products. The current account deficit is expected to widen to 7.6 percent of GDP in 2016, driven by strong import growth from increased public capital spending, which are expected to offset the effect of lower oil prices. The current account deficit is expected to be financed essentially by net capital inflows, mainly in the form of foreign aid and foreign direct investment. The current account position should improve in 2017 reflecting an increase in gold exports.

4. In the banking sector, the risk-weighted capital ratio increased from 14.5 percent in December 2014 to 14.8 percent in December 2015. At End-June 2016, it reached 15.3. However, the portfolio of credit institution, deteriorated further, with the gross and net ratios of non-performing loans relative to outstanding loans settling at 16.1 percent and 6.3 percent, respectively at end-December 2015, compared to 15.9 percent and 5.6 percent for end 2014. At end-June 2016, the ratios were 15.8 percent and 6.1 percent, respectively. The financial stability of the micro-finance sector continued to improve, with the share of non-performing loans declining from 8.2 percent to 7.2 percent over the same period.

5. Total revenue and grants increased by 2 percent of GDP in 2015. Tax revenue increased by 1.5 percent of GDP, reflecting a favorable oil product taxation more than offsetting the underperformance in direct taxes collection. Grants disbursements increased by 0.5 percent of GDP, essentially due to increase in project grants; while budget support (general and sectoral) declined

significantly. Total expenditures and net lending increased by 0.9 percent of GDP, driven mainly by higher execution of externally financed capital spending (0.9 percent of GDP). The overall fiscal deficit (payment order basis, including grants) is estimated at 1.8 percent of GDP.

B. Performance with Respect to ECF-Supported Policies

6. All end-June 2016 performance criteria and indicative targets were met (Table 1):
 - The ceiling on net domestic financing of the government by banks and the financial market was met with a large margin. Considering the adjustors provided in the Technical Memorandum of Understanding (TMU),¹ net domestic financing of the government by banks and the financial market was exceeded by CFAF 95 billion, aided by the clearance of arrears.
 - The zero ceiling on the cumulative increase in external payment arrears was met.
 - The ceiling of CFAF 250 billion 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 649 billion, exceeding the program total by CFAF 9 billion.
 - The floor on the basic fiscal balance was met. Considering the adjustors provided in the TMU,² the floor was exceeded by CFAF 174 billion (2 percent of GDP).
 - 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 46 billion.
7. Two out of the four structural benchmarks were implemented by the date envisaged under the program, and a third one was implemented after the agreed date (Table 3).
 - To improve compliance with budgetary rules, the government adopted in the Council of Ministers, on March 30, 2016, the decree granting the Minister in charge of Finances the power to appoint directors of finance and equipment. As of that date, the appointment of directors of finance and equipment is made by the Council of Ministers on proposal of the Minister in charge of Finances. The Minister of Finance has started appointing these directors since June 2016.
 - The measure on the audit by a private firm of the amount and process of granting exemptions from taxes collected by the DGI and DGD in 2015 has been implemented albeit with a delay.

¹ See [IMF Country Report No. 15/151](#), page 68, ¶¶ 7–9.

² See [IMF Country Report No. 15/151](#), page 67, ¶¶ 22–23.

- The DGD has prepared on time a study analyzing monthly reconciliation reports by the inspection company comparing duties paid and receivable by import declaration during the first seven months of 2015.
- The measure on the transmission to the Supreme Court of senior government officials' financial disclosures pursuant to the law against unlawful enrichment, has not been completed. The authorities will implement it by December 2016.

ECONOMIC AND FINANCIAL POLICIES FOR 2016 AND 2017

8. The 2016–18 Strategic Framework for Economic Recovery and Sustainable Development (CREDD) approved in March 2016; 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, serves as reference framework for 2016–18 economic and financial policies:

- The objective of the CREDD is to make possible the achievement of the Sustainable Development Goals (SDG) by 2030 based on potential, capacities for resilience for peace and security, and inclusive development in favor of a reduction in poverty and inequalities. It is based on three pillars: (i) promoting inclusive and sustainable growth (ii) improving access to basic social services, and (iii) strengthening institutional and sustainable development.
- 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 has been working on preparing this 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.
- For 2017, the overall fiscal deficit target, including grants, is projected at about 4.1 percent of GDP with sustained efforts planned to mobilize resources and control government spending.

9. The government intends to continue implementing its program to: (i) support growth through a prudent fiscal policy while giving preference to the economic recovery through structuring investments and priority sustainable development spending; (ii) improve public financial management from the revenue as well as the expenditure side, including the reduction in tax

exemption and improvement in the quality of spending; and (iii) modernize the business environment to encourage private sector development and improve competitiveness.

A. Macro-Fiscal Framework for 2016 and 2017

10. The government intends to continue implementing sustainable fiscal policies in accordance with its commitments within the WAEMU's multilateral surveillance framework. It will thus ensure to maintain the overall fiscal balance (including grants) at a level consistent with maintaining public debt sustainability aiming to meet the community's convergence criterion of 3 percent of GDP by 2019.

11. The government proposes the following budget framing in 2016 for its ECF-supported program.³ A total of CFAF 1562.0 billion (16.7 percent of GDP) is provided for total revenue and grants under the supplementary. Net tax revenue amounts to CFAF 1231.8 billion (14.8 percent of GDP), and CFAF 165.9 billion (2.0 percent of GDP) are expected as grants disbursements. The revised budget provides also sufficient room for VAT credit reimbursement. The proposed expenditure is CFAF 1918.2 billion (23.0 percent of GDP), against CFAF 1,786 billion (22.5 percent of GDP) in the initial program for 2016. Domestically financed expenditure amounts to CFAF 1639.1 billion (20.0 percent of GDP). The resulting overall fiscal deficit (payment order basis, including grants) is CFAF 358.2 billion (4.3 percent of GDP), whereas the basic fiscal deficit which is CFAF 169.3 billion (2.0 percent of GDP).

12. For 2017, the government proposes a total of CFAF 1,718.2 billion -19.2 percent of GDP for revenues and grants in the FY17 budget. Net tax revenues amount to CFAF 1,358 billion -15.2 percent of GDP, and CFAF 177.2 billion -2.0 percent of GDP are expected under grants disbursement. The 2017 Budget law provides for ample space for VAT credit refunds. Projected expenditures amount to CFAF 2,083.9 billion CFAF -23.3 percent of GDP. Domestically financed expenditures amounts to CFAF 1,781.6 billion -19.9 percent of GDP. The overall budget deficit, on a cash basis, including grants, is CFAF 364.6 billion CFAF -4.1 percent of GDP, while the basic fiscal balance is CFAF 159.8 billion -1.8 percent of GDP 19.2 percent of GDP.

13. Following the results of the needs assessment for the North and the Paris conference, the supplementary budget for 2016 provides for CFAF 189.4 billion (US\$321 million or 2 percent of GDP) of total expenditure to support the implementation of the APRM. Domestically financed spending is expected to increase by CFAF 102 billion, combined with a reduction of CFAF 49 billion in external financing. Of the additional spending, CFAF 92 billion from domestic resources are allocated to the implementation of the peace accord, including the decentralization reform and the funding of emergency measures; and CFAF 126 billion are allocated to investment projects in the transportation, energy, agriculture, and food security sectors. In the FY17 budget, the government

³ 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.

provides for CFAF 237.0 billion for the development of northern regions and the implementation of the peace agreement.

14. As provided by the APRM, the government undertakes to transfer 30 percent of budget revenue to the subnational jurisdictions (*collectivités territoriales*) by 2018. The 2016 supplementary budget increases the decentralized expenditure to 16.7 percent, whereas the share of expenditure executed by the central government and benefiting the local jurisdictions (*dépenses déconcentrées*) is estimated at 23.1 percent. As part of the strategy to continue the implementation of the decentralization reform, the government intends to: (i) increase the share of resources and responsibilities transferred to the local jurisdictions in 2017; (ii) strengthen the decentralization process through regionalization and deconcentration; (iii) implement the contract-plans State-Regions/District of Bamako (CPER); and (iv) improve the contribution of local taxation to the financing the local authorities.

B. Improve Public Financial Management

15. The government will continue to improve public financial management, in particular by remedying the weaknesses identified by the 2010 PEFA assessment and technical assistance missions from the IMF Fiscal Affairs Department. A new PEFA assessment covering 2013–15 is currently being prepared.

Increase revenue mobilization by broadening the tax base

16. The government is targeting an increase in tax revenue of $\frac{3}{4}$ percent of GDP in 2016 and of 0.4 percent of GDP in 2017 (performance criteria, tables 2–3), mainly by implementing reforms to expand the tax base and reduce exemptions. The government is expanding the reforms undertaken by the DGI, the DGD, and the National Directorate of Government Property and Lands (DNDC) and intends to 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.

Strengthen tax administration

17. The government will continue to phase out exemptions. To support this process, it is implementing the following measures:

- The Minister of Finance will ensure that, starting in January 2017, all public tenders financed by domestic revenues (budget, EPAs, local governments, special funds, extra budgets funded, etc.) are subject to taxes.
- In line with the initial commitment of the government, the Minister of Economy and Finance will continue to engage in consultations with development partners to ensure that projects financed with foreign aid are subject to taxes, starting in 2017. In 2014, these tax exemptions

amounted to 45 billion CFAF (USD 91 million or 0.8 percent of GDP), of which CFAF 26 billion came from the DGI and CFAF 19 billion came from DGD.

- The Minister of Economy and Finance will ensure that the draft new mining code which is due to be adopted soon by the government includes relevant recommendations from Fund technical assistance missions, notably the ones aiming at preserving revenues. Moreover, he will ensure that the tax exemptions granted to mining companies' sub-contractors are reduced- (at least half the exemptions granted by law and through agreements with the mining companies are extended only to mining sub-contractors, and limited to activities outsourced to them by the mining companies.
- Review other legislation (e.g., the investment code, the General Tax Code, the Customs Code, the Petroleum, the Law on housing promotion, framework agreements, and all other tax legislation) and prepare a document making proposals for its amendment by end August 2017 in order to reduce significantly the scope of beneficiaries of tax exemptions, their duration, the degree of exemption, the taxes involved, etc. In the meantime, the threshold for granting exemptions for investments will be increased from CFAF 12.5 million to 100 million by August 31, 2017, once the required modification has been approved by the National Assembly (structural benchmark, table 4).
- Pursue efforts to control discretionary tax exemptions and gradually reduce them, with the view to minimizing tax exemptions included in Mali's fiscal legislation, starting with the 2016 budget. Discretionary exemptions have been estimated at CFAF 141 billion (1.6 percent of GDP) for 2015 in the audit report prepared by a private firm (see paragraph 7).
- Starting January 1, 2017, the government will not extend tax exemptions outside a formal or explicit provision in a law. This measure will be subject to continuous monitoring in the program (structural benchmark table 4).
- In order to facilitate the reduction of exemptions, by June 2017, the government will produce an exhaustive inventory of tax exemptions (by category of tax, legal source, economic sector, and expiration date) granted in 2016, and prepare a report analyzing this inventory (structural benchmark, Table 4).
- Inclusion of tables as annexes to the draft budgets identifying each exemption provided by Mali's tax legislation (the General Tax Code, the Customs Code, the Petroleum Code, the Investment Code, the Mining Code, the law governing property development, and all other tax legislation) and the estimated loss of revenue for the government.⁴
- 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 February 2016, the DGI prepared a memorandum analyzing the exemptions compiled in the database

⁴ In 2015, tax expenditures representing exemptions totaled CFAF 203 billion (US\$345 million or 3.17 percent of GDP), of which CFAF 133 billion (2.08 percent of GDP) granted on taxes collected by the DGI and CFAF 70 billion (1 percent of GDP) on taxes collected by the DGD of which CFAF 27 billion in VAT (US\$46 million or 0.4 percent of GDP).

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 CAISFF, after having had the data checked by the DGI and the DGD, has published on the MEF's website a list of beneficiaries of tax exemptions (including those granted by the DGD) and the duration of the exemptions, replacing the name of the beneficiaries with a unique identifier. It will also publish the associated tax expenditures for 2016 by March 2017.

- The Ministry of Economy and Finance will set up a technical committee including DGI, DGD, and CAISFF to complete the interfacing of the databases by March 31, 2017, to help assess fiscal expenditures by legal origin of the exemptions.

18. To protect tax revenue from petroleum products,⁵ 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 potential revenue attributable to setting retail prices below the prices indicated by that calculation; and publication of this presentation of the price structure;
- 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 (proposed structural benchmark, Table 3).⁶ In so doing, by December 31, 2016, the government will determine and fix the level of tax (TIPP) consistent with the appropriate domestic prices for petroleum products. This would ensure the protection of revenue from these products and the pass-through of changes in international prices to domestic fuel prices. Implementation of this mechanism could be re-assessed, in consultation with the IMF, in the event of successive, particularly steep increases in petroleum product costs;
- presentation in budget laws of the potential loss of revenue on petroleum products during the preceding year.

19. The government is in the process of simplifying tax laws to reduce to a minimum the administrative burden of tax returns for operators and tax collection for the DGI. The simplification involves taxes assessed on actual income (the ordinary tax applied to large taxpayers and the simplified version applied to medium-size taxpayers), local taxation with an alternative minimum tax which proceeds will be allocated to local governments, the tax on wages and salaries, employer contributions, real property taxes, the tax on securities, the financial and real estate transactions tax as well as on commissions. The government will conduct all relevant preliminary studies and consultations to continue implementing the simplification efforts. Simplification of the AMBT in the

⁵ 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.

⁶ See [IMF Country Report No. 14/31](#), p. 23, ¶22.

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 2016 budget reduced VAT prepayments from 12 percent to 4 percent for taxpayers who pay the simplified tax on actual income.

20. With assistance from the IMF Topical Trust Fund on Managing Natural Resource Wealth, the government intends to increase receipts from mining and petroleum resources while improving the competitiveness of the business environment in Mali. The plan involves modernizing the mining and petroleum codes to bringing them in line with current international standards. Following the enactment of a new Petroleum Code promulgated in July 2015, the Council of Ministers will introduce amendments to the 2012 Mining Code by December 30, 2016. The government will enact these amendments by June 2017, after their approval by the National Assembly. The amendments include reducing 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.⁷ It is also strengthening the capacities of DGI and DNDC staff in auditing the companies' tax returns, dealing with transfer pricing, and handling dispute settlements. Finally, to increase transparency in the mining sector, in 2015 the government published all mining and petroleum contracts on the Ministry of Mines's website, and the feasibility studies pertaining to companies currently in the production phase.⁸

21. Having a sound system of incentives for tax and customs inspectors, Treasury staff, and staff of the Ministry of Government Domains and Land Affairs (*Domaines de L'État et des Affaires Foncières*) is key to the modernization of tax administration and broadening the tax base to make revenue growth sustainable over time. The government is prepared to gradually reform the current system to support the achievement of these objectives. As a first step in this process, the government will take measures to further increase the current system's transparency. To this end, starting in 2017, the expenditures linked to the sharing of penalties, fines, surcharges, confiscations, and premiums will be included in the payroll. The Government will ensure the publication (including in the *Journal Officiel*) of information related to the incentives containing the criteria and scale for their distribution, as well as other relevant information. The government has taken the necessary steps to ensure that income from penalties and premiums is no longer paid in cash. To proceed with an in-depth analysis of the current system within a regional perspective, the government has requested technical assistance from the IMF's Fiscal Affairs Department to conduct a specific study and make recommendations to reform the system. This study will also assess whether income from penalties and premiums should be brought into the tax base.

22. 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.

- Specific measures to be undertaken by DGI and DNDC include:

⁷ A similar plan will be followed for telephone companies.

⁸ See www.mines.gouv.ml.

- i) creation of verification brigades as part of the organizational revision; (ii) pursuit of ad hoc controls of VAT payment; (iii) better management of unpaid taxes; (iv) capacity building of tax auditors especially in the control of mining companies, new technologies and the financial sector; (v) computerization of public contracts management; (vi) organizational reform of DGI with the creation of 2 CME in Bamako under DID and 1 CME in Kati under the Koulikoro Regional Directorate; (vii) computerization of the management of exemptions on going at DGI which over time will lead to opening a module in the computer management system (SIGTAS) and help interconnect different systems of management (CAISFF, DGD, DNTP, DGB, DNCF, DNDC, DNCC); (viii) strengthening of the internal and external communication; and (ix) strengthening the responsibility of tax collectors by granting them the title of public accountants.
- With regard to DGD, the following measures will be required: (i) strengthening the capacity of controllers in charge of assessing the customs value; (ii) carry out a systematic check of T1, transport titles; and (iii) strengthen the role of advanced brigades in the fight against fraud.
 - *Implementation of multidisciplinary audits.*
 - The Joint Economic and Financial Intelligence and Investigation Committee (CMRIEF) were established in March 2012 to improve the effectiveness of tax audits and identify new taxpayers using, notably, all available databases of taxpayers and economic operators.
 - 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 2009–11 by an estimated total of CFAF 500 billion per year. In June 2015, the DGI issued tax adjustment notices to 139 taxpayers for a total of CFAF 273 billion (4.2 percent of GDP), of which CFAF 30 billion (0.5 percent of GDP) was recovered following the verification program. The DGI has updated the analysis for the years 2012–14. 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. Following these findings, the DGI issued tax adjustment notices for a total of CFAF 122 billion, of which 68 billion (0.9 percent of GDP) was recovered.
 - 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. In 2015, the DGI issued tax adjustment notices to 101 taxpayers for total at CFAF 50 billion (0.6 percent of GDP). Of these taxpayers, 58 received confirmations for an amount of CFAF 10.2 billion, of which CFAF 7.1 billion was recovered following the verification program.
 - 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 in September 2015 and February 2016.

- The first results obtained by the CMRIEF are significant. The Ministry of Economy and Finance will take steps to revitalize and strengthen the Committee to enable it to effectively conduct its investigations, process the information collected for their exploitation by DGI to broaden its tax base and re-categorize taxpayers where appropriate. By 31 March 2017, the Committee will publish a report on the investigations conducted and processed in 2015. From January 2017, it will publish quarterly reports.

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 another order reducing the DME turnover threshold from CFAF 100 million to CFAF 50 million as of January 1, 2016. This change seeks to improve the DGE's management and control of businesses, quickly increase the number of taxpayers managed by the DME, and improve management of the VAT by assigning all responsibility for this tax to the DGE and the DME effective December 31, 2016, given that the annual turnover threshold for payment of VAT is CFAF 50 million.
- *Promoting tax compliance.* The DGI continues to publish on the MEF website regular updates of the lists of taxpayers managed by the DGE and DME,⁹ so that the public can appreciate the results of efforts to expand the tax base. At end-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 December 2015, the figures increased, respectively, to 552 for the DGE, 1,847 for the DME, and 61,282 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 increased the number of taxpayers managed by the DME to over 2,250 by end-2015. The aim is to increase the share 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 is working on 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 [month], 2016 and to create a Medium Enterprises Center in Kati which will depend on the Regional Directorate of Koulikoro.
- *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 of end-2015, about 80 such

⁹ http://www.dgi.gouv.ml/contenu_documentation.aspx?type=4.

taxpayers paid their taxes by bank transfer. DGI has undertaken communication and other awareness-raising activities to increase the share of taxpayers managed by the DGE who pay taxes through bank transfers. The DGI will also work with BCEAO and banks to ensure the safety and traceability of operations which will contribute to increasing the number of companies which pay by bank transfer.

- *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 increased the proportion of large businesses audited annually from 19 percent in 2014 to 23 percent in 2015, and it aims to raise this proportion to 30 percent in 2016. It also increased the ratio of medium-size businesses audited annually from 14 percent in 2014 to 18 percent in 2015, and it is targeting a ratio of 25 percent for 2016 and 2017. It is worth noting that the increases in the proportion of large and medium-size business audited annually has taken place in the context of a raising tax base—the number for the former rose from 474 in 2014 to 552 in 2015, and that for the latter from 1,411 to 1,847. The DGI reduced the non-filer rate among medium-size businesses from 25 percent in 2014 to less than 19 percent in 2015, and it is targeting a further reduction to less than 10 percent in 2016 and 2017. The DGI reduced the non-filer rate among taxpayers managed by CDIs from 35 percent in 2014 to 28 percent in 2015, and has set itself the objective of reducing this rate to less than 15 percent in 2016 and 2017.
- To increase the revenue from taxes on income from real estate the DGI undertakes to (i) improve the identification of leased buildings and (ii) implement measures with regard to communication and the raising of awareness about the obligation to declare rent on property and to pay applicable taxes. The Government took steps to raise awareness among Diplomatic Organizations, Cooperation Agencies, and international NGOs, etc., about the need to communicate to the DGI information about the rent paid on buildings they and their staff occupy.
- *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 retained a private firm to conduct a feasibility study for the migration, taking into account the expertise gained since the taxpayer identification number (NIF) was introduced in 1996, before end-September 2016. The interim report of this study which was completed in August 2016 is currently being reviewed.
- *Implementation of measures to improve tax dispute practices* in line with the recommendations of World Bank technical assistance missions. To improve the management of tax litigation, the business environment and relations between the administration and taxpayers, the government (i) will establish, by March 2017, a joint mediation committee composed of representatives from the private sector and the tax administration, chaired by an individual independent of the government and the private sector; (ii) will strengthen the Office of the Mediator of the Republic by recruiting experts

on taxation charged with receiving and reviewing taxpayer complaints against staff of the revenue-collecting agencies; and (iii) establish taxpayer rights to bring disputes before the BVG or the Anti-Corruption and Unlawful Enrichment Commission when it becomes operational. The DGI will ensure compliance with the deadline set by law for the processing of tax related disputes. To this effect, DGI will send to MEF by March 2017 a report on the progress on the claims outstanding from economic agents at tax dispute entities.

- *Improving DGD effectiveness:*
 - The DGD is implementing an action plan to put in place the recommendations of the June 2013 technical assistance mission by the IMF Fiscal Affairs Department.¹⁰ Progress with the implementation of this plan has been made, with working still ongoing. 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, which has taken place in Mali's main customs offices. 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.
 - The BIVAC company sends at the end of each month to DGD a report on checks prior to shipping and scanning. The monthly reports include since November 2015 an assessment of the amount of taxes paid or to be collected. From January to July 2016, an analysis of these reports by DGD shows a gap in tax payments due of up to 4.4 billion and fines of 1.1 billion totaling CFAF 5.5 billion.
 - *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 have started actions to raise awareness among operators and consulting with banks to increase by a significant amount the share of operators paying their customs obligations by bank transfer.
 - To help maintain the competitiveness of Malian businesses, the DGD has begun to verify WAEMU and Economic Community of West African States (ECOWAS) certificates of origin in cooperation with the issuing authorities and installed a committee including DGD and the *Organisation Patronale des Industriels (OPI)* with a view to strengthening controls on these certificates of origin. Whenever WAEMU and ECOWAS certificates of origin are found to be inapplicable, the DGD is imposing sanctions and collecting the duties according to the tariff preference, depositing the remainder in accordance with applicable rules. Indeed, the certificates of origins audits conducted since July 2014 have uncovered CFAF 2.4 billion of compromised claims.
 - The DGD is creating a single window under ASYCUDA World, a comprehensive platform bringing together all stakeholders of the customs clearance chain. The single window

¹⁰ See [IMF Country Report No. 13/355](#), Mali.

will simplify procedures through a single submission by operators of several formalities required for imports, exports, or transit through a single, transparent procedure. This window provides a rich range of features taking into account the intervention of all stakeholders (Customs, DNCC, DNTCP, DGI, Forwarding Agents, Banking, and Insurance). It also should be noted that the realization of the interconnection between the DGD, DGI, DNTCP, and CAISFF and interconnection which is underway with the DNCC will facilitate trade and speed up operations. The completion of this task can be envisaged by December 31, 2017

- The automatic selectivity project ongoing since 2005 with the assistance of the IMF through AFRITAC West will conclude with the ASYCUDA World project in its second phase concerning the development of specific applications. The application relating to the electronic management of customs disputes has already been validated by the DGD and will serve as the basis for determining the automatic selectivity criteria. This project is planned to be operational by December 31, 2016.
- *Modernizing the DNDC.* The DNDC will continue to implement the recommendations of the organizational audit sponsored by the Institutional Development Commission (*Commissariat au développement institutionnel*) on modernizing its organization and automating processes. The DNDC is taking steps to increase the collection of capital gains tax on real estate sales by individuals, which was first assessed in October 2011. The measures 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 migrated close to 5,000 property titles already digitized in the cadastral information system database by end-2015. It undertakes to migrate an additional 50,000 titles in 2016. For 2017, DNDC will pursue the analysis of the digitalized geographic information on land parcels. This analysis will help identify which land title is already geo-referenced, and the ones that are not will be included to the digital database by adding them to the geodesic network.
- *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.

VAT refunds

23. 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 are being 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. To this effect, 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.

The Section of Accounts of the Supreme Court has conducted an audit of VAT refunds to determine the consistency of the amounts refunded and the refund process with applicable laws. *The government commits to implementing the following recommendations from the audit report:*

- (i) control of the expenses from refunds of the VAT credits
 - (ii) strengthening professional and operational capacities of tax service staff in the area of taxation and supervision of mining companies
 - (iii) experience exchanges with advanced countries in VAT credit management;
 - (iv) Compliance with provisions of regulatory texts for producing supporting documents;
 - (v) regular monitoring of trust funds.
- To avoid the accumulation of VAT credits by domestic operators, VAT withholding at source will be completely abolished, including for the Treasury, by January 1, 2017. VAT withholding at source was eliminated for large businesses on December 31, 2011. To ensure that the elimination of VAT withholding does not result in loss of tax revenue, the DGI: (i) has conducted a communication campaign directed to suppliers of large businesses on VAT reporting and payment obligations, and a similar campaign for all government suppliers; (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. The government is also working on putting in place a proper interface between the Treasury's and the DGI's information systems to help protect VAT revenue collections.¹¹
 - To increase the number of businesses that effectively pay VAT,¹² the DGI has been expanding 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 reports on results of the targeted audits in 2015 and in the first semester F 2016. The DGI has also continued training staff assigned to research, targeted VAT audits, and audits of VAT credits.

¹¹ To establish such an interface, the government is counting on the services of a Canadian firm, which is expected to come to Bamako once the state of emergency is lifted.

¹² 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.

Improve expenditure management

24. 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

25. 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 is in the process of transposing Directive 01/2011 concerning the subnational jurisdictions' financial regimes, and will ensure that the regulatory texts are published by December 2016. They will be accompanied by directives and guides—being finalized with assistance from AFRITAC—to ensure they are readily and uniformly understandable so that they can be fully implemented as they become available by end-June 2016.

Improve government budget preparation

26. 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 2017 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.

27. The Government benefited from technical assistance from Fund staff through a seminar organized in Dakar in June 2016 for DGB, DNTCP, CARFIP, DNP, and certain line ministries to strengthen their capacity to implement program budgeting. This seminar identified a number of priority actions to that purpose. The government plans to adopt a decree relative to the organization of program management, the definition of the role of the program manager and other relevant personnel by end-March 2017. Moreover, the Budget Directorate will prepare Guidelines (manual) on the preparation and execution of the program budget by March 2017. In order to foster a change of culture, the General Budget Directorate will design a national training strategy for actors involved in the transition to program budget management before March 2017, and will implement it gradually.

28. The adaptation of the information system is a key part in the transition to budget programming. The expenditure management software (PRED) has been adopted to program budgeting preparation in 2015. However, it will be completed before end-December 2016 by other modules: (i) result budgeting, (ii) monitoring of results, and (iii) the implementation in program mode. The testing phase will start with a few departments by end-March 2017 at the latest for the

module program budget implementation, and by August 2017 at the latest for interfacing PRED and AICE (the part on Accounting and Payments).

29. To gain visibility of budget support from the TFPs as early as possible, the government has begun the practice of asking the TFPs to provide information early in the process (in April) on the budget support planned for the following year.

30. 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 2018 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

31. To ensure compliance with budget rules and with good practices for governance and transparency in public financial management, in March 2016 the Council of Ministers adopted a decree to enable the MEF to appoint directors of finance and equipment and directors of administration and financial directors in the ministerial departments as a first step toward meeting the related structural benchmark (Table 3). The Minister of Finance started appointing these Directors in June 2016. The Ministry of Finance has reminded operators through the media that only contracts that have been approved in advance by the financial controller are binding on the government.

32. Pursuant to Community directives, the following closing dates have been established for 2016 budget execution: November 30, 2016 for commitments of operating expenditures, investment expenditures, and expenditures under petty cash procedures; December 20 for commitments of other expenditures; December 30 for payment orders; and January 31, 2017 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 from the MEF has set deadlines for commitments and payment orders in fiscal year 2015 and was published on September 8, 2015. For fiscal year 2016, the letter setting dates for commitments and payment orders was circulated on September 23, 2016.

33. The government carried out a physical census of civil servants and staff of local authorities in 2014, which revealed gaps in the management of personnel. On the basis of an interim report, the government suspended the payments of wages for those who did not show up for the census. However, investigations are ongoing in the case of agents that are reportedly in the field for security or military operations, those that are on excused leave, or abroad for long term training. The report will be finalized after these investigations are concluded.

34. To increase transparency and expedite the award of public contracts, the DGMP-DSP has taken steps to increase the amount of information on contract awards published on its website,¹³ in line with practices observed in neighboring countries. The DGMP-DSP is now publishing 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.¹⁴ To reduce the average time required to award contracts,¹⁵ the government adopted a series of measures in April 2015.¹⁶ In addition to strengthen public contract awarding and improve the management of public finances, the government will implement the use of the integrated system for the management of public contracts in all ministerial departments by end of June 2017 (structural benchmark, table 4).

35. To further improve the business environment, the government approved a new public contracts code in August 2015. To limit the risk of incorrect interpretation of the provision in this new code concerning unsolicited bids, the government has improved, in collaboration with the World Bank, the implementing regulations of the new code 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 has modified this provision of the code in a durable manner, in consultation with the World Bank. Thus, a revised code was approved by the Council of Ministers in September 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. 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

¹³ See www.dgmp.gov.ml.

¹⁴ In 2015 the government awarded 1,529 public contracts for a value of CFAF 480 billion (6.2 percent of GDP); of which 91.5 percent were awarded pursuant to competitive bidding (88 percent in terms of value); 2 percent through limited competition (8 percent of value); and 6.5 percent through direct negotiation (8 percent of total value).

¹⁵ The average time required to award contracts was reduced from 94 days in 2013 to 90 days in 2014 and 87 days in 2015.

¹⁶ See [IMF Country Report No. 15/339](#), p. 61.

ministers concerned to remind them of the need to comply with the decree. The CGSP prepared an audit of exempt contracts from 2015 by February 29, 2016, i.e. before the June 30 deadline provided by the decree. According to the new audit, in 2015 exempt contracts amounted to CFAF 257 billion (US\$ 445 million).

37. *To maximize returns on public investment and minimize the associated costs*, the Directorate General of Budget (DGB), the National Directorate of Development Planning (DNPDP), and the General Directorate of Public Debt (DGDP) have started to take steps to:¹⁷

- accelerate the sector ministries' implementation of investment projects for which the execution rate was 20 percent during the first half of 2015 by increasing project supervision missions to address the risks and constraints that slow execution down. In 2016, the DNPDP is conducting supervision missions with the DGDP for at least 100 projects in 2016, compared to 29 projects in 2015. During the first semester of 2016 the DNPDP and DGDP carried out supervision missions at 50 projects and intends to achieve the objective by the end of the year;
- evaluate the cost of projects proposed by sector ministries with the help of a market price list posted on the MEF website April 1st, 2016;¹⁸
- provide access to information on project financial execution: the DNPDP and the DGDP have published the reports for the first and second quarter of 2016 in line with their commitment 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. The government has contracted the services of consulting firms to conduct this study. It will also seek assistance from the World Bank;
- 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 DNPDP'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.

¹⁷ In 2015 the monitoring and evaluation phase of the public investment management application has been finalized. The management application was implemented in 2015 in the programming on internal financing phase.

¹⁸ http://www.finances.gouv.ml/contenu_documentation.aspx.

- Starting with implementation of the 2016 budget, the procedure for carrying over CPs were expected to 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. However, capacity constraints have not allowed the government to put this in place. The government has requested technical assistance from FAD to be able to implement it at the earliest possible stage.

39. Payment deadlines are being 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 are now being posted on the MEF website for this purpose.¹⁹

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 in 2014.²⁰ In line with those recommendations, the government has registered the aircraft and recorded it as an asset in its material accounting system. The government has also taken steps to review the aircraft's exploitation mode, including through the creation of a small team which will progressively gain autonomy to take full charge of the plane's management. The government also commits to using national budget rules applicable to all government property in accounting for the operation of the aircraft. Accordingly, all income or expenses related to the potential commercial exploitation of the aircraft will be reflected in the budget.

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 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. A monitoring committee charged with following up progress with migration to the new TOFE has been created. 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, was 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

¹⁹ <http://www.finances.gouv.ml/>

²⁰ See [IMF Country Report No. 14/337](#), pp. 38–41, ¶¶ 11–15.

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 has prepared a monthly cash flow plan at the beginning of the year and updates it each month to ensure that expenditures and payments are executed on a timely basis throughout the year. The plan is being updated each month to reflect revenue collected, expenditures executed, and external financing disbursed. The government has asked the IMF's Fiscal Affairs Department to provide training to strengthen MEF and line ministries' staff capacity, notably for elaborating expenditure commitment plans.

44. The DNTCP continues with efforts to develop a more accurate understanding of the components of the net government position (NGP) vis-à-vis the banking system.²¹ 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).²² 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 was completed in February 2016. The end-December 2016 report will be prepared by February 2017. The BCEAO 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 November the government enacted legislation to clarify existing provisions governing the deposit of EPA funds in the TSA. In the interim, the government will deposit the national counterpart funds to new co-financed projects in

²¹ At end-2015, the net government position (NGP) vis-à-vis the banks was a creditor position of CFAF 55 billion (0.7 percent of GDP) for the government as broadly defined in the WAEMU directive in the Table of Financial Operations. That figure includes a net Treasury liability position of CFAF 193 billion (2.5 percent of GDP) and a net creditor position of CFAF 249 billion (3.2 percent of GDP) for other government entities.

²² <http://www.tresor.gouv.ml/documentation/position-nette-du-tresor-et-autres-comptes-publics.pdf>.

an escrow subaccount at the BCEAO for projects whose donors agree to the principle. In the next step, to be completed by December 2016, all funds of administrative public entities (EPA) will be incorporated in the TSA (proposed structural benchmark, Table 3).²³

46. In order to consolidate the implementation of the TSA, the Ministry of the Economy and Finance, in accordance with government commitments in this respect since 2013, adopted in June 2016 a decree setting the rules for the opening, closing and management of public accounts at commercial banks. It will report on the status of current accounts by January 1st, 2017. In addition, it will sign bilateral agreements with commercial banks in areas not covered by BCEAO. In accordance with the decree, the DNTCP will ensure the need to open a bank account for public institutions in commercial banks and the closing of inactive accounts.

47. 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; 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.

48. *The DNTCP is in the process of reinforcing the supervision of EPAs.*²⁴ EPAs have started forwarding their budget to the minister of finance for approval at the beginning of each fiscal year, and will submit semiannual budget execution reports to the DNTCP starting in 2016. The MEF has advised EPAs that it will not approve their budgets until they have forwarded their financial statements for the first half of the previous year to the DNTCP. As a consequence of the adoption by the government in November 2016 of a law on EPAs (see paragraph 45), EPAs will be required to publish financial statements certified by a certified accountant including semiannual interim results starting with the accounts for fiscal year 2016.

Strengthen internal and external controls

49. *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.

- 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) is carrying out new missions arising from the implementation of WAEMU directives²⁵, i.e., ex ante control of expenditure, ex post

²³ At end-2015, the funds of EPAs and special accounts represented CFAF 224.8 billion.

²⁴ As of March 2016, of the 103 EPAs, 16 have an accounting framework approved by the MEF compared with 11 in June 2015; 79 forwarded monthly financial statements to the DNTCP compared to 73 in June 2015.

²⁵ [Directive N°06/2009/CM/UEMOA and Directive N°06/2009/CM/UEMOA](#).

evaluation of program performance, and continued decentralization of activities. In addition, the DDCF will produce regular reports on the verification of services received. This will improve the level of actual service provision through the computerization of the controls and the strengthening of the operational capacities of the entities.

- 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 end-2014.
- The staff of the Supreme Court audit section has been increased. This section is in the process of being converted to a Court of Audit in accordance with the relevant WAEMU directive. To this effect, a constitutional reform will be adopted by referendum.

50. The government's annual financial statements will be produced and audited on a regular basis, as provided by applicable Community directives. The government adopted the 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

51. 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 has commissioned new actuarial studies for both regimes (a draft report has already been prepared for CMSS). The results for the CMSS were available in August 2016. They show that the net deficit of CMSS was 0.03 percent of GDP in 2015, and the technical deficit (difference between contributions and pension payments) 0.5 percent of GDP. The relevant recommendations of the study will be incorporated into a new Code under preparation, including increasing the state's contribution to make the CMSS autonomous. For the INPS, the selection of consulting company is the bid opening phase.

Conduct a sustainable borrowing policy

52. The government will continue to conduct a borrowing policy consistent with the objective of debt sustainability.

- 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. In line with the new public borrowing policy and IMF-supported programs, which took effect June 30, 2015, the Directorate General of Public Debt (DGPD) has prepared a detailed chart of loan agreements that will support execution of the r2016 and 2017 budgets. The borrowing plans identifies the amount disbursed and the financial terms of each loan agreement and will be continue to be annexed to the budget (Table 4). The government has revised downwards its plans for contracting non-concessional loans in

2016, and it now proposes a cumulative ceiling of CFAF 33 billion for these loans (continuous proposed performance criterion, Table 2). The revision reflects mainly the postponement of electricity sector loans and its partial replacement with concessional loans. Plans for contracting concessional borrowing in 2016 have been revised upwards and the government to a cumulative CFAF 460 billion for 2015–16.

- For 2017, the government plans to contract CFAF 290 billion in overall new external borrowing (of which 135 billion would be non-concessional), equivalent to CFAF 166 billion in PV terms. On this basis, the proposed cumulative ceiling on external borrowing for 2015–17 amounts to 246 billion CFAF in PV terms (continuous proposed performance criterion, Table 3). This ceiling could be revisited at the time of the next ECF review if necessary and provided that it remains compatible with the debt sustainability analysis.
- To improve debt management, the DGDP has prepared 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 (structural benchmark, Table 3). Before the implementation of a new debt-management tool, the following results have been achieved:
 - The committee in charge of updating the database which was put in place is operational and has found and corrected mistakes and inconsistencies in the data recorded.
 - The reliability and quality of data entered in the database have improved.
 - The level of disbursements has considerably improved and as a result that of amounts outstanding. By way of illustration, the debts outstanding have gone from CFAF 1,484.6 billion in 2014 to 1,754.4 billion CFAF in 2015 on a more realistic basis.
 - The reconciliation mission at the Islamic Development Bank (IDB) has enabled the Malian party to obtain the access code to the IDB's data information site through its extranet, which now allows the DGDP to access all the information regarding the active portfolio of projects in Mali financed by the IDB in real time.
 - The quality of file treatment has improved following the recruitment of three (03) data input and analysis senior executives.
 - The capacity for analysis of members of the CNDP Commission who took part in the study and exchange trip to Benin has been strengthened.
 - Use of the tool by executives having taking part in the CS-DRMS training sessions has been popularized
 - As part of the development of the new debt management software, the project charter has been written and is being validated. The deployment phase of the project has started in September 2016 and will end in 2016 after the first functionality tests.
 - To closely monitor its borrowing policy, the government launched the National Public Debt Committee in March 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.

- In addition, to improve debt management by end of August 2016 the government will set up the second phase of (analysis) of the project for the development of the integrated debt system by deploying complementary modules for the calculation of current values, production of debt statistics and debt simulations (structural benchmark, Table 4).

Domestic debt management is being strengthened.

- To this end, an inventory of all government domestic loan agreements and all government commitments to guarantee domestic debt is being conducted with local banks to ensure that the repayment schedules are included in the public debt data and budget laws. In this vein, a CFAF 6.2 billion provision has been included in the 2017 budget bill. The inventory will be finalized by end-November 2016.
- Starting with the 2017 budget, the government will include an annual ceiling on increases in the total amount of guarantees it 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 provides for a provision of 10 percent of risk falling due, i.e., the amount of guaranteed debt maturing in 2016.
- The government is in the process of clearing domestic arrears validated by an audit. Of the CFAF 166 billion (2.6 percent of GDP) made up of an amount of 94 billion validated by the consultant and 72 billion not validated, the government paid CFAF 82 billion in 2013–14. An additional CFAF 28 billion were paid in 2015 and CFAF 25 billion has been scheduled to be paid in 2016. Indeed, the Government has paid CFAF 7 billion and decided not to pay the remainder due to shortcomings in supporting documentation. The validated arrears included a CFAF 30 billion court judgment against the government, for which an appeal decision is pending. If it turns out that the government must pay these arrears, the 2016 budget includes provisions to clear them. 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 had requested a supplementary audit by the firm, to be concluded by end-August 2016, to provide creditors of invalidated debts totaling CFAF 40 billion the opportunity to supplement their dossiers. Due to shortcomings in the validation of the arrears in question, the Ministry of Finances has decided to terminate the supplementary audit process.

C. Improve the Business Environment to Encourage Private Sector Development

53. *The government is working on easing 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. These constraints include access to financing, corruption, insufficient infrastructure (including in the energy sector), complex tax laws, government bureaucracy, and inadequate work force qualifications.*

54. The government is implementing measures to mobilize resources for infrastructure investment and simplify tax legislation (¶18). In addition, it will take additional measures (see ¶¶ 54–56) to maintain the stability of the financial sector improve access to financing provided by the sector, strengthen 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 has taken steps to:

- Provide security for bank branches that have reopened in Northern Mali since August 2013.
- Strengthen the bank created through the merger of the Malian Housing Bank (BHM) and the Malian Solidarity Bank (BMS), completed in March 2016. Its capital was increased to 34.6 billion CFAF compared with a normal standard of 5 billion CFAF. The next step involves cleaning up and strengthening the balance sheet of the new bank, which would help minimize risks to the public finances and make the 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, with the aim of eventually disengaging the state from it;
- Contribute, in support of the actions of the BCEAO, to strengthening the credibility of the credit bureau (established in May 2015) through communication campaigns in order to increase the rate of collection of consent from clients of financial institutions. Good progress has been made in this regard, with the successful passing by Malian banks of the compliance tests for this system.
- Restore confidence in the micro-finance sector by implementing an action plan in 2016 to reform the sector. In order to clean up the microfinance sector, the government has implemented the following measures agreed with the World Bank: in 2016, (i) the audit of 32 decentralized financial systems (SFDs) which are in difficulty including 2 networks,; the TOR for the extension of this audit to all troubled SFDs are already available (ii) adopting a favorable compensation rule for small depositors of the SFDs to be liquidated which has been experimented with Jemini and (iii) the signature of the withdrawal of approval notices from 23 SFDs which have already been audited and must be liquidated; in 2017, the government will take steps for the liquidation of at least two SFDs which have been subject to a withdrawal of authorization.
- In order to reduce non-performing loans, the government will focus its intervention on the two main sources of the impaired loans, former Malian Development Bank (BDM) loans and the non-operating property held by the banking system. To that effect, it is in the process of i) recruiting a specialized firm to suggest practical solutions to the non-operating property, and ii) will process BDM's impaired loans using practical modalities suggested by the audit firm GMI, which is expected to produce its report shortly. The Government will design a

strategy to reduce the level of non-performing loans in the banking system by June 2017 (Structural Benchmark, Table 4).

Reform the electricity sector

56. The finances of the state-owned electricity company (EDM) remain weak, reflecting mainly poor management practices and below-cost electricity tariffs. The government is in the process of taking measures to strengthen the financial position of EDM.

- For 2016, it is anticipated that EDM will reduce its pre-subsidy deficit to CFAF 52 billion from CFAF 104 billion in 2015. This deficit is expected to be reduced to 56 in 2017. The government will transfer CFAF 25 billion in 2016 and an additional 25 billion in 2017 to help EDM meet its financial commitments.
- The government will also ensure that adequate measures are put in place to reduce EDM's deficit so that the company can cover its financing needs and meets all its financial obligations. EDM will continue to implement all necessary measures to increase its billing rates and reduce operating costs, in particular by outsourcing the fuel supply function. The government commits to take the necessary measures to ensure that EDM reduces the deficit further and does not accumulate new arrears, including by implementing measures reduce technical and non-technical losses, better monitoring of key customers to protect revenue collection, the use of pre-paid meters, the adoption of monthly billing, and if necessary adjusting electricity tariffs to narrow the gap between tariffs and costs. These measures, combined with transfers from the government would allow EDM to cover its financing needs and fully meets its obligations.
- EDM has also developed a plan for the payment of arrears accumulated in 2015 by end of 2016. This involves conversion of short term bonds to banks into medium term debts and settlement of other debts with other public sector entities including with the government. The plan provides for the payment of the ECOWAS subsidy (CFAF 12 billion) which did not happen last year.
- EDM will publish its financial statements (balance sheet and income statement) and performance indicators on its website and in an annex to the annual draft budget. The government will monitor closely the financial position of EDM and will ensure the company produces quarterly financial statements in a timely manner to make sure that quarterly results of its cash-flow plans are respected so as to allow payment of the subsidy.

Promote good governance

57. *The government will continue to pursue efforts to improve governance.*

- To this end, the government is carrying out the measures described above to improve the management and transparency of the public finances, and will forward to the Supreme Court senior government officials' financial disclosures—pursuant to the unlawful enrichment law—by December 2016 (proposed structural benchmark, Table 3). A circular letter from the

Prime Minister will be sent to all public institutions so that all relevant officials submit their declaration of assets to the Supreme Court by December 31, 2016.

- All implementation texts for the fight against illicit enrichment have been adopted by the government, including the decree creating the Central Office for the fight against corruption. Given the sensitive nature of the tasks of members of the Office and related risks, discussions about the regulatory texts defining their remunerations and allowances took time, which has delayed its implementation. The government commits to establish and make operational this body by 31st December 2016 (structural benchmark, Table 4).
- To perform a broad dissemination of the law, the government had it translated in Arabic, Bamabara, peulh, sonrhai and Tamasheq.
- The government is also making efforts 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 published a second annual report in February 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.
- In February 2016 the National Assembly approved new legislation on anti-money laundering and combating the terrorism financing (AML/CFT), which will support efforts to improving governance in the country. The government is aware that the new Uniform Law is not fully compliant with the international FATF standard, and agrees on the need to bring the matter before the WAEMU monetary authorities to amend it, in consultation with the IMF's Legal Department to make it fully compliant with FATF. To this end, the government considers that the WAEMU authorities would benefit from Fund TA and will encourage them to send a request to that effect.
- The National Strategy on AML and CFT and its action plan were approved October 25, 2012. The action plan has been updated to reflect the application of the new legislation and to fight corruption and to take into account the recommendations of the IMF technical assistance mission who visited Bamako in September 2015. The implementation of the new legislation has enabled to incriminate corruption of foreign public agents, functionaries of international organizations, to amend the law on illegal enrichment to extend its scope to include parliamentarians under article 9 which provides that local and national elected officials as being liable to the annual declaration of assets, to establish a National

²⁶ See www.reforme-justice.gouv.ml.

²⁷ Posted online at the following address: <http://primature.gov.ml>.

Commission for asset freezing and to organize awareness raising workshops for persons subjected to this obligation.

D. Technical Assistance and Capacity Building

58. Technical assistance (TA) and training remain essential for continue strengthening our technical and institutional capacities. In this respect, we remain interested in participating in the IMF's Capacity Development Framework (CBF). Mali has received substantial technical assistance from the Fund in recent years, and the overall record of implementation has been positive. This TA has made a positive contribution to capacity building in the country and facilitated the implementation of our economic programs. Further TA will be needed in the coming years to support our policy priorities. At this point, we anticipate that the areas where Fund TA under the CBF would focus through 2018 comprise human resources management, revenue administration, public financial management, and real sector statistics. Donors are not providing TA in the specific areas that would be covered by Fund TA. To become a participant in the CBF initiative and implement the associated TA program, we will conclude a memorandum of understanding with the IMF. We remain committed to further improving our technical and institutional capacities and make the best use of the TA that will be provided by the IMF and other development partners. We are also committed to securing the availability of adequate human and financial resources, and ensure a good collaboration between national agencies involved in the various TA areas.

PROGRAM MONITORING

59. The seventh and eight reviews will be based on the performance criteria for end-December 2016 and end-June 2017, respectively, as well as the continuous performance criteria (tables 1 and 2) and structural benchmarks (tables 3 and 4). Indicative targets are also set for end-March and September 2017 (Tables 2). 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 Seventh and Eighth Reviews under the ECF Arrangement are expected to be completed on or after May 1, 2017 and November 1, 2017, respectively.

Table 1. Mali: Performance Criteria and Indicative Targets, 2016 ¹

(in billions of CFAF)

	2016									
	March			June				September	December	
	Rev. Prog.	Est.	Status	Rev. Prog.	Target	Est.	Status	Rev. Prog.	Prog.	Rev. Prog.
Performance criteria										
Ceiling on net domestic bank and market financing of the government ²	153	67	Met	278	281	196	Met	252	259	259
Cumulative increase in external payments arrears (ceiling) ³	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) ^{3,4,7}	241	26	Met	250		26	Met	250	250	33
Gross tax revenue (floor)	300	257	Not met	640		649	Met	947	1,302	1,302
Indicative targets										
Basic fiscal balance (floor) ⁵	-98	80	Met	-160	-153	18	Met	-162	-170	-170
Priority poverty-reducing expenditure (floor)	57	76	Met	146		192	Met	264	410	410
<i>Memorandum items:</i>										
External budgetary support ⁶	0	40		3		0		69	86	86
General budgetary grant	0	14		0		0		56	56	56
Net change in budgetary float (- = reduction)	-13	-123		-25		-49		-3	19	19
Tax refunds (-)	-18	-10		-36		-29		-52	-71	-71
Net change in arrears (- = reduction)	-13	-3		-27		-9		-24	-21	-21
New external debt contracted or guaranteed by the government on concessional terms (cumulative ceiling from June 2015) ⁷	387	322		557		402		557	557	460

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 2. Mali: Proposed Performance Criteria and Indicative Targets, 2017 ¹

(in billions of CFAF)

	2017			
	March	June	September	December
	Proposed prog.	Proposed prog.	Proposed prog.	Proj.
Performance criteria				
Ceiling on net domestic bank and market financing of the government ²	66	197	210	189
Cumulative increase in external payments arrears (ceiling) ³	0	0	0	0
New external debt contracted or guaranteed by the government, in PV terms (cumulative ceiling from June 2015) ^{3,4,7}	426	426	426	426
Gross tax revenue (floor)	341	698	1,077	1,440
Indicative targets				
Basic fiscal balance (floor) ⁵	-85	-141	-126	-160
Priority poverty-reducing expenditure (floor)	62	158	285	444
<i>Memorandum items:</i>				
External budgetary support ⁶	9	16	56	99
General budgetary grant	0	0	35	63
Net change in budgetary float (- = reduction)	-26	-66	-68	17
Tax refunds (-)	-9	-29	-37	-82
Net change in arrears (- = reduction)	-3	-8	-14	-16

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.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 3. Mali: Proposed Structural Benchmarks for 2016

Measure	Implementation deadline	Status	Macroeconomic rationale
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	Met	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	Not met. Implemented with delay (in mid-April).	Strengthen public debt management
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.	June 30	Met	Improve compliance with budget rules
Audit by a private firm of the amount and process of granting exemptions from taxes collected by the DGI and DGD in 2015.	August 31	Not met. Implemented in September.	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	Met	Increase tax revenue
Transmittal to the Supreme Court of senior government officials' financial disclosures pursuant to the law against unlawful enrichment.	August 31	Not met. Proposed to be reprogrammed for December 31.	Promote good governance
Adopt a pricing mechanism that ensures that changes in the cost of imported petroleum products are reflected in pump prices within a margin of 3 percent per month (paragraph 17).	December 31		Adequately price oil products and protect revenue derived from their taxation.
Complete the implementation a treasury single account (TSA) at the BCEAO, including by transferring EPA deposits to the TSA (paragraph 41).	December 31		Strengthen public financial management.
Establish and operationalize the commission against corruption and unlawful enrichment.	December 31		Promote good governance
Transmittal to the Supreme Court of senior government officials' financial disclosures pursuant to the law against unlawful enrichment.	December 31		Promote good governance

Table 4. Mali: Proposed Structural Benchmarks for 2017

Measures	Implementation deadline	Macroeconomic justification
Adopt and implement a law to stop granting new discretionary tax exemptions (paragraph 17).	January 1	Increase tax revenue
Implement use of the Public Procurement Management Integrated System (SIGMAP) by all ministerial departments.	March 31	Improve public financial management and increase the efficiency of public spending
Implement the first phase (Administration or Management of Loans) of the project to develop the Integrated Debt Management System, through the development of modules for the registration and monitoring of the loan mobilization and debt service payment.	March 31	Strengthen debt management
Produce an inventory of tax exemptions by type of tax, legal or regulatory source, economic sector, and expiry date in respect of 2016 and the first quarter of 2017.	June 30	Monitor progress with reducing tax exemptions to increase revenue
In consultation with Fund staff, design a strategy for reducing non-collateralized NPLs in the banking system.	June 30	Strengthen the banking system
Raise the eligibility threshold for investments benefiting from tax exemptions from CFAF 12.5 million to CFAF 100 million (paragraph 17).	August 31	Increase tax revenue
Carry out the second phase (Analysis) of the Integrated Debt Management System project, by developing complementary modules for the calculation of debt ratios, the calculation of the present value, the production of debt statistics, and debt simulations.	August 31	Strengthen debt management

Table 5. Mali: Summary of External Borrowing Program ¹

	2015		2016			2017		PV
	Act.	PV	Already signed	To be signed	Revised Prog.	Prog.	PV	
	(CFAF Billions)							
Debt financing sources	231	117	401	92	493	260	783	426
Concessional debt ² of which	231	117	375	85	460	239	616	311
Multilateral debt	206	104	304	85	390	197	545	269
Bilateral debt	25	13	71	0	71	42	71	42
Nonconcessional debt ³	0	0	26	6	33	21	167	116
Uses of borrowed funds	231	117	401	92	493	260	783	426
Budgetary assistance	46	21	46	32	79	35	114	51
Infrastructure (roads, bridges, etc.)	27	15	120	24	144	79	207	122
Energy	34	21	53	0	53	32	168	103
Agriculture	50	25	50	0	50	25	68	33
Social (education, health)	58	28	117	30	147	79	181	96
Various	15	7	15	5	20	10	45	20

Source: Mali authorities.

¹ New borrowing arranged or guaranteed, cumulative since June 2015.

² Debt in which the grant component exceeds a floor of 35 percent.

³ Debt comprising a grant component that is positive but does not comply with 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 2016 and end-June 2017, and as indicative targets at end-March 2017 and end-September 2017.

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 2). 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 2).

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;^{1,2} 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 criterion through December 2016 applies to new non-concessional debt 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. Starting in 2017, the performance criteria apply to total new debt 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 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.

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: <https://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.

IV. INDICATIVE TARGETS

20. The following will serve as indicative targets at end-December 2016, end-March 2017, end-June 2017, and end-September 2017.

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 N°04/1999 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 2).

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 (T16), 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 (in Excel format for all quantitative data) 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-end + 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
EDM	Detailed financial statements showing EDM's total revenues, including subsidies received; total expenditures; the level of debts to banks; and the situation in terms of arrears.	Quarterly	Month-end + 4 weeks