INTERNATIONAL MONETARY FUND

IMF Country Report No. 14/337

MALI

December 2014

FIRST AND SECOND REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR WAIVER OF PERFORMANCE CRITERIA, AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA—STAFF REPORT; PRESS RELEASE; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR MALI

In the context of the First and Second Reviews Under the Extended Credit Facility Arrangement, Request for Waiver of Performance Criteria, and Request for Modification of Performance Criteria, the following documents have been released and are included in this package:

- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 1, 2014, following discussions that ended on September 25, 2014, with the officials of Mali on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on November 14, 2014
- **Informational Annex** prepared by the IMF.
- **Debt Sustainability Analysis** prepared by the IMF.
- **Press Release** including a statement by the Chair of the Executive Board.
- **Statement by the Executive Director** for Mali.

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

Letter of Intent sent to the IMF by the authorities of Mali*
Memorandum of Economic and Financial Policies by the authorities of Mali*
Technical Memorandum of Understanding*

*Also included in Staff Report

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

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International Monetary Fund
Washington, D.C.

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November 14, 2014

FIRST AND SECOND REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR WAIVER OF PERFORMANCE CRITERIA, AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA

EXECUTIVE SUMMARY

Context: Economic recovery is under way but remains fragile. The buildup of the large-scale donor support has been hampered by serious lapses in public financial management (PFM), which raised governance concerns. As a result, the first review, initially scheduled for June, was delayed and donor budget support was temporarily put on hold.

Program performance: With remedial measures now in place to address the PFM weaknesses, the program remains on track. The authorities are requesting waivers for performance criteria (PC) on: tax revenue, which was missed owing to a shortfall in revenue from the gold sector and weaknesses in tax administration; and non-concessional borrowing, to accommodate an investment project in hydroelectricity, which is narrowly non-concessional. They are also requesting a modification for end-December 2014 PCs on bank and market financing of the government and gross tax revenue owing to this weakness in tax revenue and the incorporation of off-budget spending as part of the remedial measures for the PFM lapses.

Main policy recommendations:

- ***Strictly implement budget and procurement rules to restore business, consumer and donor confidence.***
- ***Maintain macroeconomic stability by keeping the basic fiscal balance close to zero and the overall fiscal balance in line with debt sustainability.***
- ***Raise tax revenue by close to 0.5 percent of GDP annually.***
- ***Improve public financial management.***
- ***Accelerate reforms to improve the business environment, including by strengthening governance and anti-corruption efforts.***

Approved By
Roger Nord and Peter Allum

Staff team: Christian Josz (head), Milan Cuc, John Hooley and Mamadou Barry (all AFR), Salvatore Dell'Erba (FAD), Anton Op de Beke (resident representative) and Bakary Traore (local economist); Roger Nord (AFR) during two days in the September mission; and Oumar Diakite (OED).
Mission dates: March 6–19 and September 11–25, 2014 in Bamako; April 11–13, June 16–18 and October 8–10 in Washington, D.C.
Officials met: the President, the Prime Minister, the Minister of Economy and Finance, the National Director of the BCEAO, the President of the Supreme Court, the Auditor General, as well as representatives from the private sector, trade unions, civil society, and the donor community.

CONTENTS

APPENDIX

BACKGROUND, RECENT DEVELOPMENTS, AND OUTLOOK

1. **Progress in political normalization has slowed.** The population elected a president in August 2013 and a National Assembly in January 2014. While greatly improved relative to 2012, the security situation in the North remains problematic. Over the past several months, the government has been holding talks with representatives of rebel groups in Algiers to end the conflict in the North.

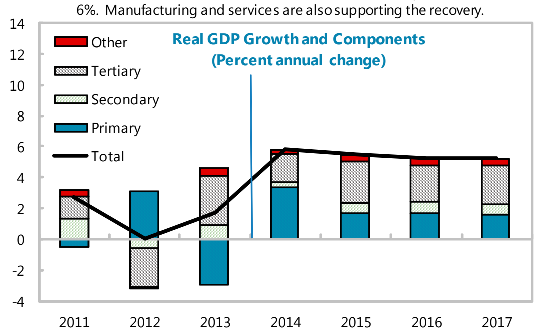
2. **The economy is recovering but facing some headwinds** (Figure 1, Text Table 1, and Tables 1–2 and 7). This follows no growth in 2012 because of the security crisis and a small gain of 1.7 percent in 2013 when the harvest suffered from unfavorable weather conditions. With the return to normal weather, agriculture is recovering, raising projected GDP growth to 5.8 percent in 2014. Business is gradually increasing in the service sectors hardest hit by the crisis as donors are resuming their support, but business confidence remains low. Inflation turned slightly negative in 2013, reflecting the slack in the economy and declines in prices of imported foodstuffs. It is expected to average 1 percent in 2014. The current account deficit (including grants) of the balance of payments widened to 4 percent of GDP in 2013 as international gold prices declined and imports picked up in response to the economy's revival. While external loans to the public sector and foreign direct investment (FDI) provided the needed financing, Mali's commercial banks' buildup of foreign assets—mainly in the form of bonds and t-bills issued by other countries of the West African Economic and Monetary Union (WAEMU)—led the outflows in the financial account. The resulting overall balance of payments deficit in 2013 was financed by a drawdown of the regional central bank's foreign exchange reserves (by $120 million, or 1.1 percent of GDP). With the donor inflows ramping up toward end-2014, Mali should contribute to foreign exchange accumulation.

3. **In spite of crisis-related damage to the stability of the financial sector, bank credit to the economy is picking up** (Tables 8–9). Financial stability deteriorated following the 2012 events, marked by physical damage to banks located in the North and general economic stagnation. Gross nonperforming loans rose from 18 percent at end-2011 to 23 percent in March 2013, but have since declined—to 19 percent at end-2013.[1] Commercial banks took advantage of low-cost financing from the BCEAO. That allowed them to support the incipient recovery by pushing the growth of credit to the economy to about 10 percent in 2013 and during the first half of 2014 and augment their holdings of other WAEMU countries' government paper (¶2).

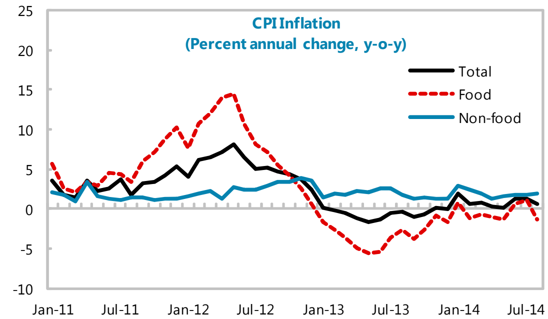
[1] Nonperforming loans net of provisions rose from 6.5 percent at end-2011 to 8.3 percent at end-2013.

Figure 1. Mali: Macroeconomic Developments and Outlook, 2011–17

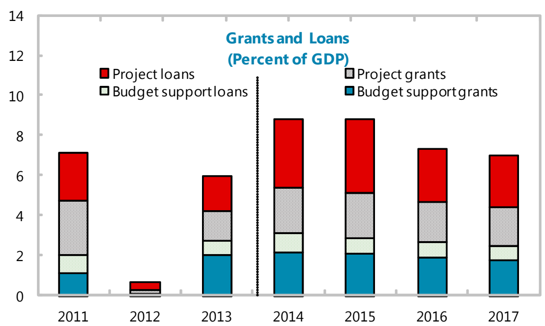
In 2013, output growth was weak (1.7%) due to a sharp fall in agricultural production, while a better harvest in 2014 should lead to growth of near 6%. Manufacturing and services are also supporting the recovery.



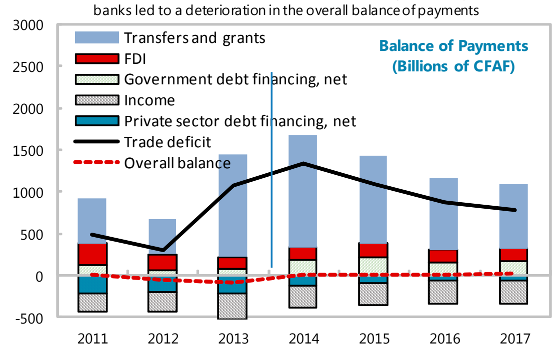
Inflation was negative in 2013, reflecting a decline in food prices following the previous year's good harvest. In 2014, food prices remained weak and inflation is expected to be positive but remain below the 3% WAEMU convergence threshold



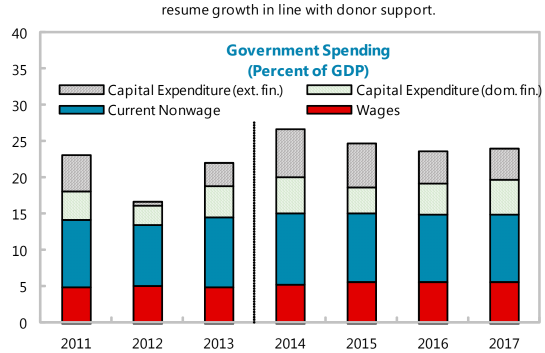
Most donors suspended aid after the coup in March 2012. After the successful presidential elections, aid has resumed.



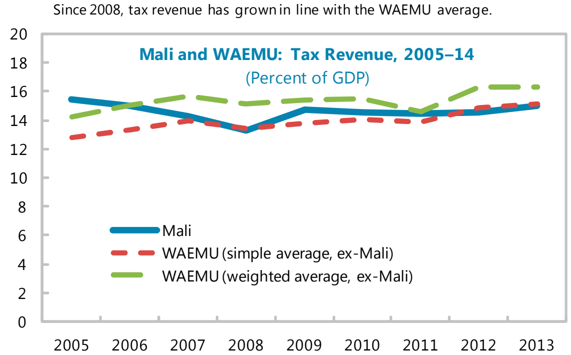
In 2013 the trade deficit increased due to higher imports linked to postcrisis reconstruction and security stabilization. This was financed entirely by an increase in transfers. However, an increase in the net purchase of foreign assets by commercial banks led to a deterioration in the overall balance of payments



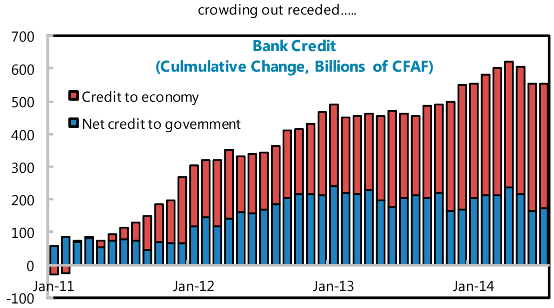
In 2012, public capital expenditure fell, but, from 2013 onward, it should resume growth in line with donor support.



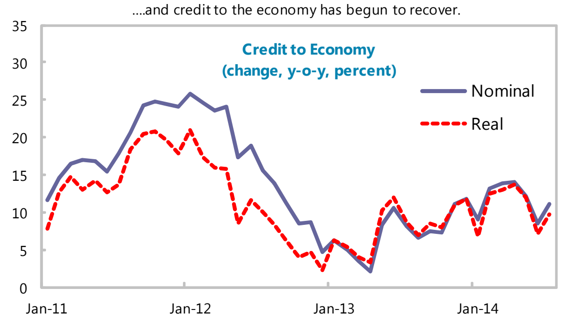
Since 2008, tax revenue has grown in line with the WAEMU average.



With government limiting its access to bank financing after 2012, the risks of crowding out receded.....



....and credit to the economy has begun to recover.



Sources: Malian authorities and Fund staff estimates.

Text Table 1. Mali: Key Economic Indicators, 2011–17

	2011	2012	2013		2014		2015	2016	2017
			Prog.[1]	Est.	Prog.[1]	Rev. prog.	Prog.	Proj.	
	(in percent of GDP, unless otherwise indicated)								
Real GDP growth	2.7	0.0	5.1	1.7	6.6	5.8	5.5	5.1	5.2
Consumer price inflation (average)	3.1	5.3	0.3	-0.6	2.0	1.0	2.2	2.6	2.6
Revenue	17.1	17.1	17.8	17.3	18.1	18.2	18.7	19.2	19.8
of which: Tax revenue	14.4	14.2	15.1	14.7	15.6	15.8	16.2	16.7	17.2
Grants	3.8	0.2	3.9	3.6	4.5	5.4	3.6	2.9	2.9
Total expenditure and net lending	25.1	18.7	24.4	23.8	25.9	28.3	26.4	25.1	25.6
Overall balance (cash)	-3.8	-1.2	-3.2	-2.9	-3.9	-5.5	-4.4	-3.1	-3.0
Basic fiscal balance [2]	-1.6	-0.8	-0.3	-0.8	0.5	-0.9	0.0	0.0	0.0
Total public debt	29.2	29.8	29.8	31.5	30.8	32.4	33.8	33.9	33.8
Current external balance (including official transfers)	-6.1	-2.6	-7.0	-4.0	-10.4	-7.0	-6.2	-4.9	-4.9
Overall balance of payments	0.0	-0.9	0.0	-1.6	0.1	0.4	1.0	1.0	0.9

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

[1] IMF Country Report No. 13/380. Mali-Staff Report for Request of Three-Year Arrangement under the Extended Credit Facility.

[2] Defined in Table 3, footnote 3.

4. **Performance under the ECF arrangement has been mixed** (Tables 3-6; MEFP, ¶¶9–10 and Tables 1-2)**.** At end-December 2013 and end-June 2014, all PCs, except for tax revenue, were met, as were four of the five structural benchmarks (SB). The tax revenue shortfall of about 0.8 percent of GDP in 2013 was caused by a drop in the contribution from the mining sector—where revenues suffered from gold price weakness—and by labor strife in the tax department (DGI). At end-June 2014, tax revenue was 0.2 percent of GDP below the program target.[2] The under-execution of spending kept the overall fiscal deficit and government bank and market financing in line with the program. In May 2014, the authorities repaid their external arrears (CFAF 12 billion or $24 million) to Libya. In August 2014, after consulting with Fund staff, the authorities contracted a time-sensitive external loan of RMB 619 million (CFA 49 billion, $99 million or 0.8 percent of GDP) with a grant element slightly lower (29.7 percent) than the required minimum (35 percent) to finance a hydroelectric plant.[3] The authorities are requesting waivers for the PC on tax revenue at end-December 2013 and June 2014 owing to the efforts undertaken to strengthen tax policy and administration (¶¶15–16). They are requesting a waiver for the continuous PC on non-concessional borrowing owing to the strategic importance of the financed project to increase production capacity and reduce cost in the electricity sector (¶23) and its compatibility with overall debt sustainability.

[2] The breach of the tax revenue target at end-June 2014 can be largely attributed to the delay of the first review of the program (¶5). Indeed, in light of the tax revenue under performance at end-December 2013, the authorities would have required—and staff would have supported—a downward revision of the June 2014 PC on tax revenue if they had been in a position to propose the conclusion of the first review to the Board in early June 2014, as initially scheduled.

[3] The shortfall in the grant element on account of a lower concessionality rate is just $5.3 million (0.05 percent of GDP); accordingly the impact on debt sustainability is negligible.

5. The first review of the ECF arrangement, initially scheduled in June, was delayed following the discovery of serious lapses in PFM practices incompatible with the authorities' commitment to sound PFM under the program (MEFP, ¶11). The government bought a presidential plane for CFAF 19 billion ($40 million or 0.3 percent of GDP) off-budget. In addition, it guaranteed the commercial bank debt of a private supplier up to CFAF 100 billion ($200 million or 1.7 percent of GDP) to buy supplies other than weapons and ammunition for the army with single tender contracts. This construct allowed off-budget spending by the Ministry of Defense in an amount of 0.8 percent of GDP in 2014 (¶6). It also created the opportunity for overbilling by the Malian supplier. Donors (including the World Bank and the EU) delayed their budget support totaling $200 million (1.7 percent of GDP) in reaction to this lapse in PFM.

6. The authorities have drawn lessons from these lapses and tightened the implementation of budget and procurement rules (MEFP, ¶¶12-15)**.** First, they asked the Audit Chamber of the Supreme Court and the Auditor General to assess the regularity of these transactions in light of budget and procurement rules. Their audits highlighted several infractions to budget and procurement rules, overbilling in an amount of CFAF 24 billion ($48 million) in one single tender contract, and fraudulent use by the Malian supplier in an amount of CFAF 9 billion ($18 million). These audits have been published (prior actions (PAs) for the first and second ECF reviews; MEFP, Table 2). Second, the authorities will implement administrative and legal sanctions against people who are found to have breached budget, procurement or other laws when implementing these transactions. Publication of a progress report on the implementation of sanctions is a PA for the first and second ECF reviews (MEFP, Table 2). Third, as recommended by the Audit Chamber and the Auditor General, the authorities have cancelled the CFAF 100 billion ($200 million) guarantee (¶5); they will not pay the CFAF 24 billion ($48 million) surcharge billed by the Malian supplier; and they have reduced or cancelled other military contracts for a total amount of CFAF 75 billion ($150 million), for which the supply of goods had not yet started, in order to reduce off-budget military purchases. Fourth, the government has incorporated the off-budget plane purchase (0.3 percent of GDP) and other off-budget military (0.4 percent of GDP) and non-military spending (0.1 percent of GDP) in two supplementary budgets, which has increased the overall budget deficit to 5.5 percent of GDP in 2014 (¶11). Fifth, the authorities have committed to stop all off-budget spending and report regularly to staff on this commitment (proposed SB; MEFP, Table 4). Sixth, the authorities will submit all loans and guarantee proposals to the Debt Committee, chaired by the Minister of Economy and Finance, for approval (¶19). Finally, the Council of Ministers adopted a decree subjecting future government procurement requiring secrecy to competitive tenders from qualified bidders (PA; MEFP, Table 2). The Public Service Audit Office will audit the implementation of such procurement and report annually to the Defense Committee of the National Assembly (interim report at end-February is a proposed SB; MEFP, Table 4).

7. The recovery that began in 2013-14 will progressively strengthen into 2015 (Text Table 1 and Tables 1–8). GDP is projected to advance by 5.5 percent in 2015. Growth in the secondary and tertiary sectors should accelerate on the back of an improved business confidence following the donor reengagement and improved governance. Inflation should increase to around 2 percent in 2015 reflecting increased private demand, and ultimately settle below 3 percent—the

WAEMU ceiling—in the medium term. With continued soft international gold prices and high imports associated with external aid, the current account deficit will remain around 5–6 percent of GDP but be fully financed by external assistance inflows and FDI.

8. Weather, terms-of-trade fluctuations, security and Ebola pose the main risks to the outlook. Agricultural output remains vulnerable to adverse weather conditions. High dependence on gold and cotton exports (70 and 15 percent, respectively) leaves Mali's balance of payments exposed to international commodity price fluctuations. The delay of budget support (¶5) could reduce near-term growth. The volatile security situation in the North may dampen consumer and business confidence, discourage donors and derail the still-fragile recovery. Ebola, of which one case has been reported so far, could derail the recovery if not contained.

BUILDING FOUNDATIONS FOR STRONG AND INCLUSIVE GROWTH

9. Mali is implementing policies to promote national reconciliation and lay the foundations for robust, poverty-reducing growth (MEFP, ¶¶16–18)**.** The authorities have adopted growth enhancing and poverty reducing strategies for which they are receiving support from the international community (Text Table 2). Against this background, the ECF arrangement promotes policies that: (i) maintain macroeconomic stability, while allocating sufficient resources to poverty reducing and other priority spending, including in the north; (ii) mobilize more government revenue; (iii) strengthen PFM; and (iv) improve the business environment, including by implementing anti-corruption measures.

Text Table 2. Mali: Official Financial Assistance,[1] 2013–16
(Billions of CFA francs, unless noted otherwise)

	2013		2014				Cumul.
	Prog.	Est.	Prog.	Rev. prog.	2015	2016	total
Total	372	326	537	569	508	424	1,827
Grants	213	191	272	314	227	198	930
Budget	144	120	152	197	105	113	536
Projects	69	71	120	117	122	84	393
Loans	159	136	265	255	281	226	897
Budget	40	40	47	56	49	49	195
Projects	119	96	218	199	232	177	703
			(Millions of dollars)				
Total	744	653	1,074	1,138	1,016	847	3,654
Grants	427	381	545	629	454	395	1,859
Loans	317	271	529	510	562	452	1,795
			(Percent of GDP)				
Total	6.6	5.9	8.7	9.7	8.1	6.3	…
Grants	3.8	3.5	4.4	5.4	3.6	2.9	…
Loans	2.8	2.5	4.3	4.4	4.5	3.3	…

Source: Malian authorities.

[1] Includes only aid flowing through the government sector (about 85 percent of total)—the balance is destined for ultimate beneficiaries and nongovernmental organizations.

A. Fiscal Policy in Support of Macroeconomic Stability and the Growth Enhancing and Poverty Reduction Strategies

10. Maintaining fiscal discipline to safeguard macroeconomic stability remains the cornerstone of the program (MEFP, ¶19). Under the program, the authorities aim to keep the basic fiscal balance[4] close to zero—a convergence criterion of the WAEMU—and the overall fiscal balance consistent with public debt sustainability. This policy helps preserve macroeconomic stability while avoiding crowding out the private sector.

11. The downwards revision of tax revenue and the incorporation of off-budget spending in two supplementary budgets will bring the overall budget deficit to an unusually high level in 2014 (Text Table 3; Tables 3-5; and MEFP, ¶¶7-8 and 15). The government introduced a first

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

supplementary budget in May to reflect lower tax revenue[5] in light of the tax revenue underperformance in 2013 (¶4), regularize the off-budget plane purchase while reducing other non-priority investment (¶6), and increase expenditure, notably the payment of arrears to government suppliers (¶20) and transfers to the electricity company (¶22), in light of new financing agreements signed with donors. The National Assembly approved it in August. The government submitted a second supplementary budget in October to regularize other off-budget (mostly) military spending (¶6). As a consequence, the revised fiscal program now targets a basic fiscal deficit of 0.9 percent of GDP, compared to an initial target surplus of 0.5 percent of GDP, and an overall fiscal deficit of 5.5 percent of GDP in 2014, compared to an initial target deficit of 3.9 percent of GDP.

12. The 2015 draft budget submitted to parliament brings back the overall fiscal deficit to a sustainable level and helps support the ongoing recovery (Text Table 3; Tables 3-5; and MEFP, ¶21). The draft 2015 budget targets an increase in tax revenue by 0.4 percent of GDP through steadfast implementation of tax policy and administration reforms (¶¶15–16). It will reduce spending (by close to 2 percent of GDP) in line with the gradual return of donor support to its historical level after the surge in the aftermath of the crisis (Text Table 2). It brings the basic balance down to zero and the overall fiscal deficit to 4.4 percent of GDP. Importantly, the 2015 budget allows for limited recourse to domestic financing and further clearance of domestic arrears (¶20). In this way it will help to strengthen the liquidity position of the private sector and the financial stability of banks, thus providing a boost to its fragile recovery.

[5] The 2014 supplementary budgets reflect lower gross tax revenue of CFAF 23 billion (MEFP, Table 1). However, because GDP was revised downwards since the initial budget was approved in the fall of 2013, tax revenue as a ratio of GDP increases by 0.2 percentage points.

Text Table 3. Mali: Central Government Consolidated Financial Operations, 2011–15

	2011	2012	2013		2014		2015
		Est.	Prog.[1]	Est.	Prog.[1]	Rev. prog.	Prog.
	(in percent of GDP)						
Total revenue and grants	20.9	17.4	21.7	21.0	22.5	23.7	22.3
Tax revenue	14.4	14.2	15.1	14.7	15.6	15.8	16.2
of which: Tax refund	-0.8	-1.1	-1.0	-1.1	-1.0	-1.2	-1.4
Nontax revenue [2]	2.6	2.9	2.7	2.7	2.5	2.4	2.4
Grants	3.8	0.2	3.9	3.6	4.5	5.4	3.6
Total expenditure and net lending (payment orders) [2]	25.1	18.7	24.4	23.8	25.9	28.3	26.4
Current expenditure	14.2	13.5	15.3	14.6	13.8	15.0	14.7
Capital expenditure	8.9	3.2	7.5	7.4	10.5	11.7	10.1
Externally financed	5.0	0.6	3.3	3.2	6.4	6.6	6.2
Domestically financed	3.9	2.6	4.2	4.2	4.1	5.1	3.9
Adjustment to cash basis [3]	0.4	0.1	-0.5	0.0	-0.3	-1.3	-0.5
Overall fiscal balance (cash)	-3.8	-1.2	-3.2	-2.9	-3.9	-5.5	-4.4
External financing	2.7	0.2	1.9	1.9	3.7	3.6	3.9
Domestic financing	1.1	1.0	1.3	1.0	0.2	1.9	0.5
Memorandum items							
Basic fiscal balance [4]	-1.6	-0.8	-0.3	-0.8	0.5	-0.9	0.0

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

[1] IMF Country Report No. 13/380. Mali-Staff Report for Request of Three-Year Arrangement under the Extended Credit Facility.

[2] Including special funds and annexed budgets.

[3] Including variation of arrears.

[4] Defined in Table 3, footnote 3.

13. The 2014 supplementary budgets and the 2015 budget are well aligned with the growth enhancing and poverty reduction strategies (Text Table 4; MEFP, ¶¶16 and 20–21)**.** Consistent with their objectives, education, health and social spending will account for 24 and 26 percent of total spending in, respectively, 2014 and 2015; agriculture, water, public works and urban development—including infrastructure investment to boost the growth potential of the economy—for 31 and 29 percent; public administration and defense spending for 22 and 21 percent, and spending to develop the north of country for 7 and 8 percent.

Text Table 4. Mali: Public Expenditure by Function, 2011–15
(In CFAF billion, unless otherwise indicated)

	2011	2012	2013	2014			2015	
				Budget	Sup. Bud.	(in %)	Budget	(in %)
Agriculture	126	72	117	162	209	11	254	14
Basic Education	183	155	158	183	189	10	205	11
Public Administration	120	76	105	170	200	11	186	10
Defence	106	109	168	175	202	11	183	10
Mines, Water	100	38	95	148	228	13	155	9
Higher Education	73	68	84	94	94	5	111	6
Health	96	54	62	106	106	6	106	6
Public Works and Urban Development	92	23	94	122	132	7	106	6
External Debt	57	33	95	89	89	5	98	5
Social Sector	50	45	50	42	42	2	45	3
Internal Debt	34	23	48	38	38	2	35	2
Foreign Affairs	23	22	23	29	29	2	31	2
Communication	16	10	17	34	32	2	26	1
Culture	15	10	13	16	22	1	16	1
Transport	37	7	16	15	30	2	15	1
Employment	8	5	7	7	6	0	11	1
Other	134	161	202	131	176	10	203	11
Total	1,269	910	1,356	1,560	1,823	100	1,786	100
Memorandum items								
Spending in northern regions[1]	44	41	103	123	123	7	150	8

Sources: Malian authorities and staff estimates.
[1] This includes spending in the regions of Mopti, Timbouctou, Gao and Kidal.

14. The government is preparing a medium-term military spending plan and regional infrastructure projects that have not yet been incorporated in the budget and will be implemented in line with the government's undertakings in the context of its ECF arrangement (MEFP, ¶22). The government is preparing a military spending program with support from the European Union Training Mission in Mali (EUTM). It signed memoranda of understanding with Chinese firms in September 2014 for investment projects amounting to CFAF 5500 billion (US$11 billion, or 93 percent of GDP). It presented regional integration projects in the amount of CFAF 1750 billion ($3.5 billion, or 30 percent of GDP) to donors at a conference organized by the WAEMU Commission in September 2014. The implications of these projects for public finances will be analyzed in the coming months and addressed, if need be, in a supplementary budget during the first half of 2015 and during the preparation of future budget laws. The government commits to implement these projects in line with its commitment to fiscal and debt sustainability and good PFM practices under the ECF arrangement.

B. Strengthening Public Financial Management

Increasing Tax Revenue

15. To increase tax revenue by close to 0.5 percent of GDP annually and lighten the administrative burden on the taxpayer, the authorities are implementing ambitious tax policy and administration reforms (MEFP, ¶¶24–30). Mali has the potential to increase tax revenue to about 20 percent of GDP from the current level of about 15 percent of GDP.[6] Transparency is used to build political support for a reduction of tax exemptions. The authorities will continue to publish an inventory of all exemptions included in the tax, customs, mining, and investment codes and other legislation, and the associated fiscal costs in the budget.[7] They will tighten the authorization of tax exemptions by creating a registry monitoring their use and expiration. They will also strengthen their capacity to audit the tax returns of mining companies and study the feasibility of introducing more progressivity in their tax regime to capture some of the excess profits when prices are very high.[8] Reforms in tax and customs administration aim to increase the yield by strengthening compliance, streamlining procedures and tightening cooperation among relevant departments to improve tax audit targeting and reduce tax evasion.[9] Work of the interdepartmental tax intelligence committee identified anomalies in the tax returns of about 80 percent of importers and 90 percent of government suppliers.[10] The tax directorate is targeting its tax audits on these companies in 2014–15. To improve the functioning of the VAT, the system of collection and refunds is being simplified by, inter alia, raising the VAT liability earnings threshold from CFAF 30 million ($60,000) to CFAF 50 million ($100,000) and aligning the management of taxpayers by their classification according to this VAT threshold. The authorities will also streamline the tax legislation to ease tax administration and compliance, starting with a single-rate synthetic tax for small taxpayers.

16. The authorities are reforming fuel pricing (MEFP, ¶26). Starting with the 2013 budget law, the authorities have begun presenting estimates of the cost to the budget of the partial adjustment of fuel prices to international oil price movements.[11] To stem, and ultimately reverse, the erosion of

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[6] For more information, see IMF Country Report No. 13/380. Mali: Request for a Three-Year Arrangement under the Extended Credit Facility-Staff Report, Box 4, p. 14.

[7] In 2013, tax exemptions amounted to 4.2 percent of GDP (out of which 2.9 percent of GDP on taxes collected by the tax directorate and 1.3 percent of GDP on taxes collected by the customs directorate), or about 29 percent of the tax revenue, which amounted to 14.7 percent of GDP.

[8] The authorities receive the Fund's technical assistance through the Topical Trust Fund on Mineral Resources Wealth Management (MNRW–TTF) to strengthen their capacity to collect revenue due by the gold mining companies.

[9] The authorities receive Fund technical assistance through the Topical Trust Fund on Tax Policy and Administration (TPA–TTF) to strengthen tax policy and administration.

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

[11] Oil tax revenue shrank from 3 percent of GDP in 2005 to less than 1 percent of GDP in 2013, owing to the small pass-through of international oil prices in domestic fuel prices.

tax revenue from petroleum products, the authorities abandoned the practice of setting the administrative value (used for tax calculation) below the market value. Instead, as a first step, they calculate and publish the amount of the subsidy as a way of making the revenue loss transparent.[12] In June 2014, the authorities introduced a new price adjustment mechanism under which changes in domestic prices mirror changes in import prices within a "safety band" of +/- three percent. A full elimination of the subsidy will be preceded by the implementation of a gradualist strategy involving the identification of beneficiaries, the elaboration of measures to protect the most vulnerable and a communication strategy to explain the rationale for the reform (proposed SB; MEFP, Table 4).

Strengthening Fiscal Transparency, Expenditure and Treasury Management

17. The authorities are accelerating implementation of PFM reforms to improve the regulatory framework as well as expenditure management (MEFP, ¶¶31–43, 47–48). They are incorporating into Malian law, and implementing, WAEMU directives regarding fiscal transparency, budget laws, government accounting, budget classification, the government's chart of accounts, and the government financial operations table (TOFE). They will gradually introduce objectives-based budgeting, starting with the 2016 budget, as a way to increase public spending effectiveness. Measures to improve budget execution will include: clear cut-off dates for budget execution; steps to shorten the processing and enhance the transparency of procurement bids; steps to improve the selection, implementation, monitoring, and ex-post assessment of investment projects; and implementing recommendations of an audit of the "expenditure chain" to rationalize expenditure control and prevent corruption and payment arrears. Finally, the authorities will take steps to strengthen internal and external control structures and expedite the production of audited government accounts.

18. The authorities are strengthening treasury management (MEFP, ¶¶44-46). They have been gradually centralizing their cash holdings, until recently spread among more than 3,000 accounts mostly with commercial banks, in a single Treasury account (STA) with the central bank. This will allow Mali to comply with the WAEMU requirement of the unity of the treasury, strengthen control of cash holdings, speed-up payment execution, and reduce borrowing. The first step, completed in June 2014, saw a transfer and consolidation of (almost all) of the 179 main accounts of the central government and the treasury. The second phase of the consolidation, in 2015, will cover the accounts of the more than hundred public and administrative institutions, starting with those that receive the largest budget transfers. In the interim, the authorities are tightening control over the bank accounts of the ministries and other government agencies and reporting the movements in these accounts. Treasury management will benefit from the implementation of the new integrated accounting software application by end–June 2015. This application will allow the automated production of timely, detailed and consolidated reports on budget execution and the TOFE.

[12] In 2014, the subsidy to oil product consumption is projected to amount to $76 million (0.6 percent of GDP).

Adhering to Prudent Debt Strategy

19. The authorities are planning to meet most of their external financing needs by grants and concessional loans (MEFP, ¶50). The debt sustainability analysis indicates that the risk of debt distress continues to be assessed as moderate—unchanged from the previous DSA.[13] Nevertheless, debt sustainability remains sensitive to a hardening of financial terms, a reduction in remittances and foreign direct investment, and an export shock stemming from the concentration of exports in gold. Thus the authorities aim to limit their borrowing to mostly grants and loans with a minimum grant element of 35 percent (continuous performance criterion; MEFP, Tables 1 and 3). However, they will request a non-zero ceiling for non-concessional loans at the time of the third review to finance high-yield investment projects that cannot be financed on concessional terms but are consistent with debt sustainability. The newly-created national public debt committee is designed to strengthen debt management by analyzing all government loan contracts and state guarantees before their signature, as well as designing and implementing a public debt management strategy, which will be updated annually and appended to the budget.

20. The authorities are clearing domestic arrears (MEFP, ¶51). They hired an independent auditor to identify the outstanding stock of government domestic arrears, incurred in large part in 2012 when public spending was frozen. Using government data, the auditor identified potential arrears in an amount of CFAF 167 billion (3.1 percent of GDP), out of which CFAF 95 billion (1.7 percent of GDP) was validated. The balance will be cross-checked with private company data by end-2014. In 2013, the government cleared CFAF 30 billion (0.6 percent of GDP) of the validated amount. It is set to clear the balance (CFAF 65 billion, or 1.1 percent of GDP) by end-2014, after having checked that the companies are current on their tax obligations. It has also introduced a provision (CFAF 15 billion, or 0.2 percent of GDP) to clear domestic arrears in the 2015 budget (¶12).

C. Improving the Business Environment to Foster Private Sector Development

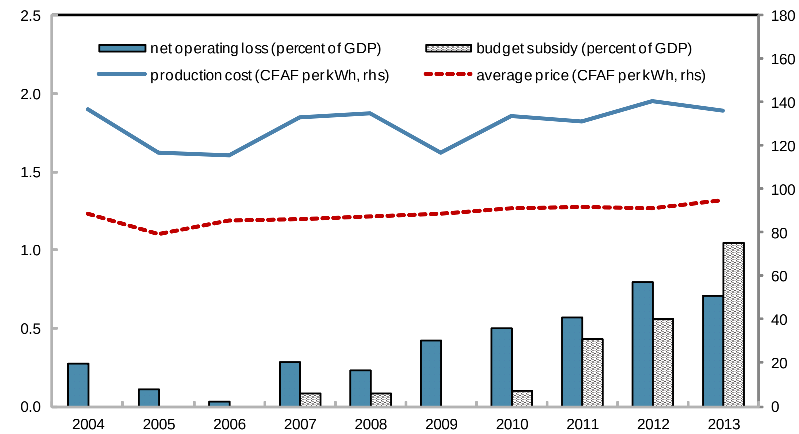
21. The authorities are strengthening financial sector stability and promoting its development (MEFP, ¶55). They are ensuring safety and security for banking operations in the north as an immediate priority. In addition, they will: complete the privatization of the housing bank (BHM) by end–2015; prepare, by end-February 2015, a timetable of measures for implementing the recommendations of a TA mission by the IMF Monetary and Capital Markets Department in January 2014 to strengthen the stability of the financial system (proposed SB; MEFP, Table 4); and restore confidence in the microfinance sector by developing a detailed action plan for sector reform.

[13] See "Mali—First and Second Review under the Extended Credit Facility—Debt Sustainability Analysis" (forthcoming).

22. The authorities are implementing a plan to put the state electricity company on a sound financial footing by 2018 (MEFP, ¶¶56–58). The long-standing policy of keeping nominal tariffs below cost has undermined the electricity company's (EDM) financial position and burdened the budget (Figure 2). In 2013, the budget transfer to close the treasury shortfall was CFAF 57.5 billion ($115 million, or 1.1 percent of GDP), almost as much as total health spending (Text Table 4). A task force, composed of the Ministry of Finance, the Ministry of Energy and Water, the regulatory agency and EDM, recommended a series of measures to increase EDM's efficiency, and proposed a timetable, starting in 2014, for gradually aligning the tariff with the cost by 2018. The strategy entails cost-cutting measures, priority investments in hydroelectric power and solar energy, links to neighboring country electricity grids, and tariff adjustment averaging 3 percent annually. In the mean time, the authorities will continue to pay the necessary budget transfers to allow EDM to close its cash flow plan without accumulating arrears.

Figure 2. Developments in the Electricity Sector, 2004–13

Over the past decade, the production cost of electricity has exceeded the sales price by around a third. In the context of sharp rises in production to meet growing demand, the financial position of the state-owned electricity company (EDM) has deteriorated.



Source: Malian authorities

23. The authorities are taking steps to combat corruption (MEFP, ¶59). They will implement a new law against illicit enrichment, with a provision mandating annual declarations of personal wealth for senior officials, and introduce amendments to the law to the National Assembly in order to widen its scope. They are committed to stamp out corruption in the judicial system: the government is indicting judges suspected of corruption and is publishing judicial decisions and their reasoning to improve transparency and increase accountability. The authorities will also prepare an action plan to strengthen implementation of Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) laws.

PROGRAM MODALITIES AND RISKS

24. Program performance will continue to be monitored semi-annually. For the remainder of 2014, the program will be evaluated on the basis of revised PCs at end–December, and two continuous PCs (MEFP, Table 1 and 2). In 2015, the program will be evaluated on the basis of PCs at end-June and end-December, two continuous PC and indicative targets at end-March and end-September, and SBs (MEFP, Tables 3 and 4). The PCs and indicative targets are defined in the Technical Memorandum of Understanding (TMU).

25. Mali's capacity to repay the Fund is adequate and program implementation risks can be managed. The use of Fund resources under the ECF arrangement will have a negligible impact on debt and debt service ratios (Table 11) and Mali's risk of debt distress is moderate (¶19). Risks to program implementation include possible setbacks in national reconciliation; worsening of the security situation; and resistance to reforms. The main external risk is that of a sudden drop in gold prices, which would negatively affect Mali's exports and government revenue. The authorities have on repeated occasions managed to rein in expenditure in case of tax revenue or aid shortfalls.

STAFF APPRAISAL

26. Mali is working to overcome its recent security and political crisis. International military assistance is helping the government consolidate administrative control over the entirety of the country's territory. Political normalization has advanced, but, national reconciliation is proceeding slowly.

27. Economic recovery is under way but remains fragile. The expected scaling-up of donor support slowed down in 2014 because of serious lapses in PFM, which caused a delay in general budget support. Its resumption will support the economic recovery. Nevertheless, the vagaries of climatic conditions, setbacks in national reconciliation or the spread of Ebola to Mali could undermine the still fragile recovery.

28. Strict implementation of budget and procurement rules is needed to restore business, consumer and donor confidence. Building on the results of the audits of the Auditor General and the Audit Chamber of the Supreme Court, the authorities need to tighten the implementation of budget and procurement rules, including for spending requiring secrecy under the military medium-term spending plan and the regional infrastructure projects under preparation not yet incorporated in the budget.

29. The downward revision of tax revenue and the incorporation of off-budget military spending will increase the overall fiscal deficit in 2014. The downward revision of tax revenue is prudent. While the occurrence of off-budget spending was regrettable, its incorporation in two supplementary budgets allowed the regularization of spending that already occurred without increasing arrears.

30. The 2015 budget brings the overall fiscal balance back to a sustainable path. It is based on realistic macroeconomic assumptions. On the revenue side, it targets an increase of 0.4 percent of GDP to be achieved through reforms in tax administration and measures to broaden the tax base. On the expenditure side, the composition reflects the priorities of the growth enhancing and poverty reducing strategies, while the overall expenditure envelope is consistent with a prudent projection of available resources. The projected fiscal stance is appropriate: it should contribute to macroeconomic stability while lending support to the ongoing recovery.

31. Steadfast implementation of reforms is needed to strengthen PFM. Tax policy and administration reforms need to be accelerated to successfully raise the tax yield. Simplifying the tax and customs administrative procedures will help improve the overall business environment. The promising results obtained by closer cooperation and information sharing between tax, customs and procurement administrations should now be used to improve tax audit targeting. Tighter expenditure control, supported by improvements in Treasury management, will help prevent accumulation of arrears. Finalizing the audit of the outstanding domestic arrears and their clearance will support the recovery.

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

33. Staff recommends conclusion of the first and second program reviews. This recommendation is based on policy implementation since end-2013, the corrective measures implemented by the authorities in the wake of the slippages in PFM, as well as on the ambitious reform agenda articulated by the authorities in the context of the ECF arrangement. Staff also supports the waivers requested by the authorities for the non-observance of the PC on tax revenue and non-concessional borrowing owing to, respectively, the corrective actions described in ¶¶15-16, and the strategic nature and compatibility with debt sustainability of the financed hydro-plant (¶4). Staff also support the authorities' request for a modification of the PCs on bank and market financing of the government and gross tax revenue for end-December 2014, as well as the continuous PC on new external debt contracted or guaranteed by the government on non-concessional terms for the remainder of 2014 (MEFP, Table 1).

Table 1. Mali: Selected Economic and Financial Indicators, 2011–17

	2011	2012	2013		2014		2015	2016	2017
		Est.	Prog.[1]	Est.	Prog.[1]	Rev. prog.	Prog.	Proj.	
					(annual percentage change)				
National income and prices									
Real GDP	2.7	0.0	5.1	1.7	6.6	5.8	5.5	5.1	5.2
GDP deflator	5.1	5.7	1.2	1.2	2.3	0.6	1.7	2.5	2.2
Consumer price inflation (average)	3.1	5.3	0.3	-0.6	2.0	1.0	2.2	2.6	2.6
External sector (percent change)									
Terms of trade (deterioration -)	15.8	15.2	-12.9	-18.4	-2.0	-0.7	3.2	0.3	-2.6
Real effective exchange rate (depreciation -)	1.2	-0.1	...	...	...	...	...	...	...
Money and credit (contribution to broad money growth)									
Credit to the government	5.1	10.0	1.4	-2.7	0.5	2.9	0.9	1.1	1.0
Credit to the economy	15.8	3.3	4.3	7.5	7.0	3.2	4.1	5.9	6.6
Broad money (M2)	15.3	15.2	7.4	7.4	9.1	13.0	12.9	11.9	12.0
					(Percent of GDP unless otherwise indicated)				
Investment and saving									
Gross domestic investment	26.3	18.3	24.1	20.2	28.2	24.5	29.6	28.6	26.6
Of which : government	8.9	3.2	7.5	7.4	10.5	11.7	10.1	8.9	9.4
Gross national savings	20.1	15.7	17.2	16.2	17.9	17.6	23.5	23.7	21.7
Of which : government	1.9	2.2	2.6	3.1	2.6	2.7	2.5	3.1	3.1
Gross domestic savings	16.4	12.5	-2.4	0.6	6.5	2.1	13.5	16.7	16.7
Central government finance									
Revenue	17.1	17.1	17.8	17.3	18.1	18.2	18.7	19.2	19.8
Grants	3.8	0.2	3.9	3.6	4.5	5.4	3.6	2.9	2.9
Total expenditure and net lending	25.1	18.7	24.4	23.8	25.9	28.3	26.4	25.1	25.6
Overall balance (cash basis, including grants)	-3.8	-1.2	-3.2	-2.9	-3.9	-5.5	-4.4	-3.1	-3.0
Basic fiscal balance (WAEMU def.) [2]	-1.6	-0.8	-0.3	-0.8	0.5	-0.9	0.0	0.0	0.0
Domestic debt (end period) [3]	4.7	4.3	3.7	5.8	3.4	3.9	3.7	3.4	3.2
External sector									
Current external balance, including official transfers	-6.1	-2.6	-7.0	-4.0	-10.4	-7.0	-6.2	-4.9	-4.9
Current external balance, excluding official transfers	-7.8	-3.2	-24.2	-17.9	-19.5	-19.8	-13.3	-8.9	-6.7
Exports of goods and services	26.2	32.1	25.6	28.9	23.9	25.4	24.0	23.1	21.7
Imports of goods and services	36.1	37.9	52.1	48.5	45.7	47.9	40.1	35.0	31.6
Debt service to exports of goods and services	4.0	3.0	3.2	2.4	4.0	3.8	4.4	4.9	5.8
External debt (end period)	24.4	25.5	26.1	25.7	27.4	28.4	30.1	30.5	30.6
Memorandum items:									
Nominal GDP (CFAF billions)	5,038	5,328	5,642	5,484	6,155	5,840	6,262	6,745	7,258
Overall balance of payments (US$ millions)	4.5	-96.9	5.4	-174.3	13.0	53.9	122.3	133.6	138.2
Money market interest rate (in percent, end of period)	3.3	3.0	...	...	...	...	...	...	...
Gross international reserves (US$ millions)									
Central Bank of West African States (BCEAO)	14,654	13,790	...	14,387	...	...	...	...	...
in percent of broad money	55.0	51.2	...	42.9	...	...	...	...	...
in months of imports of g. and s.	5.9	5.2	...	4.7	...	...	...	...	...
BCEAO Mali (imputed)	1,409	1,320	1,443	1,281	1,524	1,353	1,363	1,548	1,746
in percent of broad money	47.0	38.4	38.4	33.2	36.7	31.8	31.8	31.8	31.8
US$ exchange rate (end of period)	497.7	500.0	...	478.7	...	...	...	...	...
Gold Price (US$/fine ounce London fix)	1,569	1,669	1,462	1,411	1,396	1,290	1,286	1,295	1,320
Petroleum price (crude spot)(US$/bbl)	104	105	104	104	101	99	85	86	86

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

[1] IMF Country Report No. 13/380. Mali-Staff Report for Request of Three-Year Arrangement under the Extended Credit Facility.

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

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

Table 2. Mali: National Accounts, 2011–17

	Share[1]	2011	2012	2013		2014		2015	2016	2017
			Est.[2]	Prog.[2]	Est.	Prog.[2]	Rev. prog.	Prog.	Proj.	
	(Annual percentage change, at constant prices)									
Primary sector	38.4	-1.3	8.6	5.8	-7.4	5.3	9.4	4.5	4.5	4.5
Agriculture	24.4	-4.5	13.9	6.8	-13.7	6.0	13.0	4.9	4.9	4.9
Food crops, excluding rice	15.2	-1.8	17.9	6.3	-25.8	6.3	15.0	5.0	5.0	5.0
Rice	14.9	-24.6	10.1	10.1	15.5	5.8	10.0	4.9	4.9	4.9
Industrial agriculture, excluding cotton	1.4	2.0	2.0	7.4	5.0	7.4	7.3	7.3	7.3	7.3
Cotton	1.0	82.8	1.8	1.0	-2.1	3.0	14.8	1.5	1.5	1.5
Livestock	9.4	4.0	0.0	3.8	4.0	3.7	3.7	3.8	3.8	3.8
Fishing and forestry	4.6	4.6	0.0	4.5	4.5	4.4	4.0	3.8	3.8	3.8
Secondary sector	17.0	8.1	-2.9	0.6	5.5	7.0	1.8	4.7	4.7	3.6
Mining	5.4	0.0	9.2	-3.8	1.5	3.1	0.3	0.6	2.8	-2.2
Industry	4.5	20.8	3.5	-4.7	4.8	4.0	-2.9	4.9	2.6	3.6
Food-beverage-tobacco	2.0	18.6	-16.0	-5.0	14.1	6.3	12.2	1.0	3.2	3.2
Textile	1.2	31.0	40.0	-8.0	-4.8	1.0	-6.0	7.0	1.4	4.3
Others	1.4	15.5	-2.0	0.2	5.8	5.0	-20.0	9.4	3.4	3.4
Energy	2.7	8.0	-2.0	9.0	9.9	9.1	10.0	10.4	10.4	10.4
Construction and public works	4.4	5.0	-25.0	10.0	10.0	15.0	5.0	5.6	5.6	5.6
Tertiary sector	37.6	3.8	-6.7	6.7	8.9	7.8	4.8	6.7	5.8	6.6
Transportation and telecommunications	7.5	5.2	0.0	4.8	9.0	7.3	7.4	9.8	8.8	8.8
Trade	15.2	4.0	1.0	6.0	8.0	7.1	3.0	6.0	5.5	6.5
Financial services	0.7	3.0	-10.0	5.0	5.0	7.0	4.0	4.1	4.1	4.1
Other nonfinancial services	6.6	2.0	-35.0	15.0	15.0	15.0	3.0	3.9	3.9	3.9
Public administration	8.0	4.0	-4.7	5.0	7.4	5.0	6.8	6.4	4.2	5.9
Indirect taxes and Interior VAT	7.0	6.0	-1.1	4.7	7.8	7.5	3.9	6.1	5.5	5.7
GDP at market prices	100.0	2.7	0.0	5.1	1.7	6.6	5.8	5.5	5.1	5.2
	(Pourcentage du PIB, sauf indication contraire)									
National accounts										
Gross domestic investment		26.3	18.3	24.1	20.2	28.2	24.5	29.6	28.6	26.6
Gross national savings		20.1	15.7	17.2	16.2	17.9	17.6	23.5	23.7	21.7
Current account balance (including official transfers)		-6.1	-2.6	-7.0	-4.0	-10.4	-7.0	-6.2	-4.9	-4.9
Memorandum items:										
Nominal GDP (in CFAF billions)		5,038	5,328	5,642	5,484	6,155	5,840	6,262	6,745	7,258
GDP deflator (annual percent change)		5.1	5.7	1.2	1.2	2.3	0.6	1.7	2.5	2.2

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

[1] Share of 2010 Real GDP.

[2] IMF Country Report No. 13/380. Mali-Staff Report for Request of Three-Year Arrangement under the Extended Credit Facility.

Table 3. Mali: Central Government Consolidated Financial Operations 2011–17

(CFAF Billions)

	2011	2012	2013		2014		2015	2016	2017
		Est.[1]	Prog.[1]	Est.	Prog.[1]	Rev. prog.	Prog.	Proj.	
Revenue and grants	1,053.0	925.8	1,225.6	1,151.1	1,387.1	1,381.4	1,395.2	1,494.6	1,646.5
Total revenue	859.1	912.8	1,003.0	951.2	1,111.6	1,063.7	1,168.1	1,297.0	1,433.9
Budgetary revenue	763.0	813.3	903.5	842.7	1,012.1	964.2	1,063.1	1,183.9	1,312.2
Tax revenue	726.7	758.7	852.8	804.5	958.6	923.7	1,015.0	1,129.7	1,251.2
Nontax revenue	32.9	54.7	50.6	38.2	53.5	40.5	48.1	54.2	61.0
Of wich: Gold sector	22.8	31.4	23.8	17.4	35.6	8.1	12.0	11.5	12.6
Special funds and annexed budgets	96.1	99.5	99.5	108.5	99.5	99.5	105.0	113.1	121.7
Grants	193.9	13.0	222.7	199.9	275.5	317.7	227.1	197.6	212.6
Projects grants	97.1	8.6	69.2	70.5	120.0	116.9	121.8	84.2	90.6
Budgetary support	96.9	4.4	144.1	120.1	152.5	197.4	105.3	113.4	122.0
Of which: General	55.7	3.8	144.1	110.8	95.7	127.8	72.9	78.5	84.5
Of which: Sectoral	41.2	0.6	0.0	9.3	56.8	69.6	32.4	34.9	37.6
Total expenditure and net lending (payment orders basis)	1,264.9	995.5	1,378.8	1,307.3	1,592.9	1,653.7	1,653.0	1,696.0	1,861.4
Budgetary expenditure	1,162.2	889.9	1,284.9	1,205.0	1,498.0	1,558.8	1,553.0	1,587.9	1,744.7
Current expenditure	717.3	719.4	861.5	800.5	851.7	874.7	922.2	983.7	1,062.8
Wages and salaries	265.1	291.1	311.8	290.8	330.4	332.2	349.8	375.9	406.0
Goods and services	235.5	208.4	266.2	239.6	246.2	248.6	271.2	284.6	312.8
Transfers and subsidies	181.4	187.0	251.4	237.7	242.7	259.7	264.8	285.0	302.7
Interest	35.4	32.9	32.0	32.4	32.4	34.1	36.4	38.2	41.3
Of which: domestic	17.3	15.0	12.0	14.0	11.0	12.7	13.1	13.1	13.1
Capital expenditure	448.1	170.5	423.4	404.5	646.3	684.1	630.8	604.2	681.9
Externally financed	253.9	32.1	188.1	175.9	394.8	387.7	388.8	295.7	318.2
Domestically financed	194.2	138.4	235.3	228.6	251.5	296.4	242.0	308.5	363.7
Special funds and annexed budgets	96.1	99.5	99.5	108.5	99.5	99.5	105.0	113.1	121.7
Net lending	-3.2	-2.8	-5.6	-6.2	-4.6	-4.6	-5.0	-5.0	-5.0
Overall fiscal balance (excl. grants)	-405.8	-82.6	-375.9	-356.1	-481.3	-590.0	-484.9	-399.0	-427.5
Overall fiscal balance (incl. grants)	-211.9	-69.6	-153.2	-156.2	-205.9	-272.3	-257.8	-201.3	-214.8
Variation of arrears	16.9	15.0	-36.7	6.0	-28.0	-64.6	-20.3	-7.2	-9.5
Of which: Domestic	15.8	11.9	-36.7	7.5	-28.0	-62.0	-20.3	-7.2	-9.5
Of which: External (Interest)	1.0	3.1	0.0	-1.5	0.0	-2.6	0.0	0.0	0.0
Adjustment to cash basis	2.2	-7.9	7.1	-8.1	-8.3	13.7	3.6	1.1	8.4
Overall balance (cash basis, incl. grants)	-192.8	-62.5	-182.8	-158.3	-242.1	-323.2	-274.6	-207.4	-215.9
Financing	192.8	62.5	182.8	158.2	242.1	323.1	274.6	207.4	215.9
External financing (net)	136.9	8.5	107.9	104.8	230.7	211.6	242.8	181.3	189.1
Loans	165.0	22.9	158.5	135.7	264.5	254.8	281.0	225.9	243.1
Project loans	120.0	22.9	118.8	96.1	218.0	198.5	231.7	176.6	190.0
Budgetary loans	45.0	0.0	39.7	39.6	46.5	56.3	49.3	49.3	53.1
Amortization	-46.2	-39.5	-49.1	-42.9	-55.8	-55.8	-62.1	-69.3	-78.9
Debt relief	13.6	6.6	25.6	25.5	22.0	22.0	23.9	24.7	24.8
Variation of External Arrears (Principal)	4.5	18.5	-27.1	-13.5	0.0	-9.3	0.0	0.0	0.0
Domestic financing (net)	55.9	54.0	74.8	53.4	11.5	111.5	31.7	26.1	26.8
Banking system	71.7	74.1	24.3	-23.1	11.5	54.0	19.5	26.1	26.8
Central bank	62.9	83.3	12.3	-75.5	-4.7	-22.3	-7.6	-0.1	-8.6
Commercial banks	3.3	65.8	12.0	29.4	16.1	76.3	27.1	26.3	35.4
Adjustment[2]	5.5	75.0	0.0	-23.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts	0.0	0.0	55.1	55.1	0.0	0.0	0.0	0.0	0.0
Non-bank financing	-15.8	-20.1	-4.6	21.4	0.0	57.5	12.2	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items									
Basic fiscal balance[3]	-82.6	-40.1	-162.2	-43.8	-64.5	-52.5	0.7	0.0	0.0
Tax and non tax revenue from gold sector	155.4	202.0	203.5	143.6	190.3	132.5	147.6	149.7	152.3
Total official assistance (loans and grants)	358.9	35.9	381.2	335.6	540.0	572.5	508.1	423.5	455.7
Bank and market financing	78.4	77.5	24.3	-22.8	11.5	100.3	33.9	26.1	26.8
Nominal GDP	5,038	5,328	5,642	5,484	6,155	5,840	6,262	6,745	7,258

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

[1] IMF Country Report No. 13/380. Mali-Staff Report for Request of Three-Year Arrangement under the Extended Credit Facility.

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

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

Table 4. Mali: Central Government Consolidated Financial Operations, 2014
(in CFAF billions)

	March		June		September	December	
	Prog.[1]	Est.	Prog.[1]	Est.	Prog.[1]	Prog.[1]	Rev. prog.
Revenue and grants	302.8	260.5	641.3	628.0	1,053.6	1,387.1	1,381.4
Total revenue	264.2	257.1	562.0	567.2	834.6	1,111.6	1,063.7
Budgetary revenue	239.3	228.5	512.2	491.4	760.0	1,012.1	964.2
Tax revenue	226.3	224.8	486.2	467.5	722.1	958.6	923.7
Direct taxes	71.6	72.4	166.1	180.0	232.4	334.9	292.3
Indirect taxes	154.7	152.4	320.1	287.5	489.7	623.7	631.4
VAT	85.2	88.2	177.1	165.0	270.7	367.4	374.4
Excises on petroleum products	7.3	5.6	14.9	11.5	22.8	30.2	23.6
Import duties	30.9	29.9	63.0	57.2	96.2	127.2	135.3
Other indirect taxes	36.1	34.9	77.8	73.3	119.6	160.5	170.5
Tax refund	-4.8	-6.2	-12.7	-19.5	-19.6	-61.7	-72.4
Nontax revenue	13.0	3.7	26.0	22.5	37.8	53.5	37.5
Special funds and annexed budgets	24.9	28.6	49.8	56.9	74.6	99.5	99.5
Grants	38.6	3.4	79.3	60.8	219.0	275.5	317.7
Of which: Projects	24.4	0.0	49.4	47.8	78.5	120.0	116.9
Of which: Budgetary support	14.2	0.0	28.4	9.6	138.3	152.5	197.4
General	0.0	0.0	0.0	0.0	95.7	95.7	127.8
S ectoral	14.2	0.0	28.4	9.6	42.6	56.8	69.6
Total expenditure and net lending (payment order basis)	401.2	218.9	801.2	594.2	1,190.7	1,592.9	1,653.7
Budgetary expenditure	377.5	192.2	753.7	530.2	1,119.5	1,498.0	1,558.8
Current expenditure	221.5	142.3	441.1	366.5	646.3	851.7	874.7
Wages and salaries	82.6	79.9	165.2	145.1	247.8	330.4	332.2
Goods and services	61.6	33.9	123.1	94.0	184.7	246.2	248.6
Transfers and subsidies	68.4	23.5	136.9	112.0	189.8	242.7	259.7
Interest	8.9	5.1	16.0	15.4	24.0	32.4	34.1
Of which: domestic	*3.7*	0.6	5.5	6.9	8.3	11.0	12.7
Capital expenditure	156.0	21.0	312.6	139.9	473.3	646.3	684.1
Externally financed	93.1	0.0	186.8	77.4	284.6	394.8	387.7
Domestically financed	62.9	21.0	125.8	62.5	188.6	251.5	296.4
Special funds and annexed budgets	24.9	28.6	49.8	56.9	74.6	99.5	99.5
Net lending	-1.1	-2.1	-2.3	-3.4	-3.5	-4.6	-4.6
Overall fiscal balance (excl. grants)	-137.0	38.2	-239.2	-27.0	-356.1	-481.3	-590.0
Overall fiscal balance (incl. grants)	-98.4	41.6	-159.8	33.8	-137.1	-205.9	-272.3
Variation of arrears	-31.5	-14.2	-34.4	-17.5	-31.2	-28.0	-64.6
Adjustment to cash basis	53.4	-24.7	53.4	-44.8	-8.3	-8.3	13.7
Overall balance (cash basis, incl. grants)	-76.5	2.7	-140.9	-28.5	-176.6	-242.1	-323.2
Financing	76.5	-2.7	140.9	28.4	176.6	242.1	323.1
External financing (net)	46.4	-6.8	92.5	0.4	139.0	230.7	211.6
Loans	54.5	0.0	109.0	20.0	163.5	264.5	254.8
Project loans	54.5	0.0	109.0	20.0	163.5	218.0	198.5
Budgetary loans	0.0	0.0	0.0	0.0	0.0	46.5	56.3
Amortization	-9.5	-8.1	-33.6	-20.0	-43.0	-55.8	-55.8
Debt relief	1.4	1.3	17.1	9.7	18.5	22.0	22.0
Variation of External Arrears (Principal)	0.0	0.0	0.0	-9.3	0.0	0.0	-9.3
Domestic financing (net)	30.1	4.1	48.3	28.0	37.5	11.5	111.5
Banking system	30.1	94.8	48.3	80.3	37.5	0.0	54.0
Central bank	-2.1	39.4	-2.2	-5.0	-4.4	-4.7	-22.3
Commercial banks	32.2	5.0	50.5	3.2	41.9	16.1	76.3
Adjustment[2]	0.0	-50.4	0.0	-82.2	0.0	0.0	0.0
Privatization receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-bank financing	0.0	-90.7	0.0	-52.3	0.0	0.0	57.5
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items							
Basic fiscal balance[3]	-42.5	39.5	-35.2	60.1	42.7	31.1	-52.5
Government bank and market financing	30.1	99.5	48.3	119.4	37.5	11.5	100.3

Sources: Ministry of Finance; and IMF staff projections.

[1] IMF Country Report No. 13/380. Mali-Staff Report for Request of Three-Year Arrangement under the Extended Credit Facility.

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

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

Table 5. Mali: Central Government Consolidated Financial Operations, 2011–17
(Percent of GDP)

	2011	2012	2013		2014		2015	2016	2017
			Prog.[1]	Est.	Prog.[1]	Rev. prog.	Prog.	Proj.	
Revenue and grants	20.9	17.4	21.7	21.0	22.5	23.7	22.3	22.2	22.7
Total revenue	17.1	17.1	17.8	17.3	18.1	18.2	18.7	19.2	19.8
Budgetary revenue	15.1	15.3	16.0	15.4	16.4	16.5	17.0	17.6	18.1
Tax revenue	14.4	14.2	15.1	14.7	15.6	15.8	16.2	16.7	17.2
Direct taxes	4.4	4.9	5.7	4.7	5.4	5.0	5.2	5.3	5.5
Of wich: Gold sector	1.7	2.0	2.2	1.3	1.7	1.3	1.2	1.1	1.1
Indirect taxes	10.0	9.3	9.4	10.0	10.1	10.8	11.0	11.4	11.8
VAT	6.2	5.4	5.6	5.9	6.0	6.4	6.5	6.6	6.8
Excises on petroleum products	0.1	0.5	0.4	0.4	0.5	0.4	0.4	0.5	0.5
Import duties	2.2	1.9	2.0	2.0	2.1	2.3	2.4	2.5	2.6
Other indirect taxes	2.4	2.6	2.5	2.7	2.6	2.9	3.1	3.1	3.1
Of wich: Gold sector	1.0	1.2	0.9	1.0	0.8	0.9	1.0	0.9	0.9
Tax refund	-0.8	-1.1	-1.0	-1.1	-1.0	-1.2	-1.4	-1.3	-1.2
Nontax revenue	0.7	1.0	0.9	0.7	0.9	0.7	0.8	0.8	0.8
Of wich: Gold sector	0.5	0.6	0.4	0.3	0.6	0.1	0.2	0.2	0.2
Special funds and annexed budgets	1.9	1.9	1.8	2.0	1.6	1.7	1.7	1.7	1.7
Grants	3.8	0.2	3.9	3.6	4.5	5.4	3.6	2.9	2.9
Projects grants	1.9	0.2	1.2	1.3	1.9	2.0	1.9	1.2	1.2
Budgetary support	1.9	0.1	2.6	2.2	2.5	3.4	1.7	1.7	1.7
Of which: General	1.1	0.1	2.6	2.0	1.6	2.2	1.2	1.2	1.2
Of which: Sectoral	0.8	0.0	0.0	0.2	0.9	1.2	0.5	0.5	0.5
Total expenditure and net lending									
(payment order basis)	25.1	18.7	24.4	23.8	25.9	28.3	26.4	25.1	25.6
Budgetary expenditure	23.1	16.7	22.8	22.0	24.3	26.7	24.8	23.5	24.0
Current expenditure	14.2	13.5	15.3	14.6	13.8	15.0	14.7	14.6	14.6
Wages and salaries	5.3	5.5	5.5	5.3	5.4	5.7	5.6	5.6	5.6
Goods and services	4.7	3.9	4.7	4.4	4.0	4.3	4.3	4.2	4.3
Transfers and subsidies	3.6	3.5	4.5	4.3	3.9	4.4	4.2	4.2	4.2
Interest	0.7	0.6	0.6	0.6	0.5	0.6	0.6	0.6	0.6
Of which: domestic	0.3	0.3	0.2	0.3	0.2	0.2	0.2	0.2	0.2
Capital expenditure	8.9	3.2	7.5	7.4	10.5	11.7	10.1	9.0	9.4
Externally financed	5.0	0.6	3.3	3.2	6.4	6.6	6.2	4.4	4.4
Domestically financed	3.9	2.6	4.2	4.2	4.1	5.1	3.9	4.6	5.0
Special funds and annexed budgets	1.9	1.9	1.8	2.0	1.6	1.7	1.7	1.7	1.7
Net lending	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Overall fiscal balance (excl. grants)	-8.1	-1.6	-6.7	-6.5	-7.8	-10.1	-7.7	-5.9	-5.9
Overall fiscal balance (incl. grants)	-4.2	-1.3	-2.7	-2.8	-3.3	-4.7	-4.1	-3.0	-3.0
Variation of arrears	0.3	0.3	-0.7	0.1	-0.5	-1.1	-0.3	-0.1	-0.1
Of which: Domestic	0.3	0.2	-0.7	0.1	-0.5	-1.1	-0.3	-0.1	-0.1
Of which: External (Interest)	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjustment to cash basis	0.0	-0.1	0.1	-0.1	-0.1	0.2	0.1	0.0	0.1
Overall balance (cash basis, incl. grants)	-3.8	-1.2	-3.2	-2.9	-3.9	-5.5	-4.4	-3.1	-3.0
Financing	3.8	1.2	3.2	2.9	3.9	5.5	4.4	3.1	3.0
External financing (net)	2.7	0.2	1.9	1.9	3.7	3.6	3.9	2.7	2.6
Loans	3.3	0.4	2.8	2.5	4.3	4.4	4.5	3.3	3.3
Project loans	2.4	0.4	2.1	1.8	3.5	3.4	3.7	2.6	2.6
Of which: non-concessional	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Budgetary loans	0.9	0.0	0.7	0.7	0.8	1.0	0.8	0.7	0.7
Amortization	-0.9	-0.7	-0.9	-0.8	-0.9	-1.0	-1.0	-1.0	-1.1
Debt relief	0.3	0.1	0.5	0.5	0.4	0.4	0.4	0.4	0.3
Variation of External Arrears (Principal)	0.1	0.3	-0.5	-0.2	0.0	-0.2	0.0	0.0	0.0
Domestic financing (net)	1.1	1.0	1.3	1.0	0.2	1.9	0.5	0.4	0.4
Banking system	1.4	1.4	0.4	-0.4	0.2	0.9	0.3	0.4	0.4
Central bank	1.2	1.6	0.2	-1.4	-0.1	-0.4	-0.1	0.0	-0.1
Commercial banks	0.1	1.2	0.2	0.5	0.3	1.3	0.4	0.4	0.5
Adjustment[2]	0.1	1.4	0.0	-0.4	0.0	0.0	0.0	0.0	0.0
Privatization receipts	0.0	0.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0
Non-bank financing	-0.3	-0.4	-0.1	0.4	0.0	1.0	0.2	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items									
Basic fiscal balance[3]	-1.6	-0.8	-0.3	-0.8	0.5	-0.9	0.0	0.0	0.0
Tax and non tax revenue from gold sector	3.1	3.8	3.6	2.6	3.1	2.3	2.4	2.2	2.1
Total official assistance (grants plus loans)	7.1	0.7	6.8	6.1	8.8	9.8	8.1	6.3	6.3
Bank and market financing	1.6	1.5	0.4	-0.4	0.2	1.7	0.5	0.4	0.4
Nominal GDP (in billions of CFAF)	5,038	5,328	5,642	5,484	6,155	5,840	6,262	6,745	7,258

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

[1] IMF Country Report No. 13/380. Mali-Staff Report for Request of Three-Year Arrangement under the Extended Credit Facility.

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

[3] Defined in Table 3, footnote 3.

Table 6. Mali: Central Government Operations, GFSM 2001 Classification,[1] 2011–17

	2011	2012	2013		2014		2015	2016	2017
			Prog.[1]	Est.	Prog.[1]	Rev. prog.	Prog.	Proj.	
	(in CFAF billions)								
Revenue	1,063.2	925.8	1,225.6	1,151.1	1,406.1	1,400.0	1,419.1	1,519.4	1,671.4
Taxes	726.7	758.7	852.8	804.5	958.6	923.7	1,015.0	1,129.7	1,251.2
Grants	207.5	13.0	222.7	199.9	294.5	336.3	251.0	222.3	237.5
Of which: Current	55.7	3.8	144.1	110.8	95.7	127.8	72.9	78.5	84.5
Of which: Capital	151.9	9.2	69.2	79.8	198.8	208.5	178.1	143.8	153.0
Other revenue	129.0	154.2	150.1	146.7	153.0	140.0	153.1	167.3	182.7
Expenditure	1,257.1	989.4	1,384.4	1,313.5	1,597.5	1,572.4	1,625.4	1,740.3	1,902.1
Expense	813.4	818.9	961.0	909.0	951.2	974.2	1,027.2	1,096.8	1,184.5
Compensation of employees	265.1	291.1	311.8	290.8	330.4	332.2	349.8	375.9	406.0
Use of goods and services	235.5	208.4	266.2	239.6	246.2	248.6	271.2	284.6	312.8
Interest	35.4	32.9	32.0	32.4	32.4	34.1	36.4	38.2	41.3
Subsidies	16.9	28.4	35.0	28.2	35.0	35.0	38.0	40.2	42.5
Grants	118.6	107.9	131.0	128.4	149.0	153.9	167.5	181.6	192.1
Other expense	142.1	150.2	185.0	189.6	158.2	170.3	164.3	176.3	189.8
Net acquisition of nonfinancial assets	443.6	170.5	423.4	404.5	646.3	598.2	598.2	643.5	717.6
Gross Operating Balance	249.8	107.0	264.6	242.1	454.8	425.8	391.9	422.6	486.9
Net lending (+)/borrowing (–)	-193.9	-63.5	-158.8	-162.4	-191.5	-172.4	-206.3	-220.9	-230.7
Net financial transactions	-193.9	-63.5	-158.8	-162.4	-191.5	-172.4	-206.3	-220.9	-230.7
Net acquisition of financial assets	52.5	-70.2	-1.0	-22.9	-4.6	-44.5	-14.4	-4.0	-3.0
Domestic	52.5	-70.2	-1.0	-22.9	-4.6	-44.5	-14.4	-4.0	-3.0
Currency and deposits	0.1	-87.5	0.0	87.0	0.0	17.6	2.8	0.0	0.0
Loans (net lending)	-3.2	-2.8	-5.6	-6.2	-4.6	-4.6	-5.0	-5.0	-5.0
Equity and investment shares (privatization proceeds)	15.8	20.1	4.6	-21.4	0.0	-57.5	-12.2	0.0	0.0
Other accounts receivable	39.8	0.0	0.0	-82.3	0.0	0.0	0.0	1.0	2.0
Net incurrence of liabilities	246.4	-6.7	157.8	139.5	186.9	127.9	191.9	216.9	227.7
Domestic	61.3	7.7	29.6	28.0	-45.8	-95.1	-52.7	35.7	47.3
Debt securities and loans	34.7	-23.0	7.4	49.0	0.0	-61.1	-19.5	-4.0	-4.0
Other accounts payable	26.6	30.7	22.2	-20.9	-45.8	-34.0	-33.2	39.7	51.3
Foreign	185.0	-14.4	128.2	111.4	232.7	223.0	244.6	181.2	180.4
Memorandum items:									
Change in net worth: Transactions	-193.9	-63.5	-158.8	-162.4	-191.5	-172.4	-206.3	-220.9	-230.7
Nominal GDP	5,038	5,328	5,642	5,484	6,155	5,840	6,262	6,745	7,258

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

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

[2] IMF Country Report No. 13/380. Mali-Staff Report for Request of Three-Year Arrangement under the Extended Credit Facility.

Table 7. Mali: Balance of Payments, 2011–17

	2011	2012	2013		2014		2015	2016	2017
		Est	Prog.[1]	Est.	Prog.	Rev. prog.	Prog.	Proj.	
	(Billions of CFAF)								
Current account balance									
Excluding official transfers	-390.8	-168.3	-1,366.7	-984.1	-1,202.6	-1,157.1	-835.3	-601.2	-485.3
Including official transfers	-309.7	-139.3	-393.9	-221.3	-407.5	-406.5	-386.9	-329.4	-355.6
Trade balance	-157.0	56.9	-384.8	-148.3	-378.8	-336.7	-318.5	-277.7	-224.6
Exports, f.o.b.	1,128.5	1,532.2	1,278.7	1,399.2	1,275.5	1,293.4	1,306.0	1,352.1	1,358.9
Cotton fiber	90.9	191.0	154.6	174.5	169.9	162.2	143.4	152.1	154.3
Gold	804.1	1,065.6	850.9	955.0	804.0	859.5	868.8	894.6	884.1
Other	233.5	275.6	273.2	269.7	301.6	271.7	293.7	305.5	320.5
Imports, f.o.b.	-1,285.5	-1,475.3	-1,663.5	-1,547.5	-1,654.2	-1,630.1	-1,624.5	-1,629.8	-1,583.5
Petroleum products	-380.2	-421.8	-401.3	-434.3	-426.9	-416.7	-376.1	-400.1	-412.0
Foodstuffs	-178.3	-209.1	-282.3	-231.9	-248.8	-247.8	-279.9	-292.1	-271.3
Other	-727.0	-844.5	-979.9	-881.3	-978.5	-965.6	-968.4	-937.6	-900.2
Services (net)	-338.6	-367.2	-1,109.0	-927.9	-1,003.0	-974.9	-690.8	-521.6	-492.8
Credit	193.9	176.1	164.9	184.4	180.0	190.8	197.8	206.3	215.8
Debit [2]	-532.4	-543.3	-1,273.8	-1,112.3	-1,183.0	-1,165.6	-888.6	-727.9	-708.5
Of which: freight and insurance	266.2	-305.8	-360.2	-320.1	-358.2	-353.0	-351.8	-352.9	-342.9
Income (net)	-217.9	-234.8	-229.2	-289.8	-226.2	-252.3	-262.2	-271.6	-273.4
Of which: interest due on public debt	-18.1	-17.9	-20.0	-18.4	-23.1	-21.4	-23.3	-25.1	-28.2
Transfers (net)	403.8	405.8	1,329.1	1,144.7	1,200.4	1,157.3	884.6	741.6	635.2
Private transfers (net)	322.7	376.8	356.3	382.0	405.4	406.7	436.2	469.7	505.5
Official transfers (net) [2]	81.0	29.0	972.8	762.8	795.1	750.6	448.4	271.8	129.7
Of which: budgetary grants	55.7	3.8	144.1	110.8	125.0	127.8	72.9	78.5	84.5
Capital and financial account	337.0	100.4	396.6	121.5	362.7	432.6	446.6	394.3	422.1
Capital account (net)	170.7	48.6	115.9	123.5	181.7	233.0	204.1	172.8	186.0
Of which: project grants	138.3	9.2	69.2	79.8	134.0	186.5	154.2	119.1	128.2
Financial account	166.3	51.8	280.7	-2.0	181.1	199.6	242.5	221.5	236.1
Private (net)	27.4	39.3	160.8	-86.0	16.0	7.1	14.6	55.2	61.5
Direct investment (net)	260.4	195.0	205.2	140.5	218.6	149.6	157.3	143.1	149.7
Portfolio investment private (net)	-1.7	-2.3	-1.7	-2.4	-2.6	-2.5	-2.7	-2.9	-3.1
Other private capital flows	-231.3	-153.4	-42.7	-224.1	-200.0	-140.0	-140.0	-85.0	-85.0
Official (net)	118.8	5.0	99.4	76.2	156.5	184.1	218.9	156.6	164.2
Disbursements	165.0	22.9	158.5	135.7	227.2	254.8	281.0	225.9	243.1
Budgetary	45.0	0.0	39.7	39.6	28.7	56.3	49.3	49.3	53.1
Project related	120.0	22.9	118.8	96.1	198.5	198.5	231.7	176.6	190.0
Amortization due on public debt	-46.2	-39.5	-49.1	-42.9	-55.8	-55.8	-62.1	-69.3	-78.9
Errors and omissions	-25.2	-10.5	0.0	13.7	0.0	0.0	0.0	0.0	0.0
Overall balance	2.1	-49.5	2.7	-86.1	-44.8	26.1	59.7	64.9	66.6
Financing	-2.1	49.5	-2.7	86.1	44.8	-26.1	-59.7	-64.9	-66.6
Foreign assets (net)	-15.7	42.9	-28.3	60.6	22.8	-48.0	-83.6	-89.6	-91.4
Of which: IMF (net)	21.2	3.8	18.9	18.8	2.1	4.2	1.7	-0.1	-8.6
HIPC Initiative assistance	13.6	6.6	25.6	25.5	22.0	22.0	23.9	24.7	24.8
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	(in percent of GDP, unless otherwise indicated)								
Current account balance									
Excluding official transfers	-7.8	-3.2	-24.2	-17.9	-20.2	-19.8	-13.3	-8.9	-6.7
Including official transfers	-6.1	-2.6	-7.0	-4.0	-6.8	-7.0	-6.2	-4.9	-4.9
	(annual percentage change)								
External trade									
Export volume index	3.2	3.4	1.5	6.6	-1.6	-2.6	2.2	3.1	0.6
Import volume index	5.0	5.2	19.0	0.7	13.2	11.5	4.9	-0.1	-8.1
Export unit value	0.6	0.7	-16.3	-15.2	-5.8	-6.2	-2.0	0.8	-0.2
Import unit value	1.7	2.1	-3.9	3.9	-5.1	-5.6	-5.0	0.5	5.7
Terms of trade	15.8	15.2	-12.9	-18.4	-0.7	-0.7	3.2	0.3	-2.6

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

[1] IMF Country Report No. 13/380. Mali-Staff Report for Request of Three-Year Arrangement under the Extended Credit Facility.

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

Table 8. Mali: Monetary Survey, 2011–17

	2011	2012	2013		2014			2015	2016	2017
			Prog.[1]	Est.	Prog.[1]	June	Rev. prog.	Prog.	Proj.	
					(in CFAF billions)					
Net Foreign Assets	693.9	696.7	725.0	758.3	753.3	682.9	886.3	1,049.9	1,164.6	1,281.0
BCEAO	584.9	542.1	570.4	481.5	598.7	359.7	529.6	613.2	702.8	794.2
Commercial Banks	109.0	154.6	154.6	276.7	154.6	323.2	356.7	436.7	461.7	486.7
Net Domestic Assets	798.0	1,021.3	1,113.7	1,087.1	1,252.7	1,115.4	1,199.4	1,304.4	1,470.1	1,669.4
Credit to the government (net)	-203.7	-54.6	-29.8	-100.7	-19.9	-102.6	-46.7	-27.1	-1.0	25.8
BCEAO	-11.2	75.4	88.2	0.0	83.8	-5.1	-22.3	-29.8	-29.9	-38.6
Commercial banks, net	-192.5	-130.1	-118.1	-100.7	-103.7	-97.5	-24.4	2.7	28.9	64.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the economy	1,049.3	1,099.2	1173.6	1,228.3	1,302.7	1,233.4	1,286.6	1,372.0	1,511.6	1,684.2
Other items (net)	-47.6	-23.2	-30.1	-40.5	-30.1	-15.4	-40.5	-40.5	-40.5	-40.5
Money supply (M2)	1,492.0	1,718.0	1,838.7	1,845.4	2,006.1	1,798.2	2,085.7	2,354.3	2,634.6	2,950.4
Currency outside banks	415.4	513.9	545.2	508.8	594.8	480.5	575.1	649.1	726.4	813.5
Bank deposits	1,076.6	1,204.2	1,293.6	1,336.6	1,411.3	1,317.8	1,510.6	1,705.2	1,908.2	2,136.9
Memorandum item:										
Base Money (M0)	643.5	733.1	788.1	742.5	859.8	701.4	839.2	947.2	1,060.0	1,187.1
Gross international reserves BCEAO	701.4	660.2	706.3	613.2	736.5	491.1	663.6	749.0	838.5	921.3
in percent of broad money	47.0	38.4	38.4	33.2	36.7	27.3	31.8	31.8	31.8	31.2
					(in percentage of beginning of period broad money)					
Contribution to growth of broad money										
Money supply (M2)	15.3	15.2	7.4	7.4	9.1	-0.9	13.0	12.9	11.9	12.0
Net foreign assets	-2.5	0.2	1.7	3.6	1.5	-7.1	6.9	7.8	4.9	4.4
BCEAO	2.5	-2.9	1.7	-3.5	1.5	-13.3	2.6	4.0	3.8	3.5
Commercial banks	-5.0	3.1	0.0	7.1	0.0	6.2	4.3	3.8	1.1	0.9
Net domestic assets	17.8	15.0	5.8	3.8	7.6	5.2	6.1	5.0	7.0	7.6
Credit to the central government	5.1	10.0	1.4	-2.7	0.5	-2.6	2.9	0.9	1.1	1.0
Credit to the economy	15.8	3.3	4.3	7.5	7.0	5.3	3.2	4.1	5.9	6.6
Other items net	-3.1	1.6	0.0	-1.0	0.0	-1.6	0.0	0.0	0.0	0.0
					(Annual growth rates, unless otherwise indicated)					
Memorandum items:										
Money supply (M2)	15.3	15.2	7.4	7.4	9.1	-0.9	13.0	12.9	11.9	12.0
Base money (M0)	18.0	13.9	7.4	1.3	9.1	-6.4	13.0	12.9	11.9	12.0
Credit to the economy	24.1	4.8	6.8	11.7	11.0	8.5	4.7	6.6	10.2	11.4
Velocity (GDP/M2)	3.4	3.1	3.1	3.0	3.1	2.9	2.8	2.7	2.6	2.5
Money Multiplier (M2/M0)	2.3	2.3	2.3	2.5	2.3	2.6	2.5	2.5	2.5	2.5
Currency outside banks / M2	27.8	29.9	29.6	27.6	29.6	26.7	27.6	27.6	27.6	27.6

Sources: BCEAO; and Fund staff estimates and projections.

[1] IMF Country Report No. 13/380. Mali-Staff Report for Request of Three-Year Arrangement under the Extended Credit Facility.

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

	2008	2009	2010	2011	2012	2013
	(in percent)					
Capital						
Capital to risk-weighted assets	9.8	7.7	13.7	11.7	11.4	12.1
Tier 1 capital to risk-weighted assets	9.0	7.2	12.7	10.8	10.0	12.2
Capital (net worth) in percent of assets	6.2	4.6	7.5	8.3	7.7	7.9
Sectoral distribution of credit to the economy						
Agriculture and fishing	12.8	7.9	1.6	11.7	10.9	6.5
Minining sector	0.2	0.2	0.1	0.1	3.8	4.7
Manufacturing	7.4	5.9	7.3	8.0	9.6	11.1
Electricity, gas, and water	3.9	4.3	11.1	10.0	6.4	9.6
Building and construction	1.6	1.6	4.3	4.4	5.0	3.8
Wholesale and retail trade, hotels and restaurants	38.7	37.4	44.4	43.3	44.6	45.2
Transportation, warehouses, communications	14.1	11.3	8.8	7.1	5.6	9.3
Insurance, real estate, and services for enterprises	14.1	18.8	14.9	9.8	8.2	5.7
Collectives and social services	7.3	14.6	7.6	5.6	5.8	4.0
Asset quality						
Non-performing loans to total loans	23.1	25.4	22.1	18.0	21.0	19.3
Non-performing loans to total loans (net of provisioning)	9.5	11.6	8.5	6.5	8.7	8.3
Provisions to gross non-performing loans	66.9	59.5	64.0	69.3	65.0	62.0
Earnings and profitability						
Return on assets (ROA)	0.8	0.6	1.4	1.7	1.3	1.2
Return on equity (ROE)	10.4	6.8	8.6	14.9	12.5	14.1
Liquidity						
Liquid assets to total assets	37.9	33.8	32.7	36.7	34.8	34.4
Liquid assets to short term liabilities	84.0	61.2	92.9	89.4	90.0	98.0
Ratio of loans to deposits	77.5	72.2	82.6	88.0	88.5	89.7
Memorandum items [1]						
Deposit rate	1.9	1.9	1.9	1.8	1.9	1.8
Lending rate	9.8	9.7	9.4	9.3	8.9	9.5

Source: BCEAO, and IMF staff estimates.

[1] Average

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

Amount	Available date	Conditions for disbursement
SDR 6 million	December 18, 2013	Executive Board approval of the three year ECF arrangement.
SDR 4 million	May 1, 2014	Observance of December 31, 2013 and continuous performance criteria, and completion of the first review under the arrangement.
SDR 4 million	November 1, 2014	Observance of June 30, 2014 and continuous performance criteria, and completion of the second review under the arrangement.
SDR 4 million	May 1, 2015	Observance of December 31, 2014 and continuous performance criteria, and completion of the third review under the arrangement.
SDR 4 million	November 1, 2015	Observance of June 30, 2015 and continuous performance criteria, and completion of the fourth review under the arrangement.
SDR 4 million	May 1, 2016	Observance of December 31, 2015 and continuous performance criteria, and completion of the fifth review under the arrangement.
SDR 4 million	November 1, 2016	Observance of June 30, 2016 and continuous performance criteria, and completion of the sixth review under the arrangement.

Sources: IMF staff estimates and projections.

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	(Millions of SDRs, unless noted otherwise)									
Fund obligations based on existing credit										
Principal	2.1	1.9	5.7	8.2	11.6	12.7	13.8	13.2	10.3	6.2
Charges and interest	0.0	0.0	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Fund obligations based on existing and prospective credit[2]										
Principal	2.1	2.3	5.7	8.2	11.6	12.7	13.8	15.2	13.9	11.0
Charges and interest	0.0	0.0	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Total obligations based on existing and prospective credit										
In millions of SDRs	2.1	2.3	5.9	8.4	11.8	12.8	13.9	15.3	14.0	11.1
In billions of CFA francs	1.6	1.7	4.4	6.2	8.8	9.5	10.3	11.3	10.4	8.2
In percent of government revenue	0.2	0.2	0.4	0.5	0.6	0.6	0.6	0.6	0.5	0.4
In percent of exports of goods and services	0.1	0.1	0.3	0.4	0.6	0.6	0.6	0.7	0.6	0.5
In percent of debt service	3.2	2.6	5.9	7.5	9.2	8.5	10.0	10.5	9.2	8.0
In percent of GDP	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
In percent of quota	2.3	2.5	6.3	9.0	12.6	13.8	14.9	16.4	15.0	11.8
Outstanding Fund credit[1]										
In millions of SDRs	90.2	93.0	95.4	95.2	83.6	70.9	57.1	41.9	28.0	17.0
In billions of CFA francs	67.7	69.2	71.4	71.1	62.3	52.7	42.3	31.0	20.7	12.6
In percent of government revenue	7.1	6.5	6.1	5.5	4.3	3.3	2.5	1.7	1.0	0.6
In percent of exports of goods and services	4.3	4.7	4.8	4.6	4.0	3.3	2.6	1.9	1.2	0.7
In percent of debt service	136.1	101.8	95.8	85.9	65.3	46.9	40.9	28.9	18.5	12.4
In percent of GDP	1.2	1.2	1.1	1.1	0.9	0.7	0.5	0.3	0.2	0.1
In percent of quota	96.7	99.7	102.2	102.0	89.6	76.0	61.2	44.9	30.0	18.2
Disbursements and Repurchases	25.9	5.7	2.3	-0.2	-11.6	-12.7	-13.8	-15.2	-13.9	-11.0
Disbursements	28.0	8.0	8.0	8.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	2.1	2.3	5.7	8.2	11.6	12.7	13.8	15.2	13.9	11.0
Memorandum items:	(in CFAF billions, unless otherwise indicated)									
Nominal GDP	5,484	5,840	6,262	6,745	7,258	7,831	8,443	9,096	9,807	10,588
Exports of goods and services	1,584	1,484	1,504	1,558	1,575	1,610	1,632	1,676	1,725	1,813
Government revenue	951	1,064	1,168	1,297	1,434	1,586	1,709	1,856	2,019	2,196
Debt service	50	68	75	83	95	112	103	108	112	102

Sources: IMF staff estimates and projections.

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

[2] Includes future disbursements proposed in Table 10.

Table 12. Mali: Millennium Development Goals, 1990–2011

	1990	1995	2000	2005	2011
Goal 1: Eradicate extreme poverty and hunger	**2015 target = halve 1990 poverty and malnutrition rates**				
Employment to population ratio, 15+, total (%)	47	47	47	47	48
Employment to population ratio, ages 15-24, total (%)	36	35	35	36	36
GDP per person employed (constant 1990 PPP $)	*2,532*	2,603	2,751	3,211	3,576
Income share held by lowest 20%	..	5	6	7	8
Malnutrition prevalence, weight for age (% of children under 5)	..	38	30	28	..
Poverty gap at $1.25 a day (PPP) (%)	..	53	26	19	16
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	..	86	61	51	50
Vulnerable employment, total (% of total employment)	..	..	..	87	..
Goal 2: Achieve universal primary education	**2015 target = increase net enrollment to 100**				
Literacy rate, youth female (% of females ages 15-24)	..	..	17	31	34
Literacy rate, youth male (% of males ages 15-24)	..	..	32	47	56
Persistence to last grade of primary, total (% of cohort)	33	..	83	74	*75*
Primary completion rate, total (% of relevant age group)	9	..	29	41	55
Adjusted net enrollment rate, primary (% of primary school age children)	..	..	42	54	67
Goal 3: Promote gender equality and empower women	**2015 target = increase education ratio to 100**				
Proportion of seats held by women in national parliaments (%)	..	12	12	10	10
Ratio of female to male primary enrollment (%)	61	69	75	80	88
Ratio of female to male secondary enrollment (%)	50	50	56	62	71
Ratio of female to male tertiary enrollment (%)	15	18	48	53	46
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	..	27	..	35	..
Goal 4: Reduce child mortality	**2015 target = reduce 1990 under 5 mortality by two-thirds**				
Immunization, measles (% of children ages 12-23 months)	43	52	49	73	56
Mortality rate, infant (per 1,000 live births)	130	125	116	97	81
Mortality rate, under-5 (per 1,000 live births)	253	240	220	173	133
Goal 5: Improve maternal health	**2015 target = reduce 1990 maternal mortality by three-fourths**				
Adolescent fertility rate (births per 1,000 women ages 15-19)	193	190	187	183	177
Births attended by skilled health staff (% of total)	..	40	41	49	..
Contraceptive prevalence (% of women ages 15-49)	..	7	8	8	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	1,100	930	740	620	*540*
Pregnant women receiving prenatal care (%)	..	47	57	70	..
Unmet need for contraception (% of married women ages 15-49)	..	26	29	31	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases	**2015 target = begin to reverse AIDS and other major diseases**				
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	..	32	35
Condom use, female (% of females ages 15-24)	..	3	3	4	..
Condom use, male (% of males ages 15-24)	..	26	26	29	..
Incidence of tuberculosis (per 100,000 people)	76	80	77	69	62
Prevalence of HIV, total (% of population ages 15-49)	1	2	2	1	1
Tuberculosis case detection rate (%, all forms)	45	39	48	52	56
Goal 7: Ensure environmental sustainability					
CO2 emissions (kg per PPP $ of GDP)	0	0	0	0	*0*
CO2 emissions (metric tons per capita)	0	0	0	0	*0*
Forest area (% of land area)	12	11	11	11	10
Improved sanitation facilities (% of population with access)	15	17	18	20	22
Improved water source (% of population with access)	28	37	46	55	65
Net ODA received per capita (current US$)	60	60	28	60	88
Goal 8: Develop a global partnership for development					
Debt service (PPG and IMF only, % of exports of goods, services and primary income)	15	16	13	4	3
Internet users (per 100 people)	0	0	0	1	2
Mobile cellular subscriptions (per 100 people)	0	0	0	6	68
Telephone lines (per 100 people)	0	0	0	1	1
Fertility rate, total (births per woman)	7	7	7	7	7
Other					
GNI per capita, Atlas method (current US$)	290	260	250	440	670
GNI, Atlas method (current US$) (billions)	2	2	3	5	10
Gross capital formation (% of GDP)	23	23	25	23	23
Life expectancy at birth, total (years)	46	48	49	52	54
Literacy rate, adult total (% of people ages 15 and above)	..	..	19	26	31
Population, total (billions)	8.7	9.8	11.3	13.2	15.8
Trade (% of GDP)	51	57	66	63	62

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

Appendix I. Letter of Intent

Bamako, November 14, 2014

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

Dear Madame Managing Director:

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

2. The attached Memorandum of Economic and Financial Policies (MEFP) discusses recent developments in Mali's economy and the progress made in implementing our policies in 2013 and 2014. As explained in the MEFP, all performance criteria (PC) and indicators at end-2013 and end-June 2014 were met, except the floor on gross tax revenue, and the ceiling on non-concessional borrowing. Four out of five of the measures subject to structural benchmarks were fully implemented. Therefore, the government is requesting the completion of the first and second reviews of the ECF-supported program and the second and third disbursements totaling the equivalent of SDR 8 million.

3. Gross tax revenue in 2013 was lower than the programmed amount due to the shortfall in direct taxes paid by mining companies. This decline reflected a more negative than anticipated impact of the drop in gold prices on the profits of mining companies. The labor conflict within the Directorate General of Taxation (DGI) throughout 2013 also appears to have had an impact on the amount of tax adjustments made in the last quarter. In response to the difficulties encountered, the government established a new management team within the DGI mandated to implement the reforms specified in the MEFP. In light of the measures already taken and others programmed in order to achieve the tax revenue target in 2014, the government is seeking a waiver for non-observance of the performance criterion on gross tax revenue in December 2013 and June 2014. The government is also requesting a modification of the PCs on bank and market financing of the government and gross tax revenue for end-December 2014.

4. In August 2014, after consultation of the IMF staff, the government contracted a loan of RMB 619 million ($99 million, CFAF 49 billion, or 0.8 percent of GDP) from the Export-Import Bank of

China with a grant element of 29.7 percent to finance the Taoussa hydroelectric plant. Given the strategic nature of this project and the small difference relative to the required grant element (35 percent), the government requests a waiver of the continuous PC on new external loans contracted or guaranteed by the government under non-concessional terms.

5. This memorandum also outlines the economic and financial policies that the Malian government undertakes to implement by the end of this year, as well as those it will implement by the end of 2015, in order to maintain macroeconomic stability, support the nascent economic recovery, step up the implementation of reforms with a view to improving public financial management, and facilitate private-sector development.

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

7. The government will continue to provide Fund 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 attached MEFP, the TMU, the informational annex, and the debt sustainability analysis. It therefore authorizes the IMF to publish these documents on its website once the IMF Executive Board approves the first and second reviews of the three-year arrangement under the ECF.

Very truly yours,

/s/

Bouaré Fily Sissoko
Minister of Economy and Finance

Attachments:

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

Attachment I—Memorandum of Economic and Financial Policies

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

Economic developments in 2013–14 and performance with respect to ECF-supported policies

A. Economic developments in 2013–14 and economic outlook in 2014

2. In 2013, real GDP growth was a modest 1.7 percent, compared to the 5.1 percent expected under the program. This underperformance is due to the contraction of nearly 26 percent in food crop production (excluding rice) relative to the exceptional results of the previous harvest, due to less favorable rainfall than in the preceding year. In 2014, real GDP growth is expected to accelerate to 5.8 percent, supported by sustained growth anticipated for the agriculture sector in light of the preliminary results of producer surveys. Only manufacturing sector production is expected to contract (-2.9 percent) due to the sluggish business environment. Average inflation was negative (-0.6 percent) in 2013, reflecting the previous year's good harvest, and is expected to remain low (1 percent) in 2014 in light of food imports.

3. The current account deficit in 2013 (including grants) in the balance of payments widened to 4 percent of GDP due to the decline in gold prices and rise in imports accompanying the economic recovery. This current account deficit was financed almost entirely by net inflows of capital, primarily in the form of external assistance and foreign direct investment (FDI). As a result, the overall balance of payments posted a deficit of CFAF 86 billion ($174 million), financed through the use of the Central Bank of West African States (BCEAO) international reserves. In 2014, the current account deficit (including grants) is expected to widen to 7.0 percent of GDP for the same reasons as in 2013. Foreign aid and FDI are expected to exceed the current account deficit (including grants) in the balance of payments. Accordingly, the overall balance of payments should post a modest surplus.

4. In 2013, the money supply expanded by 7.4 percent, driven by credit to the economy, which expanded by 11.7 percent. In 2014, the money supply is expected to increase by 13 percent, driven by credit to the economy and commercial banks' acquisition of foreign assets. The commercial banks benefit from the BCEAO's accommodative monetary policy stance by using central bank advances to finance the Malian economy and to purchase securities issued by the West African Economic and Monetary Union (WAEMU).

[1] IMF Country Report No. 13/380. Mali: Request for a Three-Year Arrangement under The Extended Credit Facility—Staff Report.

5. The damage to banks in the north and the 2012 economic stagnation undermined the stability of the banking sector. The stock of past due receivables rose from 18.0 percent (6.5 percent after deducting provisions) of total credits in December 2011 to 19.3 percent (8.3 percent after deducting provisions) in December 2013. The risk-weighted capital ratio has stayed at about 11.7 percent since December 2011 and increased slightly to 12.9 towards the end of 2013. The financial stability of the microfinance sector also deteriorated; the share of nonperforming loans nearly doubled since 2011, increasing from 7.7 percent in 2011 to 13.2 percent in [2013].

6. Fiscal policy in 2013 and the first half of 2014 were prudent. In 2013, revenue and grants totaled CFAF 1151 billion (21.0 percent of GDP), below the programmed amount, for reasons including a decline in mining sector receipts reflecting the drop in the price of gold. Expenditure represented CFAF 1307 billion (23.8 percent of GDP), resulting in an overall fiscal deficit (payment order basis, including grants) of CFAF 158 billion (2.8 percent of GDP) and a basic fiscal deficit of CFAF 43.8 billion (0.8 percent of GDP), close to the program level. In June 2014, revenue and grants totaled CFAF 628 billion and expenditure totaled CFAF 594 billion, for an overall fiscal deficit (payment order basis, including grants and arrears repayment) of CFAF 29 billion and a basic fiscal balance surplus of CFAF 60 billion, above the program target.

7. The National Assembly approved a supplementary budget law (LFR) at its August 25, 2014 session. The LFR aims to achieve net tax revenue of at least 15.4 percent of GDP. It also aims to contain the basic deficit and overall deficit to 0.7 percent and 4.4 percent of GDP, respectively, while aligning expenditure execution with the priorities of the 2012-17 Growth and Poverty Reduction Strategy Paper (G-PRSP), the 2013-14 Plan for Sustainable Recovery (PRED), and the 2014-18 Government Action Program (PAG) (¶16). To help revive the economy, the LFR gives priority to repayment of up to CFAF 56 billion in validated arrears remaining to be paid to government suppliers (¶51). The September 2014 audit of budget execution identified the need to increase the subsidy to Énergie du Mali (EDM) from CFAF 50 billion to CFAF 61 billion, which the government will provide for in a new LFR (¶8).

8. The government will introduce a new LFR to adjust the extra budgetary expenditures in 2014 that were identified in the September 2014 audit of expenditures (¶15).

B. Performance with respect to ECF-supported policies

9. All performance criteria and indicators at end-December 2013 and end-June 2014 were met, except the floor on gross tax revenue and the ceiling on non-concessional borrowing (Table 1).

- In 2013, the adjustment of public spending to the shortfall in revenue maintained the government's use of net domestic financing from banks and financial markets below the programmed ceiling, adjusted for, among other things, the shortfall in budgetary assistance in accordance with the provisions of the Technical Memorandum of Understanding (TMU) for the program. The same was true for the basic fiscal balance, which exceeded the programmed, adjusted ceiling. Priority expenditure was generally above the programmed floor, but health spending was under executed by CFAF 15.5 billion (18 percent of the amount used to calculate the floor) owing to a delay in acquiring medical equipment and certain supplies from current expenditure for which contracts had been awarded. The under-execution of current expenditure and investment expenditure is due to the imperatives of acquiring medical supplies and equipment by means of contracts in due and proper form. No non-concessional foreign-currency loans were signed. The government did not accumulate any arrears on its external debt, with the exception of CFAF 11.9 billion in arrears ($24 million) on bilateral debt to Libya, with which the government had had difficulties finding an interlocutor but which was paid on May 15, 2014. In 2013, the government paid off all the other arrears, totaling CFAF 20 billion ($40 million), accumulated on its external debt following the events of March 2012.

- In 2013, gross tax revenue was CFAF 46 billion below the programmed amount due to the shortfall in direct taxes paid by mining companies (¶6). This decline reflects a worse than anticipated impact of the drop in gold prices since 2012 (16 percent) on mining company profits. The labor conflict that marked the Directorate General of Taxes (DGI) throughout 2013 also appears to have weighed on the amount of tax adjustments made in the last quarter, which were far smaller than in previous years. In response to the difficulties encountered within the DGI in the last quarter, a new director general was appointed in October and mandated to accelerate implementation of the reforms specified in the ECF arrangement. All directors of the Large Business Directorate (DGE) and Medium-Sized Business Directorate (DME) were replaced in March 2014. In light of the measures already taken and others programmed in order to enhance tax collection (¶¶23-30), the government is seeking a waiver for nonobservance of the performance criterion on gross tax revenue in December 2013 and June 2014.

- On May 5, 2014, the government paid all its remaining arrears amounting to CFAF 11.6 billion ($23 million) to Libya.

- As at June 30, 2014, all the performance criteria and indicators were met except the performance criterion relating to gross tax revenue. This performance criterion was not met because the objectives for 2014 could not be adjusted downward in light of the underperformance observed in 2013 given the IMF staff decision to suspend the conclusion of the first ECF program review until financial governance problems were resolved (¶11).

- In August 2014, after consultation of the IMF staff, the government contracted a loan of RMB 619 million (CFAF 49 billion, $99 million, or 0.8 percent of GDP) from the Export-Import Bank of China with a grant element of 29.7 percent to finance the Taoussa hydroelectric plant. Given the strategic nature of this project and the small difference relative to the required grant element (35 percent), the government requests a waiver of the continuous performance criterion on new external loans contracted or guaranteed by the government under non-concessional terms (Table 1).

10. Four measures representing structural benchmarks were implemented completely, and one partially (Table 2):

- The government shared a report on the results of an audit of the expenditure chain, conducted with IMF technical assistance[2] to the TFPs. The audit identified a number of weaknesses and proposed specific recommendations to correct them.

- The government published on the website of the Ministry of Economy and Finance (MEF) a report by the National Directorate of the Treasury and Public Accounting (DNTCP), prepared in collaboration with the BCEAO, analyzing movements of items in the net government position (NGP) vis-à-vis the banking system, and highlighting movements of the most significant items in the net Treasury position (NTP) and those in the net position of other public accounts [in French, *Position nette des autres comptes publics* or PNACP] in 2012 and 2013. This report[3] presents the stocks at the beginning and close of the fiscal year and identifies all owners of the accounts included in the PNACP.

- The Council of Ministers reviewed the joint proposals of the MEF, the Ministry of Energy and Water Resources (MEH), the Water and Electricity Regulatory Commission (CREE), and EDM to restore a positive margin between the selling price and the average cost of electricity (¶57).[4]

- The National Directorate of the Treasury and Public Accounting produced the fiscal reporting tables (TOFE) for end-December 2013 and end-March 2014 according to the most recent applicable 2009 WAEMU directive (¶42).

- Partial implementation was achieved with regard to the benchmark relating to the DGI report to the Council of Ministers on the interim results of its program to audit importers and recipients of public contracts for which the Joint Economic and Financial Intelligence and Investigation Committee (CMRIEF) had found the reported turnover to be abnormally low (¶30). The DGI report was limited to the tax adjustments of the importer firms.

Strengthening the implementation of fiscal and procurement rules

11. During the second quarter, following the March 2014 IMF staff mission to Bamako to hold discussions on the first review under the ECF arrangement, the IMF staff and staff of the Ministry of Economy and Finance (MEF) exchanged information on operations carried out in first quarter 2014 that were not included in the 2014 budget law. The operations consisted of the purchase of an airplane for CFAF 19 billion ($40 million), a contract for equipment and supplies awarded by the Ministry of Defense and Former Combatants (MDAC) for CFAF 69 billion ($138 million), and the

[2] IMF Country Record No. 14/122. Mali – Technical Assistance Report – Audit of the Expenditure Chain.

[3] Available at the following addresses:
http://finances.gouv.ml/documentation/Rapport%20conjoint_BCEAO_DNTCP_prov.pdf,
http://finances.gouv.ml/documentation/ETAT%20DE%20PRESENT%20PNG_RQ%20FMI_11_12.pdf, et
http://finances.gouv.ml/documentation/ETAT%20DE%20PRESENT%20PNG_RQ%20FMI_12_13.pdf.

[4] Available at the following address: http://www.maliapd.org/spip.php?article365.

provision of a government guarantee in the amount of CFAF 100 billion ($200 million) associated with that and other contracts.

12. The IMF and MEF staff detected weaknesses in public financial management that came to light in those operations, and identified the following measures to remedy them:

- Regularizing the airplane purchase in the LFR without worsening the fiscal balances relative to the framework decided on during the March 2014 review mission or altering the floors for priority expenditure decided on at the same time; the National Assembly approved an LFR meeting those conditions (¶7).

- Audit of the above transactions by the Auditor General's Office (BVG), as requested by the Prime Minister's office, covering the compliance of the budget procedures and the contract award procedures utilized; the audit revealed a discrepancy of CFAF 29 billion ($58 million) between the price invoiced by the contractor and the price indicated on the pro forma invoices covering the transport costs to the MDAC storage facilities, of which 5 billion ($10 million can be explained by financial costs; the BVG submitted its audit on October 27, 2014; it was published on the Prime Minister's and BVG website on October 29, 2014, a prior action to conclude the first and second reviews under the ECF arrangement (Table 2).

- Audit of the compliance (*conformité*) and propriety (*régularité*) of the above-referenced committed expenditures in regard to the budget procedures established in this area, conducted by the Audit Chamber of the Supreme Court at the request of the Prime Minister; the Audit Chamber of the Supreme Court submitted its audit on September 15, 2014; it was published on the Prime Minister and Supreme Court websites on October 10, 2014, a prior action required to conclude the first and second reviews under the ECF arrangement (Table 2).

- Audit by the BVG of all MDAC expenditure from 2010 to mid-2014 based on the program the BVG established for itself.

- In consultation with World Bank staff, preparation of an order setting out the terms of implementation of article 8 of Order 08-485/P-RM of August 11, 2008 concerning the exemption of purchases of goods and services marked "*secret en matière de défense*" (defense secret) or "*des intérêts essentiels de l'Etat*" (essential government interests) from the scope of application of procedures applicable to the award, performance, and payment of public contracts and delegations of public services; the adoption of such decree is a prior action to conclude the first and second reviews under the ECF arrangement (Table 2); the government implemented it on September 19, 2014.

- Audit by the Public Service Audit Office (Contrôle Général des Services Publics, CGSP) of exempted contracts marked "*secret en matière de défense*" (defense secret) or "*des intérêts* *essentiels de l'Etat*" (essential government interests) signed after the adoption of the above order (proposed structural benchmark, Table 4).

- In consultation with IMF staff and in regard to WAEMU practices, preparation of a decision establishing the list of expenditures paid under exceptional procedures (DAO) and the modalities of rectifying them; the decision was adopted July 3,1 2014.

- Treatment of guarantees:

    - Identification and valuation of guarantees and comfort letters (if they involve financial commitments for the government); the Directorate General of Public Debt identified two guarantees issued by the government for a total of CFAF 200 billion ($400 million, or 3.3 percent of GDP): a CFAF 100 billion guarantee issued in connection with the above-referenced contract for supplies other than arms and munitions awarded by the MDAC (¶11) and a second CFAF 100 billion guarantee issued to secure the crop loan provided by commercial banks to the public enterprise Compagnie Malienne des Textiles (CMDT).

    - Pursuant to the provisions of applicable budget laws and procedures, the proposed budget law (PLF) for 2016 will include a provision corresponding to 10 percent of the risk past due, i.e., the amount of guaranteed debt falling due in 2016.

    - The government undertakes to submit all guarantees for approval by the National Assembly in future budgets, beginning with the 2014 LFR, in the form of an annex addressing the guarantees. This was the procedure used to include the two CFAF 100 billion guarantees mentioned above in the LFR approved by the National Assembly (¶7).

- The submission of all agreements concerning loans, comfort letters, or government guarantees to the National Public Debt Committee (CNDP) for opinion prior to signature, in accordance with applicable WAEMU directives; the CNDP was created and has held regular meetings for this purpose since May 16, 2014 (¶50).

13. As recommended by the BVG and CS audit reports, the government undertakes to:

- Immediately apply the provisions of article 18 of Law 96-060 on budget laws, providing sanctions in connection with the improper commitment of public finances and any other procedure to sanction other established violations. The publication of a report on the Prime Minister's website describing progress in implementing this process is a prior action to conclude the first and second reviews under the ECF arrangement (Table 2). The government undertakes to clearly and specifically identify responsibilities and apply the law.

- Record the purchase of the airplane (¶11) in the government's material accounting system; reconsider the advantages for Mali of the legal mechanism put in place by the MDAC to 1) register the airplane under the name of the company in the Aruba civil aviation register, and

2) draw up a lease contract under which to operate the airplane; if appropriate, dismantle the mechanism.

- Cancel the CFAF 100 billion guarantee by the Minister of economy and finance relating to MDAC contracts and other contracts (¶11).

- Limit payments under the CFAF 69 billion military supply contract to the amounts indicated on the pro forma invoices from suppliers plus bank fees, which should reduce the cost of that purchase by an amount close to CFAF 29 billion (¶¶11-12); and reconsider the utility of goods not yet accepted under the contract and, if appropriate, cancel the corresponding orders.

- No further domestically funded expenditures are to be executed by divisional units of the central government unless they have first been included in the budget law and executed in accordance with applicable budget rules and procedures. The minister of economy and finance will produce a report on extra budgetary expenditures since September 25, 2014 by no later than February 28, 2015 (proposed benchmark, Table 4).

- Implement all of the recommendations of the BVG and Supreme Court audits and publish an initial report on the implementation of the recommendations on the Prime Minister's website by December 31, 2014.

14. During a review in September of extra budgetary expenditures not included in the LFR, the government identified the following:

- Supply contracts signed by the MDAC for which potential deliveries in 2014 could total CFAF 133 billion yet the LFR provides budget appropriations of only CFAF 35 billion for those expenditures. The government undertakes to reduce the amount of those expenditures to CFAF 57 billion by contacting the suppliers to cancel all orders not yet delivered, by reducing prices if they appear excessive, or by rescheduling deliveries for future years, in order to limit these expenditures to the amount provided in the LFR.

- Sports equipment in the amount of CFAF 6.1 billion, and the Afrobasket Stadium in the amount of CFAF 1.3 billion, both accepted in 2014 with no budget appropriation in the LFR.

15. The government made appropriate provisions for these expenditures in a new LFR which was introduced in the National Assembly on-October 23. The expenditures will be financed through increased use of bank financing and the financial markets. The new LFR aimed to limit the basic deficit to CFAF 53 billion (0.9 percent of GDP) and the overall fiscal deficit (including grants) to CFAF 323 billion (5.5 percent of GDP). The government requests that the criteria and indicators under the ECF arrangement at end-December 2014 be revised accordingly.

Economic and financial policies for 2015

16. The 2012-17 Growth and Poverty Reduction Strategy Paper (G-PRSP), adopted in December 2011, and the 2014-18 Government Action Program (PAG) will serve as reference for the 2014-16 economic and financial policies:

- The objective of the G-PRSP is to turn Mali into an emerging country and an agro pastoral powerhouse able to provide Malian men and women with a good standard of living.[5] The G-PRSP is based on five pillars: (i) strengthening peace and security; (ii) increasing macroeconomic stability; (iii) promoting stronger, sustainable, pro-poor growth aimed at creating jobs and increasing incomes; (iv) consolidating the long-term bases for development and facilitating equitable access to quality social services; and (v) strengthening institutions and governance.

- The PAG, prepared through a process involving all the ministries, focuses on six areas: establishing strong, credible institutions; restoring the security of persons and property over the entire national territory; implementing a proactive national reconciliation policy; rebuilding Malian schools; developing an emerging economy; and implementing a proactive social development policy.

17. Despite an uncertain international environment, Mali's economic outlook appears favorable with the gradual restoration of security, the successful presidential and legislative elections, and the return en masse of Mali's TFPs. The conference to support the development of Mali held in Brussels on May 15, 2013, and the four follow-up meetings were a great success. They brought together 80 countries and 28 international organizations that committed to contributing €3285 billion ($4.4 billion, CFAF 2,200 billion, or 39 percent of GDP) to implement the PRED. The return of TFPs should maintain GDP growth in real terms at 5.5 percent in 2015 and above 5in 2016 and 2017 through its effects on the construction and services sectors. The current operations deficit (including grants) is expected to reach 6.2 percent of GDP in 2015 and be financed entirely by foreign direct investment in the gold and telecommunications sectors and by external assistance in the form of loans. The overall balance of payments is expected to be close to equilibrium during 2015–17. The implementation of prudent monetary and fiscal policies is expected to maintain inflation in line with the community convergence criterion of 3 percent per year, as long as rainfall is favorable.

18. The government intends to implement a program that: (i) supports growth through prudent fiscal policy while favoring priority expenditures to reduce poverty; (ii) improves public financial management on the revenue as well as expenditure side; and (iii) modernizes the business environment to encourage private sector development and improve competitiveness.

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

A. Foster growth through prudent fiscal policy aligned with priorities for the growth and poverty reduction strategy

19. The government intends to continue implementing sustainable fiscal policies pursuant to its commitments in connection with its membership in the WAEMU. In particular, the government will adopt and implement a fiscal policy aimed at maintaining the basic fiscal balance [6] close to equilibrium. Moreover, the government will maintain the overall fiscal balance (including project grants, sector budget support, and capital expenditure financed from external resources) at a level compatible with public debt sustainability, as indicated by the Debt Sustainability Analysis (DSA) conducted annually in cooperation with International Monetary Fund (IMF) and World Bank staff (¶50).

20. Expenditures executed in connection with the budgets will reflect the priorities of the G-PRSP and the PAG (¶16). As proof of its determination to implement those priorities, the government undertakes to maintain spending in social sectors above a floor (proposed indicator, Tables 1 and 3).

21. In the context of those commitments, the government introduced a proposed budget law (PLF) for 2015 in the National Assembly. The key elements of this draft supplementary budget are as follows:

- The targeted amount of revenue and grants is CFAF 1395 billion, or 22.3 percent of GDP, including CFAF 1015 billion in tax revenue, or 16.2 percent of GDP. This framing also provides for sufficient resources for repayment of VAT credits (¶29).
- Proposed total expenditure and net lending is CFAF 1653 billion, or 26.4 percent of GDP, including CFAF 1264 billion, or 20.1 percent of GDP, from domestic resources. The expenditure mix is in line with the objectives set forth in the G-PRSP, with 26 percent devoted to strengthening the education, health and social spending, 29 percent to developing agriculture, water, public works and urban development, 21 percent to defense and public administration, and 8 percent to developing Northern Mali. A provision of CFAF 15 billion is provided to pay domestic arrears (currently being audited) accumulated by the government vis-à-vis its suppliers following the freeze on expenditure in the wake of March 2012 events (¶51).
- Accordingly, the target is for a basic fiscal balance is in equilibrium and an overall deficit, including grants (cash basis), of CFAF 275 billion (or 4.4 percent of GDP).

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

22. The government is preparing a military programming law with support from the European Union Training Mission in Mali (EUTM). The implications of the law for public finances will be analyzed in the coming months and addressed, if need be, in an LFR during the first half of 2015. The same approach will be used to implement investment projects for which memoranda of understanding were signed with the Chinese firms in September 2014 for a total of CFAF 5500 billion ($11 billion, or 93 percent of GDP). The same will apply for regional integration projects in Mali in the amount of CFAF 1750 billion ($3.5 billion, or 30 percent of GDP) presented by the WAEMU Commission, the impacts of which on public finances will be analyzed during the preparation of future budget laws. All of these projects will be implemented in keeping with the government's undertakings of fiscal and debt sustainability and good PFM practices in the context of its ECF arrangement.

B. Improve public financial management

23. *The government will continue to improve public financial management, in particular by remedying the weaknesses revealed by the public expenditure and financial accountability assessment (PEFA) conducted in 2011*. The assessment found progress in Mali's public financial management system in the areas of budget credibility, comprehensiveness, and transparency, as well as budget preparation and execution. However, it notes the room for improvement in tax collection, domestic debt service, cash management, accounting, reporting, and external control. The government is continuing implementation of the Government Action Plan to Improve and Modernize Public Financial Management in Mali (PAGAM/GFP II) covering the period 2011-15.

Improve revenue management

24. The government undertakes to raise the tax pressure by an amount equivalent close to 0.5 percent of GDP through the implementation of tax reforms designed to broaden the tax base and through the intensification of reforms undertaken by the DGI, the DGD, and the National Directorate of Government Property and Land Registry (DNDC) in order to enhance revenue collection (performance criterion, Tables 1 and 3).

Reform tax policy

25. *The government intends to continue to gradually reduce exemptions by implementing the following measures:*

- as introduced in the 2013 budget, inclusion of an annex in draft budgets containing tables of all exemptions provided in the General Tax Code, the Customs Code, the Petroleum Code, the Investment Code, the Mining Code, the law governing property development, and all other laws or government decisions providing for tax benefits, the respective legal basis and implementation date during 2013 and 2014, and the estimated loss of revenue for the government;[7]

- creation of a central tax and customs exemption file to identify stocks of exemptions granted by tax type and by legal and regulatory source, their expiration date, the identity of the beneficiary entities, and any other relevant information by December 31, 2014; aside from improving the monitoring of exemptions, this file could be used to set quantitative targets, where applicable, for reduction of exemptions;

- continue efforts to control discretionary exemptions and gradually reduce, to the extent possible, the exemptions provided in the General Tax Code, the Customs Code, the Investment Code, the Mining Code, the Petroleum Code, the law governing property development, and all other laws or government decisions providing tax benefits beginning with the 2016 budget.

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

- calculation of the structure of retail petroleum product prices based on actual market values of imported products, as provided by Community legislation; determination of the consumption subsidy resulting from the setting of the retail price below the prices resulting from such a calculation; and publication of that presentation of the price structure;

- presentation in the budget laws, of petroleum product consumption subsidies during the preceding year based on the unit subsidies resulting from the price structures by highway, by product, and by liter;[9]

- continued implementation of a monthly petroleum product pricing mechanism that took effect in June 2014 and ensures that changes in the cost of imported petroleum products are fully reflected in pump prices within a margin of 3 percent[10]; implementation of this mechanism could be suspended in the event of successive, particularly steep increase in petroleum product costs;

[7] In 2013, total tax expenditure resulting from exemptions totaled CFAF 233 billion ($466 million, or 4.2 percent of GDP), of which CFAF 162 billion (2.9 percent of GDP) in exemptions for taxes collected by the DGI and CFAF 71 billion (1.3 percent of GDP) for taxes collected by the DGD.

[8] Since 2005, tax revenue from petroleum products has dropped every year, except in 2009, from 3 percent of GDP in 2005 to less than 1 percent of GDP in 2012. 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.

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

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

- a study in cooperation with the World Bank, by February 28, 2015, to identify the distribution of those consumption subsidies among the population by income bracket;

- preparation, by June 30, 2015, of a strategy to gradually eliminate consumption subsidies identified in the petroleum products structure, including a communication component (proposed benchmark, Table 4) in light of Annex II of the IMF staff report on the 2012 Article IV consultations with Mali[11] and IMF Country Report No. 14/31;

27. *The government undertakes to simplify tax laws to lighten, to the extent possible, the administrative burden of tax return preparation for operators and revenue collection for the DGI.* This simplification effort will cover the real system (normal system applicable to major taxpayers or simplified system applicable to medium-sized taxpayers), the global tax applied to small-sized taxpayers and the tax on wages and salaries. The government will conduct all preliminary studies and consultations in order to start implementing this simplification beginning with the 2015 budget, starting with the global tax and its schedule of rates, which will be replaced with a single rate proportional to the taxpayers' turnover.[12]

28. *With assistance from the IMF Topical Trust Fund on Managing Natural Resource Wealth, the government hopes to increase receipts from mining and petroleum resources while making the business environment more competitive for Malian mining industries*. The mining and petroleum codes will be modernized in light of current international standards. The government will submit a new Petroleum Code to the National Assembly by end-2014. It will introduce amendments to the Mining Code by end-2015. In addition, it will take the steps needed to reduce the tax stability period from 30 to 15 years, in line with the average duration of mining operations. To increase the government's share of income from mining operations, the government plans to enlist specialized firms to audit mining contracts to identify any cases of tax avoidance and tax optimization. It also plans to strengthen the capacities of DGI and DNDC staff in auditing the companies' tax returns and costs. Finally, to increase transparency in the mining sector, the government has published all mining and petroleum contracts and the feasibility studies of companies now in the production phase on the Ministry of Mines website.[13]

[11] IMF Country Report No. 13/44. Mali – 2012 Article IV Consultation – Staff Report.

[12] As an example of the complexity of the existing tax system, the schedule of rates used to calculate the global tax, which produced CFAF 2.4 billion in revenue, or 0.3 percent of total net tax revenue in 2013, lists 326 professional categories. Application of the schedule can only be negotiated with the office given the necessarily incomplete nature of the categories and the multiple activities of numerous operators. See tax annex in the budget (Statement O).

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

Reform the tax, customs, and government property administrations

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

- *To ensure that VAT credits are refunded within the established time frames*, the account opened by the Treasury at the BCEAO, the use of which is restricted to refunding VAT credits, will continue to be funded by all VAT receipts paid by mining companies on their imports, and 10 percent of domestic VAT receipts; the DNTCP will study the need to increase the percentage the percentage by February 28, 2015, if necessary;

- *To simplify budget treatment of VAT credit refunds*, the government converted the escrow account at the BCEAO described above to a "special Treasury appropriation account" in the 2014 budget, in accordance with the provisions of financial regulations. The mechanism ensures that VAT credits are properly and regularly refunded as required by Community legislation to exporting gold companies and to all other companies that generate VAT credits with the exception of traders, as it currently stands. VAT refunds payable to gold companies for 2013 amount to CFAF 94 billion (including arrears prior to 2013) – of which CFAF 58 billion was paid in 2013 and CFAF 36 billion will be paid in 2014. In 2014, VAT refunds are estimated to total CFAF 62 billion, of which CFAF 46 billion will be paid in 2014 and CFAF 16 billion in 2015. In 2015, they are estimated at CFAF 78 billion, of which CFAF 58 billion will be paid in 2015 and CFAF 20 billion in 2016;

- *To avoid the accumulation of VAT credits vis-à-vis domestic operators, the system of VAT withholding at source will be completely eliminated, if possible, on January 1, 2016, with technical assistance from the IMF Fiscal Affairs Department*. The system of VAT withholding at source was eliminated for large businesses on December 31, 2011. Beginning January 1, 2016, this system will also be eliminated for the Treasury. To ensure that the elimination of VAT withholding at source does not result in a loss of tax revenue, the DGI: (i) implemented a communication campaign regarding obligations to declare and pay the VAT, which will be directed particularly at suppliers to large businesses during the second quarter of 2014 and all government suppliers by end-October 2015; (ii) will intensify its close monitoring of effective VAT payment by suppliers to large businesses as of now and by government suppliers subsequent to the elimination of VAT withholding at source that government suppliers must pay; and (iii) will systemize the production and improve the operation of the annex on deductible VAT in the VAT returns of taxpayers managed by the DGE;

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

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

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

- *Implementation of multidisciplinary audits*

    - The CMRIEF was established on March 15, 2012, to strengthen the effectiveness of tax audits and identify new taxpayers using, notably, all the databases of taxpayers or economic operators available to the DGI, the DGD, the DNDC, the DGABE, and the Directorate General of Public Contracts and Delegation of Public Services (DGMP-DSP).

    - By comparing imports declared to the DGD and turnover reported to the DGI, the CMRIEF determined that over 80 percent of importers, or roughly 1000 businesses, appear to have understated their turnover reported to the DGI in 2009, 2010, and 2011 by an estimated total of CFAF 500 billion per year (¶10). On June 30, 2014, the DGI recovered CFAF 13 billion ($26 million) and taxes as a result of this verification program. The CMRIEF will update this analysis for 2012 by February 28, 2015.

    - 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. The CMRIEF will update this analysis for 2012-13 by February 28, 2015.

    - The DGI has included these importers and will include these government contractors in its audit program, beginning with the businesses that appear to

[14] During the period from January 1, 2012, to May 31, 2013, only 27 percent of large businesses and 20 percent of medium-sized businesses effectively paid VAT, given the large number of VAT credits reported year after year. See IMF Country Report No. 13/355. Mali: Technical Assistance Report: Continued Modernization of the Malian Tax System and Administration, ¶49.

have underreported their turnover by the largest amounts in absolute terms. It already submitted to reports on the interim results of this audit program on importers to the Council of Ministers (¶10) on March 5 and September 10, 2014, and will submit a new report to the Council of Ministers covering both importers and recipients of government contracts by February 28, 2015.

- *Change in the DGE and DME turnover thresholds in order to streamline taxpayer administration.* To improve management of taxpayers and expand the number of taxpayers managed by the DGE and the DME, the Council of Ministers adopted an order raising the DGE turnover threshold from CFAF 500 million to CFAF 1 billion, and will adopt an order reducing the DME turnover threshold from CFAF 100 million to CFAF 50 million as of June 1, 2015. Taxpayers' files with a turnover ranging from CFAF 50 to 100 million will be transferred from the taxpayer offices (CDIs) to the DME no later than after submission of the 2014 income statements (the deadline for which is April 30, 2015), that is to say, June 1, 2015. This adjustment will improve the DGE's management and control of businesses, will quickly increase the number of taxpayers managed by the DME, and will improve management of the VAT by assigning all responsibility for this tax to the DGE and the DME effective June 1, 2015.

- *Promotion of tax compliance.* The DGI published lists of taxpayers managed by the DGE and the DME on the MEF website[15] in October 2011, and the updates in September 2014, so that the public could appreciate the results of efforts made to expand the tax base. As at March 16, 2014, the DGE handled 474 taxpayers, the DME handled 1,411 taxpayers, and the CDIs for the six communes of Bamako handled 49,665 taxpayers. As at September 22, 2014, the figures increased, respectively, to 480 for the DGE, 1,571 for the DME, and 54,528 for the Bamako CDI.

- *Increase in the number of taxpayers managed by the DME.* Using primarily the results of audits initiated following the CMRIEF reports, the DGI has undertaken to increase the cumulative number of taxpayers managed by the DME to 1750 by end-2014 and to 3000 by end-2015 with a view to increasing the share of revenue of the DME in that of the DGI from 5.4 percent in 2013 to 10 percent as soon as possible. To facilitate the achievement of this objective, the DGI plans to implement an institutional reform to convert the DME into one or more medium-size taxpayer centers (CME).

- *Payment of taxes to the DGE and the DME via bank transfer*. To simplify the payment of taxes, the DGI is working on the necessary measures to enable DGE and DME taxpayers to pay their taxes gradually by bank transfer as of March 1, 2014. As at September 22, 2014, 78 taxpayers were paying their taxes by bank transfer.

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

- *Strengthen the responsibility of tax collectors*. The government undertakes to implement the necessary measures in order that tax collectors become public accounting officers as of right and not merely in fact, to fully assume their tax collection responsibilities.

- *Improved efficiency of tax audits*. The DGI undertakes to increase the proportion of large and medium-sized businesses audited annually from the current 10 percent to 25 percent for large businesses and to 20 percent for medium-sized businesses in 2015. The DME undertakes to reduce the no filer rate among medium-sized businesses from 26 percent between January 2012 and April 2013 to less than 15 percent in 2014 and less than 10 percent in 2015. The DGI undertakes to reduce the no filer rate for CDIs from more than 70 percent between January 2012 and April 2013 to less than 45 percent in 2014 and less than 15 percent in 2015.

- *Identification of all taxpayers, including businesses and individuals, by means of a national identification number (NINA)* to facilitate business creation and modernize tax administration. The government undertakes to conduct, prior to February 28, 2015, a feasibility study for the migration, taking account of the expertise acquired since the institution of the taxpayer identification number (NIF) in 1996.

- *Improved effectiveness of the DGD*. The DGD will carry out its action plan to implement the recommendations of the June 2013 IMF TA mission conducted by the Fiscal Affairs Department.[16] The action plan aims to: (i) optimize human resources management; (ii) improve management of material and financial resources; (iii) monitor commercial operations; (iv) intensify efforts to combat fraud and cross-border crime; (v) facilitate trade and partnership; and (vi) optimize information and communication technologies by implementing the migration to the ASYCUDA World system on January 31, 2015. 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. To contribute to maintaining the competitiveness of Malian businesses, the DGD will be more systematic in strengthening verification of certificates of WAEMU origin in cooperation with issuing authorities and will produce an interim report on the results of this verification before February 28, 2015. To increase the collection of customs duties, the DGD advised operators that it would impose a fine of 10 percent on imports that were not verified prior to import, in accordance with applicable legislation. The DGD will ask the inspection company to provide it with monthly reconciliation reports comparing duties received and receivable, by declaration, and will analyze them with a view to increasing the collection of customs duties.

- *Modernization of the DNDC*. The DNDC will continue to implement the recommendations of the organizational audit sponsored by the Institutional Development Commission (*Commissariat au development institutionnel*) concerning the modernization of its

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

organization and automation of tasks. The DNDC will implement measures to increase the collection of capital gains tax on real property sales by individuals, the collection of which began on October 1, 2011. It will continue efforts to establish the land registry and will set up a secure archiving system. It undertakes to migrate 4,000 property titles already digitized in the cadastral information system database by December 31, 2015 in addition to the 1500 titles recorded in the database to date.

- *Modernization of the DGABE.* The Ministry of Government Property and Land Affairs (MDEAF) will modernize the DGABE through the introduction of modern management tools, such as results-based management (RBM), greater use of IT (use of stock accounting software in the accounting offices of ministries and public institutions), and implementation of reforms for better monitoring and appraisal of the government portfolio.

Improve expenditure management

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

Transpose the harmonized legislative framework prescribed by WAEMU directives

32. The government transposed in national laws and regulations WAEMU directives No. 01 and No. 06 of 10/2009 concerning the transparency code, budgets, public accounting, budget nomenclature, the government chart of accounts, and the TOFE. The government also undertakes to transpose Directive 01/2011 concerning the financial regimes of local governments. The government will ensure that the regulatory texts are published in 2014. They will be accompanied by directives and guides to ensure they are quickly and uniformly understood to facilitate implementation.

Improve government budget preparation

33. To improve budget submission and facilitate assessment of the efficiency of public expenditure, the government will gradually implement program budgets and results-based management, in accordance with applicable WAEMU directives. A first step will be the 2015 vote on the 2016 budget law, which will take the form of program budgets as provided by the directive on budget laws. During a transitional period, the government will submit not only the annexes described in this directive but also, for information purposes, a breakdown of appropriations according to the current resource-based budget as well as a breakdown of appropriations by region.

34. In order to gain visibility as early as possible with respect to the budget support provided by the TFPs, the government will ask the TFPs to provide information in April on the budget support planned for the following year.

35. 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 budget proposal. This exercise was organized

on September 5, 2014 for the 2015 budget law, and will continue each year. The information prepared for the discussions, and all other reports relating to budget preparation and execution, will be published on the MEF website in order to fully inform all stakeholders in Mali's development.

Improve government budget execution

36. *Pursuant to Community directives*, the following closing dates have been established for 2014 budget execution: commitments of ordinary operating expenditure and capital expenditure by November 30, 2014; commitments of other expenditures by December 20; payment orders by December 31, 2014; and payment order processing by accountants, payment authorization, and regularization of expenditures by January 31, 2015. In this way, the supplementary accounting period will be limited to accounting operations, and an end-of-year circular will be sent by end-September 2014 specifying the deadlines for expenditure commitment and validation with a view to ensuring that all commitments can be closed out on November 30, 2014.

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

- improve planning of requirements by forwarding procurement plans to the DGMP-DSP in September (instead of the current deadline of November 30), with the possibility of initiating competitive bidding procedures to the point of provisional award pending allocation of appropriations; this represents a gain of two months in planning and processing; in this context, the minister of economy and finance issued circular letter 002638/MEF-SG of August 19, 2014 asking all contracting authorities to prepare their 2015 procurement plans and forward them to the DGMP-DSP no later than September 30, 2014;

- increase the signature and approval thresholds to make contracting authorities more accountable;

[17] Voir www.dgmp.gov.ml

[18] In 2013, the government awarded 1028 public contracts for a total of CFAF 173 billion ($346 million, or 3.3 percent of GDP), 84 percent of which were awarded pursuant to competitive calls for tenders (75 percent in terms of value), 9 percent through limited competition (20 percent of value), and 7 percent through direct negotiation (24 percent of value).

[19] The average time required to award contracts was reduced from 121 days in 2010 to 94 days in 2013,

- reduce the regulatory time frames imposed on various public procurement stakeholders from 108 to 80 business days, a gain of 28 business days;
- reduce the number of contract signatories from seven to four;
- eliminate the dual review of files involving contracts financed using external resources;
- reduce the number of eliminatory administrative documents required from candidates and bidders for public contracts; and
- in accordance with the Accra Agenda and to improve the project implementation rate, the African Development Bank, following an evaluation of Malian national contracting procedures finding that those procedures incorporated principles of economy, efficiency, and transparency in procurement and applicable best practices, signed a letter agreement on July 17, 2014 with the Malian government authorizing the use of national procurement procedures in national calls for tenders.
- finally, to further improve the business environment, the Public Procurement Code is being revised to correct certain deficiencies identified by public procurement stakeholders.

38. *To maximize the profitability of public investments and minimize the associated cost*, the Directorate General of the Budget (DGB) and the National Directorate of Planning and Development (DNPD) are implementing the following measures:

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

39. *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 Ministry of Economy, Finance, and Budget (MEFB) is arranging for the monitoring of AE and CP utilization through the PRED5 expenditure management application.
- Beginning with the implementation of the 2016 budget, the procedure for carrying over CPs will take effect under a mechanism providing for full application of the carryover provisions

established by WAEMU directives, which allow for only secured CPs included in the cash flow plan to be carried over.

40. *To improve the expenditure execution process, the government will implement the recommendations contained in the audit of the expenditure chain, conducted with IMF TA* (¶10). It undertakes to organize a seminar by December 31, 2014 to discuss the findings of the audit with the TFPs and present an action plan to implement the recommendations of that audit.

41. *Payment deadlines will be more strictly monitored to prevent the accumulation of arrears.* Public financial management applications (PRED5 and AICE) will be used to monitor execution times for payment orders and to ensure that payments are made within 90 days of expenditure validation, in accordance with applicable WAEMU directives. Monthly tables will be produced for that purpose.

Improve fiscal transparency

42. *To improve transparency in 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 2014 and 2014 using the 1998 and 2009 nomenclatures based on the TOFE as at December 31, 2013. In 2014 and 2015, program monitoring will be based on the 1998 TOFE. Beginning in 2016, the DNTCP will only produce the TOFE using the 2009 nomenclature to monitor budget execution, and the ECF program monitoring will be based on the 2009 TOFE. In 2014, the DNTCP will first focus its attention on producing three of the four financial statements provided for by the 2009 directive, namely: (i) the TOFE (benchmark, Table 2); (ii) the statement of public debt; and (iii) the report on cash flow operations. The fourth financial statement, i.e. the balance sheet of government assets and liabilities, will be produced for the first time in 2015 based on the position as at end-2014.

43. *Implementation of the Treasury's new integrated accounting application, AICE, will continue*. The application was rolled out in the Koulikoro regional treasury office in January 2013 and will be rolled out at the Treasury Central Accounting Agency (ACCT), as the designated accounting office (*poste comptable assignataire*), by June 30, 2015. Roll-out and testing of the various application features in the Kayes, Ségou, Sikasso, Mopti, Tombouctou, Gao, and Kidal regions, and at the ACCT for the component dealing with the national consolidation of budget execution and real-time accounting with accounting offices, will be completed by end-2015. Roll-out of the AICE at the ACCT will enable production of all the consolidated statistical accounting statements of government entities connected to the application, including the integrated Treasury accounts balance and the TOFE, by January 1, 2016.

Improve cash management

44. *The DNTCP will continue the efforts under way to improve its command of the line items comprising the net government position (NGP) vis-à-vis the banking system.*[20] It published a report in April analyzing the changes in the NGP components, distinguishing changes in the line items most important to the net Treasury position (NTP) and those to the net position of other government entities [in French, *Position nette des autres entités publiques* or PNACP] in 2012 and 2013. The report presents the stocks at the beginning and close of the fiscal year and identifies all owners of the accounts included in the PNACP (benchmark, Table 2). The DNTCP will update the tables every six months. The report for December 2014 will be available before February 28, 2015. The BCEAO will continue to provide the DNTCP with the NTP extracted from the monetary survey in order to compile the TOFE, in accordance with applicable WAEMU directives. The DNTCP will update this report for the first half of 2014 by August 31, 2014.

45. *The DNTCP will continue the implementation of the Treasury single account (TSA) at the BCEAO*. A first step, completed on June 30, 2014, was to transfer to the TSA the available balances in current accounts opened on behalf of government accounting officers within the scope of the NTP, with the exception of those in regions where the BCEAO has no presence (proposed benchmark, Table 2). All term accounts within the scope of the NTP were transferred to the TSA as they matured. Dn the second step, to be completed gradually in 2015, the funds of all institutions responsible for implementing government policies under the government's supervision (EPA) which receive the majority of their financing from the government, which was on the order of CFAF 110 billion as at June 30, 2014, will be integrated into the TSA. The obligation of EPAs to deposit funds with the Treasury will be clearly reestablished and upheld under the principle of a single Treasury and consolidation of funds referenced by the related 2009 WAEMU directive. The government will clarify existing texts relating to the deposit of EPA funds with the Treasury by June 30, 2014. In the interim, the government will combine Malian counterpart funds for new co-financed projects in an escrow sub-account open at the BCEAO for projects whose donors agree to the principle.

46. *The DNTCP will enhance its supervision of EPAs.*[21] The government made the accounting system prepared by the DNTCP mandatory for EPAs in December 2013. The DGB will ensure that the budget of each EPA is submitted to the Minister of Finance for approval at the start of the fiscal year. The DNTCP will ensure it regularly receives semi-annual reports on the execution of EPA budgets. The MEF will advise the EPAs that the minister of economy and finances will not approve their 2015 budgets until they have submitted their financial statements for the first half of 2014 to the DNTCP.

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[20] As at June 30, 2014, the net government position (NGP) vis-à-vis the banks was a creditor position of CFAF 103 billion (1.7 percent of GDP) for the government in the broad sense used in the WAEMU directive on the TOFE. That figure includes a debtor net Treasury position (NTP) of CFAF 154 billion (2.6 percent of GDP) and a net creditor position for other government entities of CFAF 257 billion (4.3 percent of GDP).

[21] Of the 106 EPAs, only 36 regularly submit their accounts. See IMF Country Report No. 13/295. Mali – Resuming implementation of the WAEMU harmonized fiscal framework in a post-crisis context; Technical Assistance Report.

Strengthen internal and external controls

47. *Internal and external control structures will be strengthened*. The entities responsible for internal and external controls flagged numerous administrative weaknesses in public financial management in Mali. With respect to internal control, the Office of General Control of Public Services (*Contrôle Général des Services Publics, CGSP*) noted the shortage and inadequate use of procedures manuals within the government. To correct these weaknesses, the government adopted a 2012-15 national internal control strategy in August 2011, which it will implement with support from several of its TFPs. The National Financial Audit Directorate (DNCF) will carry out the new missions brought about by the implementation of the WAEMU directives (¶32), namely the selective prior control of expenditure, the ex-post assessment of program performance, and the continued deconcentration of its activities. The Office of the Auditor General (BVG) programmed 27 audits in 2014, compared to 20 in 2013. The number of staff in the Accounts Section of the Supreme Court will be increased. This section will be converted into an Audit Office as soon as possible, in accordance with the applicable WAEMU directive.

48. *The production and audit of the government's annual accounts will be expedited.* The Accounts Section of the Supreme Court is implementing a strategy for reconciling accounts based on the assessment of account positions produced by the DNTCP. For public accounts predating 1992, the government adopted a draft validation law on June 29, 2011, which the National Assembly passed on January 3, 2013. The Accounts Section reviewed the public accounts for fiscal years 1992 through 2008. The National Assembly passed the budget review laws for fiscal years 2008, 2009, and 2010. The government has submitted the draft budget review laws for 2011 and 2012 to the National Assembly. It will adopt the draft budget review law for fiscal year 2013 by end-2014, in accordance with Community directives.

Establish financial equilibrium for the Caisse Malienne de Sécurité Sociale and the Institut National de Prévoyance Sociale

49. *The government intends to take steps to ensure the financial equilibrium of the Malian Social Security Fund (*Caisse Malienne de Sécurité Sociale – *CMSS), which administers civil service pensions, and the National Social Insurance Institute (*Institut National de Prévoyance Sociale – *INPS), which administers the pension plan, occupational accident insurance, and family benefits for private-sector employees.* According to recent actuarial studies (2005 and 2010 for the CMSS, 2006 for the INPS), unless reforms are implemented, the deficits of these two entities could amount to 1 percent of GDP each in 2015. In line with the reform adopted by the National Assembly and analyses under way with technical assistance from the World Bank, the government will prepare, as soon as possible before December 31, 2015, and implement reform plans for both entities to eliminate their deficits in the medium term and create the fiscal headroom needed for priority spending under the G-PRSP.

Conduct a sustainable borrowing policy

50. *The government will continue to conduct a borrowing policy conducive to maintaining a sustainable level of debt* (¶19). The debt sustainability analysis conducted with IMF and World Bank staff concluded that the risk of debt overhang remains moderate.[22] The analysis also confirms that debt sustainability is highly sensitive to the price of gold (representing 70 percent of exports, production of which will decline in the medium term), to financial borrowing conditions, and to the continuation of sustainable fiscal policies. Therefore, the government reiterates its commitment to cover its external financing needs primarily with foreign-currency grants and loans with a minimum grant element of 35 percent (continuous performance criteria, Tables 1 and 3). In 2014, the government requested a waiver for the signature of a loan with a grant element slightly below the minimum required (¶9). In 2015 the government will not contract any non-concessional loans. It reserves the right to reconsider this commitment at the time of each program review if it identifies investment projects critical to the Malian economy that could not be financed under concessional terms. At the time of the third review, the government would like to establish a positive ceiling on non-concessional debt in the context of the program. In order to closely monitor the implementation of its borrowing policy, the government, by decision of March 24, 2014, effectively implemented the National Public Debt Committee (CNDP) with the mandate to make decisions on any borrowing and government guarantee initiatives or projects as well as to produce an annual paper on the borrowing strategy, to be appended to the budget.

51. *Management of domestic debt will be strengthened*. To this end, the Directorate General of Public Debt (DGDP) will compile an inventory of all agreements with respect to domestic debt and the commitment to guarantee domestic debt signed by the government in order to include the repayment schedules in the public debt data and budget laws. The government has retained a firm to conduct an audit of cumulative government domestic arrears following the spending freeze in the wake of the 2012 coup, and in previous years since 1995. This audit found CFAF 167 billion in arrears (3.1 percent of GDP), a third of which were accumulated in 2012 and another third in 2010 and 2011. Of this amount, CFAF 95 billion (1.7 percent of GDP) was validated by the consultant in light of information provided by the administration. The government requested that the firm conduct a supplemental audit of the documents forwarded by the administration after the deadline for submission of documents, and to reconcile the information forwarded by the administration with that collected from government's suppliers. The government has already paid CFAF 30 billion of the arrears validated in 2013, and has included CFAF 58 billion in appropriations in the supplemental 2014 budget to clear all the validated arrears that remain to be paid in 2014 (¶7), and has included a provision of CFAF 15 billion in the proposed 2015 budget law in anticipation of the outcome of the supplementary audit (¶21). Before paying off these arrears, the government will ensure that the taxpayers concerned do not themselves have tax arrears, in which case the government would make deductions from its arrears payments equal to those tax arrears.

[22] See Mali—Joint IDA/IMF Debt Sustainability Analysis Under the Debt Sustainability Framework for Low-Income Countries (forthcoming).

Improve economic statistics

52. The government undertakes to approve the new national accounts SNA 1993 for the years 1999-2003 by August 31, 2015. The authorities will accordingly: i) publish the definitive series for 1999 – 2008; ii) finalize and publish the provisional series for 2009 – 2010; and, iii) prepare and publish the new series from 2011 to present.

C. Improve the business environment to encourage private-sector development

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

54. The government plans to take measures aimed at mobilizing resources for infrastructure investment and simplification of tax legislation (¶29). In addition, it will take the measures described below to maintain the stability of the financial sector and improve access to financing, improve the financial position and productive capacity of the electricity sector, and reduce corruption.

Promote stability and development of the financial sector

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

- provide for the security of bank branches that have reopened in Northern Mali since August 2013;
- complete the privatization of the Banque de l'Habitat du Mali (BHM) by end-2015; the government will adopt the privatization scheme by February 28, 2015;
- prepare by February 28, 2015 a timetable of measures for implementing the recommendations made by a TA mission carried out by the IMF Monetary and Capital Markets Department in January 2014 to strengthen the stability of the financial system (proposed benchmark, Table 3); and
- restore confidence in the microfinance sector by developing a detailed action plan for sector reform by February 28, 2015.

Reform the electricity sector

56. *The government will take measures to eliminate the structural deficit between the cost and selling price of electricity in Mali*. Since the early 2000s, the government has been implementing an electricity pricing policy that provides the option of adjusting electric power prices to reflect changes in the firm's operating costs or of paying a subsidy to allow the EDM public corporation to fulfill its assigned objectives. Pursuant to that policy, the government has made five price adjustments since 2003,[23] resulting in stabilization of the average price of electricity, while international prices of petroleum products increased by a factor of three over the same period. The increased price of hydrocarbons, increased production, the rapidly growing share of thermal production in the energy production mix, and the increasing operational difficulties within EDM (largely associated with the company's cash flow problems) served to exacerbate a loss that represented CFAF 41 per kWh,[24] and losses prior to the government subsidy that climbed from CFAF 7 billion in 2003 to CFAF 42 billion in 2013. Consequently, the government allocated increasing subsidies to EDM to offset these losses, allow it to complete its cash flow plan, and enable it to pay its commitments to banks and suppliers. These subsidies totaled CFAF 5 billion in 2010, CFAF 11 billion in 2011, CFAF 30 billion in 2012, and CFAF 57.5 billion (1.1 percent of GDP) in 2013.

57. *In accordance with its electricity pricing policy, the government provided a subsidy of CFAF 60.8 billion to EDM in 2014 and CFAF 42 billion in the proposed 2015 budget to keep the company financially afloat*. This amount is based on the recommendations of the task force comprising representatives of the MEF, the MEH, the CREE, and EDM with a view to proposing ways to meet demand by 2020 and establishing a profit margin between the selling price and the average cost of electricity in the medium term. The task force identified management measures and priority investments to meet demand and reduce production costs, and proposed a rate adjustment of 3 percent per year on average in 2014–20. These measures will contain the pre-subsidy loss at CFAF 47 billion in 2014 and CFAF 53 billion in 2015 and would require a subsidy of CFAF 60.8 billion in 2014, CFAF 15 billion of which find announced by a grant from the Economic Community of West African States (ECOWAS) and a subsidy of CFAF 42 billion in 2015, CFAF 12 billion of which financed by an ECOWAS grant, to absorb the company's losses and balance it the cash management plan. The amount of the subsidies will be revised in March 2015 based on an assessment of EDM's financial position in 2014 and the first two months of 2015 and its short- and medium-term outlook. The government undertakes to publish the task force on the EDM website.[25] The government made the electricity price increase implemented on July 1, 2014 more equitable through a decision by the Council of Ministers on October 9, 2014.

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[23] Two decreases, one of 10 percent in 2003 and another of 8 percent in 2004, and three increases – of 4 percent in 2009, 6 percent in 2013, and 6 percent in 2014 –in the average price of electricity.

[24] In 2013, the average selling price of electricity was CFAF 95/kWh and the cost was CFAF 136/kWh.

[25] See www.edm-sa.com.ml/ and www.maliapd.org/spip.php?article365 .

58. *In the interim, the government will continue to regularly pay its electricity invoices and support the implementation of the sector development strategy by mobilizing financing for structural investments*. In the context of that strategy—which includes expansion of the distribution network, interconnection with neighboring countries' networks, and diversification of production modes and which is supported by the World Bank, among others—increased attention will be given to selecting investments based on development criteria at lower cost. The government will pay a subsidy of CFAF 30 billion under the proposed 2015 budget at the start of the year in order to lessen the company's cash flow problems to the extent possible. EDM will take all steps necessary to increase its billing rate and reduce its operating costs, including by outsourcing the fuel supply function. EDM will publish its financial statements and performance indicators (balance sheet and income statement) on its website.

Combat corruption

59. *The government will conduct a forceful anticorruption campaign*. To this end, it undertakes to implement the measures described above in order to improve the management and transparency of public finances; submit an amendment to the law on illicit enrichment to the National Assembly to extend the scope of application to all non-minors and legislators; and apply the law's provisions requiring annual financial disclosures by senior government officials to the Supreme Court by February 28, 2015. The government also undertakes to address the problem of corruption in the judicial system by publishing the decisions of the commercial courts and other courts in cases involving corruption and economic and financial crimes[26] and by implementing other specific measures to combat corruption in the judiciary. The government will accord priority to remedying offenses within the administration brought to light by the oversight bodies, including the BVG in its annual and sector reports. It will take all necessary measures to sanction corrupt employees through administrative or legal action, as appropriate. The CGSP will publish its first annual report by February 28, 2015 presenting the result of actions taken to remedy the offenses brought to light by the oversight bodies, with particular emphasis on the measures taken to discipline corrupt employees through administrative or legal measures. The government will prepare an action plan by February 28, 2015 to strengthen the AML/CFT and anti-corruption legal frameworks in line with international standards, guided by the recommendations of an IMF technical assistance mission that visited Bamako in September 2014.

Program monitoring

60. The program will be evaluated regularly based on performance criteria as at end-December 2014 and end-June and end-December 2015, on continuous performance criteria and indicators as at end-March and end-September 2015 (Tables 1 and 3), and on the benchmarks (Tables 2 and 4). The performance criteria and indicators are defined in the TMU, which also identifies the nature and frequency of the reporting required for proper program monitoring.

[26] See www.reforme-mali.org.

Completion of the third, fourth, and fifth reviews under the program is expected on or after May 1, 2015, November 1, 2015, and May 1, 2016, respectively.

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

	2013				2014												
	Dec.				March				June				Sep.			Dec.	
	Prog.[2]	Adj. Target	Est.	Status	Prog.[2]	Adj. Target	Est.	Status	Prog.[2]	Adj. Target	Est.	Status	Prog.[2]	Est.	Status	Prog.[2]	Rev. Prog.
Performance criteria																	
Government bank and market financing (ceiling)[3]	24	37	-23	Met	30	92	99	Not Met	48	145	119	Met	38			11	100
Cumulative increase in external payments arrears (ceiling)[4]	0		0	Met	0		0	Met	0		0	Met	0			0	0
New external debt contracted or guaranteed by the government on non-concessional terms (ceiling)[3,4]	0		0	Met	0		0	Met	0		0	Met	0	49	Not Met	0	49
Gross tax revenue (floor)	911		865	Not Met	231		231	Met	499		487	Not Met	742			1020	996
Indicative targets																	
Basic fiscal balance (floor)[5]	-18	-46	-44	Met	-43	-44	39	Met	-35	-42	60	Met	43			31	-53
Priority poverty-reducing expenditure (floor)[6]	346		347	Met	50		58	Met	122		153	Met	233	241	Met	382	364
Memorandum items:																	
External budgetary support	184		150		0		0		0		0		96			142	184
General budgetary grant	144		111		0		0		0		0		96			96	128
Net change in budgetary float (– = reduction)	7		-8		53		-25		53		-45		-8			-8	14
Tax refunds (–)	-58		-60		-5		-6		-13		-20		-20			-62	-72
Net change in arrears (– = reduction)	-37		-8		-31		-14		-34		-27		-31			-28	-74

Sources: Malian authorities; and IMF staff projections.

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

[2] IMF Country Report No. 13/380. Mali-Staff Report for Request of Three-Year Arrangement under the Extended Credit Facility.

[3] These performance criteria are subject to adjustment for external budget support, reduction of pending bills, tax refunds, and arrears payment. See TMU for more details.

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

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

[6] New definition starting in December 2014: excludes budgetary transfers to finance the deficit of the civil servants' pension fund (CMSS).

Table 2. Mali: Prior Actions and Structural Benchmarks for 2014

Measures	Timeframe	Macroeconomic rationale	Status
Prior actions for the 1st and 2nd reviews			
Adoption of a decree specifying the conditions for implementation of Article 8 of Decree No 08-485/P-RM of August 11, 2008 governing exclusions from the scope of the procedures for the award, execution, and settlement of public procurement contracts and public utility concessions for purchases of goods and services bearing the stamp "defense secret" or "essential interests of the State".		Strengthen fiscal governance.	Met, September 19.
Publication, on the website of the Office of the Prime Minister, of the audit reports by the Audit Chamber of the Supreme Court and the Auditor General's Office of the compliance with budget and procurement laws and rules of the purchase of an aircraft for CFAF 19 billion (US$38 million), a contract for the supply of goods other than arms and munitions entered into by the Ministry of Defense and Veterans Affairs for the amount of CFAF 69 billion (US$140 million), and the issuance of a government guarantee for the amount of CFAF 100 billion (US$200 million) related to the latter and other contracts.		Strengthen fiscal governance.	Met, October 10 and 29.
Publication, on the website of the Office of the Prime Minister, of a progress report on the status of implementation of the provisions of Article 18 of Law 96-060, enacting the Budget Law, providing for sanctions against the improper commitment of public expenditure and any other procedures for sanctioning the other violations noted in the audit reports from the Auditor General's Office and the Supreme Court.		Strengthen fiscal governance.	
Structural benchmarks			
Report from the Directorate General of Taxes (DGI) on the interim outputs of its corporate verification program, for which the Joint Economic and Financial Intelligence and Investigation Committee (CMRIEF) produced reports in February and September 2013 showing that turnover was abnormally low.	28-Feb-14	Increase tax revenue.	Not met. (Report submitted on March 5 covered importing companies but did not cover governement suppliers).
Distribution of a report to the technical and financial partners on the results of an audit of the expenditure chain.	28-Feb-14	Improve governance and speed up budget execution.	Met, March 21.
Publication on the website of the Ministry of Economy and Finance a report by the National Directorate of the Treasury and Public Accounting (DNTCP) analyzing the movements of the items of the NGP, highlighting the movements of the most significant items included in the net Treasury position (NTP) and in the net position of other government entities (PNACP) in 2012 and 2013 as well as presenting the beginning- and end-of-year stocks and identifying the holders of all accounts included in the PNACP.	28-Feb-14	Strengthen cash management.	Met, August 12.
Discussion by the Council of Ministers of proposals prepared jointly by the Ministry of Economy and Finance, Ministry of Energy, and the state electricity company, *Energie du Mali* (EDM), with a view to establishing a profit margin between the sales price and the average cost price of electricity.	28-Feb-14	Reduce budget transfers and increase economic growth.	Met, May 14.
Production of the government Flow of Funds Table (TOFE) for end-December 2013 and end-March 2014 in keeping with the latest applicable WAEMU directive of 2009.	30-Jun-14	Improve fiscal transparency.	Met, Augsut 31.

Source: Malian authorities.

Table 3. Mali: Proposed Performance Criteria and Indicative Targets, 2015 [1]

	2015			
	March	June	Sep.	Dec.
	Prog.	Prog.	Prog.	Prog.
Performance criteria				
Government bank and market financing (ceiling) [2]	127	115	32	34
Cumulative increase in external payments arrears (ceiling) [3]	0	0	0	0
New external debt contracted or guaranteed by the government on non-concessional terms (ceiling) [3,4]	0	0	0	0
Gross tax revenue (floor)	251	546	822	1103
Indicative targets				
Basic fiscal balance (floor) [4]	-58	-30	7	1
Priority poverty-reducing expenditure (floor)	63	134	244	394
Memorandum items:				
External budgetary support	7	24	97	122
General budgetary grant	7	24	73	73
Net change in budgetary float (– = reduction)	-50	-32	4	4
Tax refunds (–)	-22	-44	-66	-88
Net change in arrears (– = reduction)	-5	-18	-19	-20

Sources: Malian authorities; and IMF staff projections.

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

[2] These performance criteria are 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] This indicative target is subject to adjustment for budgetary grants and tax refunds. See TMU for more details.

Table 4. Mali: Proposed Structural Benchmarks for 2015

Measures	Timeframe	Macroeconomic rationale
Audit by the Public Service Audit Office (CGSP) of the conformity of exceptional contracts bearing the stamp "defense secret" or "essential interests of the State" with the attendant decree adopted by the Council of Ministers on September 19, 2014.	28-Feb-15	Reduce the cost of public spending and secure donor support.
Report by the Minister of Economy and Finance on extrabudgetary spending since September 25, 2014.	28-Feb-15	Strengthen fiscal governance.
Prepare an action plan for implementation of the recommendations made by the January 2014 technical assistance mission from the IMF's Monetary and Capital Markets Department on strengthening financial sector stability.	28-Feb-15	Strengthen financial sector stability.
Preparation, by June 30, of a strategy for phasing out the consumption subsidies identified in the petroleum product structure.	30-Jun-15	Increase tax revenue.

Table 5. Mali: Central Government Consolidated Financial Operations, 2015
(CFAF billions)

	March	June	September	December
Revenue and grants	312.6	682.7	1,056.7	1,395.2
Total revenue	267.1	581.2	872.0	1,168.1
Budgetary revenue	240.9	528.7	793.3	1,063.1
Tax revenue	228.6	502.3	756.4	1,015.0
Direct taxes	68.9	175.8	242.2	323.7
Indirect taxes	159.6	326.6	514.2	691.3
VAT	94.6	196.5	301.6	406.9
Excises on petroleum products	6.8	13.1	20.2	27.8
Import duties	36.6	74.5	113.9	150.6
Other indirect taxes	43.6	86.3	144.4	193.8
Tax refund	-22.0	-43.9	-65.9	-87.8
Nontax revenue	12.3	24.3	33.3	43.0
Special funds and annexed budgets	26.3	52.5	78.8	105.0
Grants	45.4	101.5	184.7	227.1
Of which: Projects	30.5	60.9	91.4	121.8
Of which: Budgetary support	15.0	40.6	93.3	105.3
General	6.9	24.4	72.9	72.9
S ectoral	8.1	16.2	20.4	32.4
Total expenditure and net lending (payment order basis)	435.2	842.0	1,244.8	1,653.0
Budgetary expenditure	411.1	792.0	1,169.8	1,553.0
Current expenditure	253.1	476.1	699.2	922.2
Wages and salaries	87.4	174.9	262.3	349.8
Goods and services	67.8	135.6	203.4	271.2
Transfers and subsidies	88.7	147.4	206.1	264.8
Interest	9.1	18.2	27.3	36.4
Of which: domestic	3.3	6.6	9.8	13.1
Capital expenditure	158.0	316.0	470.6	630.8
Externally financed	97.5	195.0	289.1	388.8
Domestically financed	60.5	121.0	181.5	242.0
Special funds and annexed budgets	26.3	52.5	78.8	105.0
Net lending	-2.1	-2.5	-3.8	-5.0
Overall fiscal balance (excl. grants)	-168.1	-260.9	-372.8	-484.9
Overall fiscal balance (incl. grants)	-122.6	-159.4	-188.2	-257.8
Variation of arrears	-5.1	-18.0	-19.1	-20.3
Adjustment to cash basis	-50.5	-32.5	3.6	3.6
Overall balance (cash basis, incl. grants)	-178.2	-209.8	-203.7	-274.6
Financing	178.2	209.8	203.7	274.6
External financing (net)	48.4	96.8	169.0	242.8
Loans	57.9	115.9	197.7	281.0
Project loans	57.9	115.9	173.8	231.7
Budgetary loans	0.0	0.0	23.9	49.3
Amortization	-15.5	-31.1	-46.6	-62.1
Debt relief	6.0	12.0	17.9	23.9
Variation of External Arrears (Principal)	0.0	0.0	0.0	0.0
Domestic financing (net)	129.9	113.0	34.7	31.7
Banking system	119.3	102.8	18.0	19.5
Central bank	-2.9	-3.8	-6.9	-7.6
Commercial banks	122.2	106.7	24.8	27.1
Adjustment[1]	0.0	0.0	0.0	0.0
Privatization receipts	0.0	0.0	0.0	0.0
Non-bank financing	10.6	10.2	16.8	12.2
Financing gap	0.0	0.0	0.0	0.0
Memorandum items				
Basic fiscal balance[2]	-57.7	-29.6	7.1	0.7
Government bank and market financing	127.0	115.4	32.2	33.9

Sources: Ministry of Finance; and IMF staff projections.

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

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

Attachment II—Technical Memorandum of Understanding

1. This TMU defines the performance criteria and indicators presented in Tables 1 and 3 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.

DEFINITIONS

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

PERFORMANCE CRITERIA

3. Except as noted, the following financial targets will serve as performance criteria at end-December 2014 and end-June and end-December 2015 and indicators at end-March and end-September 2015.

A. Ceiling on net domestic bank and financial market financing of government

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

5. The **net position of the government in the broad sense** is defined as the balance of the government's debts and claims vis-à-vis the central bank and the commercial banks. The scope of the government's net position is that used by the Central Bank of West African States (BCEAO) pursuant to Community provisions. It involves a definition of government that is broader than the definition given in paragraph 2 and includes the local authorities, certain projects, and some public administrative entities. The government's claims include CFAF cash balances, postal checking accounts, secured liabilities, and all deposits by government agencies with the BCEAO and the commercial banks, with the exception of government industrial and commercial agencies (EPIC) and state-owned corporations, which are excluded from the calculation. The government's debts to the banking system include all debts to these financial institutions. Cotton Stabilization Fund deposits and government securities held outside the Malian banking system are not included in the

calculation of the government's net position. The broad net government position is calculated by the BCEAO.

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

ADJUSTERS

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

8. The ceiling on net domestic bank and market financing of government will be adjusted upward (downward) if the **net reduction in the budgetary float (*instances de paiement*)** is higher (lower) than program amounts (MEFP, Tables 1 and 3). The budgetary float is defined as payment orders that have not been paid by the National Directorate of the Treasury and Public Accounting (DNTCP) in the context of budget execution or on miscellaneous correspondent or depositor accounts, irrespective of how long such payments have been outstanding.

9. Lastly, the ceiling on net bank and market financing to government will be adjusted upward (downward) for the **payment of VAT credits, other tax refunds, external arrears, and audited arrears from previous fiscal years,** which exceed (fall short of) program amounts (MEFP, Tables 1 and 3).

B. Ceiling on accumulation of external government payments arrears

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

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

C. Ceiling on non-concessional external debt contracted or guaranteed by the government and/or public enterprises

12. **Definition of the debt**. The definition of the debt is set out in IMF Executive Board Decision N° 6230– (79/140), point 9, as revised on August 31, 2009 by Executive Board Decision N° 14416–(09/91):

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

i. loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

ii. suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

iii. leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

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

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

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

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

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

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

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

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

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

D. Floor on gross tax revenue

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

INDICATIVE TARGETS

20. The following will serve as indicative targets at end-December 2014 and end-March, June, September, and December 2015.

A. Floor on the basic fiscal balance

21. The basic fiscal balance is defined as the difference between net total revenue, plus budgetary grants (general budgetary support) and HIPC resources, and total authorized expenses plus net lending, excluding capital expenditure financed by creditors or donors, pursuant to the definition of the basic fiscal balance in the WAEMU texts (Additional Act N° 05/2009/CCEG/UEMOA of March 17, 2009, amending Act Nº04/1999 on the Convergence, Stability, Growth, and Solidarity Pact).

ADJUSTER

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

23. Lastly, the floor on the basic fiscal balance will be adjusted downward (upward) for the **payment of VAT credits and other tax refunds** exceeding (under) the programmed amounts (MEFP, Tables 1 and 3).

B. Floor on priority poverty-reducing expenditure

24. Priority poverty-reducing expenditure is defined as the sum of expenditure in the sectors of basic education, secondary and higher education, scientific research, health, and social development other than transfers to the Malian Social Security Fund (CMSS). It excludes project-related capital expenditure financed by foreign technical and financial partners.

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 (¶6), 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.

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

Additional information for program monitoring

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

Summary of Reporting Requirements

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

Sectors	Type of Data	Frequency	Reporting Deadline
	Basic fiscal balance as recorded in the TOFE	Monthly	Month-end + 6 weeks
	Tax and customs exemptions	Monthly	Month-end + 4 weeks
	Order fixing petroleum prices, tax revenue from petroleum products, and total exemptions granted	Monthly	Month-end
	Imports of petroleum products broken down by type and by point of entry	Monthly	Month-end + 2 weeks
	Expenses authorized and not paid 90 days after validation by the financial comptroller	Monthly	Month-end + 1 week
	Report by the Minister of Economy and Finance on extra-budgetary spending	Six-Monthly	End-February and August
Monetary and Financial Data	Summary survey of the BCEAO, summary survey of the banks, survey of monetary institutions	Monthly	Month-end + 4 weeks (provisional); Month-end + 8 weeks (final)
	Foreign assets and liabilities and breakdown of other items net (OIN) of the BCEAO and the commercial banks	Monthly	Month-end + 8 weeks
	Lending and deposit interest rates, BCEAO policy rate, BCEAO reserve requirements	Monthly	Month-end + 4 weeks
	Bank prudential ratios	Monthly	Month-end + 6 weeks

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

INTERNATIONAL MONETARY FUND

MALI

November 14, 2014

FIRST AND SECOND REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR WAIVER OF PERFORMANCE CRITERIA, AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA—INFORMATIONAL ANNEX

Prepared By

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

CONTENTS

RELATIONS WITH THE FUND

(As of October 31, 2014)

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

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

SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	89.36	100.00
Holdings	73.36	82.09

Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
RCF loans	22.00	23.58
ECF Arrangements	64.96	69.63

Latest Financial Arrangements:

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

[1/] Formerly PRGF.

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

	Forthcoming				
	2014	2015	2016	2017	2018
Principal	1.93	5.67	8.17	11.60	12.70
Charges/Interest	0.00	0.22	0.20	0.18	0.15
Total	1.94	5.88	8.37	11.78	12.84

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

Implementation of HIPC Initiative:

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

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

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

Implementation of Multilateral Debt Relief Initiative (MDRI):

I. MDRI-eligible debt (SDR Million)[1/]	75.07
Financed by: MDRI Trust	62.44
Remaining HIPC resources	12.63

II. Debt Relief by Facility (SDR Million)

	Eligible Debt		
Delivery Date	**GRA**	**PRGT**	**Total**
January 2006	N/A	75.07	75.07

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

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

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

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

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

Safeguards Assessments

The Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union (WAEMU). The last safeguards assessment of the BCEAO was concluded in December 2013. The assessment found that the bank continues to have a strong control environment and has, with the implementation of the 2010 Institutional Reform of the WAEMU, enhanced its governance framework. Specifically, an audit committee was established to oversee the audit and financial reporting processes, transparency has increased with more timely publication of the audited financial statements, and the BCEAO is committed to IFRS implementation by end –2014. The assessment also identified some limitations in the external audit process and recommended that steps be taken to ensure its adequacy.

Exchange Rate Arrangements

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

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

Sharing a common trade policy with other members of WAEMU, Mali has shifted key trade policy-making to the sub-regional level. The common external tariff (CET) was adopted in January 2000. Mali complies with the union's tariff rate structure and has effectively dismantled internal tariffs. Between 1997 and 2003, WAEMU tariff reform reduced the simple average custom duty from 22 percent to 15 percent; the maximum rate is currently 20 percent. Imports to Mali are not subject to quantitative restrictions.

Mali's exports to the European Union generally enjoy non-reciprocal preferential treatment in the form of exemption from import duties under the Everything but Arms initiative. Malian goods enjoy nonreciprocal preferential access to the markets of developed countries other than the European Union under the Generalized System of Preferences. Mali is also eligible to benefit from the United States' African Growth and Opportunity Act. Mali imposes no de jure restrictions on exports.

Article IV Consultations

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

Technical Assistance

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

Technical Assistance (concluded)

Department	Type of Assistance	Time of Delivery	Purpose
FAD	Long Term Expert	September 2013-September 2014	Public finance accounting, information system, and treasury management
AFRITAC	Expert	June 2013	Tax policy and administration
AFRITAC	Expert	April 2013	Government finance statistics
AFRITAC	Expert	Mar 2013	Public debt management
FAD	Expert	Feb 2013	Public financial management
FAD	Long Term Expert	May 2011-March 2012	Public finance accounting, information system, and treasury management
FAD	Expert	Jan 2012	Tax administration

Resident Representative

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

JOINT MANAGEMENT ACTION PLAN IMPLEMENTATION

Title	Products	Provisional Timing of Missions	Provisional Delivery Dates
	A. Mutual Information on Relevant Work Programs		
World Bank Work Program	Mali Systematic Country Diagnosis	December 2014	April 2015
	Mali Country Partnership Framework	December 2014	June 2015
	Development Policy Operation	March 2015	July 2015
Fund Work Program	Article IV Consultation and Third review of three-year arrangement under the Extended Credit Facility	March 2015	June 2015
	Fourth review of three-year arrangement under the Extended Credit Facility	September 2015	December 2015
	B. Requests for Work Program Inputs		
Bank request to the Fund	Information on recent macroeconomic developments, macroeconomic projections and analysis for 2015–16 and the medium term	March 2015 September 2015	June 2015 December 2015
	Assessment Letter of the Fund on the adequacy of the macroeconomic framework after the Article IV mission	March 2015	April 2015
Fund request to the Bank	Comments on the composition of the budget and its alignment with Growth Enhancing and Poverty Reduction Strategy papers (G-PRSP3 and PAG)	March 2015 September 2015	June 2015 December 2015
	Distributional impact of energy subsidies	March 2015	June 2015
	Budgetary implications of developments and reforms engaged in safety net, electricity, and agricultural sectors	March 2015 September 2015	June 2015 December 2015
	C. Agreement on Joint Products		
	Joint Bank-Fund Debt Sustainability Analysis	September 2015	December 2015

STATISTICAL ISSUES

(As of October 31, 2014)

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

Real sector

The economic accounts of Mali are prepared by the National Institute of Statistics (*INSTAT*), in accordance with the *System of National Accounts 1968 (SNA68)* and adapted to certain characteristics specific to Mali. They are compiled on an annual basis. There are, however, weaknesses in the accuracy, coverage, and timeliness of national accounts data. The main reason has been the inadequacy of source data, along with insufficient funding and technical staffing of the INSTAT. The work on implementing the *System of National Account*s 1993 (1993 SNA) is ongoing, with the support of the West African Economic and Monetary Union (WAEMU) Commission and AFRITAC West. The new series will be released in late 2014.

In concert with the other WAEMU member countries, the INSTAT has been compiling and publishing a harmonized consumer price index (CPI) for Bamako on a monthly basis since early 1998. The harmonized CPI has been updated in 2010 with 2008 as the new reference year.

Government finance statistics

As part of the process of economic integration among the member countries of the WAEMU, the country has made significant progress in bringing its fiscal data in line with the common framework that has been developed with technical assistance from the Fund (the harmonized table of government financial operations – TOFE based on the *Government Finance Statistics Manual 1986*). However, further efforts are needed to improve the timeliness and coverage of the TOFE. Work is progressing with the assistance of STA, AFRITAC West and AFRISTAT to expand the coverage of the TOFE to public agencies and local governments, as well as to strengthen coverage of domestic financing items. Quarterly budget execution reports are posted on the Ministry of Finance website on a timely basis.

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

Hopefully, Mali will resume reporting GFS data for the *GFS Yearbook 2013*. In addition, the mission discussed the implementation of the new TOFE (Directive n°10/2009/CM/UEMOA on TOFE) based on the *GFSM 2001*.

Public debt statistics (domestic and Foreign) are prepared and monitored by the Public Debt General Directorate (PDGD). The PDGD uses CS-DRMS accounting software. Debt data and projections are of generally good quality, although there is scope for improving presentation as well as the coverage of debt relief (multilateral and bilateral). A Debt Management Performance Assessment (DeMPA) was finalized in late 2009, and the authorities are working to strengthen debt data in line with the DeMPA report's recommendations.

Monetary data

Monetary and financial statistics:

Monetary and financial statistics, compiled and disseminated by the regional Central Bank of West African States (BCEAO), are broadly adequate and their institutional coverage is comprehensive. The dissemination of monthly monetary data from the BCEAO takes four to six weeks consistent with GDDS recommendations. Data are posted on the BCEAO website with a considerably longer lag. Accuracy is somewhat hampered by the use of 1990 sorting coefficients to estimate cross border amounts of banknotes among BCEAO countries, which in turn are used to estimate currency in circulation and to adjust the net foreign assets of each member country. Standardized Report Forms (in line with the *Monetary and Financial Statistical Manual*) are still not regularly used to report monetary data to the IMF.

Balance of payments

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

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

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

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

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

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

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

Poverty statistics

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

Mali: Common Indicators Required for Surveillance

(As of October 31, 2014)

	Date of latest observation	Date received	Frequency of data	Frequency of reporting	Frequency of publication
Exchange Rates	Current	Current	D	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	July 2014	September 2014	M	M	M
Reserve/Base Money	July 2014	September 2014	M	M	M
Broad Money	July 2014	September 2014	M	M	M
Central Bank Balance Sheet	July 2014	September 2014	M	M	M
Consolidated Balance Sheet of the Banking System	July 2014	September 2014	M	M	M
Interest Rates[2]	Current	Current	I	W	M
Consumer Price Index	September 2014	October 2014	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	March 2014	September 2014	M	Q	A
Stocks of Central Government and Central Government-Guaranteed Debt[5]	December 2013	March 14	M	I	A
External Current Account Balance	2013	March 2014	A	A	A
Exports and Imports of Goods and Services	2013	March 2014	A	A	A
GDP/GNP	2013	March 2014	A	A	Semi-A
Gross External Debt	2013	March 2014	A	A	A
International Investment Position[6]	2013	March 2014	A	A	A

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

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

INTERNATIONAL MONETARY FUND

MALI

November 14, 2014

FIRST AND SECOND REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR WAIVER OF PERFORMANCE CRITERIA, AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA—DEBT SUSTAINABILITY ANALYSIS

Approved By
Roger Nord and Peter Allum (IMF) and John Panzer (IDA)

Prepared by
the International Monetary Fund and
the International Development Association

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

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

A. Background

Recent Developments in Public External Debt

1. As a result of the enhanced Highly Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI), Mali's stock of external debt has declined significantly. Mali's stock of public and publicly guaranteed external debt declined from 89 percent of GDP in 2001 to 19 percent in 2006 owing to enhanced HIPC debt relief in 2002 and MDRI debt relief in 2006 (Text Table 1). At end–2013, it had increased to 26 percent of GDP owing mainly to new loans granted by the International Development Association (IDA), the African Development Bank (ADB), the Islamic Development Bank (IsDB), and the IMF (mainly through an allocation of SDR 74 million in 2009). The bulk of Mali's stock of external public debt is public is owed to multilateral creditors, mainly IDA, ADB and IsDB. There are no official estimates of Mali's total private external debt stock but a rough proxy suggests this is likely to be small, at around 6 percent of GDP.[1]

Text Table 1: Mali: External Debt Stock at Year-End, 2001–13
(billions of CFAF)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total	1,969	1,156	1,169	1,185	1,474	606	583	868	891	1,253	1,231	1,356	1,407
(percent of GDP)	89.0	52.0	47.7	45.0	50.9	18.9	17.0	22.2	21.1	26.8	24.4	25.5	25.7
Multilateral	1,506	824	741	878	1,199	357	448	616	767	896	1,006	1,105	1,160
IMF [1]	110	100	94	79	66	4	6	19	68	72	101	101	83
World Bank/IDA	343	106	176	268	384	84	216	263	313	414	494	578	586
African Development Bank	329	116	239	289	380	121	134	112	136	158	257	247	229
Islamic Development Bank	45	40	36	55	64	31	57	96	112	114	124	118	111
Others	678	462	195	187	306	117	34	126	138	139	30	62	151
Bilateral	456	327	423	302	270	247	193	192	188	236	222	276	284
Paris Club official debt	127	31	8	17	18	13	16	4	4	10	13	13	10
Non-Paris Club official debt	328	297	416	285	252	234	178	188	184	226	209	263	275
Other Creditors	7	4	4	4	6	2	3	3	3	3	2	2	1

Sources: Malian authorities, staff estimates.

[1] Includes August 2009 SDR allocation.

Recent Developments in Public Domestic Debt

2. Mali's domestic public debt is small (5.9 percent of GDP in 2013, Text Table 2). It consists of commercial bank loans, treasury bills and bonds issued on the regional market of the West African Economic and Monetary Union (WAEMU) and arrears owed to domestic suppliers. Domestic debt more than tripled between 2009 and 2013 mainly as a result of new issuances of treasury bills and bonds, but

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

also owing to an inventory of all loans contracted or guaranteed by the government that the authorities have been conducting as part of their plan to strengthen debt management.

Text Table 2: Mali: Public Domestic Debt Stock at Year-End, 2009–13
(billions of CFAF)

	2009	2010	2011	2012	2013
Total	97	203	238	231	318
Nominal GDP	4233	4667	5038	5328	5484
(percent of GDP)	2.3	4.4	4.7	4.3	5.8
Central bank (ex IMF)	8	6	3	1	0
Commercial banks	82	94	114	112	172
Other [1]	6	104	120	119	146

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

Debt Burden Thresholds under the Debt Sustainability Framework

3. **Mali is a medium policy performer for the purpose of determining the debt burden thresholds under the Debt Sustainability Framework (DSF).** Mali's rating on the World Bank's Country Policy and Institutional Assessment (CPIA) averaged 3.47 (on a scale of 1 to 6) during 2011–13, making it a medium policy performer. The corresponding external public debt burden thresholds are shown in Text Table 3.

Text Table 3. External Public Debt Thresholds for "Medium Policy Performers" under the Debt Sustainability Framework

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

B. Underlying assumptions

Baseline Scenario

4. **In the short run the economy is expected to grow above trend as activity recovers following the political and security crisis of 2012.** The baseline scenario remains broadly in line with that of the December 2013 DSA[2] and assumes a stable political environment, the implementation of sound macroeconomic and structural policies, and the resumption of aid and foreign direct investment (FDI), which in the near term allow for above-trend GDP growth and slightly larger fiscal and current account deficits. Notable revisions compared to the December 2013 DSA include (Text Table 4):

- Gold prices are around 5 percent lower over the projection period, which in turn impacts on the level of export receipts.
- Real GDP growth is expected to be slightly weaker in the near term owing to increased business and consumer uncertainty stemming from unsettled security problems in the North.
- Official aid in 2014 is expected to be higher than in the previous DSA, following updated commitments made by donors at the May 2014 Bamako conference to help Mali's recovery from the security and political crisis of 2012.
- The overall fiscal deficit (excluding grants) is projected to be moderately higher than in the previous DSA in the near term, given the higher projected official aid.
- The near-term current account deficit (excluding grants) is expected to be lower than in the previous DSA due to lower oil prices and projected new gold mining coming on stream, which together outweigh the impact of lower gold prices on export receipts.
- All new borrowing is projected to be on concessional terms, that is with a grant element of at least 35%.

[2] See Joint IDA/IMF Debt Sustainability Analysis in IMF Country Report No. 13/380.

Text Table 4. Mali: Evolution of Selected Macroeconomic Indicators

	2013	2014	2015	2016	2017	Long term [1]
Real GDP growth						
Current DSA	1.7	5.8	5.5	5.1	5.2	4.9
Previous DSA	5.1	6.6	5.5	5.5	4.9	5.1
Overall fiscal deficit (excluding grants, percent of GDP)						
Current DSA	-6.5	-10.1	-7.7	-5.9	-5.9	-5.5
Previous DSA	-6.7	-7.8	-6.5	-6.0	-5.3	-5.3
Current account deficit [2] (excluding grants, percent of GDP)						
Current DSA	-17.9	-19.8	-13.3	-8.9	-6.7	-8.7
Previous DSA	-24.2	-19.5	-14.2	-13.2	-10.5	-9.3
Official aid [3] (percent of GDP)						
Current DSA	6.1	9.8	8.1	6.3	6.3	6.3
Previous DSA	6.8	8.8	7.2	6.7	6.1	6.0
Gold prices (US$/fine ounce London fix)						
Current DSA	1411	1290	1286	1295	1320	1619
Previous DSA	1459	1459	1459	1459	1459	1694

[1] Defined as the last 15 years of the projection period. For the current DSA, the long term covers the 2020-34 period. For the previous DSA, it covered 2019-33.

[2] The large current account (excluding grants) deficit in 2013-15 reflects the international military intervention in the North, which is registered as imports of security services financed by grants of averaging 7% of GDP over the 3 year period.

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

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

Box 1. Mali: Macroeconomic Assumptions Underlying the Baseline Scenario, 2014–34

- **Real GDP growth** is expected to pick up after zero percent growth caused by the political and security challenges in 2012 and low growth (1.7 percent) in 2013 caused by a poor harvest. Near term growth in 2014 is projected to rebound significantly to 5.8 percent, while long-term growth is expected to average 4.9 percent per year, moderately higher than the trend observed during the last 10 years including the crisis (3.8 percent) but in line with average growth over the past 25 years (4.6 percent). Gold output is projected to decline by about 2 percent annually starting in 2017. Strong growth in the secondary and tertiary sectors, aided by political stability and supported by structural reforms is expected to offset this decline over time. With a projected rapid population growth, the baseline scenario thus assumes low per capita income growth and therefore continuous access to concessional financing linked to low income status.

- **Consumer price inflation** is projected to remain below the WAEMU convergence criterion of 3 percent, reflecting low global inflation and favorable domestic weather conditions.

- **Fiscal policy**. Owing to pressing public spending needs, the overall fiscal deficit (excluding grants) is expected to increase to about 10 percent of GDP in 2014 from about 7 percent in 2013 with the difference to be financed by an increase in grants and loans pledged by the international community to help with the country's recovery from the 2012–13 crisis. The overall fiscal deficit (excluding grants) is projected to come down to and average around 5.5 percent of GDP in 2020-34, and to be financed in equal proportion by grants and external loans. The basic fiscal balance (revenue plus budgetary grants minus domestically financed expenditure) is expected to remain at zero in line with the convergence criterion of the WAEMU of which Mali is a member. Tax revenue, as percent of GDP, is expected to increase by about 4.8 percentage points over the projection period, finance the increase of domestically financed expenditure, and compensate the reduction of aid after the surge in 2013–16. Therefore, there is no recourse to additional domestic borrowing to finance the budget, except for rolling over current stock of domestic debt at market rates.

- **The non-interest current account deficit** (including transfers) is projected to average around 6.4 percent of GDP over 2014–34, in line with the historic average (6.9 percent of GDP). The non-interest current account deficit is expected to increase from 3.7 percent of GDP in 2013 to 6.7 percent of GDP in 2014 and this increase is expected to be financed by the above mentioned surge in grants and loans. Gold export volumes are expected to decline steadily over time, and the share of gold in total exports is projected to fall from 60 percent in 2013 to about 29 percent in 2034. This decline is projected to be compensated by a gradual increase in other exports (including food, cotton, tourism and other minerals such as cement, phosphate, uranium, bauxite, iron ore, copper, nickel, oil) and a deceleration of import growth. Remittances are projected to remain at their current level of 8 percent of GDP.

C. External DSA

6. Under the baseline assumptions, all external debt and debt-service ratios remain below the policy-dependent thresholds throughout the projection period (Figure 1a). The present value (PV) of external debt, calculated using a 5 percent discount rate, is expected to remain broadly constant throughout the projection period, at around 17-20 percent of GDP (Table 1a). As production from existing gold mines declines starting in 2017 and growing other exports only partly compensate for that decline, the PV of the external debt-to-exports ratio is projected to increase from 70 percent in 2014 to 148 percent in 2034, below the threshold of 150 percent (Figure 1a, Table 1a). With a 4.8 percentage point increase in tax revenue to GDP during the projection period, the PV of the external debt-to-revenue ratio is expected to decrease from 97 percent in 2014 to 86 percent in 2034, remaining, significantly below the threshold of 250 percent (Figure 1a, Table 1a).

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

8. Mali's external debt sustainability is sensitive to a reduction in transfers and FDI, a tightening of financial terms, and an export shock, limiting the scope for non-concessional borrowing. Under a bound test that reduces FDI and official and private transfers in 2015–16 by 5 percent of GDP, the PV of the debt-to-exports ratio would exceed the threshold from 2019 until the end of the projection period (Table 1b, Scenario B4). Under a tightening of financial terms, the PV of debt-to-exports ratio would breach the threshold in 2022 and continue to increase until the end of the projection period to reach about 260 percent in 2034 (Figure 1a, Table 1b, Scenario A2). Under a bound test that reduces export *growth* temporarily in 2015–16 with the effect of reducing exports *levels* permanently by 15 percent, the PV of the debt-to-exports ratio would reach the threshold in 2026 (Table 1b, Scenario B2).

9. Mali's external debt sustainability assessment remains similar when remittances are accounted for. Workers' remittances represent a reliable source of foreign exchange in Mali: they averaged 5.1 percent of GDP during the past decade and 7.7 percent of GDP during the past three years. Under the baseline assumptions, all external debt and debt-service ratios remain below the policy-dependent thresholds throughout the projection period (Figure 2, Table 3). Over 2014–34, the PV of debt-to-GDP plus remittances remains constant at around 16-18 percent and the PV of debt-to-exports plus remittances increases from 53 percent to 93 percent. Under a bound test that tightens financial terms, the

PV of debt-to-exports plus remittances ratio would breach the threshold in 2024, and remain above it for the entire projection period (Figure 2, Table 3).

D. Public DSA

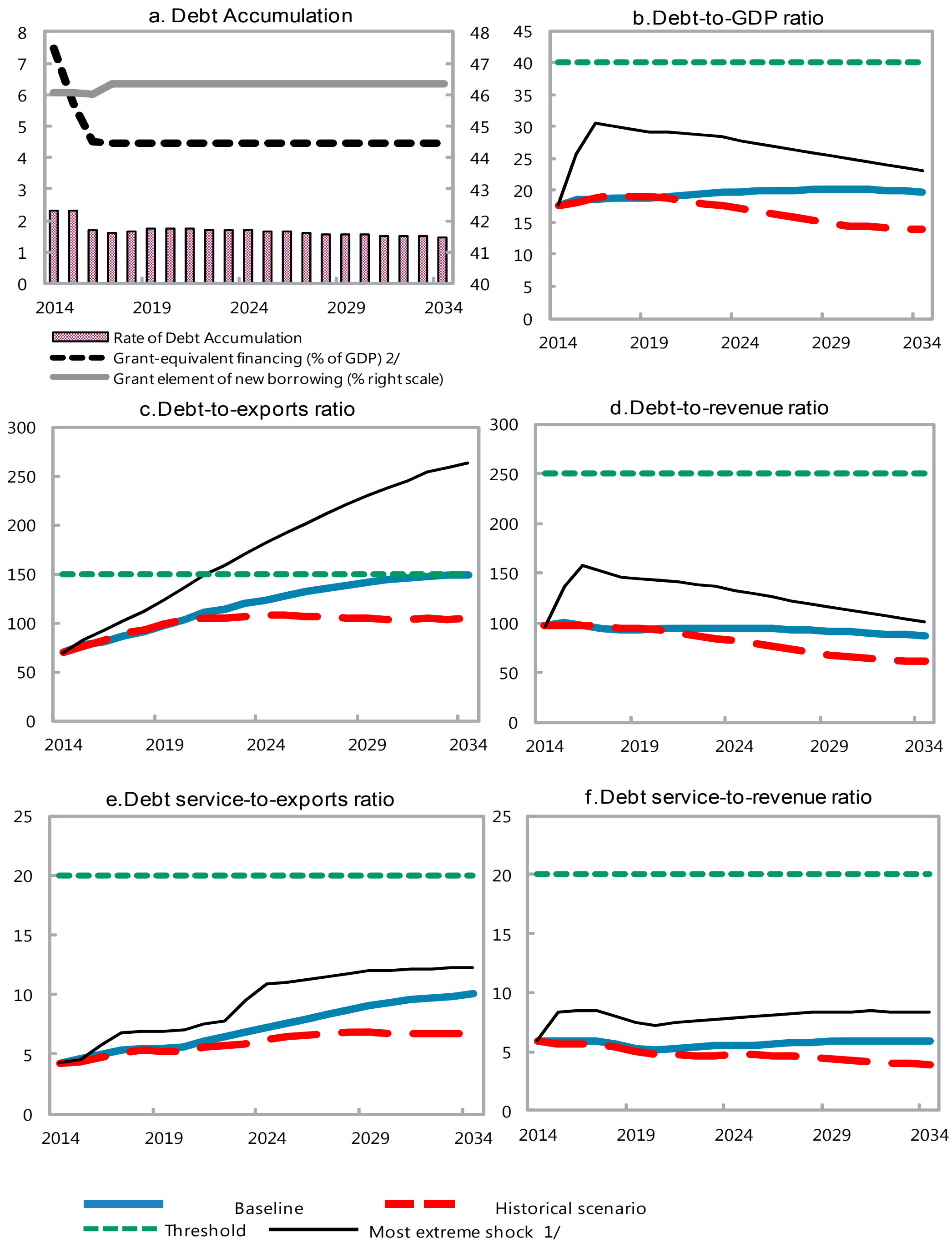
10. The inclusion of domestic debt does not alter the assessment of Mali's debt sustainability. Given the small size of Mali's domestic debt and the absence of recourse to additional domestic borrowing in the baseline scenario, the public debt sustainability analysis closely mirrors the external debt sustainability analysis (Figure 3 and Table 2a). The PV of public sector debt-to-GDP ratio stays between 21-23 percent of GDP during the whole projection period.

11. The Malian authorities agreed with the conclusions of the DSA. They reaffirmed their commitment under their Extended Credit Facility (ECF) arrangement to continue meeting most of their financing need with grants and concessional loans with a minimum grant element of 35 percent. However, they also stressed the need for flexibility to be able to finance investment projects carrying high return and/or positive spillovers to the rest of the economy with market financing if concessional finance is not available and provided that the implementation of such projects would remain compatible with debt sustainability.

E. Conclusion

12. The DSA indicates that Mali remains at moderate risk of debt distress based on the external debt burden indicators. As in last year's DSA, none of the debt burden thresholds are breached over the 20–year projection period under the baseline scenario, and debt sustainability remains mostly sensitive to a reduction in transfers and FDI, a tightening of financing terms, and an export shock owing to the export concentration in gold,. However, given recent downward revisions to the outlook for gold prices, the expected decline in gold exports in the medium term, and the uncertain prospects for export diversification, Mali's debt sustainability needs to remain under close scrutiny. The above mentioned factors highlight the importance for the Malian government of continuing to meet its external financing needs with grants and concessional loans, consistent with their commitment under the ECF supported program. Increasing other exports to compensate the expected decline in gold exports will be critical to maintaining external debt sustainability.

Figure 1a. Mali: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2014–2034 1/

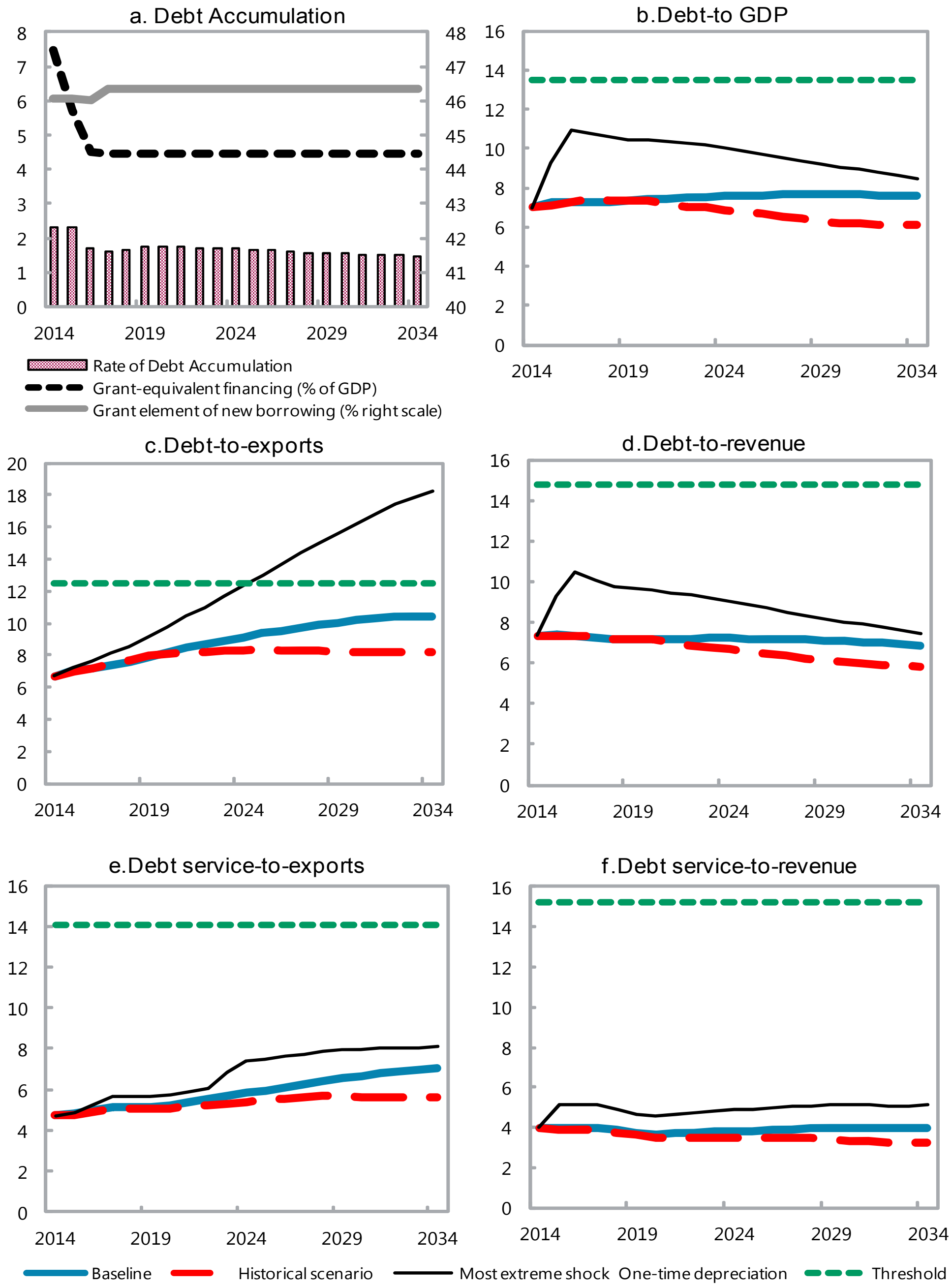


Sources: Country authorities; and staff estimates and projections.

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

2/ The decline in grant-equivalent financing in 2015 and 2016 reflects the return to more normal levels of concessional aid following the exceptionally high level of assistance related to the 2011-2012 crisis.

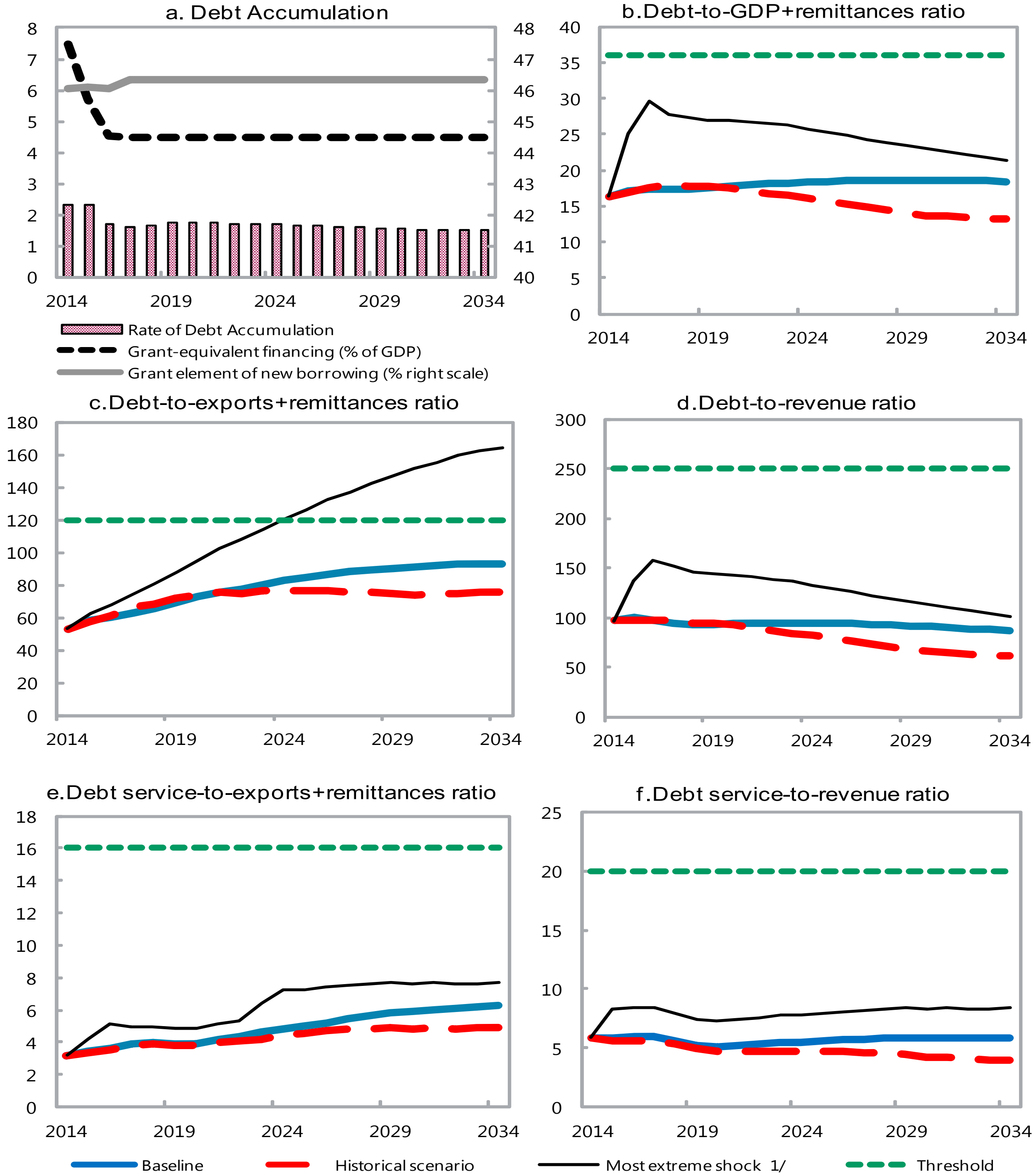
Figure 1b. Mali: Probability of Debt Distress of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2014–2034 1/



Sources: Country authorities; and staff estimates and projections.

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

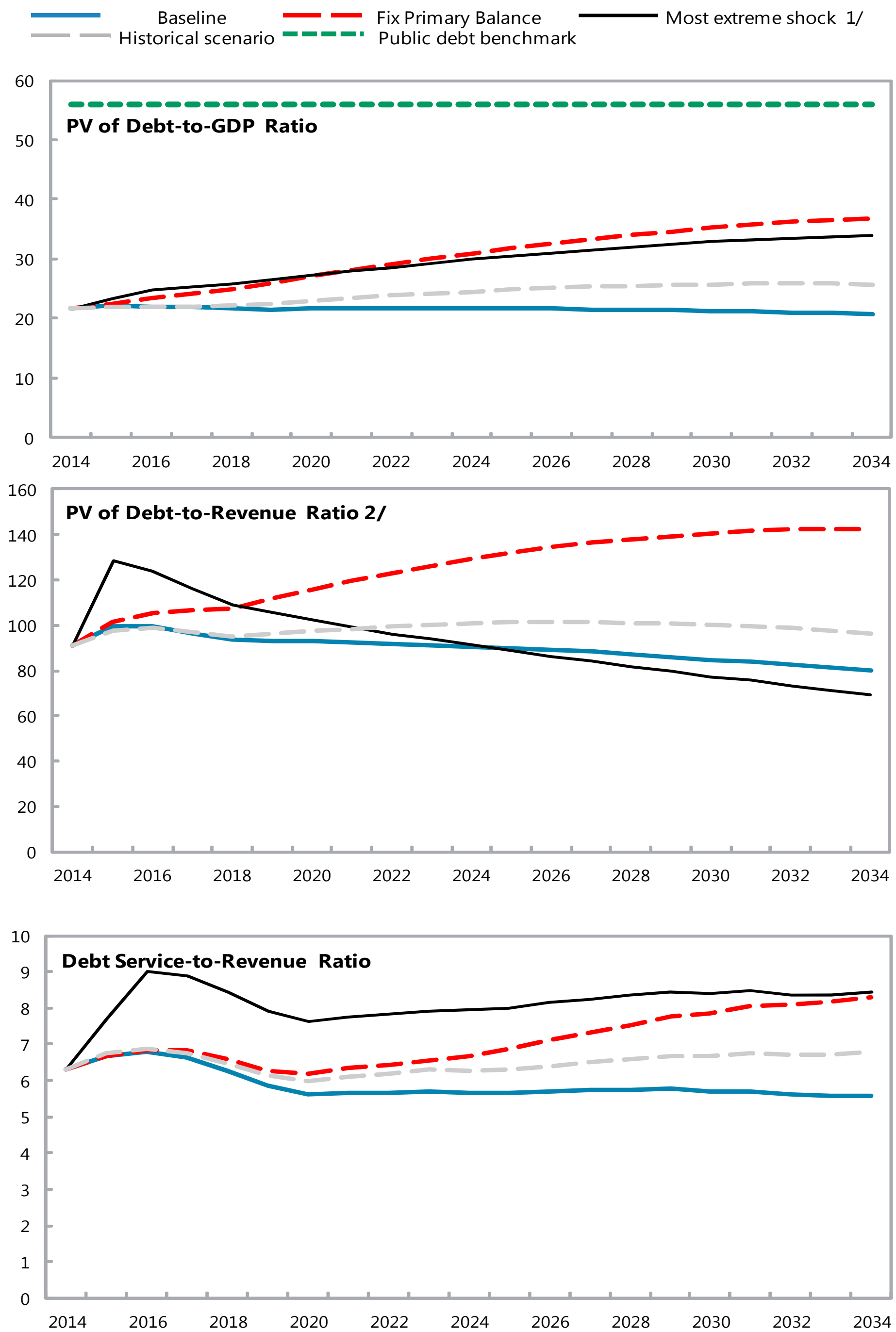
Figure 2. Mali: Indicators of Public and Publicly Guaranteed External Debt Including Remittances under Alternative Scenarios, 2014–2034 1/



Sources: Country authorities; and staff estimates and projections.

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

Figure 3. Mali: Indicators of Public Debt Under Alternative Scenarios, 2014–2034 1/



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio on or before 2024.
2/ Revenues are defined inclusive of grants.

Table 1a. Mali: External Debt Sustainability Framework, Baseline Scenario, 2014–2034 1/

(In percent of GDP, unless otherwise indicated)

	Actual											Historical 6/ Average	Standard 6/ Deviation	Projections																		
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013			2014	2015	2016	2017	2018	2019	2014-2019 Average	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2020-2034 Average
External debt (nominal) 1/	47.7	45.0	50.9	18.9	17.0	22.2	21.1	26.8	24.4	25.5	25.7			28.4	30.1	30.5	30.6	30.8	31.1		33.0	33.3	33.6	33.8	34.0	34.1	34.3	34.4	34.4	34.4	34.4	
of which: public and publicly guaranteed (PPG)	47.7	45.0	50.9	18.9	17.0	22.2	21.1	26.8	24.4	25.5	25.7			28.4	30.1	30.5	30.6	30.8	31.1		33.0	33.3	33.6	33.8	34.0	34.1	34.3	34.4	34.4	34.4	34.4	
Change in external debt	...	-2.7	5.9	-32.0	-1.9	5.1	-1.1	5.8	-2.4	1.0	0.2			2.8	1.7	0.3	0.2	0.2	0.3		0.3	0.3	0.3	0.2	0.2	0.1	0.2	0.1	0.0	0.0	-0.1	
Identified net debt-creating flows	...	-0.9	1.1	-2.8	3.1	6.9	-1.6	9.7	-2.2	-0.5	-0.1			3.0	2.2	1.3	1.4	2.6	2.5		3.1	3.3	3.3	3.3	3.4	3.3	3.4	3.0	2.9	3.0	2.9	
Non-interest current account deficit	5.8	7.6	7.4	3.1	7.8	11.8	7.0	12.3	5.8	2.3	3.7	6.9	3.4	6.7	5.8	4.5	4.5	5.3	5.6		6.4	6.5	6.5	6.6	6.6	6.6	6.6	6.2	6.2	6.2	6.1	6.4
Deficit in balance of goods and services	9.5	9.8	10.3	6.9	10.4	16.9	12.5	17.0	9.8	5.8	19.6			22.5	16.1	11.9	9.9	10.9	11.3		13.0	13.3	13.4	13.6	13.7	13.7	13.9	13.6	13.6	13.7	13.7	
Exports	27.0	24.3	24.5	29.9	27.4	28.7	26.1	26.0	26.2	32.1	28.9			25.4	24.0	23.1	21.7	20.6	19.3		16.0	15.6	15.2	14.8	14.5	14.3	14.1	13.8	13.6	13.5	13.4	
Imports	36.5	34.1	34.8	36.8	37.8	45.5	38.6	43.0	36.1	37.9	48.5			47.9	40.1	35.0	31.6	31.5	30.7		29.1	28.8	28.6	28.4	28.2	28.0	27.9	27.4	27.2	27.2	27.1	
Net current transfers (negative = inflow)	-7.0	-5.7	-6.0	-7.4	-8.2	-5.2	-5.4	-8.8	-8.0	-7.6	-20.9	-8.3	4.6	-19.8	-14.1	-11.0	-8.8	-8.8	-8.8		-8.8	-8.8	-8.8	-8.8	-8.8	-8.8	-8.8	-8.8	-8.8	-8.8	-8.8	-8.8
of which: official	-2.7	-2.0	-2.1	-2.7	-1.8	-1.2	-1.9	-2.1	-1.6	-0.5	-13.9			-12.9	-7.2	-4.0	-1.8	-1.8	-1.8		-1.8	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8	
Other current account flows (negative = net inflow)	3.3	3.5	3.1	3.6	5.6	0.1	-0.1	4.2	4.0	4.1	4.9			4.0	3.8	3.7	3.4	3.2	3.0		2.1	2.0	1.9	1.8	1.7	1.6	1.5	1.4	1.3	1.2	1.2	
Net FDI (negative = inflow)	-3.1	-1.8	-2.7	-1.2	-2.3	-2.1	-8.4	-1.9	-5.2	-3.7	-2.6	-3.2	2.1	-2.6	-2.5	-2.1	-2.1	-1.7	-2.0		-2.3	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3
Endogenous debt dynamics 2/	...	-6.7	-3.6	-4.8	-2.4	-2.8	-0.2	-0.7	-2.8	0.9	-1.2			-1.1	-1.1	-1.0	-1.1	-1.1	-1.1		-1.1	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	
Contribution from nominal interest rate	...	0.5	0.5	0.5	0.3	0.3	0.3	0.3	0.4	0.4	0.3			0.3	0.3	0.4	0.4	0.4	0.4		0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
Contribution from real GDP growth	...	-0.9	-2.5	-2.4	-0.7	-0.7	-1.0	-1.2	-0.6	0.0	-0.4			-1.4	-1.5	-1.4	-1.5	-1.5	-1.5		-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	
Contribution from price and exchange rate changes	...	-6.3	-1.6	-2.9	-2.0	-2.5	0.4	0.2	-2.5	0.6	-1.1			...	...	...	...	...	...		...	...	...	...	...	...	...	...	...	...	...	
Residual (3-4) 3/	...	-1.7	4.8	-29.2	-5.0	-1.7	0.4	-3.9	-0.2	1.5	0.3			-0.2	-0.5	-1.0	-1.2	-2.4	-2.2		-2.8	-2.9	-3.0	-3.1	-3.1	-3.1	-3.2	-2.9	-2.9	-3.0	-3.0	
of which: exceptional financing	...	-1.1	-1.0	-0.7	-0.3	-0.3	-0.3	-0.2	-0.3	-0.5	-0.2			-0.1	-0.4	-0.4	-0.3	-0.3	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
PV of external debt 4/	...	...	...	...	...	...	...	...	...	...	16.1			17.7	18.5	18.7	18.7	18.7	18.8		19.8	19.9	20.0	20.1	20.1	20.1	20.1	20.1	20.0	19.9	19.8	
In percent of exports	...	...	...	...	...	...	...	...	...	...	55.7			69.5	77.2	80.8	86.1	91.1	97.5		123.4	127.8	131.6	135.3	138.3	140.8	143.2	145.4	147.5	148.0	148.2	
PV of PPG external debt	...	...	...	...	...	...	...	...	...	...	16.1			17.7	18.5	18.7	18.7	18.7	18.8		19.8	19.9	20.0	20.1	20.1	20.1	20.1	20.1	20.0	19.9	19.8	
In percent of exports	...	...	...	...	...	...	...	...	...	...	55.7			69.5	77.2	80.8	86.1	91.1	97.5		123.4	127.8	131.6	135.3	138.3	140.8	143.2	145.4	147.5	148.0	148.2	
In percent of government revenues	...	...	...	...	...	...	...	...	...	...	92.8			96.9	99.3	97.0	94.6	92.5	93.1		94.3	94.1	93.8	93.2	92.5	91.5	90.6	90.1	88.8	87.4	86.3	
Debt service-to-exports ratio (in percent)	7.9	8.2	8.0	111.5	4.5	3.7	5.1	3.9	4.9	3.4	3.9			4.2	4.6	4.9	5.4	5.5	5.5		7.2	7.5	8.0	8.3	8.7	9.1	9.3	9.6	9.7	9.9	10.1	
PPG debt service-to-exports ratio (in percent)	7.9	8.2	8.0	111.5	4.5	3.7	5.1	3.9	4.9	3.4	3.9			4.2	4.6	4.9	5.4	5.5	5.5		7.2	7.5	8.0	8.3	8.7	9.1	9.3	9.6	9.7	9.9	10.1	
PPG debt service-to-revenue ratio (in percent)	12.4	11.6	11.2	192.7	7.5	6.8	7.7	5.8	7.5	6.3	6.4			5.9	5.9	5.9	5.9	5.6	5.3		5.5	5.6	5.7	5.8	5.8	5.9	5.9	5.9	5.8	5.8	5.9	
Total gross financing need (Billions of U.S. dollars)	...	...	...	...	0.5	0.9	0.0	1.1	0.2	0.0	0.3			0.6	0.6	0.5	0.5	0.8	0.8		1.4	1.5	1.6	1.8	1.9	2.1	2.3	2.3	2.5	2.7	2.8	
Non-interest current account deficit that stabilizes debt ratio	...	10.3	1.5	35.1	9.7	6.6	8.1	6.5	8.2	1.3	3.5			3.9	4.1	4.2	4.3	5.2	5.3		6.1	6.2	6.3	6.4	6.3	6.4	6.4	6.1	6.2	6.2	6.2	
Key macroeconomic assumptions																																
Real GDP growth (in percent)	7.6	2.3	6.1	5.3	4.3	5.0	4.5	5.8	2.7	0.0	1.7	3.8	2.0	5.8	5.5	5.1	5.2	5.3	5.3	5.4	5.1	4.8	4.9	4.9	4.7	4.8	4.7	4.8	4.8	4.7	4.7	4.9
GDP deflator in US dollar terms (change in percent)	22.8	15.3	3.8	5.9	12.0	16.9	-2.0	-0.7	10.2	-2.3	4.5	6.4	7.0	2.6	0.9	3.0	3.1	3.1	3.1	2.6	2.6	2.7	2.7	2.7	2.7	2.7	2.7	2.8	3.0	3.1	3.2	2.8
Effective interest rate (percent) 5/	1.5	1.4	1.3	1.0	1.9	2.2	1.5	1.3	1.5	1.4	1.4	1.5	0.3	1.2	1.3	1.3	1.4	1.4	1.5	1.4	1.6	1.6	1.6	1.6	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.6
Growth of exports of G&S (US dollar terms, in percent)	6.8	6.1	11.3	35.9	6.8	28.4	-6.9	4.8	14.3	19.4	-4.2	11.6	13.5	-4.4	0.5	4.2	1.9	2.9	2.1	1.2	4.6	4.7	5.0	5.1	5.4	5.8	5.8	5.9	6.0	7.2	7.2	5.2
Growth of imports of G&S (US dollar terms, in percent)	35.6	10.2	12.6	17.7	19.9	47.9	-13.3	17.1	-5.0	2.6	36.1	14.6	18.1	7.2	-10.8	-5.7	-2.0	8.2	5.8	0.5	7.1	6.8	6.8	6.9	6.9	7.0	7.1	5.7	7.3	7.9	7.6	6.9
Grant element of new public sector borrowing (in percent)		...	...	...	...	...	...	...	...	...	...	...	...	46.1	46.1	46.0	46.3	46.3	46.3	46.2	46.3	46.3	46.3	46.3	46.3	46.3	46.3	46.3	46.3	46.3	46.3	46.3
Government revenues (excluding grants, in percent of GDP)	17.2	17.3	17.5	17.3	16.6	15.5	17.1	17.2	17.0	17.1	17.3			18.2	18.7	19.2	19.8	20.3	20.2		21.0	21.2	21.3	21.5	21.8	22.0	22.2	22.3	22.6	22.8	23.0	21.6
Aid flows (in Billions of US dollars) 7/	0.4	0.4	0.4	2.7	0.6	0.5	0.8	0.6	0.8	0.1	0.7			1.0	0.9	0.7	0.8	0.9	0.9		1.4	1.5	1.6	1.7	1.8	2.0	2.1	2.3	2.5	2.6	2.9	
of which: Grants	0.2	0.2	0.2	2.4	0.3	0.3	0.4	0.3	0.4	0.0	0.4			0.7	0.5	0.4	0.4	0.5	0.5		0.8	0.8	0.9	0.9	1.0	1.1	1.2	1.3	1.4	1.5	1.6	
of which: Concessional loans	0.2	0.2	0.2	0.3	0.2	0.2	0.4	0.3	0.3	0.0	0.3			0.4	0.4	0.3	0.3	0.4	0.4		0.6	0.6	0.7	0.7	0.8	0.9	0.9	1.0	1.1	1.2	1.3	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...	...	...	...	...	...	...	...	...			7.5	5.7	4.5	4.5	4.5	4.5		4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Grant-equivalent financing (in percent of external financing) 8/	...	...	...	...	...	...	...	...	...	...	...			75.7	69.9	70.9	71.4	71.4	71.4		71.4	71.4	71.4	71.4	71.4	71.4	71.4	71.4	71.4	71.4	71.4	71.4
Memorandum items:																																
Nominal GDP (Billions of US dollars)	4.2	5.0	5.5	6.1	7.2	8.8	9.0	9.4	10.7	10.4	11.1			12.1	12.8	13.9	15.1	16.4	17.8		25.9	27.8	30.0	32.3	34.7	37.4	40.2	43.3	46.8	50.5	54.6	
Nominal dollar GDP growth	...	17.9	10.2	11.5	16.8	22.7	2.4	5.0	13.2	-2.3	6.4			8.6	6.4	8.3	8.5	8.6	8.5	8.1	7.9	7.6	7.7	7.7	7.5	7.6	7.6	7.8	7.9	7.9	8.1	7.8
PV of PPG external debt (in Billions of US dollars)											1.8			2.1	2.4	2.6	2.8	3.1	3.4		5.1	5.6	6.0	6.5	7.0	7.5	8.1	8.7	9.4	10.1	10.8	
(PVt-PVt-1)/GDPt-1 (in percent)														2.3	2.3	1.7	1.6	1.7	1.7	1.9	1.7	1.7	1.6	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.6
Gross workers' remittances (Billions of US dollars)	0.2	0.2	0.3	0.3	0.5	0.4	0.5	0.8	0.8	0.8	0.9			1.0	1.0	1.1	1.2	1.3	1.4		2.1	2.2	2.4	2.6	2.8	3.0	3.2	3.5	3.7	4.0	4.4	
PV of PPG external debt (in percent of GDP + remittances)									...	...	14.9			16.3	17.2	17.3	17.3	17.3	17.5		18.3	18.4	18.5	18.6	18.6	18.6	18.6	18.6	18.5	18.5	18.3	
PV of PPG external debt (in percent of exports + remittances)									...	...	43.6			52.8	57.9	60.0	62.9	65.6	68.9		82.3	84.4	86.2	87.8	89.2	90.2	91.2	92.0	92.8	92.8	92.7	
Debt service of PPG external debt (in percent of exports + remittances)									...	...	3.0			3.2	3.4	3.7	3.9	4.0	3.9		4.8	5.0	5.2	5.4	5.6	5.8	5.9	6.0	6.1	6.2	6.3	

Sources: Country authorities; and staff estimates and projections.

1/ Public sector external debt only.

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

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

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

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

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

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

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

Table 1b. Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2014–2034

(In percent)

	Projections							
	2014	2015	2016	2017	2018	2019	2024	2034
Debt-to-GDP ratio								
Baseline	18	19	19	19	19	19	20	20
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	18	18	19	19	19	19	17	14
A2. New public sector loans on less favorable terms in 2014-2034 2	18	20	21	22	23	24	29	35
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	18	19	20	20	20	20	21	21
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	18	19	20	20	20	20	21	20
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	18	19	20	20	20	20	21	21
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	18	26	30	30	29	29	28	23
B5. Combination of B1-B4 using one-half standard deviation shocks	18	23	26	26	26	26	25	22
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	18	26	27	27	27	27	28	28
Debt-to-exports ratio								
Baseline	69	77	81	86	91	98	123	148
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	69	76	81	89	93	98	107	104
A2. New public sector loans on less favorable terms in 2014-2034 2	69	83	91	102	112	124	181	263
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	69	77	81	86	91	98	124	149
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	69	81	95	101	106	113	141	165
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	69	77	81	86	91	98	124	149
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	69	107	132	138	143	151	173	172
B5. Combination of B1-B4 using one-half standard deviation shocks	69	92	105	110	115	122	145	155
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	69	77	81	86	91	98	124	149
Debt-to-revenue ratio								
Baseline	97	99	97	95	92	93	94	86
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	97	97	98	98	94	94	82	60
A2. New public sector loans on less favorable terms in 2014-2034 2	97	107	110	112	114	118	138	153
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	97	103	104	102	99	100	101	93
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	97	101	105	102	99	100	99	88
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	97	101	103	100	98	98	100	91
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	97	137	158	151	146	144	132	100
B5. Combination of B1-B4 using one-half standard deviation shocks	97	124	136	131	127	126	120	97
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	97	142	139	135	132	133	135	123

Table 1b. Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2014–2034 (concluded)

(In percent)

				Debt service-to-exports ratio				
Baseline	4	5	5	5	6	6	7	10
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	4	4	5	5	5	5	6	7
A2. New public sector loans on less favorable terms in 2014-2034 2	4	5	5	6	6	6	10	16
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	4	5	5	5	6	6	7	10
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	4	5	5	6	6	6	8	11
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	4	5	5	5	6	6	7	10
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	4	5	6	7	7	7	11	12
B5. Combination of B1-B4 using one-half standard deviation shocks	4	4	5	6	6	6	9	11
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	4	5	5	5	6	6	7	10
				Debt service-to-revenue ratio				
Baseline	6	6	6	6	6	5	6	6
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	6	6	6	6	5	5	5	4
A2. New public sector loans on less favorable terms in 2014-2034 2	6	6	6	6	6	6	7	9
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	6	6	6	6	6	6	6	6
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	6	6	6	6	6	5	6	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	6	6	6	6	6	6	6	6
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	6	6	7	7	7	7	8	7
B5. Combination of B1-B4 using one-half standard deviation shocks	6	6	7	7	7	6	7	7
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	6	8	8	8	8	7	8	8
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	41	41	41	41	41	41	41	41

Sources: Country authorities; and staff estimates and projections.

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

Table 2a. Mali: Public Sector Debt Sustainability Framework, Baseline Scenario, 2014–2034

(In percent of GDP, unless otherwise indicated)

	Actual													Projections									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Average 5/	Standard Deviation 5/	2014	2015	2016	2017	2018	2019	2014-19 Average	2024	2034	2020-34 Average
Public sector debt 1/	49.2	46.4	53.1	20.4	19.4	24.1	23.3	31.2	29.2	29.8	31.5			32.4	33.8	33.9	33.8	33.8	33.8		34.9	35.2	
of which: foreign-currency denominated	47.7	45.0	50.9	18.9	17.0	22.2	21.1	26.8	24.4	25.5	25.7			28.4	30.1	30.5	30.6	30.8	31.1		33.0	34.4	
Change in public sector debt	...	-2.8	6.7	-32.7	-1.0	4.7	-0.7	7.9	-2.0	0.6	1.7			0.9	1.4	0.1	-0.1	-0.1	0.1		0.1	-0.1	
Identified debt-creating flows		-5.6	3.0	-41.9	-0.2	-0.4	-3.5	2.5	1.7	-0.5	-0.5			3.0	1.4	0.0	0.0	0.0	0.0		0.1	0.0	
Primary deficit	0.6	1.9	2.5	-31.8	2.8	1.9	3.9	2.5	3.4	0.5	2.3	2.4	10.9	4.1	3.6	2.4	2.4	2.4	2.0	2.8	2.0	2.0	2.0
Revenue and grants	21.9	21.2	21.5	56.2	21.3	19.0	21.7	20.1	20.8	17.4	21.0			23.7	22.3	22.2	22.7	23.2	23.2		23.9	25.9	
of which: grants	4.7	3.9	4.0	38.9	4.7	3.4	4.6	2.9	3.8	0.2	3.6			5.4	3.6	2.9	2.9	2.9	2.9		2.9	2.9	
Primary (noninterest) expenditure	22.4	23.1	24.0	24.4	24.1	20.8	25.6	22.5	24.3	17.9	23.2			27.8	25.8	24.6	25.1	25.5	25.2		25.9	27.9	
Automatic debt dynamics		-6.4	1.8	-9.4	-2.6	-1.0	-2.8	0.3	-1.5	-0.9	-1.3			-0.8	-1.8	-2.0	-2.0	-2.1	-2.1		-1.9	-2.1	
Contribution from interest rate/growth differential	...	-1.7	-3.5	-3.7	-0.9	-1.0	-0.9	-1.2	-0.8	-0.1	-0.3			-1.7	-1.7	-1.7	-1.8	-1.8	-1.8		-32.7	-34.4	
of which: contribution from average real interest rate	...	-0.6	-0.8	-1.0	-0.1	-0.1	0.2	0.1	0.0	-0.1	0.2			0.1	0.0	0.0	-0.1	-0.1	-0.1		-31.0	-32.8	
of which: contribution from real GDP growth	...	-1.1	-2.7	-2.6	-0.8	-0.9	-1.0	-1.3	-0.8	0.0	-0.5			-1.7	-1.7	-1.6	-1.7	-1.7	-1.7		-1.7	-1.6	
Contribution from real exchange rate depreciation		-4.7	5.3	-5.7	-1.7	0.0	-2.0	1.5	-0.7	-0.8	-1.0			0.9	-0.2	-0.3	-0.3	-0.3	-0.3		...	...	
Other identified debt-creating flows		-1.1	-1.4	-0.7	-0.3	-1.3	-4.6	-0.2	-0.3	-0.1	-1.5			-0.4	-0.4	-0.4	-0.3	-0.3	0.0		0.0	0.0	
Privatization receipts (negative)		0.0	-0.3	0.0	0.0	-1.0	-4.3	0.0	0.0	0.0	-1.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)		-1.1	-1.0	-0.7	-0.3	-0.3	-0.3	-0.2	-0.3	-0.1	-0.5			-0.4	-0.4	-0.4	-0.3	-0.3	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes		2.8	3.7	9.2	-0.8	5.1	2.8	5.4	-3.7	1.1	2.2			-2.1	0.1	0.0	-0.1	0.0	0.1		0.0	-0.1	
Other Sustainability Indicators																							
PV of public sector debt			...	...	...	...	...	...	...	...	21.9			21.6	22.2	22.1	21.9	21.7	21.6		21.6	20.7	
of which: foreign-currency denominated			...	...	...	...	...	...	...	...	16.1			17.7	18.5	18.7	18.7	18.7	18.8		19.8	19.8	
of which: external		...	...	...	...	...	...	...	...	...	16.1			17.7	18.5	18.7	18.7	18.7	18.8		19.8	19.8	
PV of contingent liabilities (not included in public sector debt)		...	...	...	...	...	...	...	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	...	4.5	5.0	2.2	4.5	3.6	5.8	4.8	6.8	4.7	6.5			8.8	8.0	6.7	6.5	6.2	5.6		4.9	4.2	
PV of public sector debt-to-revenue and grants ratio (in percent)	0.0	0.0	...	...	...	...	...	...	...	...	104.4			91.3	99.7	99.6	96.4	93.5	93.1		90.6	80.0	
PV of public sector debt-to-revenue ratio (in percent)	0.0	0.0	...	...	...	...	...	...	...	...	126.3			118.6	119.0	114.8	110.7	107.0	106.6		103.2	90.2	
of which: external 3/		...	...	...	...	...	...	...	...	...	92.8			96.9	99.3	97.0	94.6	92.5	93.1		94.3	86.3	
Debt service-to-revenue and grants ratio (in percent) 4/		9.7	9.5	59.4	6.2	5.8	6.4	8.0	11.2	10.9	7.8			6.3	6.7	6.8	6.6	6.3	5.9		5.7	5.6	
Debt service-to-revenue ratio (in percent) 4/		11.9	11.6	192.9	7.9	7.1	8.2	9.3	13.8	11.1	9.4			8.2	8.0	7.8	7.6	7.2	6.7		6.5	6.3	
Primary deficit that stabilizes the debt-to-GDP ratio									5.5	-0.1	0.6			3.2	2.1	2.4	2.4	2.4	2.0		1.9	2.2	
Key macroeconomic and fiscal assumptions																							
Real GDP growth (in percent)	7.6	2.3	6.1	5.3	4.3	5.0	4.5	5.8	2.7	0.0	1.7	3.8	2.0	5.8	5.5	5.1	5.2	5.3	5.3	5.4	5.1	4.7	4.9
Average nominal interest rate on forex debt (in percent)		1.4	1.3	1.0	1.9	2.2	1.5	1.3	1.5	1.4	1.4	1.5	0.3	1.2	1.3	1.3	1.4	1.4	1.5	1.4	1.6	1.7	1.6
Average real interest rate on domestic debt (in percent)		-0.8	2.6	-3.3	3.4	-6.3	0.9	4.1	3.2	0.5	4.8	0.9	3.5	3.4	3.9	3.1	3.4	3.2	3.2	3.4	3.0	2.4	2.9
Real exchange rate depreciation (in percent, + indicates depreciation)		-10.2	12.7	-12.0	-9.3	0.3	-9.2	7.3	-2.6	-3.3	-4.0	-3.0	8.0	3.6	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	2.6	4.9	3.6	5.1	2.6	8.8	3.6	4.2	5.1	5.7	1.2	4.5	2.0	0.6	1.7	2.5	2.2	2.4	2.4	2.0	2.6	3.2	2.8
Growth of real primary spending (deflated by GDP deflator, in percent)		0.1	0.1	0.1	0.0	-0.1	0.3	-0.1	10.8	-26.2	32.1	1.7	14.2	26.6	-2.0	0.0	7.4	7.3	3.9	7.2	5.7	5.3	5.6
Grant element of new external borrowing (in percent)		...	...	...	...	...	...	...	...	...	...	...	...	46.1	46.1	46.0	46.3	46.3	46.3	46.2	46.3	46.3	...

Sources: Country authorities; and staff estimates and projections.

1/ Gross debt of central government

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

3/ Revenues excluding grants.

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

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability. The historical average for the primary deficit, however, excludes 2006 (the year of MDRI debt relief and hence an unusually large primary surplus).

Table 2b. Mali: Sensitivity Analysis for Key Indicators of Public Debt, 2014–2034

	Projections							
	2014	2015	2016	2017	2018	2019	2024	2034
PV of Debt-to-GDP Ratio								
Baseline	22	22	22	22	22	22	22	21
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	22	22	22	22	22	23	25	26
A2. Primary balance is unchanged from 2014	22	23	23	24	25	26	31	37
A3. Permanently lower GDP growth 1/	22	22	22	22	22	23	25	32
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-2016	22	23	25	25	26	26	30	34
B2. Primary balance is at historical average minus one standard deviations in 2015-2016	22	22	23	22	22	22	22	21
B3. Combination of B1-B2 using one half standard deviation shocks	22	22	23	23	24	24	27	30
B4. One-time 30 percent real depreciation in 2015	22	29	27	26	25	24	22	18
B5. 10 percent of GDP increase in other debt-creating flows in 2015	22	28	28	27	27	26	26	23
PV of Debt-to-Revenue Ratio 2/								
Baseline	91	100	100	96	93	93	91	80
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	91	98	99	97	95	96	101	96
A2. Primary balance is unchanged from 2014	91	101	106	106	107	112	129	143
A3. Permanently lower GDP growth 1/	91	100	101	99	97	98	104	121
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-2016	91	104	111	111	111	113	124	130
B2. Primary balance is at historical average minus one standard deviations in 2015-2016	91	99	102	98	95	95	92	81
B3. Combination of B1-B2 using one half standard deviation shocks	91	100	103	102	101	103	111	114
B4. One-time 30 percent real depreciation in 2015	91	128	124	116	109	105	91	69
B5. 10 percent of GDP increase in other debt-creating flows in 2015	91	126	125	120	115	114	107	89
Debt Service-to-Revenue Ratio 2/								
Baseline	6	7	7	7	6	6	6	6
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	6	7	7	7	6	6	6	7
A2. Primary balance is unchanged from 2014	6	7	7	7	7	6	7	8
A3. Permanently lower GDP growth 1/	6	7	7	7	6	6	6	7
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-2016	6	7	7	7	7	7	7	8
B2. Primary balance is at historical average minus one standard deviations in 2015-2016	6	7	7	7	6	6	6	6
B3. Combination of B1-B2 using one half standard deviation shocks	6	7	7	7	7	6	6	7
B4. One-time 30 percent real depreciation in 2015	6	8	9	9	8	8	8	8
B5. 10 percent of GDP increase in other debt-creating flows in 2015	6	7	8	8	7	6	7	6

Sources: Country authorities; and staff estimates and projections.
1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.
2/ Revenues are defined inclusive of grants.

Table 3. Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, including remittances, 2014–2034

(In percent)

	Projections							
	2014	2015	2016	2017	2018	2019	2024	2034
Debt-to-GDP+remittances ratio								
Baseline	16	17	17	17	17	17	18	18
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	16	17	17	18	18	18	16	13
A2. New public sector loans on less favorable terms in 2014-2034 2	16	18	20	20	21	22	27	33
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	16	18	18	18	19	19	20	20
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	16	18	19	19	19	19	19	19
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	16	17	18	18	18	18	19	19
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	16	25	30	28	27	27	26	21
B5. Combination of B1-B4 using one-half standard deviation shocks	16	22	25	24	24	24	23	21
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	16	24	24	24	24	24	25	25
Debt-to-exports+remittances ratio								
Baseline	53	58	60	63	66	69	82	93
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	53	57	61	66	68	72	76	75
A2. New public sector loans on less favorable terms in 2014-2034 2	53	62	68	74	80	88	120	164
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	53	58	60	63	66	69	83	93
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	53	60	69	72	75	78	92	100
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	53	58	60	63	66	69	83	93
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	53	98	118	101	103	107	116	108
B5. Combination of B1-B4 using one-half standard deviation shocks	53	81	89	81	83	87	97	97
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	53	58	60	63	66	69	83	93
Debt-to-revenue ratio								
Baseline	97	99	97	95	92	93	94	86
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	97	97	98	98	94	94	82	60
A2. New public sector loans on less favorable terms in 2014-2034 2	97	107	110	112	114	118	138	153
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	97	103	104	102	99	100	101	93
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	97	101	105	102	99	100	99	88
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	97	101	103	100	98	98	100	91
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	97	137	158	151	146	144	132	100
B5. Combination of B1-B4 using one-half standard deviation shocks	97	124	136	131	127	126	120	97
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	97	142	139	135	132	133	135	123

Table 3. Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, including remittances, 2014–2034 (concluded)

(In percent)

Debt service-to-exports+remittances ratio								
Baseline	3	3	4	4	4	4	5	6
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	3	3	4	4	4	4	4	5
A2. New public sector loans on less favorable terms in 2014-2034 2	3	3	4	4	4	4	6	10
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	3	3	4	4	4	4	5	6
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	3	3	4	4	4	4	5	7
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	3	3	4	4	4	4	5	6
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	3	4	5	5	5	5	7	8
B5. Combination of B1-B4 using one-half standard deviation shocks	3	4	4	4	4	4	6	7
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	3	3	4	4	4	4	5	6
Debt service-to-revenue ratio								
Baseline	6	6	6	6	6	5	6	6
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	6	6	6	6	5	5	5	4
A2. New public sector loans on less favorable terms in 2014-2034 2	6	6	6	6	6	6	7	9
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	6	6	6	6	6	6	6	6
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	6	6	6	6	6	5	6	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	6	6	6	6	6	6	6	6
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	6	6	7	7	7	7	8	7
B5. Combination of B1-B4 using one-half standard deviation shocks	6	6	7	7	7	6	7	7
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	6	8	8	8	8	7	8	8
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	41	41	41	41	41	41	41	41

Sources: Country authorities; and staff estimates and projections.

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

Press Release No. 14/546
FOR IMMEDIATE RELEASE
December 1, 2014

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes First and Second Reviews Under the Extended Credit Facility Arrangement for Mali, Approves US$11.7 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the first and second reviews of Mali's performance under an economic program supported by a three-year Extended Credit Facility (ECF) arrangement. The Board's decision enables the immediate disbursement of SDR 8 million (about US$11.7 million), bringing total disbursements under the arrangement to SDR 14 million (about US$ 20.5 million).

The Executive Board approved the ECF arrangement for Mali on December 18, 2013 for an amount of SDR 30 million (about US$ 43.9 million or 32 percent of quota, see Press Release No. 13/524).

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

"The economic recovery is under way, but remains fragile, and prospects are clouded by a difficult security situation and the risk of an Ebola epidemic. Serious lapses in public financial management caused delays in the first review of the Fund-supported program and the provision of general budget support. In order to restore business, consumer, and donor confidence, it is essential to tighten the implementation of budget and procurement rules, building on the results of recent official audits.

"The 2015 budget puts public finances back on a sustainable path. It appropriately emphasizes revenue mobilization, priority spending for growth and human development, and limited recourse to domestic financing, leaving room for bank financing of the private sector.

"Further efforts are urgently needed to strengthen public financial management. Tax policy and administration reforms need to be accelerated to raise the tax yield. Tighter expenditure control, supported by improvements in Treasury management, will help prevent the accumulation of arrears. A conclusion of the audit of the outstanding domestic arrears and their rapid clearance will support the economic recovery.

"Reforms aimed at improving the business environment are essential to boost Mali's medium-term growth prospects. Progress in strengthening the financial system, lightening the administrative burden for taxpayers, placing the electricity company's finances on a sustainable footing, and combating corruption will be critical in the period ahead."

Statement by Ngueto Tiraina Yambaye, Executive Director for Mali
December 1, 2014

1. My Malian authorities are thankful to the Board, Management, and staff for the valuable policy advice, as well as for the technical and financial assistance they receive from the Fund. Mali continues to confront difficult challenges in terms of development, security and national reconciliation while maintaining macroeconomic stability. In spite of the difficult environment, the authorities are making every effort to address the challenges facing the economy and to implement the measures envisaged under the ECF program. Progress is being made in a number of areas and weaknesses are being addressed. Most of the performance criteria and indicators at end-2013 and end-June 2014 under the program having been met.

2. Weaknesses in public finance management that became evident during the second quarter of 2014, and prevented the completion of the first review under the ECF, have been addressed. In this regard, the Malian authorities have conducted two audits on the acquisition of the presidential plane and a military contract to determine their compliance with budgetary and procurement rules. The results of these audits, which have been published, have led to the amendment or cancellation of several military contracts. The authorities are committed to clearly establish responsibilities and apply the rule of law. All extra budgetary spending related to these transactions have been incorporated in new supplementary budgets which were submitted to the National Assembly. The last prior action for the first and second reviews was completed on November 21, 2014. My authorities believe that these efforts reflect their strong commitment to the economic program supported by the ECF.

Recent Economic Developments and Performance under the ECF

3. For this year, the economy is expected to return to a normal growth path with a projected increase in real GDP of 5.8 percent, compared to 1.7 percent in 2013. The slow growth in 2013 was due to the contraction of the agricultural sector (excluding rice) by 26 percent on account of less favorable rainfalls. For 2014, only the manufacturing sector is expected to slow down as a result of the sluggish business environment. Average inflation was negative in 2013 (-0.6 percent) and is expected to remain low at 1 percent in 2014. The external current account deficit (including grants) increased and reached 4 percent of GDP in 2013 as a result of the decline in gold prices and the increase of imports concomitantly with the economic recovery. This deficit was almost entirely financed by net capital inflows in the form of foreign aid and FDI. In 2014, the current account deficit (including grants) is projected to increase to 7 percent of GDP for the same reasons as in 2013, but the flow of foreign aid and FDI should exceed the current account deficit, leading to a slight surplus of the overall balance. Money supply should continue to increase in 2014 fueled by the expansion of credit to the economy and the accumulation of foreign assets by the banking sector. The banking sector continues to be affected by the damages and losses experienced by banks in the north and the 2012

recession. In 2013, non- performing loans increased and represented 19.3 percent of total credit. The financial stability of the microfinance sector also deteriorated. The share of non-performing loans has almost doubled since 2011 rising from 7.7 percent to 13.2 percent in 2013.

4. With regards to the performance under the ECF program, the overall assessment continues to be satisfactory. All performance criteria (PCs) and indicative targets at end-December 2013 and end-June 2014 were met except for the floor on gross tax revenue. The shortfall in tax revenue in 2013 was largely due to the negative impact of the decline in gold prices on the profits of mining corporations in 2012. Also, the social unrest which took place in the tax administration was also a major explanatory factor. The authorities have adjusted public expenditures to account for the underperformance in tax revenue and that has allowed limiting domestic bank financing below the ceiling established in the program. The PC on gross tax revenue at end-June 2014 was not met since it could not be revised because of the suspension of the first review of the ECF program. In light of the on-going measures and those planned to be implemented to meet the targets for tax receipts in 2014, the authorities are requesting waivers for the performance criteria related to tax revenue at end-December 2013 and end-June 2014.

5. As regards external debt, the authorities, after consultations with the Fund, contracted an external loan to finance the hydroelectric dam of Taoussa. As the grant element of the loan (29.7 percent) is slightly lower than required under the program and given the strategic importance of the project for Mali’s energy sector, the authorities are requesting a waiver for the continuous performance criterion on new external loans contracted or guaranteed by the government under non-concessional terms.

6. Regarding structural benchmarks, four have been fully implemented and one partially. The partial implementation was achieved because the report of the Tax Directorate on the tax audits on importers whose reported turnover appear abnormally low was not submitted to the Council of Ministers on the scheduled date. The reason is that the report did not include the beneficiaries of public procurement in the audits. The Tax Directorate is in the process of integrating this aspect in its analysis which will allow a better crosscheck and verification of tax declarations.

7. Overall, program performance continues to be satisfactory and my authorities are requesting the Board’s support in completing the first and second reviews under the ECF Arrangement. They are also requesting the Board’s approval regarding the granting of waivers and the modification of performance criteria.

Economic and Financial policies for 2015

8. The authorities’ economic and financial policies will aim at supporting growth through a prudent fiscal policy based on the priorities of the growth and poverty reduction strategy paper (CSCRP) for the period 2012-17. Although the international environment remains uncertain, the economic prospects of Mali appear favorable due to the gradual improvement of the security situation and the significant resumption of

foreign aid. Growth should be maintained at around 5.5 percent in 2015 and in the medium term.

Fiscal Policy and Reforms

9. On the fiscal front, my authorities are mindful that the resumption of foreign aid can only ease fiscal constraints in the short term, but that they need to create fiscal space to finance development expenditures which will require increased mobilization of domestic resources, and improvement in the quality of spending. The authorities will implement a prudent fiscal policy in line with debt sustainability while giving priority to expenditures in the social sectors, improvement in the management of public finances both on the revenue and expenditures sides.

10. The authorities intend to pursue the reforms aimed at improving public financial management in compliance with their commitments in the framework of the West African monetary union (WAMU). On the revenue side, they will aim at increasing the ratio of tax revenues to GDP by at least 0.5 percent a year through fiscal reforms aimed at broadening the tax base. The reforms initiated at the Tax, Customs and Government property administrations to enhance revenue collection will be pursued to this effect.

11. The authorities will also continue their efforts to gradually reduce exemptions notably by establishing a central file of fiscal and customs exemptions. This will allow determining the stock of exemptions granted by type of taxes, legal reference, and beneficiaries as a basis for their reduction. The control of discretionary exemptions will be pursued and starting with the 2016 budget and the extent possible, the gradual exemptions under the Tax, Customs, Investment, Mining, petroleum and real estate codes will be pursued.

12. The authorities are also committed to stop the erosion of fiscal revenue on petroleum products, notably by calculating the retail price structure on the basis of actual market value. In this regard, they will continue to implement the new petroleum product price adjustment mechanism introduced in June 2014. Supporting measures to minimize the adverse social effects of the new mechanism will be developed and a communication campaign will be launched to inform the general public on the new measures.

13. The efforts aimed at simplifying the fiscal legislation will also be pursued with the objective of reducing the administrative burden for taxpayers and making it easier for tax agencies to collect taxes. Most notably, the reforms aimed at improving the performance of the Value Added Tax (VAT) which accounts for 40 percent of fiscal revenues will remain a priority. The authorities will also continue to improve the effectiveness of the tax, customs and government lands administrations by implementing multidisciplinary verifications to enhance fiscal control and the identification of taxpayers.

14. On the expenditure side, the authorities will continue their efforts to improve the regulatory framework for public financial management in the context of regional

directives and regulations. In this regard, they will continue to incorporate the WAMU directives into the Malian laws, notably those related to the transparency code, budget laws, public accounting, and the government chart of accounts and the flow of funds table. The authorities will also step up their efforts to improve the preparation, execution and control of the budget. In this regard, progress has been made in establishing the single Treasury account at the regional central bank (BCEAO) and to monitor the net government position (NGP) in the banking system. The implementation of the national internal control strategy (2012-15) will continue in order to strengthen internal control structures, notably by developing the capacities of the accounting section of the Supreme Court.

External debt and Structural Reforms

15. The authorities will continue to meet their external financing needs in line with the preservation of debt sustainability. They will have recourse principally to grants and highly concessional loans. However, should concessional financing be limited, the authorities will consult staff during program reviews if there is a need to reconsider this commitment in light of the needs to finance critical investment projects for the Malian economy. In order to improve debt management, the authorities have established a national debt committee which will examine all debt or publicly guaranteed contracts and publish a yearly debt strategy document to be annexed to the budget.

16. Structural reforms will be steadfastly pursued. In this regard, my Malian authorities are committed to modernize the business environment for private sector development and competitiveness. To this effect, they will continue to promote the stability and development of the financial sector, reform the electricity sector and improve economic governance. The authorities will also continue to implement strong measures to combat corruption, notably the submission to the National Assembly of an amendment to the law on unlawful enrichment, and apply the law on the annual financial reporting of senior officials to the Supreme Court.

Conclusion

17. My Malian authorities remain committed to the objectives of the ECF program and will continue to implement the measures envisaged. They are also committed to achieving strong economic growth, preserve macroeconomic stability and improve public financial management as well as the business environment. In view of Mali's efforts to improve economic governance and the overall satisfactory performance under the ECF arrangement, I would appreciate Directors' support for the completion of the first and second reviews under the ECF and favorable consideration of the waivers requested by the authorities.