



# MALI

July 2017

## SEVENTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REQUEST FOR EXTENSION AND AUGMENTATION OF ACCESS—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR MALI

In the context of the Seventh Review Under the Extended Credit Facility Arrangement, and Request for Extension and Augmentation of Access, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 7, 2017, following discussions that ended on May 12, 2017, 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 circulations, the staff report was completed on June 20, 2017.
- A **Debt Sustainability Analysis Update** prepared by the staffs of the IMF and the International Development Association (IDA).
- A **Statement by the Executive Director** for Mali.

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

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

\* Also included in Staff Report.

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

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### **IMF Executive Board Completes Seventh Review under the ECF Arrangement for Mali, Approves US\$43.96 Million Disbursement, and Augments Access and Extends Arrangement**

On July 7, 2017, the Executive Board of the International Monetary Fund (IMF) completed the Seventh Review of Mali's performance under an economic program supported by an Extended Credit Facility (ECF) arrangement.<sup>1</sup> Completion of the review enables the disbursement of SDR 31.65 million (about US\$43.96 million), bringing total disbursements under the arrangement to SDR 91.65 million (about US\$ 127.29 million) or 49.1 percent of quota.

In addition, the Executive Board approved the authorities' request for a one-year extension of the ECF arrangement to December 17, 2018 and an augmentation of access by SDR 88.6 million or 47.5 percent of quota. The additional financing and time will help strengthen the country's efforts to implement the peace agreement, address related balance of payment needs and maintain program continuity. This will bring Mali's total access under the current arrangement to SDR 186.6 million (about US\$259.16 million) or 100 percent of quota.

The Executive Board approved the ECF arrangement for Mali on December 18, 2013 for the equivalent of SDR 30 million (about US\$42.5 million at the time, see [Press Release No. 13/524](#)).<sup>2</sup>

Mali's economy continues to grow at a robust pace, with a projected GDP growth of 5.3 percent for 2017 and 5.0 for 2018. Activity is being supported both by robust public capital spending and strong performance of agriculture. Inflation is projected to increase to 1.0 percent by end-December and is expected to remain contained at 1.4 percent in 2018. This favorable outlook is, however, subject to downside risks stemming mainly from Mali's fragile security situation.

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<sup>1</sup> The [ECF](#) is a lending arrangement that provides sustained program engagement over the medium to long term in case of protracted balance of payments problems.

<sup>2</sup> For more detail on the ECF arrangement for Mali and the country's broader economic outlook, go to: [www.imf.org/mali](http://www.imf.org/mali).

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

“Mali's performance under the program supported by the IMF's Extended Credit Facility Arrangement has been satisfactory. Growth in 2016 remained robust, inflation was subdued, and the fiscal position was consistent with program objectives. The medium-term growth outlook remains positive, although fragile security conditions pose a downside risk. To support the authorities' efforts, the IMF has approved an extension of the program period and augmentation of access under the arrangement.

“The Malian authorities have reaffirmed their commitment to the convergence of the fiscal deficit to the WAEMU norm of 3 percent of GDP by 2019. The 2017 budget reflects this objective while also providing for pressing spending needs. The 2018 budget will aim at maintaining expenditures in line with budgetary resources while protecting social spending and stimulating medium-term public investment. Fiscal consolidation will be anchored to improved resource mobilization, including boosting collection of indirect taxes and containing current spending while accommodating spending needs for security and decentralization.

“The authorities' program includes steps to further strengthen tax administration, raise the efficiency of VAT collection, eliminate discretionary tax exemptions, and reform the system of incentives for tax inspectors. Further strengthening of public financial management is needed to support fiscal discipline. Strengthening the financial position of the state-owned electricity company would mitigate fiscal risks and free up resources for investment and priority spending.

“Keeping the reform momentum is important to improve the business climate and sustain robust, inclusive growth. To implement the 2015 Peace Agreement, the authorities need to pursue fiscal decentralization. Adoption of the law prohibiting new discretionary exemptions, as well as implementing the law against unlawful enrichment will help consolidate recent progress in governance reforms.”



# MALI

June 20, 2017

## SEVENTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REQUEST FOR EXTENSION AND AUGMENTATION OF ACCESS

### KEY ISSUES

**Context.** Mali is a fragile state, struggling with insurgency and terrorism. Implementation of the June 2015 peace agreement is difficult and attacks by terrorist groups not part of the peace agreement are causing numerous casualties. The economy performed well in 2016, with strong economic growth and low inflation. However, poverty remains high and social discontent is growing. Security efforts and the decentralization process associated with the peace agreement pose fiscal challenges. The near-term outlook for continuing strong growth is subject to downside risks from the volatile security conditions.

**Program implementation is broadly satisfactory but the external position remains difficult and fiscal challenges are mounting.** All December 2016 quantitative targets were met. Delays were recorded in the implementation of structural reforms but the authorities have since taken corrective measures. For 2017, expenditures will exceed previously programmed levels to address new security needs as well as costs associated with the decentralization. This spending will be offset by one-off non-tax revenues and grants. For 2018, the authorities are committed to a fiscal path consistent with reaching the WAEMU convergence criteria in 2019. Their fiscal policy will be anchored on further boosting tax revenue and streamlining spending. At the same time, access to regional financing has become more constrained, as the BCEAO revised its refinancing policy to safeguard regional reserves. New external financing is needed to cover the fiscal deficits, as well as to meet a larger balance of payment gap, stemming from rising oil prices and lower gold prices. The program goals for 2018 focus on further boosting tax revenue and containing spending

**Staff views.** Staff supports the authorities' request for an augmentation of access equivalent to 13.6 percent of quota in 2017 and extension of the program through 2018. Proposed access for 2018 is 33.9 percent of quota. This is expected to catalyze increased external assistance necessary to help maintain stability in the run-up to the November 2018 elections. The authorities' strong commitment to meeting the 2019 WAEMU convergence criteria and to the envisaged policies adequately balance the risks.

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

Staff team: Boriana Yontcheva (head), Jemma Dridi, Garth Nicholls (all AFR), Moussé Sow (FAD), Abdoulaye Tall (resident representative) and Bakary Traoré (local economist). Roger Nord (AFR) joined the mission during May, 11–12. Mr. Diakit  (OED) also participated in some of the discussions. Mission dates: May 2–12 in Bamako. The mission met with Abdoulaye Idrissa Maïga, Prime Minister; Boubou Ciss , Minister of Economy and Finance; Konzo Traor , National Director, Central Bank of West African States (BCEAO); other senior officials; representatives of the private sector; and development partners.

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## BACKGROUND, RECENT DEVELOPMENTS, AND OUTLOOK

**1. Volatile security conditions remain challenging.** President Keïta reshuffled his cabinet in April 2017 and is pushing ahead with implementing overdue aspects of the 2015 peace agreement. Interim authorities—comprising both members of the government and former rebels—were installed in most disputed regions in late 2016 after protracted negotiations. Despite these initiatives, there are still sections of the North that are difficult to control, while insecurity has also spread to the center and south of the country as international terrorists and drug trafficking groups continue to cause casualties. The insecurity undermines efforts by the Malian government and its international partners to strengthen the rule of law and deliver basic health care, education, and humanitarian assistance in the North and some parts of the Center of the country. Social tension rose significantly in early 2017, with prolonged strikes and protests by civil servants.

**2. Amid security challenges, Mali's economic recovery continued in 2016 but vulnerabilities increased and external imbalances widened (Figures 1–2, Text Table 1, Tables 1–6).**

- **Growth remained strong and inflation subdued.** Preliminary data indicate that real GDP grew by 5.8 percent ( $\frac{1}{2}$  percentage point higher than projected), owing to better than expected cotton yields and robust investment. Inflation through end-December was negative (-0.8 percent), driven by falling food prices, and low international oil prices.
- **The external position remains weak.** The overall balance of payments deficit widened by 2.5 percentage points to 3.9 percent of GDP despite a smaller than expected external current account deficit of 7.1 percent of GDP in 2016 (compared to 7.7 percent in the program) mainly driven by higher gold prices. Higher than expected private capital outflows associated mainly with gold mining companies, and delays in the receipt of grants and multilateral loans reduced the capital and financial account surplus by about 3 percentage points.
- **The 2016 fiscal position was consistent with the program objectives.** As agreed under the program, the budget accommodated additional peace and security expenditures and helped implement the government's decentralization strategy—with the overall fiscal deficit reaching 3.9 percent of GDP,<sup>1</sup> slightly below the deficit envisaged in the program. All continuous and quantitative performance criteria and indicative targets for end-December 2016 were met.

**3. Monetary and financial conditions are tightening (Table 8).** In December 2016, to curb declining foreign reserves, the regional central bank (BCEAO) increased its marginal lending rate by 100 basis points to 4.5 percent, and restricted access to the refinancing window for commercial

<sup>1</sup> The authorities reduced expenditures by 0.6 while on the revenue side, budget grants were lower than programmed by 0.3 percent of GDP, thereby reducing the balance by 0.3 percent of GDP.

banks to no more than twice the banks' own funds. Although this was followed in March 2017 by a reduction in the reserve requirement ratio (from 5 to 3 percent), staff estimates that, for Mali, the latter measure will offset only a small fraction of the liquidity-reducing impact of the December measures. Thus, some Malian banks are now facing difficulties to refinance at the regional central bank (BCEAO), and have more limited space to provide credit to the public sector or the economy. Staff projects credit to the economy to expand only by 12.5 percent in 2017, from 19 percent last year.

**4. The macroeconomic outlook remains positive, but external vulnerabilities are rising (Text Table 1).** Real GDP growth is projected at 5.3 percent in 2017, and slowing slightly thereafter to settle around 4.7 percent, Mali's long-run potential rate of growth. Inflation is projected to remain moderate. In the external sector, relative to program projections (see country report EBS/16/116), the WEO baseline for gold prices has been revised downward by a cumulative 13 percent for 2017–18 while oil prices were revised upward by a cumulative 14.5 percent, contributing to a deterioration of the terms of trade of about 11 percent in 2017. Despite the impact of tighter monetary policy, the current account deficit is projected to exceed 8 percent of GDP in 2017 and 6.5 percent of GDP in 2018 (cumulatively 2.6 percent of GDP higher than envisaged in the program), reflecting in part these price developments. Over the medium term, the current account deficit would gradually narrow to about 6 percent of GDP (about 0.7 percentage points of GDP higher than previously projected), in line with planned fiscal adjustment and the convergence of growth to its potential.

**Text Table 1. Mali: Key Economic Indicators, 2014–22**

	2014	2015	2016		2017		2018	2019	2020	2021	2022
	Est.	Est.	Rev. Proa.	Est.	Prog.	Rev. Proa.	Proj.				
	(in percent of GDP, unless otherwise indicated)										
Real GDP growth	7.0	6.0	5.4	5.8	5.3	5.3	5.0	4.7	4.7	4.7	4.7
Consumer price inflation (average)	0.9	1.4	-1.6	-1.8	0.8	0.2	1.2	1.6	1.9	2.1	2.2
Consumer price inflation (end of period)	1.2	1.0	0.5	-0.8	1.0	1.0	1.4	1.7	2.0	2.2	2.2
Revenue	14.9	16.4	16.8	16.7	17.1	18.3	17.9	18.3	18.4	18.5	18.8
of which: Tax revenue	12.5	14.0	14.9	14.9	15.3	15.3	15.9	16.2	16.3	16.5	16.8
Grants	2.2	2.7	2.0	1.6	2.0	2.3	2.1	2.0	1.9	1.9	1.8
Total expenditure and net lending	20.0	20.9	23.2	22.2	23.1	24.0	23.4	23.3	23.3	23.4	23.6
Overall balance (payment orders)	-2.9	-1.8	-4.3	-3.9	-4.1	-3.5	-3.4	-3.0	-3.0	-3.0	-3.0
Overall balance (cash)	-2.4	-3.2	-4.3	-3.9	-4.1	-3.4	-3.3	-3.0	-3.0	-2.8	-2.9
Basic fiscal balance <sup>1</sup>	-1.2	0.5	-2.1	-1.9	-1.6	-1.1	-0.7	0.0	0.0	0.0	0.0
Total public debt	27.3	30.7	29.7	30.4	30.0	31.8	32.6	33.9	35.4	36.7	37.9
Current external balance (including official transfers)	-4.7	-5.3	-7.7	-7.1	-6.8	-8.1	-6.5	-6.2	-6.2	-6.2	-6.0
Overall balance of payments	-2.5	-1.6	0.1	-3.9	-1.1	-2.9	-1.3	-0.9	-0.5	-0.5	-0.4

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

<sup>1</sup> Defined in Table 3, footnote 3.

**5. Risks to this outlook remain tilted to the downside.** The most immediate risk remains the fragile security situation. Agricultural output also remains vulnerable to adverse weather conditions, while high dependence on gold and cotton exports (about 65 percent and 15 percent of total exports, respectively) leaves Mali's balance of payments vulnerable to international commodity price



fluctuations. At the regional level, further monetary policy tightening by the BCEAO could slow credit to the private sector and increase the cost of domestic debt.

**6. Recent financial indicators show that the banking sector remains broadly sound, but the high level of non-performing loans (NPLs) is a concern (Table 9).** The increase in capital requirement introduced by the BCEAO in 2015 helped banks strengthen their capital adequacy ratio to 14.7 percent in 2016, well above the required minimum (8 percent). Banks are overall liquid and profitable, and the NPL ratio declined over the years, but remains high at 15.4 percent. A significant share of NPLs dates to over a decade ago, and is accounted for by some banks, including the state-owned Malian Housing Bank (BHM), which was merged with another bank in March 2016.<sup>2</sup> The authorities are working on a strategy to further lower bank NPLs (¶16). The micro-finance sector continues to grow and its financial indicators to improve, with nonperforming loans declining steadily from 7.2 percent in 2015 to 6.2 percent at end-February 2017.

## PROGRAM PERFORMANCE

**7. All continuous and end-December 2016 performance criteria (PCs) and indicative targets (ITs) were met (MEFP, ¶7 and Tables 1 and 2).** Revenue growth was slightly above target, supported mainly by measures to strengthen tax administration, broaden the base and increase compliance. The adjusted ceiling on net bank and market financing of the government was met with significant margin. The cumulative ceiling on new external debt on non-concessional terms was also met; and no external arrears were accumulated. All indicative targets were also met. Lower-than-programmed execution of externally-financed capital spending and the strong revenue performance allowed to contain the overall fiscal deficit to 3.9 percent of GDP, below the program target of 4.3 percent of GDP.

**8. Structural reforms progressed over the last few months, but efforts need to be sustained.** The end-December structural benchmarks were missed (MEFP, Tables 3-4) but the authorities have taken actions in early 2017 to implement three of the planned reforms. Senior government officials have started transmitting their financial disclosures to the Supreme Court, pursuant to the law against unlawful enrichment. On May 26, a bill prohibiting granting new discretionary exemptions was approved by the Parliament. The members of the anti-corruption commission have been nominated, and the commission is expected to become operational in June 2017. The authorities have also taken steps toward completing the transition to the treasury single account (TSA) by approving legislation to facilitate the transfer of resources of the administrative public institutions to the TSA, although the actual full transfer is awaiting approval of implementation guidelines. The introduction of the automatic pricing mechanism for petroleum products (initially programmed for end-December 2016) has been delayed, on concerns about the macroeconomic impact of higher domestic fuel prices, as well as difficulties in brokering a consensus among stakeholders to implement the new pricing formula. The authorities are reaching

<sup>2</sup> As part of the authorities' efforts to reduce financial sector risks, the state-owned Malian Housing Bank (BHM), which was merged with another bank in March 2016. IMF country reports 15/339 and 16/149.

out to all parties involved and working on mitigating measures to protect the vulnerable segments of the population (¶17 below).

## POLICY DISCUSSIONS

### 9. Meeting the program's objectives despite domestic and external shocks requires continuation of adjustment efforts and external support.

- Mali struggles with ongoing insurgencies, and additional spending is needed for security efforts and the decentralization process accompanying the peace agreement. Spending is projected to increase by about 0.6 percent of GDP, with a 0.4 percent of GDP increase in capital spending, including on security,<sup>3</sup> and 0.2 percent of GDP increase in current spending for elections.
- At the same time, Mali faces the dual impact of tighter regional financial market and less favorable than previously programmed terms of trade. While lower gold prices and higher oil and chemical contribute to the deterioration of the balance of payments, Mali's access to financing in the regional debt market has been curtailed with the late-2016 tightening of BCEAO policies in response to falling regional reserves, although its public debt ratio is one of the lowest in the region (30 percent of GDP). Accordingly, domestic financing of the 2017 deficit has been revised downwards by 1.2 percent of GDP. With only a partial offset from a lower fiscal deficit, this will require additional access to external financing of 0.6 percent of GDP in 2017. Development partners will provide about 0.4 percent in additional support, and the requested augmentation of access under the ECF arrangement would cover the remaining of 0.2 percent of GDP. In the absence of this augmentation, additional spending cuts beyond what is already programmed would otherwise be needed.

**10. For the medium term, the challenge is to achieve fiscal consolidation in support of regional external stability while meeting critical security-related spending needs.** The Malian authorities reiterated their intention to meet the WAEMU 3 percent of GDP fiscal deficit convergence criterion by 2019. The proposed extension of the ECF arrangement to December 17, 2018 (see ¶12, and MEFP, ¶12) includes policies designed to support this effort.

## A. Fiscal Policy and Reforms

### Fiscal policy

**11. In 2017, the scope for front-loaded fiscal consolidation is limited by the need to accommodate higher security spending and deliver on the 2015 peace agreement (MEFP, ¶12).** The 2017 budget passed by Parliament in December 2016 targeted a deficit (payment-order basis) of 4.1 percent of GDP, and a basic fiscal balance below 2 percent of GDP. The revised budget, submitted to the Parliament for approval by mid-June, allows higher-than-programmed

<sup>3</sup> The new security needs are part of the Security Planning and Civil Protection Act, which provides for enhancing human resource management (recruitment, training, and career plan) for police and security staff.

expenditures by 0.6 percent of GDP, reflecting higher security and local elections spending. These additional expenditures are more than offset by one-off non-tax revenues and carried-over grant disbursements amounting to 1.2 percent of GDP. Thus, the overall fiscal deficit is lower than initially programmed at 3½ percent of GDP,<sup>4</sup> whereas the underlying overall fiscal deficit is slightly wider by 0.1 percent of GDP.<sup>5</sup> Staff supports this revised budget and stresses the importance of its prompt adoption to ensure that budget execution in the second half of the year adhere to program objectives.

**12. For 2018, the authorities plan to implement new revenues measures, improve tax administration and reduce domestically-financed capital outlays and current expenditures.**

They are committed to implementing the recently-adopted law to prohibit the granting of new discretionary exemptions (Structural Benchmark), and limit the issuance of other tax exemptions. These measures (see paragraphs 15–16 below) are expected to boost tax revenue by about 0.6 percent of GDP in 2018. On the expenditure side, the authorities are offsetting higher wages and election-and-security spending by curtailing domestically-financed capital expenditures by 0.5 percent of GDP and current expenditures by 0.3 percent of GDP; together these measures will help bring the overall fiscal deficit to 3.4 percent of GDP in 2018. Lower capital spending and higher tax revenue contribute equally to the adjustment of the underlying deficit.<sup>6</sup> The authorities felt that the fiscal framework as agreed with staff includes adequate election-and security related spending (about 0.4 percent of GDP) without undermining medium-term fiscal sustainability as they shifted spending priorities while increasing tax revenue from 15.3 to almost 16 percent of GDP. Staff encouraged the authorities to build fiscal buffers to respond to the contingencies that could occur in an election year. These buffers could also help in case unfavorable terms of trade shocks hit Mali in the future.

**13. The authorities have reaffirmed their commitment to staying on the path towards reaching the WAEMU convergence criteria while providing for security needs and the decentralization process.** Implementing the limits on tax exemptions in 2018 will boost tax revenue by 0.3 percent of GDP in 2019. With spending broadly at its projected level in 2018, the overall deficit will be brought down to 3 percent of GDP in 2019, in line with the WAEMU criteria.

**14. Additional financial support from donors and other creditors catalyzed by the Fund is critical to fill the financing gap.** Mali has a financing gap in 2017–18 of about 0.6 percent of GDP. This gap is the result of additional security spending needs and difficulties in raising required funds on the regional market following the BCEAO's revision of the refinancing policy. These factors, together with the widening of the external current account deficit (by a cumulative 2.6 percentage

<sup>4</sup> The higher overall revenues reflect one-time receipts from the sale of telecom licenses (0.9 percent of GDP) and higher grants (0.3 percent of GDP) that could not be disbursed in 2016 as initially programmed due to delays in meeting the related conditionality.

<sup>5</sup> The increase in spending amounts to half of the windfall revenues and is being driven by higher security needs (0.4 percent of GDP) and the holding of local elections not anticipated earlier (0.2 percent of GDP).

<sup>6</sup> The underlying deficit excludes one-off revenues and expenditures. For 2017 it amounts to 4.2 percent of GDP (0.1 percentage point above program projections). For 2018, the underlying deficit amounts to 3.0 percent of GDP. The adjustment of 1.2 percent derives equally from tax efforts and lower spending.

points of GDP over 2017–18, relative to the program projections), raise the need for increased external financing. To fill the gap, additional commitments from the AfDB, the EU, and the World Bank have been secured. Fund financing in total official financing is projected to be around 17 percent in 2017–18 (Text Table 2).

**Text Table 2. Mali: External Support, 2012–18**  
(In percent of GDP)

	2012 <sup>1</sup>	2013	2014	2015 <sup>2</sup>	2016	2017 <sup>3</sup>	2018 <sup>4</sup>
	Act.					Prog.	Proj.
<b>Total external support</b>	<b>0.8</b>	<b>5.1</b>	<b>3.9</b>	<b>5.2</b>	<b>3.9</b>	<b>5.5</b>	<b>5.3</b>
<b>Grants</b>	<b>0.4</b>	<b>3.0</b>	<b>2.3</b>	<b>2.3</b>	<b>2.1</b>	<b>2.7</b>	<b>2.1</b>
Projects	0.2	0.9	0.9	1.3	1.0	1.1	1.1
Budget support	0.2	2.1	1.4	1.0	1.1	1.6	1.0
Of which: <i>IMF financing (excluding augmentation)</i> <sup>5</sup>	0.1	0.3	0.1	0.1	0.4	0.4	0.0
<b>External loans</b>	<b>0.4</b>	<b>2.1</b>	<b>1.6</b>	<b>2.9</b>	<b>1.8</b>	<b>2.8</b>	<b>3.2</b>
Projects	0.4	1.5	1.4	2.1	1.8	2.1	2.5
Budgetary	0.0	0.6	0.2	0.8	0.0	0.7	0.7
<i>IMF financing, without augmentation (Gross in % of total external support)</i>	7.2	6.3	2.1	1.6	9.7	6.5	0.0
<i>IMF financing, with augmentation (Gross in % of total external support)</i>	..	..	..	..	..	10.9	17.0

Sources: Malian authorities and staff estimates.

<sup>1</sup> In 2012, Mali experienced a military coup that disrupted budget execution and caused delays in the disbursements of external financing. They benefited from debt relief (0.1 percent of GDP), and accumulated external arrears (0.3 percent of GDP)

<sup>2</sup> In 2015, Authorities benefited from debt cancellation of 0.5 percent of GDP.

<sup>3,4</sup> The IMF financing excludes the augmentation of access.

<sup>5</sup> The IMF financing is expressed in gross terms.

## Fiscal reforms

**15. The authorities will continue to implement measures to sustain revenue growth (MEFP, ¶¶16–21, 23–27).** Strong revenue performance in recent years helped contain fiscal deficits at relatively low levels compared to WAEMU peers (Box 1). The authorities will continue efforts to strengthen tax administration, and enhance the efficiency of VAT collection. They are also stepping up efforts to reduce tax exemptions. A law that would prohibit the granting of new discretionary exemptions was adopted by the Parliament in May, while the eligibility threshold for granting exemptions through the investment code is being raised (Structural Benchmark, August 2017). The authorities are about to publish the results of the review of tax legislation to identify areas where other exemptions should be reduced (structural benchmark, June 2017). To enhance compliance, the authorities will continue the simplification of tax legislation to reduce the administrative burden for taxpayers and the tax administration. This includes the establishment of the medium-size taxpayer office tasked with strengthening and coordinating tax audits, and the training to improve understanding of mining, telecommunication, and banking and insurance activities (MEFP, ¶¶29–31). The authorities are expanding selective audits to avoid the accumulation of VAT credits and streamlining the VAT refund process. Measures are also being implemented to improve the effectiveness of customs, through improving the information system, reducing fraud, and

operationalizing the online settlement of customs duties. Together these measures are expected to boost revenues by 0.6 percent of GDP in 2018.

### Box 1. Mali: Recent Fiscal Performance

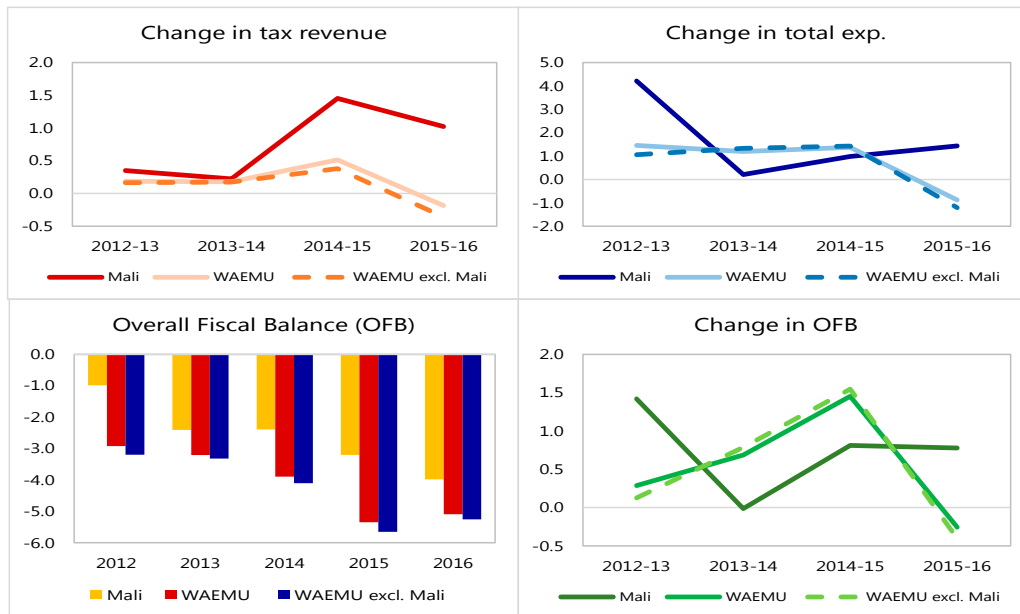
**Revenue collection performance in Mali has improved faster than in WAEMU peers, albeit from a low basis, despite challenging political and security environments.** Tax revenue increase has averaged 0.7 percent of GDP in Mali, 0.5 percent of GDP above the WAEMU average over 2012–15 (Figure 1, top left chart). This momentum persisted in 2016, with 1 percent of GDP increase in tax revenue, compared with the underperformance of the WAEMU peers, where tax revenue collection has declined by 0.2 percent of GDP. This performance is the result of tax policy measures, including increasing the tax rates, tax base expansion, and improvements of tax payers' compliance, through stronger tax administration.

**The deterioration of the security conditions in the recent years has put additional pressures on public spending.** Mali faced significant spending pressures due to the political disruption caused by the military coup in 2012, which has led to significant accumulation of arrears; which have been fully cleared by mid-2015 (fig. 1, top right chart). Due to persistent deterioration of the security environment, the Malian authorities have increased security spending in the supplementary budget.

**Prudent budget execution and strong revenue collection performance helped contain the fiscal deficit.** Despite the political and security challenges, Mali has maintained a relatively low fiscal deficit, compared to its WAEMU peers.

Mali: Tax policy and administrative measures, 2014-16	
<b>Tax policy</b>	<ul style="list-style-type: none"> <li>Elimination of oil subsidies</li> <li>Adoption of a 3% synthetic tax <sup>1</sup></li> <li>Increase in other tax rates                             <ul style="list-style-type: none"> <li>Telecommunications (TARTOP) <sup>2</sup></li> <li>Financial transactions (TAF) <sup>3</sup></li> <li>Excises on specific products (ISCP) <sup>4</sup></li> </ul> </li> </ul>
<b>Tax administration measures</b>	<ul style="list-style-type: none"> <li>Change in the VAT threshold</li> <li>Increasing audits of tax payers</li> <li>Modernization of the mining and petroleum codes</li> <li>Reorganization of medium and large tax payers units</li> <li>Simplification of tax laws</li> </ul>
Sources: Malian authorities and Staff estimates.	
<sup>1</sup> This rate applies to every enterprise, business not paying VAT.	
<sup>2</sup> The TARTOP increased from 2 % to 5%.	
<sup>3</sup> The TAF was increased from 15% to 17%.	
<sup>4</sup> Excise taxes on tobacco, alcohol and passenger vehicles	

Figure Box 1. WAEMU: Change in Tax Revenue and Total Expenditure, and Overall Fiscal Balance (in percent of GDP)



Source: Malian authorities and IMF Staff estimates.

**16. The authorities are taking steps to reform the system of incentives for tax and customs inspectors, which is required to modernize the tax administration (MEFP, ¶¶23–24).** They have adopted measures to increase the current system’s transparency, including by paying all penalties and premiums through bank transfer and recording these incentives payments as part of the wage bill. To guide the reform and improve human resource management, the authorities are committed to implementing the February 2017 IMF technical assistance (TA) mission recommendations, including adopting performance-based compensation, enhancing vocational training and internal controls. The authorities will be drawing upon the regional perspective as discussed during a seminar planned later this year in designing their reform.

**17. The introduction of a more flexible pricing mechanism for petroleum products (benchmark under the program (MEFP, ¶19) will be important for sustaining revenue growth.** Following IMF TA’s recommendations, the authorities are working to establish an excise tax level for each product, in line with their revenue objective. The new mechanism, which offers a smoothing rule to reflect changes in international oil prices, is geared toward protecting oil-related revenue and encouraging efficient operations and investments in the sector. The introduction of the automatic pricing mechanism for petroleum products (initially programmed for end-December 2016) has been delayed on concerns about the impact of higher domestic fuel prices, as well as difficulties in brokering a consensus among stakeholders. As oil prices are expected to rise, staff and the authorities agreed that reaching the overall revenue target will be challenging if the increase in petroleum prices is not adequately passed through to domestic prices. Staff shared the authorities’ view that while headways were made on the technical work, more time is needed to complete the needed outreach. The structural benchmark was therefore modified with greater emphasis on building a sustainable consensus on this reform. To this end, the authorities agreed to step up efforts to increase public support by launching a public information campaign to explain the costs of current practices, the need for reform and the advantages of the new petroleum pricing mechanism. They also plan to work with the World Bank on measures to protect the poorest and most vulnerable sections of society from the impact of rising petroleum product prices and to assist middle-income ones to adjust. The authorities intend to complete the outreach campaign to all stakeholders to discuss the fuel price reform and assess possibilities to protect the most vulnerable groups by end-August (revised structural benchmark). This will facilitate the introduction of the new pricing mechanism in 2018.

**18. The authorities continue the gradual implementation of fiscal decentralization (MEFP, ¶10).** As per the 2015 peace agreement, the central government remains committed to transferring 30 percent of budget revenue to subnational governments by 2018. Transfers to local government reached 22.9 percent of revenue in 2016, and are expected to rise to 23.4 percent in 2017. The authorities have prepared a three-year strategy to finance regional development projects by increasing transfers to the National Support Fund for Territorial Communities (FNACT) to support investment in the regions. In addition, the authorities have signed performance contracts with five regions, including Kidal and Timbuktu and have created regional development agencies to

accompany subnational governments in implementing local development projects. This helped increase the decentralized resources to 18.3 percent of budgetary revenues.<sup>7</sup>

**19. The authorities established a Sustainable Development Fund (FDD), as part of the 2015 peace agreement.** The FDD is expected to help finance regional development projects, especially in the North and accompany the decentralization process. The FDD is included in the state budget to ensure compliance with budgetary procedures, and its funding is provided mainly through new export taxes and other levies targeting specific sectors. An amount of CFAF 18 billion was executed in 2016 and CFAF 33 billion is budgeted for 2017.

**20. The authorities are implementing plans to further improve public financial management (MEFP, ¶15, ¶¶33–50).** In line with WAEMU's PFM directives, the authorities have finalized the new program budgeting classification and presented to the Parliament a new medium-term expenditure framework outline for pilot ministries in the 2017 budget. With the assistance of the IMF, the Budget Directorate has made significant progress to update its information system towards the new program-based budgeting framework. This will allow for proper budgeting of multi-year investment spending under the commitment authorizations and payment credits framework. Progress is also being made at the Treasury Directorate, and the interface with the Accounting IT system is expected to be rolled-out by end-2017. This will facilitate the transition towards the new program-based budgeting and will allow better tracking of payments and phasing-out of Treasury advances bypassing the regular expenditure authorization procedures. The authorities are committed to completing the transition to the Treasury Single Account (TSA) by end-2017 (structural benchmark). To this effect, a decree was issued in June 2016 that sets the rules for opening, closing and management of public accounts at commercial banks. They are also adopting measures to enhance budget transparency and improve the presentation of Mali's fiscal accounts.<sup>8</sup>

## B. Financial Sector Issues

**21. The authorities continue to address vulnerabilities in the financial sector (MEFP, ¶65).** While the banking system remains generally sound and credit expansion is slowing down to a more sustainable pace, NPLs are still high (15.4 percent in December 2016) and measures to reduce them are needed. However, the relatively large NPL figure for the system reflects mainly legacy NPLs related to two public banks (BHM and BDM). Strengthening the Malian Solidarity Bank (BMS-SA), which was merged with the weak former state-owned Malian Housing Bank (BMH) in March 2016 (country report EBS/16/49) has helped reduce NPL levels. After some difficulties at the time of the merger, BMS-SA's activity recovered and the quality of its loan portfolio has improved (gross NPL rate declined from 17 percent to 14.5 percent at end-2016). The authorities are in the process of

<sup>7</sup> Given the limited capacity of subnational administrations, and the increasing share of budgetary revenue transferred to them, the authorities have chosen to retain all the services of the finance ministry at the central level, including budgeting and financial control, to ensure appropriate budgeting process for subnational governments and strengthen auditing and control mechanisms.

<sup>8</sup> Measures include submitting the draft finance law under the program budgeting format and presenting the government consolidated fiscal transactions based on the 2001 Government Finance Statistics Manual (2001 GFSM), starting in 2018.



developing a comprehensive strategy to help reduce NPLs in the banking system, in collaboration with IMF technical assistance (structural benchmark, June 2017). In the context of adopting Basel II prudential norms, aligning taxation and prudential norms would help processing legacy NPLs; in particular, all current tax impediments limiting the full deductibility of write-offs should be eliminated. Looking ahead, the authorities need to identify the risks associated with real estate collaterals and strengthen the operations of the central credit bureau to ensure that banks receive reliable information and provide credit to sound borrowers.

**22. The authorities continue the implementation of their comprehensive plan to reform the microfinance sector (MEFP, ¶165).** With support from the World Bank, they completed the audit of 32 decentralized microfinance institutions (MFIs) which are in difficulty and will extend audit to all other troubled MFIs. They also started to compensate small depositors in a liquidated MFI (Jemeni). In addition, the authorities have suspended the operations of 23 MFIs, two of which are slotted for liquidation in 2017. A plan to liquidate the remaining suspended MFIs is being prepared.

### C. Other Structural Reforms

**23. The authorities are taking measures to strengthen the state-owned electricity company (MEFP, ¶166).** Notwithstanding recent progress, the financial situation of the electricity company (EDM) remains weak, reflecting inefficient management practices and the application of below-production costs tariffs. Although the overall deficit of the company fell significantly in 2016 to about 0.7 percent of GDP (from over 1.3 percent of GDP in 2015) and is expected to decline to about 0.4 percent of GDP in 2017, its financing imposes a burden on the budget, which continues to cover over 60 percent of this deficit. The authorities aim to improve EDM's performance to support economic growth and free up resources for investment and social spending. The authorities' approach focuses on reducing operating costs, improving efficiency and raising revenues. EDM is also implementing its plan to fully clear all existing arrears, while avoiding the accumulation of new arrears. EDM has started publishing quarterly financial statements, which will allow better monitoring of its financial position.

**24. The authorities adopted a (PPP) law in late 2016 to improve the investment framework and increase the attractiveness of foreign direct investment (MEFP, ¶164).** They have also established a PPP unit to oversee the implementation of the law. However, staff pointed out that the law has some weaknesses that may imply new risks to the public finances.<sup>9</sup> While agreeing with staff on the need to improve the law, the authorities are of the view that this should be done in the context of a revision after a reasonable period of implementation.

**25. The authorities continue to implement measures to promote good governance (MEFP, ¶167).** They highlighted the challenges involved in fully enforcing the provisions of the law against

<sup>9</sup> An assessment of the law by IMF staff concluded that: (1) the legal regime governing projects initiated by the private sector does not appear sufficiently strict; (2) derogatory procedures are not sufficiently limited to ensure that the law establishes a general principle of transparency; (3) risk allocation between the private and public partners is not sufficiently clear; and (4) the role of the ministry of finance should cover the implementation stage.



corruption and unlawful enrichment calling for the presentation of asset declarations to the Supreme Court, given the large number of senior government officials that are required to submit such disclosures.<sup>10</sup> Many of those who are subject to declare assets reportedly face difficulties in completing the declaration forms, especially regarding the valuation and reporting of real estate, much of which is held in traditional ownership that is not easily attributable to individuals. The authorities are confident that the imminent operationalization of the Central Office for the fight against corruption (December 2016 structural benchmark), which is tasked with overseeing and assessing the asset declarations by senior government officials, will increase the participation rate of senior officials. The Office is about to launch a major campaign to explain how to complete the forms and raise awareness of the administrative and legal consequences of non-declaration, and expects to achieve a reporting rate of 20 percent by senior officials by end-August (proposed structural benchmark); the Office will target further progress toward comprehensive reporting in 2018. The authorities indicated that the action plan to combat money laundering and the financing of terrorism has been updated to reflect the new AML/CFT legislation approved in February 2016, which *inter alia* has enabled them to indict agents involved in acts of corruption.

#### D. Technical Assistance and Capacity Building

**26. Staff and the authorities agreed on technical assistance priorities under the capacity building framework (MEFP, ¶168).** The Malian authorities are determined to continue to build capacity for a successful implementation of the ECF program. The authorities have reached understandings with staff on a comprehensive capacity building strategy in the context of the Capacity Building Framework (CBF) pilot project. They are committed to successfully implementing this CBF by securing the necessary political support, staffing, and other resources. To support the authorities' policy priorities, Fund TA will focus more on developing capacities in human resource management in all areas, but especially in revenue (tax and customs) administration. This includes revamping the employment framework (recruitment, promotion, and training), and reforming the salary structures, and the incentive systems and enhancing public financial management. TA will also aim at strengthening the authorities' capacity to address weaknesses in the financial sector. Support to improve real sector statistics will also be expanded.

## PROGRAM ISSUES

**27. The authorities are requesting a one-year extension of the ECF arrangement, to December 17, 2018.** The extension will help them continue to adequately respond to the needs stemming from the peace accord and the decentralization process—including by catalyzing external budget support—while maintaining fiscal discipline and advancing their reform agenda. It would also provide them with the time needed after the 2018 elections to articulate policies that could be

<sup>10</sup> Despite the Prime Minister's letter to public administration calling on all relevant officials to submit their declaration of assets to the Supreme Court by December 31, 2016, only a limited number of senior government officials (2–3 percent of the total expected respondents) have transmitted their financial disclosures to the Supreme Court, pursuant to the law against unlawful enrichment.

supported by a new multi-year successor arrangement. Moreover, Mali's economic and social fragilities highlight the importance of maintaining program continuity.

**28. The authorities are also requesting an augmentation of access.** They have asked for an increase in access by the equivalent of SDR 88.6 million, with 25.3 million in 2017 (13.6 percent of quota) and 63.3 million in 2018 or 33.7 percent of quota (Table 10). The resulting augmentation would bring Mali's access under the current arrangement to a total of SDR 186.6 million, or 100 percent of quota, in line with the access level norm. In 2017, the augmentation will help the government meet the balance of payments needs arising from: (a) a shift toward external financing of the fiscal deficit following tightening of regional financial policies, and (b) the execution of expenditures linked to the peace agreement. The extension and augmentation of access in 2018 would help the authorities fill a balance of payment gap, maintain fiscal discipline while providing for security needs, and support continued implementation of structural reforms in the run up to the presidential elections of November 2018.

**29. Mali's capacity to repay the Fund would remain adequate following the requested augmentation (Table 11).** Mali has relatively light external and public debt burdens, and obligations to the Fund based on existing and prospective credit, measured in relation to official reserves or exports of goods and services are modest. An update of the debt sustainability analysis (DSA) points to a slight deterioration in key indicators relative to the 2016 DSA, and Mali's classification remains at "moderate risk of debt distress".

**30. Program implementation is subject to risks, which would remain manageable assuming a stable external environment and continued implementation of sound policies.** In addition to the risks to the outlook described in paragraph 5, the program's key risks are: (i) the ongoing monetary tightening could reduce bank financing to the government further; (ii) the delay in implementing the new pricing mechanism for fuel products could negatively affect tax revenue; (iii) there could be resistance to the implementation of plans to reduce tax exemptions, which could also undermine revenue performance; (iv) fiscal decentralization poses a risk, although the gradual approach being pursued by the authorities and the adoption of other safeguards will help to limit it; and (v) political support for economic adjustment and reform could wane as the 2018 presidential elections approach.

**31. The 2013 safeguards assessment of the WAEMU regional central bank, BCEAO, found a continuing strong control environment.** All recommendations from the assessment have been implemented. These include strengthening the external audit arrangements by appointment of an international firm with ISA experience for the audits of FY 2015–17, reinforcing the capacity of the audit committee with external expertise to oversee the audit and financial reporting processes, and

adoption of IFRS starting with the financial year 2015. An updated safeguards assessment is planned for 2017, in line with a four-year cycle for regional central banks.

## STAFF APPRAISAL

**32. Prudent policies and the implementation of structural reforms have helped maintain a positive macroeconomic outlook in the near term, amidst tighter financial conditions and rising external vulnerabilities.** GDP is expected to grow at a solid pace, supported by domestic demand, and inflation to remain subdued. Risks to growth are tilted to the downside and mostly relate to further adverse movements in export prices, tighter financial conditions raising funding costs for investments, and the fragile domestic security situation.

**33. The revised 2017 budget provides an adequate basis for fiscal policy during a challenging year.** The revised budget realistically accommodates security needs and decentralization costs as well as election-related spending while maintaining the deficit objective of the program. Looking ahead, the authorities will need to remain vigilant to execute the budget as planned and resist temptation to further relax the fiscal stance despite the electoral context. Efforts aimed at prudent expenditure management and sustainable revenue increase will be critical to reducing the overall fiscal deficit to 3 percent of GDP over the medium term, consistent with the WAEMU norm. This would also allow to maintain a manageable public debt burden.

**34. Staff welcomes the authorities' commitment to staying on the path towards reaching the WAEMU convergence criteria while integrating the extra costs associated with security efforts and the decentralization process.** The 2018 fiscal projections adequately rely on realistic expenditure projections, and are underpinned by revenue measures aimed at broadly stabilizing the overall deficit at its 2017 level (in percent of GDP) including through reductions of tax exemptions, and specific improvements in revenue administration.

**35. Bolstering tax revenue is crucial for achieving the planned budget consolidation.** Staff welcomes the significant increase in tax revenue in recent years but there is still room for the tax-to-GDP ratio to rise. Staff supports the incorporation of new measures to support continued revenue growth, particularly the prohibition of new discretionary exemptions and plans to reduce other tax exemptions. Buttressing revenues also hinges on further expansion of the tax base and increased taxpayer compliance.

**36. Staff welcomes the adoption of laws boosting revenues and improving governance but urges the authorities to strengthen and broaden their efforts in structural reforms.** The adoption of the law ending discretionary exemptions is a step forward towards fostering good governance and fiscal decentralization is proceeding gradually towards meeting commitments made in the peace agreement. The authorities should continue to advance PFM reforms, and expedite the implementation of measures to strengthen the financial position of the state-owned electricity company to mitigate fiscal risks and free up resources for investment and social spending. It is also important to step up efforts to implement the law against corruption and unlawful enrichment by

enforcing compliance with asset declarations and operationalizing the Central Office for the fight against corruption.

**37. While supporting the creation of the FDD, staff reiterated its advice against new export taxes and levies targeting specific sectors.** It encouraged the authorities to explore other revenue options, including broadening the tax base and further reduction of exemptions.

**38. Efforts to address vulnerabilities in the financial sectors should continue.**

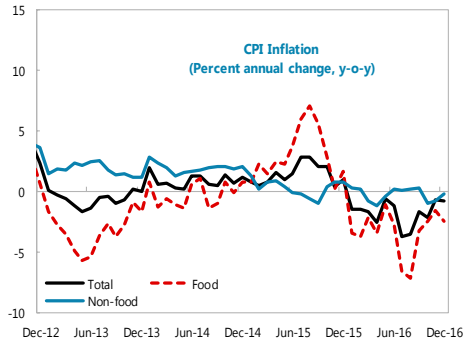
Notwithstanding the decline in recent years, the NPL ratio in the banking sector remains high. Ongoing efforts to reduce legacy NPLs and plans to develop a more comprehensive strategy to address the problem with Fund TA support should be expedited. Staff is encouraged by progress in implementing the comprehensive plan to consolidate microfinance institutions, reform the microfinance sector, and improve its financial viability.

**39. Capacity building will be critical to prepare and implement key reforms.** Staff welcomes the authorities' participation in the Capacity Building Framework initiative and their commitment to providing the necessary staffing, and other resources to achieve the agreed TA and capacity building goals.

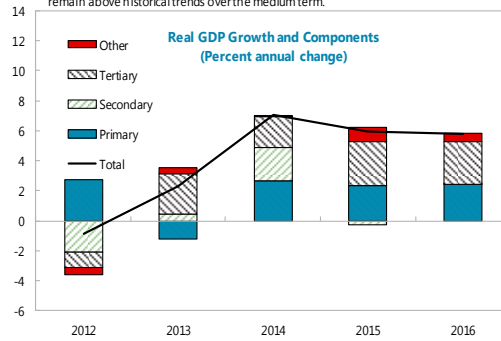
**40. Staff supports the authorities' request for augmentation of program access under the ECF arrangement by SDR 88.6 (47.5 percent of quota) and one-year extension.** This would bring the total access under the arrangements to SDR 186.6 million (100 percent of quota). The attached Letter of Intent (LOI) and Memorandum of Economic and Financial Policies (MEFP) set out appropriate policies to achieve the program's objectives. The capacity to repay the Fund is adequate, and risks to program implementation are manageable given the government's solid track record for policy implementation.

**Figure 1. Mali: Macroeconomic Developments, 2011-19**

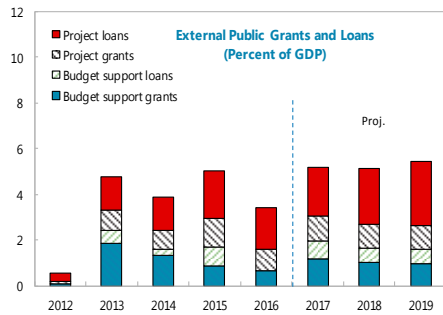
In 2016, inflation was negative, driven by falling food prices, large declines in prices for telecom services, and low global inflation.



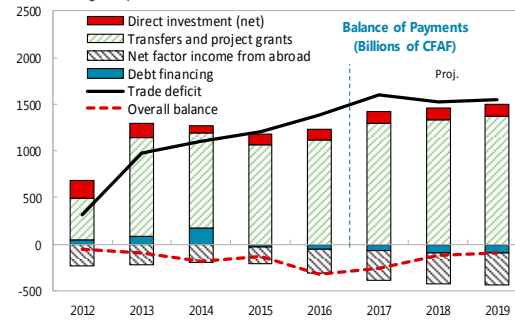
In 2016, robust agricultural performance and buoyant tertiary sector led to growth of about 5.8 percent. GDP growth is projected to decelerate to 5.3% in 2017, but would remain above historical trends over the medium term.



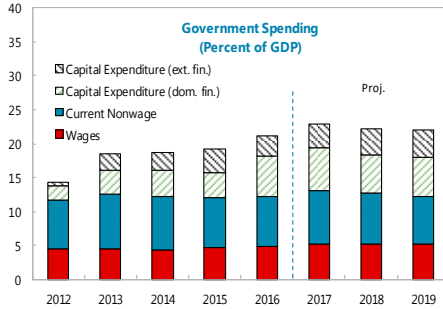
Efforts to address past governance lapses relating to public financial management helped unlock budget support grants and loans.



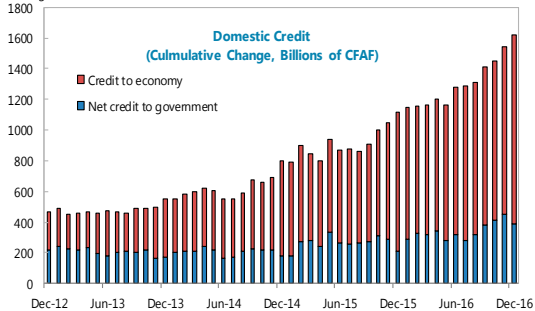
The trade balance deteriorated in 2016 reflecting a large increase in imports that offset the impact of high volumes of gold exports. Over the medium-term, the trade deficit will widen as terms of trade deteriorate and gold exports decline.



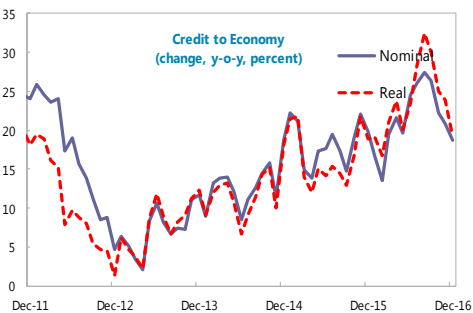
Growth in public expenditure since 2012 has been driven by capital project spending.



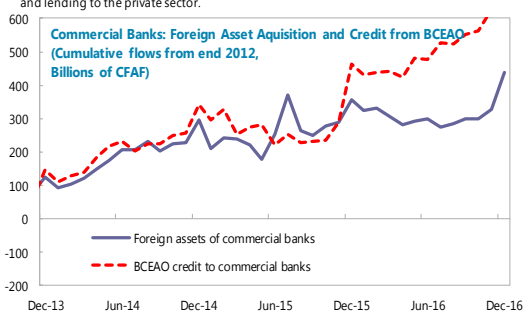
With government curbing its access to bank financing after 2012, banks' resources have strengthened....



...helping increase growth of the credit to the economy.



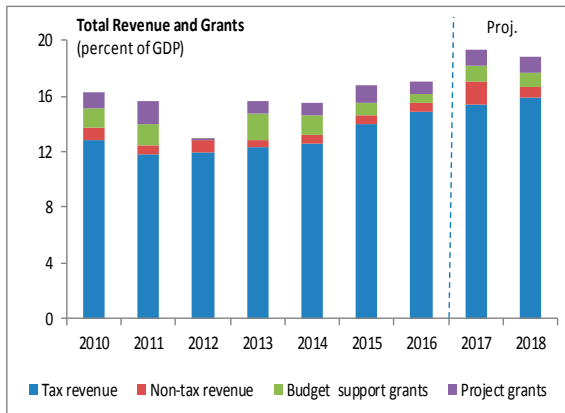
Commercial banks have been taking advantage of lending opportunities outside Mali. Buoyed by low-cost credit from the central bank, they increased their foreign asset holdings and lending to the private sector.



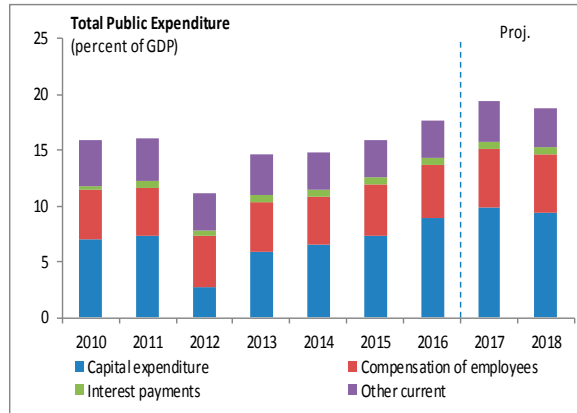
Sources: Malian authorities; and IMF staff estimates and projections.

**Figure 2. Mali: Fiscal Developments, 2010–18**

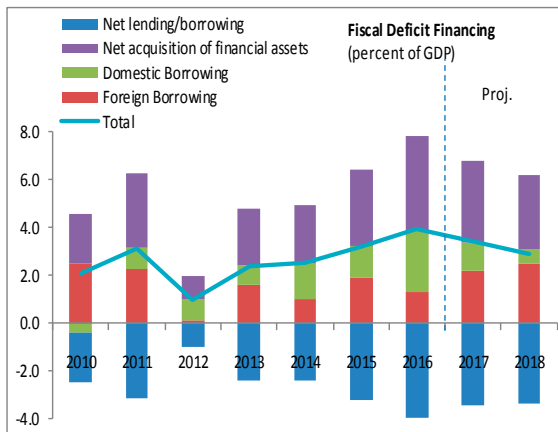
*Since declining in 2012, both revenues and grants have increased...*



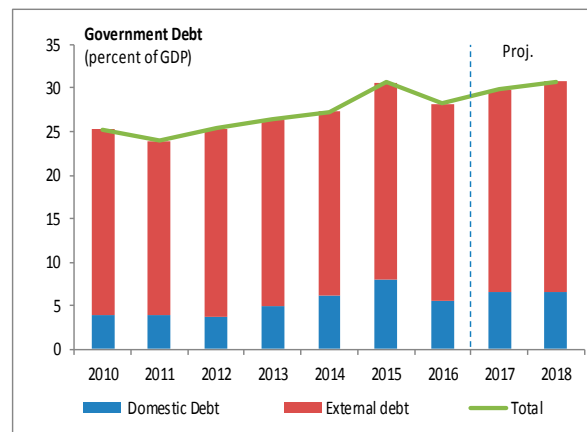
*...supporting an increase in capital spending...*



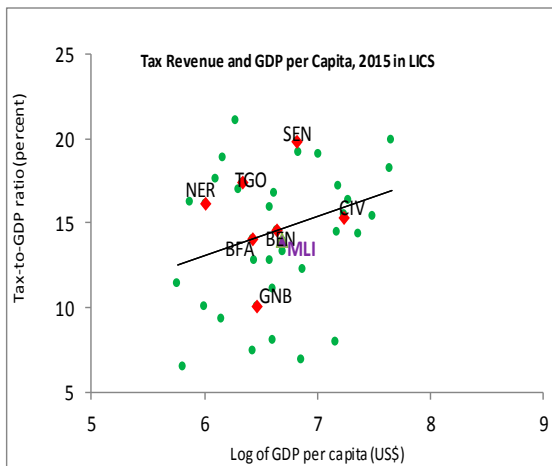
*... and contributing to a sustainable fiscal*



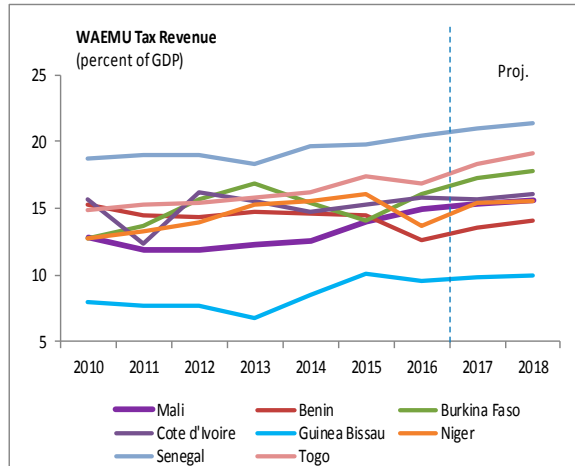
*Debt relief in the last decade has provided some fiscal space.*



*More revenues need to be mobilized...*



*... to keep the momentum of recent performance.*



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

Table 1. Mali: Selected Economic and Financial Indicators, 2013–22

	2013	2014	2015	2016		2017		2018	2019	2020	2021	2022
		Est.	Est.	Prog. Rev. <sup>1</sup>	Est.	Prog.	Prog. Rev.			Proj.		
(Annual Change in percentage)												
National income and prices												
Real GDP	2.3	7.0	6.0	5.4	5.8	5.3	5.3	5.0	4.7	4.7	4.7	4.7
GDP deflator	0.7	1.6	2.8	1.5	1.5	1.7	1.2	1.4	0.7	0.9	1.2	1.2
Consumer price inflation (average)	-0.6	0.9	1.4	-1.6	-1.8	0.8	0.2	1.2	1.6	1.9	2.1	2.2
Consumer price inflation (end of period)	0.0	1.2	1.0	0.5	-0.8	1.0	1.0	1.4	1.7	2.0	2.2	2.2
External sector (percent change)												
Terms of trade (deterioration -)	-16.6	5.5	18.6	4.4	16.7	4.5	-6.4	-0.1	0.3	-0.4	-0.9	-3.1
Real effective exchange rate (depreciation -)	0.6	1.8	-3.7	...	...	...	...	...	...	...	...	...
Money and credit (contribution to broad money growth)												
Credit to the government	-2.7	0.8	1.6	8.6	7.9	7.3	6.9	2.3	-0.8	...	...	...
Credit to the economy	7.5	12.4	14.6	17.2	14.7	10.2	10.8	10.3	10.0	...	...	...
Broad money (M2)	7.4	7.1	13.2	18.9	6.4	14.4	7.8	9.4	8.1	...	...	...
(Percent of GDP unless otherwise indicated)												
Investment and saving												
Gross domestic investment	17.8	17.6	17.4	19.4	17.4	19.7	20.0	19.5	20.0	20.0	20.0	20.2
Of which : government	6.0	6.5	7.3	9.3	8.9	9.6	9.9	9.4	9.8	9.8	9.8	10.1
Gross national savings	14.9	12.9	12.1	11.8	10.3	12.8	11.8	12.9	13.8	13.8	13.8	14.3
Of which : government	0.2	0.4	2.1	1.7	1.8	2.1	3.1	2.8	3.7	4.0	4.0	4.4
Gross domestic savings	2.8	2.2	1.9	0.7	0.8	2.1	1.9	3.4	4.5	5.0	5.2	5.9
Central government finance												
Revenue	14.5	14.9	16.4	16.8	16.7	17.1	18.3	17.9	18.3	18.4	18.5	18.8
Grants	2.8	2.2	2.7	2.0	1.6	2.0	2.3	2.1	2.0	1.9	1.9	1.8
Total expenditure and net lending	19.7	20.0	20.9	23.2	22.2	23.1	24.0	23.4	23.3	23.3	23.4	23.6
Overall balance (payment order basis, including grants)	-2.4	-2.9	-1.8	-4.3	-3.9	-4.1	-3.5	-3.4	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, including grants)	-2.4	-2.4	-3.2	-4.3	-3.9	-4.1	-3.4	-3.3	-3.0	-3.0	-2.8	-2.9
Basic fiscal balance (WAEMU def.) <sup>2</sup>	-0.7	-1.2	0.5	-2.1	-1.9	-1.6	-1.1	-0.7	0.0	0.0	0.0	0.0
External sector												
Current external balance, including official transfers	-2.9	-4.7	-5.3	-7.7	-7.1	-6.8	-8.1	-6.5	-6.2	-6.2	-6.2	-6.0
Current external balance, excluding official transfers	-12.4	-12.7	-12.3	-17.0	-14.6	-15.9	-16.6	-14.6	-14.0	-13.4	-13.0	-12.5
Exports of goods and services	24.9	22.5	24.0	21.7	22.9	22.1	23.1	23.1	22.5	21.9	21.5	21.4
Imports of goods and services	39.9	38.0	39.6	40.4	39.5	39.6	41.2	39.2	38.0	37.0	36.3	35.7
Debt service to exports of goods and services	2.3	3.5	5.8	4.1	3.9	5.2	4.8	4.4	4.9	5.9	6.0	6.3
External debt (end period)	21.5	21.0	22.6	22.9	24.9	23.0	25.3	26.1	27.4	28.9	30.2	31.4
Memorandum items:												
Nominal GDP (CFAF billions)	6,544	7,114	7,748	8,285	8,322	8,870	8,868	9,445	9,961	10,521	11,148	11,811
Overall balance of payments (US\$ millions)	-174.5	-353.5	-209.8	-200.8	-547.78	-169.90	-415.7	-196.6	-144.8	-89.8	-86.5	-82
Public Debt (Percent of GDP)	26.4	27.3	30.7	29.7	30.4	30.0	31.8	32.6	33.9	35.4	36.7	37.9
Domestic debt (end period) <sup>3</sup>	4.9	6.3	8.0	6.8	5.5	7.0	6.5	6.5	6.5	6.5	6.5	6.5
US\$ exchange rate (end of period)	478.7	532.0	603.1	...	622.5	...	...	...	...	...	...	...
Gold Price (US\$/fine ounce London fix)	1,411	1,266	1,160	1,282	1,248	1,357	1,254	1,281	1,311	1,333	1,358	1,387
Petroleum price (crude spot)(US\$/bbl)	104	96	51	43	43	51	55	55	54	54	54	56

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

<sup>1</sup> IMF Country Report No. 16/375, Mali: Sixth Review Under the Extended Credit Facility Arrangement.<sup>2</sup> Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending excluding foreign-financed capital spending.<sup>3</sup> Includes BCEAO statutory advances, government bonds, treasury bills, and other debts.

Table 2. Mali: National Accounts, 2012–16

	2012	2013	2014	2015	2016	
			Est.	Est.	Rev. Prog. <sup>1</sup>	Est.
(Annual growth rate, constant prices)						
Primary sector	9.3	-3.7	8.7	7.6	5.1	7.6
Crops	15.0	-9.9	15.3	12.1	7.2	12.3
Food crops	15.5	-11.6	13.8	16.1	5.9	9.8
Export crops	12.1	-0.8	22.6	-5.8	14.4	26.1
Livestock	4.6	0.8	5.0	4.4	3.5	4.0
Fishing and forestry	6.6	2.4	3.6	4.7	3.3	3.8
Quarrying	17.6	-10.1	3.9	4.1	6.6	6.0
Secondary sector	-9.3	2.1	10.9	-1.1	4.5	0.3
Gold (mining & processing)	5.6	-1.1	-2.2	-5.3	-4.3	0.8
Manufacturing	2.8	1.4	16.4	-5.7	4.2	-6.0
Agribusiness	-10.0	10.0	32.8	-11.0	7.4	-12.0
Textile	26.4	-10.9	27.2	62.8	1.9	3.7
Utilities	5.2	7.5	11.3	7.9	7.7	9.0
Construction and public works	-34.7	3.0	7.0	6.3	7.3	7.9
Tertiary sector	-2.6	7.0	5.2	7.4	6.3	7.0
Transportation and telecommunications	8.3	10.5	7.4	10.6	8.2	8.8
Trade	-7.7	5.9	3.4	4.3	7.1	6.9
Financial services	15.6	1.8	4.0	6.0	3.3	7.5
Other nonfinancial services	-1.0	6.6	4.6	6.4	4.2	4.8
Public administration	-7.2	0.7	6.2	10.4	4.2	6.9
Indirect taxes and Interior VAT	-5.3	4.4	1.0	10.7	4.1	6.0
GDP at market prices	-0.8	2.3	7.0	6.0	5.3	5.8
National accounts	(Percent of GDP, unless otherwise indicated)					
Gross domestic investment	17.2	17.8	17.6	17.4	19.4	17.4
Gross national savings	15.0	14.9	12.9	12.1	11.8	10.3
Current account balance (including official transfers)	-2.2	-2.9	-4.7	-5.3	-7.7	-7.1
<i>Memorandum items:</i>						
Nominal GDP (in CFAF billions)	6,352	6,544	7,114	7,748	8,285	8,322
GDP deflator (annual % change)	4.6	0.7	1.6	2.8	1.5	1.5
Sources: Malian authorities; and IMF staff estimates and projections.						
<sup>1</sup> IMF Country Report No. 16/375, Mali: Sixth Review Under the Extended Credit Facility Arrangement.						



**Table 3. Mali: Consolidated Fiscal Transactions of the Government, 2013–22**  
(Billions of CFAF)

	2013	2014	2015	2016		2017		2018	2019	2020	2021	2022
		Est.	Est.	Prog. <sup>1</sup>	Est.	Prog. <sup>1</sup>	Prop. Rev. Prog		Projections			
Revenue and grants	1,137.2	1,215.1	1,481.1	1,562.4	1,522.2	1,718.0	1,823.1	1,891.9	2,024.3	2,134.6	2,270.2	2,432.4
Total revenue	951.2	1,057.6	1,273.4	1,395.3	1,389.7	1,540.8	1,620.4	1,693.2	1,820.4	1,938.3	2,061.3	2,224.7
Budgetary revenue	842.7	940.8	1,134.2	1,290.3	1,284.7	1,429.4	1,509.0	1,574.6	1,695.2	1,806.1	1,921.3	2,076.4
Tax revenue	804.5	890.5	1,082.5	1,230.7	1,239.3	1,357.9	1,357.5	1,498.5	1,609.8	1,716.0	1,833.8	1,983.7
Direct taxes	258.1	324.0	330.8	390.2	367.7	425.8	424.6	483.7	548.3	586.0	627.0	674.0
<i>Of which: Gold sector</i>	71.0	56.2	46.0	63.5	63.5	66.7	73.9	99.5	107.7	112.4	117.6	123.6
Indirect taxes	546.4	566.5	751.7	840.6	871.6	932.1	932.9	1,014.8	1,061.6	1,129.9	1,206.8	1,309.8
VAT	325.7	335.0	411.3	445.4	467.3	503.6	508.9	557.3	582.7	623.3	670.1	725.9
Excises on petroleum products	22.3	27.8	93.1	97.9	100.9	104.9	94.7	94.2	96.2	99.6	104.7	110.9
Import duties	111.8	115.5	141.8	155.1	157.4	173.4	176.1	192.9	197.5	209.1	216.6	227.2
Other indirect taxes	146.9	149.9	189.5	213.6	218.0	232.2	235.3	256.8	276.2	294.2	317.4	353.7
<i>Of which: Gold sector</i>	55.3	51.9	55.5	63.9	65.4	70.5	68.1	73.7	77.6	80.4	84.6	100.0
Tax refund	-60.3	-61.7	-84.0	-71.4	-72.1	-82.0	-82.0	-86.4	-91.1	-96.2	-101.9	-108.0
Nontax revenue	38.2	50.2	51.7	59.6	45.4	71.5	151.4	76.1	85.4	90.2	87.4	92.6
<i>Of which: Gold sector</i>	17.4	7.2	0.0	8.3	0.0	8.3	8.3	8.7	9.6	10.3	11.0	11.5
Special funds and annexed budgets	108.5	116.8	139.2	105.0	105.0	111.4	111.4	118.6	125.1	132.2	140.0	148.4
Grants	186.0	157.5	207.7	167.1	132.5	177.2	202.7	198.6	203.9	196.3	208.9	207.6
Projects grants	56.6	61.6	98.1	92.0	78.6	96.5	96.5	100.1	104.4	96.3	102.9	100.7
Budgetary support	120.1	96.0	67.1	75.1	53.9	80.7	106.2	98.5	99.6	100.0	106.0	107.0
<i>Of which: General</i>	110.8	70.2	46.4	55.7	45.5	63.0	84.8	76.2	76.2	75.1	79.5	78.6
<i>Of which: Sectoral</i>	9.3	25.8	20.7	19.4	8.4	17.7	21.4	22.4	23.3	24.9	26.6	28.4
Total expenditure and net lending (payment orders basis)	1,292.4	1,419.9	1,622.3	1,919.6	1,850.1	2,083.9	2,130.2	2,208.3	2,321.5	2,451.9	2,604.0	2,787.7
Budgetary expenditure	1,190.1	1,308.4	1,488.0	1,818.7	1,753.0	1,976.0	2,028.0	2,089.7	2,196.4	2,319.7	2,464.0	2,639.3
Current expenditure	800.5	848.1	922.0	1,045.9	1,013.0	1,127.7	1,150.8	1,203.3	1,218.0	1,285.0	1,367.5	1,445.1
Wages and salaries	290.8	313.4	358.2	411.0	400.9	450.7	459.7	499.9	526.6	562.2	599.4	636.8
Goods and services	239.6	240.5	260.9	295.1	268.5	305.2	319.2	326.6	299.9	319.7	340.0	360.4
Transfers and subsidies	237.7	252.4	257.0	283.7	287.5	308.3	308.3	318.3	327.6	332.2	351.1	365.4
Interest	32.4	41.7	45.9	56.1	56.1	63.5	63.5	58.4	64.0	70.8	77.1	82.4
<i>Of which: domestic</i>	14.0	24.5	22.9	30.0	30.0	35.9	35.9	30.0	31.9	34.5	36.4	37.2
Capital expenditure	389.6	460.3	566.0	772.8	740.0	848.3	877.3	886.4	978.4	1,034.8	1,096.5	1,194.2
Externally financed	161.0	190.5	281.1	280.5	240.9	302.3	306.5	355.7	408.1	440.2	462.3	486.1
Domestically financed	228.6	269.8	284.9	492.3	499.0	545.9	570.7	530.7	570.2	594.6	634.2	708.0
Special funds and annexed budgets	108.5	116.8	139.2	105.0	105.0	111.4	111.4	118.6	125.1	132.2	140.0	148.4
Net lending	-6.2	-5.4	-4.9	-4.1	-7.9	-3.5	-9.2	0.0	0.0	0.0	0.0	0.0
Overall fiscal balance (excl. grants)	-341.2	-362.3	-348.8	-524.3	-460.4	-543.1	-509.9	-515.1	-501.2	-513.6	-542.8	-562.9
Overall fiscal balance (incl. grants)	-155.1	-204.7	-141.1	-357.2	-327.9	-365.9	-307.2	-316.5	-297.3	-317.3	-333.9	-355.3
Variation of arrears	6.0	-50.4	-37.2	-21.5	-8.2	-16.2	-23.6	15.4	-5.0	-4.9	1.4	1.5
<i>Of which: Domestic</i>	7.5	-50.4	-37.2	-21.5	-8.2	-6.2	-23.6	15.4	-5.0	-4.9	1.4	1.5
<i>Of which: External (Interest)</i>	-1.5	0.0	0.0	0.0	0.0	-10.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjustment to cash basis	-8.1	85.0	-69.8	19.3	9.9	17.4	29.9	-11.9	1.8	4.1	16.6	9.1
Overall balance (cash basis, incl. grants)	-157.2	-170.1	-248.1	-359.4	-326.1	-364.7	-300.8	-313.0	-300.4	-318.1	-315.9	-344.7
Financing	157.3	175.6	248.7	359.4	326.9	364.8	300.8	292.8	260.4	275.6	280.9	344.7
External financing (net)	103.9	70.5	145.0	159.1	109.2	159.1	195.8	233.4	273.7	288.9	304.4	330.8
Loans	134.7	119.5	225.2	199.8	149.9	223.7	258.5	291.3	340.9	383.6	401.8	430.5
Project loans	95.1	103.1	160.5	169.1	149.9	188.1	188.6	233.2	280.4	319.0	332.9	357.1
<i>Of which: non-concessional</i>	0.0	0.0	0.0	83.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Budgetary loans	39.6	16.4	64.7	30.7	0.0	35.6	69.9	58.1	60.5	64.6	68.9	73.5
Amortization	-42.9	-52.0	-97.5	-58.4	-58.4	-82.5	-80.5	-75.9	-84.2	-94.7	-97.4	-99.7
Debt relief	25.6	14.9	17.4	17.7	17.7	17.8	17.8	18.1	17.0	0.0	0.0	0.0
Variation of External Arrears (Principal)	-13.5	-11.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing (net)	53.4	105.1	103.7	200.3	217.6	205.7	105.0	59.4	-13.3	-13.3	-23.5	13.9
Banking system	-23.1	61.6	58.9	193.4	165.2	194.1	166.8	59.4	-13.3	-13.3	-23.5	13.9
Central bank	-75.5	-65.8	23.0	24.5	77.4	-34.1	37.7	42.4	-11.6	-12.7	-12.9	-16.5
Commercial banks	29.4	80.3	7.9	168.9	105.3	228.2	129.1	17.1	-11.7	-0.6	-10.6	30.4
Adjustment <sup>2</sup>	-23.0	47.1	-28.0	0.0	17.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts	55.1	0.0	-11.4	-17.5	-17.5	-10.0	-10.0	0.0	0.0	0.0	0.0	0.0
Non-bank financing	21.4	43.5	56.2	24.4	69.9	21.6	-51.9	0.0	10.0	0.0	0.0	0.0
Financing gap	0.0	-5.5	-0.6	0.0	-0.7	0.0	0.0	20.1	40.0	42.5	35.0	0.0
<i>Memorandum items</i>												
Basic fiscal balance <sup>3</sup>	-43.7	-86.7	38.5	-170.4	-156.2	-160.0	-100.7	-65.2	0.2	1.7	-1.0	1.8
Tax and non tax revenue from gold sector	143.6	115.4	101.5	135.8	128.8	0.0	150.3	181.9	194.9	203.1	213.2	235.1
Total official assistance (loans and grants)	320.7	277.0	432.9	366.9	282.4	400.9	461.2	490.0	544.8	579.9	610.7	638.2
Nominal GDP	6,544	7,114	7,748	8,285	8,322	8,870	8,868	9,445	9,961	10,521	11,148	11,811

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

<sup>1</sup> IMF Country Report No. 16/375, Mali: Sixth Review Under the Extended Credit Facility Arrangement.

<sup>2</sup> Adjustment to account for the difference between the definitions of the government in the fiscal table and the monetary situation.

<sup>3</sup> 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, 2016**  
(Billions of CFAF)

	March		June			September		December	
	Prog. <sup>1</sup>	Est.	Prog. <sup>1</sup>	Rev. Prog.	Est.	Prog. <sup>1</sup>	Est.	Prog.	Est.
Revenue and grants	336.9	339.9	745.7	728.8	804.9	1,129.4	1,124.9	1,562.4	1,522.2
Total revenue	324.9	336.7	709.3	691.3	746.7	1,016.9	1,066.7	1,395.3	1,389.7
Budgetary revenue	299.0	299.1	655.4	640.6	656.2	939.7	935.8	1,290.3	1,284.7
Tax revenue	287.0	294.0	619.3	604.9	619.7	894.5	889.4	1,230.7	1,239.3
Direct taxes	91.1	85.8	214.0	207.1	192.6	292.6	259.2	390.2	367.7
Indirect taxes	195.8	208.2	405.3	397.8	427.1	601.9	630.2	840.6	871.6
VAT	100.8	103.2	215.5	216.7	219.7	328.4	336.3	445.4	467.3
Excises on petroleum products	22.7	33.8	46.1	49.1	59.4	70.6	77.3	97.9	100.9
Import duties	36.6	34.2	74.2	73.5	75.2	114.4	115.7	155.1	157.4
Other indirect taxes	53.2	48.0	104.5	94.0	102.0	141.0	153.2	213.6	218.0
Tax refund	-17.5	-10.9	-35.0	-35.5	-29.2	-52.4	-52.3	-71.4	-72.1
Nontax revenue	12.1	5.1	36.1	35.7	36.5	45.3	46.4	59.6	45.4
Special funds and annexed budgets	25.9	37.6	53.9	50.7	90.5	77.2	130.9	105.0	105.0
Grants	11.9	3.2	36.4	37.5	58.2	112.5	58.2	167.1	132.5
Projects	8.6	3.2	29.5	28.2	50.1	46.8	50.1	92.0	78.6
Budgetary support	3.3	0.0	6.9	9.4	8.1	65.7	8.1	75.1	53.9
General	0.0	0.0	0.0	0.0	0.0	55.7	0.0	55.7	45.5
Sectoral	3.3	0.0	6.9	9.4	8.1	10.0	8.1	19.4	8.4
Total expenditure and net lending (payment order basis)	423.5	336.3	913.0	970.5	873.1	1,395.6	1,277.5	1,919.6	1,850.1
Budgetary expenditure	398.4	299.5	861.3	921.9	766.0	1,321.5	1,149.4	1,818.7	1,753.0
Current expenditure	268.9	208.2	564.2	569.1	482.0	805.5	743.6	1,045.9	1,013.0
Wages and salaries	100.6	97.6	201.2	205.5	184.2	308.3	291.9	411.0	400.9
Goods and services	74.5	42.6	149.1	147.6	120.6	221.3	196.9	295.1	268.5
Transfers and subsidies	85.5	57.7	188.2	189.5	147.5	240.2	216.4	283.7	287.5
Interest	8.3	10.4	25.8	26.4	29.6	35.7	38.4	56.1	56.1
Of which: domestic	1.8	3.8	13.2	13.8	17.7	16.5	20.1	30.0	30.0
Capital expenditure	129.5	91.3	297.1	352.9	284.0	516.1	405.8	772.8	740.0
Externally financed	32.8	23.0	103.7	106.7	131.5	146.8	134.9	280.5	240.9
Domestically financed	96.7	68.3	193.4	246.2	152.4	369.2	270.9	492.3	499.0
Special funds and annexed budgets	25.9	37.6	53.9	50.7	90.5	77.2	130.9	105.0	105.0
Net lending	-0.8	-0.8	-2.2	-2.2	-2.8	-3.2	-2.8	-4.1	-7.9
Overall fiscal balance (excl. grants)	-98.6	0.4	-203.7	-279.2	-126.3	-378.6	-210.8	-524.3	-460.4
Overall fiscal balance (incl. grants)	-86.7	3.6	-167.2	-241.6	-68.1	-266.1	-152.6	-357.2	-327.9
Variation of arrears	-18.3	0.0	-36.5	-26.5	-9.4	-24.0	-15.0	-21.5	-8.2
Adjustment to cash basis	-15.7	-8.9	-31.5	-25.4	-48.9	-3.1	-61.3	19.3	9.9
Overall balance (cash basis, incl. grants)	-120.7	-5.3	-235.3	-293.6	-126.4	-293.2	-228.9	-359.4	-326.1
Financing	120.5	73.4	235.0	293.6	126.4	293.3	229.0	359.5	326.9
External financing (net)	12.1	8.5	51.7	53.6	63.9	74.1	64.2	159.1	109.2
Loans	20.8	19.8	70.7	72.7	79.4	103.4	95.1	199.8	149.9
Project loans	20.8	19.8	67.3	69.2	79.4	90.0	79.4	169.1	149.9
Of which: non-concessional	20.8	0.0	41.7	41.7	0.0	62.5	0.0	83.3	0.0
Budgetary loans	0.0	0.0	3.5	3.5	0.0	13.4	15.7	30.7	0.0
Amortization	-10.0	-12.5	-31.9	-31.9	-28.2	-43.3	-44.9	-58.4	-58.4
Debt relief	1.2	1.2	12.9	12.9	12.7	14.1	14.0	17.7	17.7
Variation of External Arrears (Principal)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing (net)	108.4	64.8	183.3	240.0	62.5	219.1	164.8	200.4	217.6
Banking system	88.5	137.5	153.9	201.2	100.0	183.5	159.6	193.8	165.2
Central bank	-0.5	59.9	0.5	13.9	3.3	13.0	43.0	25.5	23.8
Commercial banks	89.0	43.5	153.5	187.3	100.3	170.5	122.8	168.3	105.3
Adjustment <sup>2</sup>	0.0	-34.0	0.0	0.0	3.6	0.0	-6.2	0.0	17.5
Privatization receipts	-8.8	-5.2	-17.5	-17.5	-9.1	-17.5	-9.8	-17.5	-17.5
Non-bank financing	28.7	-67.4	46.8	56.3	-28.4	53.1	15.0	24.1	69.9
Financing gap	0.2	-68.1	0.3	0.0	0.0	-0.1	-0.1	-0.1	-0.7
<i>Memorandum items</i>									
Basic fiscal balance <sup>3</sup>	-64.6	24.6	-87.1	-159.6	18.0	-162.0	-61.9	-170.4	-156.2
Government bank and market financing	125.0	162.2	216.5	278.2	195.9	251.7	280.9	259.4	235.2

Sources: Ministry of Finance; and IMF staff projections.

<sup>1</sup> IMF Country Report No. 15/339, Mali: Fourth Reviews Under the Extended Credit Facility Arrangement.

<sup>2</sup> Adjustment to account for the difference between the definitions of the government in the fiscal table and the monetary situation.

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

**Table 5. Mali: Consolidated Fiscal Transactions of the Government, 2013–22**  
(Percent of GDP)

	2013	2014	2015	2016		2017		2018	2019	2020	2021	2022
		Est.	Est.	Prog.	Est.	Prog.	Prop. Rev. Prog.		Projections			
Revenue and grants	17.4	17.1	19.1	18.9	18.3	19.4	20.6	20.0	20.3	20.3	20.4	20.6
Total revenue	14.5	14.9	16.4	16.8	16.7	17.4	18.3	17.9	18.3	18.4	18.5	18.8
Budgetary revenue	12.9	13.2	14.6	15.6	15.4	16.1	17.0	16.7	17.0	17.2	17.2	17.6
Tax revenue	12.3	12.5	14.0	14.9	14.9	15.3	15.3	15.9	16.2	16.3	16.5	16.8
Direct taxes	3.9	4.6	4.3	4.7	4.4	4.8	4.8	5.1	5.5	5.6	5.6	5.7
<i>Of which:</i> Gold sector	1.1	0.8	0.6	0.8	0.8	0.8	0.8	1.1	1.1	1.1	1.1	1.0
Indirect taxes	8.4	8.0	9.7	10.1	10.5	10.5	10.5	10.7	10.7	10.7	10.8	11.1
VAT	5.0	4.7	5.3	5.4	5.6	5.7	5.7	5.9	5.8	5.9	6.0	6.1
Excises on petroleum products	0.3	0.4	1.2	1.2	1.2	1.2	1.1	1.0	1.0	0.9	0.9	0.9
Import duties	1.7	1.6	1.8	1.9	1.9	2.0	2.0	2.0	2.0	2.0	1.9	1.9
Other indirect taxes	2.2	2.1	2.4	2.6	2.6	2.6	2.7	2.7	2.8	2.8	2.8	3.0
<i>Of which:</i> Gold sector	0.8	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Tax refund	-0.9	-0.9	-1.1	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9
Nontax revenue	0.6	0.7	0.7	0.7	0.5	0.8	1.7	0.81	0.9	0.9	0.8	0.8
<i>Of which:</i> Gold sector	0.3	0.1	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Special funds and annexed budgets	1.7	1.6	1.8	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Grants	2.8	2.2	2.7	2.0	1.6	2.0	2.3	2.1	2.0	1.9	1.9	1.8
Projects grants	0.9	0.9	1.3	1.1	0.9	1.1	1.1	1.1	1.0	0.9	0.9	0.9
Budgetary support	1.8	1.3	0.9	0.9	0.6	0.9	1.2	1.0	1.0	1.0	1.0	0.9
General	1.7	1.0	0.6	0.7	0.5	0.7	1.0	0.8	0.8	0.7	0.7	0.7
Sectoral	0.1	0.4	0.3	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Debt cancellation	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending (payment order basis)	19.7	20.0	20.9	23.2	22.2	23.5	24.0	23.4	23.3	23.3	23.4	23.6
Budgetary expenditure	18.2	18.4	19.2	22.0	21.1	22.3	22.9	22.1	22.0	22.0	22.1	22.3
Current expenditure	12.2	11.9	11.9	12.6	12.2	12.7	13.0	12.7	12.2	12.2	12.3	12.2
Wages and salaries	4.4	4.4	4.6	5.0	4.8	5.1	5.2	5.3	5.3	5.3	5.4	5.4
Goods and services	3.7	3.4	3.4	3.6	3.2	3.4	3.6	3.5	3.0	3.0	3.1	3.1
Transfers and subsidies	3.6	3.5	3.3	3.4	3.5	3.5	3.5	3.4	3.3	3.2	3.1	3.1
Interest	0.5	0.6	0.6	0.7	0.7	0.7	0.7	0.6	0.6	0.7	0.7	0.7
<i>Of which:</i> domestic	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Capital expenditure	6.0	6.5	7.3	9.3	8.9	9.6	9.9	9.4	9.8	9.8	9.8	10.1
Externally financed	2.5	2.7	3.6	3.4	2.9	3.4	3.5	3.8	4.1	4.2	4.1	4.1
Domestically financed	3.5	3.8	3.7	5.9	6.0	6.2	6.4	5.6	5.7	5.7	5.7	6.0
Special funds and annexed budgets	1.7	1.6	1.8	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Net lending	-0.1	-0.1	-0.1	0.0	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Overall fiscal balance (excl. grants)	-5.2	-5.1	-4.5	-6.3	-5.5	-6.1	-5.7	-5.5	-5.0	-4.9	-4.9	-4.8
Overall fiscal balance (incl. grants)	-2.4	-2.9	-1.8	-4.3	-3.9	-4.1	-3.5	-3.4	-3.0	-3.0	-3.0	-3.0
Variation of arrears	0.1	-0.7	-0.5	-0.3	-0.1	-0.2	-0.3	-0.1	0.2	0.0	0.0	0.0
<i>Of which:</i> Domestic	0.1	-0.7	-0.5	-0.3	-0.1	-0.1	-0.3	0.2	-0.1	0.0	0.0	0.0
<i>Of which:</i> External (Interest)	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Adjustment to cash basis	-0.1	1.2	-0.9	0.2	0.1	0.2	0.3	-0.1	0.0	0.0	0.1	0.1
Overall balance (cash basis, incl. grants)	-2.4	-2.4	-3.2	-4.3	-3.9	-4.1	-3.4	-3.3	-3.0	-3.0	-2.8	-2.9
Financing	2.4	2.5	3.2	4.3	3.9	4.1	3.4	3.1	2.6	2.6	2.5	2.9
External financing (net)	1.6	1.0	1.9	1.9	1.3	1.8	2.2	2.5	2.7	2.7	2.7	2.8
Loans	2.1	1.7	2.9	2.4	1.8	2.5	2.9	3.1	3.4	3.6	3.6	3.6
Project loans	1.5	1.4	2.1	2.0	1.8	2.1	2.1	2.5	2.8	3.0	3.0	3.0
<i>Of which:</i> non-concessional	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Budgetary loans	0.6	0.2	0.8	0.4	0.0	0.4	0.8	0.6	0.6	0.6	0.6	0.6
Amortization	-0.7	-0.7	-1.3	-0.7	-0.7	-0.9	-0.9	-0.8	-0.8	-0.9	-0.9	-0.8
Debt relief	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.0	0.0
Variation of External Arrears (Principal)	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing (net)	0.8	1.5	1.3	2.4	2.6	2.3	1.2	0.6	-0.1	-0.1	-0.2	0.1
Banking system	-0.4	0.9	0.8	2.3	2.0	2.2	1.9	0.6	-0.1	-0.1	-0.2	0.1
Central bank	-1.2	-0.9	0.3	0.3	0.9	-0.4	0.4	0.4	-0.1	-0.1	-0.1	-0.1
Commercial banks	0.4	1.1	0.1	2.0	1.3	2.6	1.5	0.2	-0.1	0.0	-0.1	0.3
Adjustment <sup>2</sup>	-0.4	0.7	-0.4	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts	0.8	0.0	-0.1	-0.2	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Non-bank financing	0.3	0.6	0.7	0.3	0.8	0.2	-0.6	0.0	0.1	0.0	0.0	0.0
Financing gap	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.2	0.4	0.4	0.3	0.0
<i>Memorandum items</i>												
Basic fiscal balance <sup>3</sup>	-0.7	-1.2	0.5	-2.1	-1.9	-1.8	-1.1	-0.7	0.0	0.0	0.0	0.0
Tax and non tax revenue from gold sector	2.2	1.6	1.3	1.6	1.5	0.0	1.7	1.9	2.0	1.9	1.9	2.0
Total official assistance (grants plus loans)	4.9	3.9	5.6	4.4	3.4	4.5	5.2	5.2	5.5	5.5	5.5	5.4
Nominal GDP (in billions of CFAF)	6,544	7,114	7,748	8,285	8,322	8,870	8,868	9,445	9,961	10,521	11,148	11,811

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

<sup>1</sup> IMF Country Report No. 16/375, Mali: Sixth Review Under the Extended Credit Facility Arrangement.

<sup>2</sup> Adjustment to account for the difference between the definitions of the government in the fiscal table and the monetary situation.

<sup>3</sup> Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending.

**Table 6. Mali: Central Government Consolidated Financial Operations, 2017**  
(Billions of CFAF)

	Mar.	Jun.	Sep.	Dec.	
	Prog.	Prog.	Prog.	Prog.	Prop. Rev. Prog.
Revenue and grants	386.3	882.8	1,324.6	1,718.0	1,823.1
Total revenue	377.5	832.1	1,217.9	1,540.7	1,620.4
Budgetary revenue	344.6	757.2	1,136.0	1,429.3	1,509.0
Tax revenue	322.8	665.3	1,021.2	1,357.8	1,357.5
Direct taxes	96.8	212.3	325.0	425.8	424.6
Indirect taxes	226.1	453.0	696.2	932.0	932.9
VAT	116.3	244.3	377.1	503.6	508.9
Excises on petroleum products	28.2	44.5	68.2	104.9	94.7
Import duties	40.0	82.8	129.9	173.4	176.1
Other indirect taxes	50.4	107.4	154.4	232.2	235.3
Tax refund	-9.3	-29.4	-37.1	-82.0	-82.0
Nontax revenue	21.7	91.9	114.7	71.5	151.4
Special funds and annexed budgets	33.0	74.9	81.9	111.4	111.4
Grants	8.7	50.7	106.8	177.2	202.7
Projects	6.1	41.0	49.1	96.5	96.5
Budgetary support	2.6	9.6	57.6	80.7	106.2
General	0.0	0.0	46.6	63.0	84.8
Sectoral	2.6	9.6	11.0	17.7	21.4
Total expenditure and net lending (payment order basis)	548.1	1,118.4	1,580.5	2,083.9	2,130.2
Budgetary expenditure	517.0	1,049.1	1,506.5	1,976.0	2,028.0
Current expenditure	288.0	583.7	868.5	1,127.7	1,150.8
Wages and salaries	113.3	229.9	344.8	450.7	459.7
Goods and services	75.9	149.7	230.7	305.2	319.2
Transfers and subsidies	82.9	172.3	245.4	308.3	308.3
Interest	15.9	31.8	47.6	63.5	63.5
Of which: domestic	9.0	18.0	26.9	35.9	35.9
Capital expenditure	229.0	465.5	638.0	848.3	877.3
Externally financed	86.3	166.4	224.8	302.3	306.5
Domestically financed	142.7	299.0	413.2	545.9	570.7
Special funds and annexed budgets	32.9	74.9	81.0	111.4	111.4
Net lending	-1.8	-5.6	-7.1	-3.5	-9.2
Overall fiscal balance (excl. grants)	-170.6	-286.3	-362.6	-543.2	-509.9
Overall fiscal balance (incl. grants)	-161.9	-235.6	-255.9	-366.0	-307.2
Variation of arrears	-4.4	-11.8	-19.2	-16.2	-23.6
Adjustment to cash basis	-21.8	-57.2	-59.2	17.4	29.9
Overall balance (cash basis, incl. grants)	-188.0	-304.6	-334.3	-364.8	-300.8
Financing	138.7	318.5	380.5	364.7	300.8
External financing (net)	55.9	90.3	121.7	159.1	195.8
Loans	64.6	116.3	155.1	223.7	258.5
Project loans	47.2	84.9	113.2	188.1	188.6
Of which: non-concessional	0.0	0.0	0.0	0.0	0.0
Budgetary loans	17.5	31.4	41.9	35.6	69.9
Amortization	-9.9	-38.0	-45.7	-82.5	-80.5
Debt relief	1.2	12.0	12.3	17.8	17.8
Variation of External Arrears (Principal)	0.0	0.0	0.0	0.0	0.0
Domestic financing (net)	82.8	228.2	258.8	205.6	105.0
Banking system	77.6	199.7	242.0	194.2	166.8
Central bank	10.4	20.9	31.0	-33.4	37.7
Commercial banks	67.1	178.9	211.0	227.6	129.1
Adjustment <sup>1</sup>	0.0	0.0	0.0	0.0	0.0
Privatization receipts	-1.5	-5.1	-5.1	-10.0	-10.0
Non-bank financing	6.7	33.5	22.0	21.4	-51.9
Financing gap	49.3	-13.9	-46.2	0.1	0.0
<i>Memorandum items</i>					
Basic fiscal balance <sup>2</sup>	-83.1	-107.7	-78.8	-160.0	-100.7
Government bank and market financing	84.3	233.3	264	188.8	154.1

Sources: Ministry of Finance; and IMF staff projections.

<sup>1</sup> Adjustment to account for the difference between the definitions of the government in the fiscal table and the monetary situation.

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

Table 7. Mali: Balance of Payments, 2013–22

	2013	2014		2015		2016		2017		2018	2019	2020	2021	2022
		Est.	Prog.	Est.	Rev. Prog. <sup>1</sup>	Est.	Prog.	Rev. Prog.	Projections					
(Billions of CFAF)														
Current account balance														
Excluding official transfers	-814.2	-903.7	-1,050.4	-955.3	-1,409.5	-1,212.2	-1,409.5	-1,474.5	-1,381.9	-1,390.8	-1,410.6	-1,453.7	-1,471.0	
Including official transfers	-188.8	-333.9	-354.7	-412.4	-634.0	-590.6	-604.8	-721.6	-618.3	-622.2	-654.9	-685.7	-704.6	
Trade balance	-126.5	-251.1	-240.9	-281.3	-436.2	-380.0	-405.0	-509.9	-452.7	-455.2	-469.6	-480.1	-488.9	
Exports, f.o.b.	1,419.5	1,374.4	1,425.5	1,606.8	1,556.4	1,662.2	1,708.0	1,803.2	1,922.4	1,976.7	2,032.6	2,111.6	2,230.0	
Cotton fiber	176.8	166.7	174.6	183.1	192.0	187.6	206.9	249.2	287.2	281.3	281.2	281.9	328.7	
Gold	964.5	917.7	918.5	1,004.1	1,050.0	1,146.9	1,156.5	1,199.1	1,261.8	1,290.8	1,312.0	1,339.9	1,369.0	
Other	278.2	290.0	332.5	419.6	314.4	327.7	344.6	354.9	373.5	404.6	439.5	489.8	532.3	
Imports, f.o.b.	-1,546.1	-1,625.4	-1,666.4	-1,888.1	-1,992.5	-2,042.2	-2,113.1	-2,313.1	-2,375.2	-2,432.0	-2,502.3	-2,591.6	-2,718.9	
Petroleum products	-434.3	-434.8	-326.3	-403.7	-387.8	-425.8	-405.1	-582.1	-608.9	-622.1	-643.8	-676.5	-717.0	
Foodstuffs	-231.6	-248.7	-300.0	-324.3	-379.4	-317.8	-420.9	-331.9	-347.4	-355.5	-364.4	-374.1	-386.2	
Other	-880.1	-941.9	-1,040.1	-1,160.1	-1,225.4	-1,298.6	-1,287.1	-1,399.1	-1,418.9	-1,454.4	-1,494.0	-1,541.0	-1,615.8	
Services (net)	-854.1	-850.1	-977.1	-923.6	-1,115.3	-1,000.2	-1,149.3	-1,089.1	-1,066.9	-1,088.8	-1,113.5	-1,166.9	-1,197.8	
Credit	211.7	225.6	203.7	256.0	239.6	244.9	248.5	247.8	256.8	265.8	275.1	284.9	296.4	
Debit <sup>2</sup>	-1,065.9	-1,075.7	-1,180.8	-1,179.7	-1,354.9	-1,245.0	-1,397.9	-1,336.9	-1,323.8	-1,354.7	-1,388.6	-1,451.8	-1,494.2	
Of which: freight and insurance	-319.7	-299.9	-360.9	-348.4	-379.5	-376.8	-402.5	-440.6	-452.4	-463.2	-476.6	-493.6	-517.9	
Income (net)	-213.7	-190.0	-254.6	-174.8	-289.9	-248.1	-317.2	-319.0	-334.7	-345.0	-353.8	-364.4	-375.3	
Of which: interest due on public debt	-18.4	-17.2	-23.3	-23.0	-26.1	-26.1	-27.6	-27.6	-28.4	-32.1	-36.3	-40.7	-45.2	
Transfers (net)	1,005.5	957.2	1,117.9	967.3	1,207.3	1,037.6	1,266.8	1,196.4	1,236.1	1,266.9	1,282.1	1,325.7	1,357.4	
Private transfers (net)	380.2	387.4	422.2	424.4	431.6	416.0	462.0	443.5	472.5	498.3	526.3	557.7	590.9	
Official transfers (net) <sup>2</sup>	625.4	569.8	695.7	542.9	775.8	621.6	804.8	752.9	763.6	768.6	755.7	768.0	766.4	
Of which: budgetary grants	110.8	70.2	111.9	46.4	75.1	45.5	80.7	106.2	98.5	99.6	100.0	106.0	107.0	
Capital and financial account	120.1	175.3	397.5	322.8	516.1	259.1	505.9	464.9	496.5	532.5	599.3	632.0	653.8	
Capital account (net)	107.0	95.9	194.6	180.9	117.6	103.8	123.7	203.1	128.6	134.1	127.9	136.3	136.1	
Debt forgiveness	25.5	14.9	43.0	59.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Of which: project grants	56.6	61.6	129.0	98.1	92.0	78.6	96.5	96.5	100.1	104.4	96.3	102.9	100.7	
Financial account	13.2	79.4	202.9	141.8	398.5	155.3	382.2	261.8	367.9	398.4	471.5	495.7	517.7	
Private (net)	-63.5	-63.7	55.1	-45.0	171.7	-18.3	150.5	17.3	89.4	75.4	112.9	117.7	108.9	
Direct investment (net)	150.7	70.9	106.3	114.2	73.3	120.2	75.5	123.0	117.6	123.5	129.7	130.4	138.2	
Portfolio investment private (net)	-1.0	-1.5	-1.1	4.5	-1.6	4.5	0.0	-1.0	-0.9	-0.8	-0.7	0.0	0.0	
Other private capital flows	-213.2	-133.1	-50.0	-163.7	100.0	-143.0	75.0	-104.6	-27.3	-47.3	-16.0	-12.7	-29.3	
Official (net)	75.2	52.7	146.0	127.7	141.4	91.5	141.2	178.0	215.4	256.6	288.9	304.4	330.8	
Disbursements	134.7	119.5	243.6	225.2	199.8	149.9	223.7	258.5	291.3	340.9	383.6	401.8	430.5	
Budgetary	39.6	16.4	64.9	64.7	30.7	0.0	35.6	69.9	58.1	60.5	64.6	68.9	73.5	
Project related	95.1	103.1	178.6	160.5	169.1	149.9	188.1	188.6	233.2	280.4	319.0	332.9	357.1	
Amortization due on public debt	-42.9	-52.0	-97.5	-97.5	-58.4	-58.4	-82.5	-80.5	-75.9	-84.3	-94.7	-97.4	-99.7	
Errors and omissions	-17.5	-15.9	0.0	-34.3	0.0	6.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Overall balance	-86.2	-174.5	42.8	-124.0	-118.0	-324.7	-98.8	-256.7	-121.8	-89.7	-55.6	-53.7	-50.8	
Financing	86.2	174.5	-42.8	124.0	118.0	324.7	98.8	256.7	121.8	89.7	55.6	53.7	50.8	
Foreign assets (net)	60.6	159.6	-59.6	107.2	100.2	307.0	81.0	238.8	83.6	32.7	4.8	10.5	50.8	
Of which: IMF (net)	18.8	4.3	1.9	1.9	24.5	24.6	21.5	44.0	42.4	-11.6	-12.7	-12.9	-14.2	
HIPC Initiative assistance	25.6	14.9	16.8	16.8	17.7	17.7	17.8	17.8	18.1	17.0	8.2	8.2	0.0	
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.1	40.0	42.5	35.0	0.0	
(in percent of GDP, unless otherwise indicated)														
Current account balance														
Excluding official transfers	-12.4	-12.7	-13.6	-12.3	-17.0	-14.6	-15.9	-16.6	-14.6	-14.0	-13.4	-13.0	-12.5	
Including official transfers	-2.9	-4.7	-4.6	-5.3	-7.7	-7.1	-6.8	-8.1	-6.5	-6.2	-6.2	-6.2	-6.0	
Trade Balance	-1.9	-3.5	-3.1	-3.6	-5.3	-4.6	-4.6	-5.8	-4.8	-4.6	-4.5	-4.3	-4.1	
Overall Balance	-1.3	-2.5	-1.6	-1.6	-1.4	-3.9	-1.1	-2.9	-1.3	-0.9	-0.5	-0.5	-0.4	
(annual percentage change)														
External trade														
Export volume index	7.1	-2.3	4.8	32.1	0.3	-7.8	5.0	4.7	7.1	2.2	2.3	3.3	6.2	
Import volume index	1.7	10.2	9.1	49.9	4.5	12.3	5.9	2.4	2.9	2.1	2.1	2.1	2.3	
Export unit value	-14.3	-1.5	1.7	-8.1	5.8	12.4	4.6	3.6	-0.3	0.6	0.4	0.5	-0.7	
Import unit value	2.7	-6.6	-5.7	-22.5	1.3	-3.7	0.2	10.6	-0.2	0.3	0.7	1.4	2.5	
Terms of trade	-16.6	5.5	7.9	18.6	4.4	16.7	4.5	-6.4	-0.1	0.3	-0.4	-0.9	-3.1	

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

<sup>1</sup> IMF Country Report No. 16/375, Mali: Sixth Review Under the Extended Credit Facility Arrangement.<sup>2</sup> Includes financing by the international community for imports of security services in relation to the foreign military intervention in the country.

Table 8. Monetary Survey, 2013–22

	2013	2014		2015		2016		2017		2018	2019
		Est.	Prog.	Est.	Est.	Rev. Prog. <sup>1</sup>	Est.	Prog.	Rev. Prog.	Projections	
(Billions of CFAF)											
Net Foreign Assets	758	623	683	536	435	224	354	-14	-98	-131	
BCEAO	482	322	382	215	115	-92	33	-331	-415	-447	
Commercial Banks	277	301	302	321	321	317	321	317	317	317	
Net Domestic Assets	1,087	1,354	1,571	1,702	2,226	2,177	2,690	2,603	2,930	3,191	
Credit to the government (net)	-101	-86	31	-55	138	122	332	289	348	325	
BCEAO	0	-66	-68	-43	-18	29	-52	67	109	98	
Commercial banks, net	-101	-20	99	-12	156	93	385	222	239	227	
Other	0	0	0	0	0	0	0	0	0	0	
Credit to the economy	1,228	1,458	1,558	1,747	2,131	2,076	2,402	2,335	2,602	2,886	
Other items (net)	-41	-18	-19	9	-44	-21	-44	-21	-21	-21	
Money supply (M2)	1,845	1,977	2,254	2,237	2,661	2,401	3,045	2,589	2,832	3,060	
Currency outside banks	509	443	506	407	484	444	554	479	524	566	
Bank deposits	1,337	1,533	1,749	1,830	2,177	1,957	2,490	2,110	2,308	2,494	
Memorandum item:											
Base Money (M0)	742	715	815	751	894	756	1,022	815	891	963	
Gross international reserves BCEAO	613	465	525	369	258	87	167	-263	-357	-401	
in percent of broad money	33.2	23.5	23.3	16.5	9.7	3.6	5.5	-10.2	-12.6	-13.1	
(in percentage of beginning of period broad money)											
Contribution to growth of broad money											
Money supply (M2)	7.4	7.1	14.0	13.2	18.9	6.4	14.4	7.8	9.4	8.1	
Net foreign assets	3.6	-7.3	3.0	-4.4	-4.5	-13.9	-3.0	-9.9	-3.2	-1.2	
BCEAO	-3.5	-8.6	3.0	-5.4	-4.5	-13.7	-3.0	-9.9	-3.2	-1.2	
Commercial banks	7.1	1.3	0.0	1.0	0.0	-0.2	0.0	0.0	0.0	0.0	
Net domestic assets	3.8	14.5	11.0	17.6	23.4	21.2	17.5	17.8	12.6	9.2	
Credit to the central government	-2.7	0.8	5.9	1.6	8.6	7.9	7.3	6.9	2.3	-0.8	
Credit to the economy	7.5	12.4	5.1	14.6	17.2	14.7	10.2	10.8	10.3	10.0	
Other items net	-1.0	-3.6	0.0	1.4	-2.4	-1.3	0.0	0.0	0.0	0.0	
(Annual growth rate)											
Memorandum items:											
Money supply (M2)	7.4	7.1	14.0	13.2	18.9	6.4	14.4	7.8	9.4	8.1	
Base money (M0)	1.3	-3.7	14.0	14.6	18.9	14.7	14.4	7.8	9.4	8.1	
Credit to the economy	11.7	18.7	6.9	19.9	22.0	18.8	12.7	12.5	11.4	10.9	
Velocity (GDP/M2)	3.5	3.6	2.8	3.5	3.1	3.5	2.9	3.4	3.3	3.3	
Money Multiplier (M2/M0)	2.5	2.8	2.8	3.0	3.0	3.2	3.0	3.2	3.2	3.2	
Currency outside banks / M2	27.6	22.4	22.4	18.2	18.2	18.5	18.2	18.5	18.5	18.5	

Sources: BCEAO; and Fund staff estimates and projections.

<sup>1</sup> IMF Country Report No. 16/49, Mali: Fifth Review Under the Extended Credit Facility Arrangement.

Table 9. Mali: Financial Soundness Indicators for the Banking Sector, 2009–16

	2009	2010	2011	2012	2013	2014	2015				2016			
							March	June	Sep.	Dec.	March	June	Sep.	Dec.
(in percent)														
Capital														
Capital to risk-weighted assets	7.7	13.7	11.7	11.4	12.9	14.5	14.7	15.2	15.5	14.8	15.1	15.3	14.3	14.7
Tier 1 capital to risk-weighted assets	7.2	12.7	10.8	10.0	12.2	13.1	13.3	13.9	14.2	13.4	13.7	13.6	12.6	13.2
Capital (net worth) in percent of assets	4.6	7.5	8.3	7.7	7.9	7.1	7.5	7.9	7.9	7.4	7.8	7.9	7.5	7.3
Sectoral distribution of credit to the economy														
Agriculture and fishing	7.9	1.6	11.7	10.9	6.5	5.5	3.1	1.1	0.3	4.3	2.8	2.1	1.3	3.8
Mining sector	0.2	0.1	0.1	3.8	4.7	3.4	3.8	3.6	3.2	2.6	2.6	2.3	2.5	2.2
Manufacturing	5.9	7.3	8.0	9.6	11.1	12.7	12.5	13.4	12.6	12.1	12.8	13.2	12.4	13.2
Electricity, gas, and water	4.3	11.1	10.0	6.4	9.6	11.9	12.7	9.5	10.5	9.6	8.9	8.6	8.3	7.5
Building and construction	1.6	4.3	4.4	5.0	3.8	4.9	4.9	6.3	6.4	7.0	6.6	7.9	6.9	6.8
Wholesale and retail trade, hotels and restaurants	37.4	44.4	43.3	44.6	45.2	40.9	43.5	45.8	46.8	45.5	48.5	42.3	44.3	43.2
Transportation, warehouses, communications	11.3	8.8	7.1	5.6	9.3	10.1	8.3	8.9	9.7	8.8	7.7	10.6	11.1	9.6
Insurance, real estate, and services for enterprises	18.8	14.9	9.8	8.2	5.7	6.9	7.4	6.6	5.9	6.3	6.3	7.7	7.9	7.8
Collectives and social services	14.6	7.6	5.6	5.8	4.0	3.6	3.7	4.6	4.5	3.7	3.8	4.1	3.8	4.1
Asset quality														
Non-performing loans to total loans	25.4	22.1	18.0	21.0	19.3	15.9	17.2	16.4	17.2	14.5	16.5	15.8	16.2	15.4
Non-performing loans to total loans (net of provisioning)	11.6	8.5	6.5	8.7	8.3	5.6	6.7	6.0	7.2	5.4	6.5	6.1	6.5	7.2
Provisions to gross non-performing loans	59.5	64.0	69.3	65.0	62.0	68.6	65.5	67.3	62.6	66.5	64.5	65.4	64.3	57.7
Earnings and profitability														
Return on assets (ROA)	0.6	1.4	1.7	1.3	1.2	1.1	...	...	...	1.6	...	...	...	1.4
Return on equity (ROE)	6.8	8.6	14.9	12.5	14.1	16.0	...	...	...	21.5	...	...	...	19.8
Liquidity														
Liquid assets to total assets	33.8	32.7	36.7	34.8	34.4	51.8	49.0	51.0	50.0	51.7	49.1	49.9	49.4	50.0
Liquid assets to short term liabilities	61.2	92.9	89.4	90.0	98.0	95.6	92.6	96.1	92.1	87.9	88.6	88.2	88.8	86.2
Ratio of loans to deposits	72.2	82.6	88.0	88.5	89.7	87.8	85.4	83.5	83.4	86.7	83.6	84.7	85.8	95.8
Memorandum items <sup>1</sup>														
Deposit rate	1.9	1.9	1.8	1.9	1.8	1.8	...	...	...	1.8	...	...	...	2.2
Lending rate	9.7	9.4	9.3	8.9	9.5	8.2	...	...	...	7.8	...	...	...	7.5

Source: BCEAO; and IMF staff estimates.

<sup>1</sup> Average

**Table 10. Mali: Schedule of Disbursements Under the ECF Arrangements, 2013–18<sup>1</sup>**

<b>Amount</b>	<b>In percent of quota <sup>1</sup></b>	<b>Available date</b>	<b>Conditions for disbursement</b>
SDR 6 million	3.2	December 18, 2013	Executive Board approval of the three year ECF arrangement.
SDR 4 million	2.1	May 1, 2014	Observance of December 31, 2013 and continuous performance criteria, and completion of the first review under the arrangement.
SDR 4 million	2.1	November 1, 2014	Observance of June 30, 2014 and continuous performance criteria, and completion of the second review under the arrangement.
SDR 4 million	2.1	May 1, 2015	Observance of December 31, 2014 and continuous performance criteria, and completion of the third review under the arrangement.
SDR 4 million	2.1	November 1, 2015	Observance of June 30, 2015 and continuous performance criteria, and completion of the fourth review under the arrangement.
SDR 19 million	10.2	May 1, 2016	Observance of December 31, 2015 and continuous performance criteria, and completion of the fifth review under the arrangement.
SDR 19 million	10.2	November 1, 2016	Observance of June 30, 2016 and continuous performance criteria, and completion of the sixth review under the arrangement.
SDR 31.65 million	17.0	May 1, 2017	Observance of December 31, 2016 and continuous performance criteria, and completion of the seventh review under the arrangement.
SDR 31.65 million	17.0	November 1, 2017	Observance of June 30, 2017 and continuous performance criteria, and completion of the eighth review under the arrangement.
SDR 31.65 million	17.0	May 1, 2018	Observance of December 31, 2017 and continuous performance criteria, and completion of the ninth review under the arrangement.
SDR 31.65 million	17.0	November 1, 2018	Observance of June 30, 2018 and continuous performance criteria, and completion of the tenth review under the arrangement.
Total for ECF arrangement	100.0		

Sources: IMF staff estimates and projections.

<sup>1</sup> Using the new quota under the 14th General Review of Quotas (SDR 186.6 million).



**Table 11. Mali: Indicators of Capacity to Repay the Fund, 2015–22<sup>1</sup>**

	2015	2016	2017	2018	2019	2020	2021	2022
(Millions of SDRs, unless noted otherwise)								
Fund obligations based on existing credit								
Principal	5.7	8.2	10.7	12.7	13.8	15.2	15.4	17.0
Charges and interest	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Fund obligations based on existing and prospective credit <sup>2</sup>								
Principal	5.7	8.2	10.7	12.7	13.8	15.2	15.4	17.0
Charges and interest	0.0	0.0	0.1	0.1	0.4	0.4	0.3	0.3
Total obligations based on existing and prospective credit								
In millions of SDRs	5.7	8.2	10.7	12.8	14.2	15.6	15.7	17.3
In billions of CFA francs	4.7	6.7	9.0	10.7	11.9	13.0	13.2	14.5
In percent of government revenue	0.4	0.5	0.6	0.6	0.7	0.7	0.6	0.7
In percent of exports of goods and services	0.3	0.4	0.4	0.5	0.5	0.6	0.6	0.6
In percent of debt service	3.0	3.7	7.5	4.1	3.5	3.8	3.6	4.2
In percent of GDP	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
In percent of quota	6.1	8.8	11.5	13.7	15.2	16.7	16.9	18.6
Outstanding Fund credit <sup>1</sup>								
In millions of SDRs	95.4	125.2	177.8	228.4	214.6	199.4	184.0	167.0
In billions of CFA francs	78.9	103.1	148.6	191.2	179.7	166.8	154.2	140.0
In percent of government revenue	6.2	7.4	9.9	11.3	9.9	8.6	7.5	6.3
In percent of exports of goods and services	4.2	5.4	7.2	8.8	8.0	7.2	6.4	5.5
In percent of debt service	51.5	57.4	123.7	72.3	53.7	49.2	41.8	40.2
In percent of GDP	1.0	1.2	1.7	2.0	1.8	1.6	1.4	1.2
In percent of quota <sup>3</sup>	102.2	67.1	95.3	122.4	115.0	106.9	98.6	89.5
Disbursements and Repurchases	2.4	29.8	52.6	50.6	-13.8	-15.2	-15.4	-17.0
Disbursements	8.0	38.0	63.3	63.3	0.0	0.0	0.0	0.0
Repayments and Repurchases	5.7	8.2	10.7	12.7	13.8	15.2	15.4	17.0
<i>Memorandum items:</i>	(in CFAF billions, unless otherwise indicated)							
Nominal GDP	7,748	8,322	8,868	9,445	9,961	10,521	11,148	11,811
Exports of goods and services	1,863	1,907	2,051	2,179	2,243	2,308	2,396	2,526
Government revenue	1,273	1,387	1,506	1,693	1,820	1,938	2,061	2,225
Debt service	153	180	120	265	335	339	369	348
Sources: IMF staff estimates and projections.								
<sup>1</sup> Total debt service includes IMF repurchases and repayments.								
<sup>2</sup> Includes future disbursements proposed in Table 10.								
<sup>3</sup> Using the new quota under the 14th General Review of Quotas (SDR 186.6 million).								

## Appendix I. Letter of Intent

Bamako, June 19, 2017

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. Mali's access to IMF resources was increased to 98 SDR million in June 2016, when the ECF arrangement was also extended to December 17, 2017. The arrangement aims at supporting the government's policies to maintain macroeconomic stability and revive growth in 2014–16, with broad-based support from technical and financial partners for the country's renewal following the 2012 security and political crisis. After 3½ years of implementing our economic program supported by the ECF arrangement, we are succeeding in stabilizing the macroeconomic environment despite a continued jihadist insurgency. Our economic policies are creating the foundations for sustainable and inclusive growth.

2. The attached Memorandum of Economic and Financial Policies (MEFP) discusses recent developments in Mali's economy and progress made in implementing our policies in 2016 and over the first few months of 2017. As explained in the MEFP, all performance criteria and indicative targets at December 31 were met as well as all continuous performance criteria. The four measures subject to structural benchmarks could not be implemented because of legislative delays and a difficult social context. The government has since taken corrective actions to remedy the situation. As a result, on May 26, a bill prohibiting granting new discretionary exemptions was approved by the Parliament. The establishment and operationalization of The Office against Corruption and Unlawful Enrichment was established and is expected to become operational in by mid-June, 2017. Concerning the adoption of an automatic pricing mechanism for petroleum products, the government continues to reach out to all stakeholders and is working with donors on short-term measures to mitigate the impact of expected price increases on the vulnerable segments of the population. In light of the budget execution during the last six months of 2016 and since then, the objectives of our budgetary programming for end-2017 approved at the time of the sixth review under the ECF arrangement are within our grasp.

3. In 2017, the government has prepared a supplementary budget to reflect additional expenditures (0.6 percent of GDP) mostly stemming from higher security spending needs (0.4 percent of GDP) and local elections (0.2 percent of GDP). The overall deficit (on a payment-order basis, including grants) would be contained to 3 ½ of GDP.

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

5. As a result, the government requests completion of the Seventh Review under the ECF Arrangement and the disbursement of the eighth tranche of SDR 31.65 million. To consolidate progress made and continue the implementation of reforms, particularly in strengthening domestic resources mobilization, and the management of public finances, the Government is also seeking a one-year extension of the current ECF arrangement to December 2018, and an augmentation of the resources available under this arrangement by SDR 88.6 million, for an overall access of SDR 186.6 million. This will help the government address additional fiscal and balance of payment financing needs generated by recent shocks, including the impact of the security situation and peace building efforts, in the context of a lower than expected external official development assistance.

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

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

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

Very truly yours,

/s/

Boubou Cissé

Minister of Economy and Finance

Attachments:

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

## Attachment I. Memorandum on Economic and Financial Policies

Bamako, Mali, June 19, 2017

1. This Memorandum on Economic and Financial Policies (MEFP) presents recent developments and performance with respect to Mali's program of economic and financial policies implemented in connection with the arrangement under the Extended Credit Facility (ECF).

### ECONOMIC DEVELOPMENTS IN 2016, OUTLOOK, AND PROGRAM PERFORMANCE

#### A. Economic Developments in 2016 and Outlook for 2017 and 2018

2. Real GDP growth is estimated at 5.8 percent in 2016, helped by the strong performance in agriculture and the strengthening of the tertiary sector. This mostly reflects favorable rainfall, increases in the area under cultivation, and the provision of agricultural inputs at the start of the growing season. The rate of consumer price inflation was -1.8 percent at end-2016 and is expected to increase in 2017 to about 1 percent in the wake of rising oil prices. It should, however, remain somewhat moderate as a result of tighter financial conditions and the continued downward trend of global inflation. For 2017, GDP growth should remain robust at 5.3 percent driven by a strong demand and inflation will slightly increase to reach 1 percent on account of higher oil prices.

3. The overall balance of payment deficit widened to 3.9 percent of GDP in 2016 despite a smaller than programmed current account deficit of 7.1 percent of GDP (7.7 in the program) due to higher than expected private capital outflows and delays in the receipts of grants and multilateral loans. The current account deficit is expected to widen to 8.1 percent of GDP in 2017, driven by strong import growth, higher oil and lower gold prices. The current account deficit is expected to be financed essentially by net capital inflows, mainly in the form of foreign aid and foreign direct investment.

4. In the banking sector, the risk-weighted capital ratio was virtually stable at 14.7 at end-December 2016 from 14.8 percent at end-December 2015. Thus, the solvency ratio remains comfortable, compared to the minimum regulatory standard of 8 percent. Regarding the quality of the banks' portfolio, gross outstanding loans amounted to CFAF 374.9 billion at the end of 2016, an increase of CFAF 41.8 billion, or 12.6 percent compared to end 2015, mainly related to the increase in nonperforming loans. Net NPLs reached CFAF 157.8 billion at end-December 2016, compared to CFAF 116.6 billion a year earlier. The gross and net NPL ratios of banks were 15.4 percent and 7.2 percent, respectively, at end-2016, compared to 15.4 percent and 5.4 percent at the end of 2015. The financial stability of the micro-finance sector continued to improve, with the share of non-performing loans declining from 6.6 percent in 2015 to 6.2 percent in February 2017.

5. Budgetary revenue increased by 0.9 percent of GDP in 2016. Tax revenue increased by 1 percent of GDP, reflecting a favorable oil product taxation more than offsetting the

underperformance of direct taxes and nontax revenue. Grants disbursements decreased by 1.1 percent of GDP due to the significant decline in project grants and budget support. Total expenditures and net lending increased by 1.4 percent of GDP. The overall balance (including grants) is estimated at 3.9 percent of GDP.

6. This good fiscal performance is the result of containing current spending to create fiscal space for investments and to move gradually to respect the WAEMU deficit criteria. The decline in regional foreign exchange reserves, which led the BCEAO's to tighten monetary policy in December 2016, will further contribute to control public expenditure.

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

7. All continuous and end-December performance criteria and indicative targets were met (Table 1):

- The ceiling on net domestic financing of the government by banks and the financial market was met with a large margin. Net domestic financing of the government by banks and the financial market was CFAF 235 billion, compared with an adjusted target of CFAF 281 billion.
- The zero ceiling on the cumulative increase in external payment arrears was met.
- The ceiling of CFAF 250 billion on new external loans contracted or guaranteed by the government on non-concessional terms was met.
- The floor on gross tax revenue was met. Gross tax revenue totaled CFAF 1,311 billion, exceeding planned levels by CFAF 9 billion.
- The floor on the basic fiscal balance was met. The basic budget deficit was CFAF 156 billion (1.9 percent of GDP), as opposed to a target of CFAF 181 billion, including the adjusters.
- The floor on priority poverty-related spending, i.e., domestically financed spending on education (basic, secondary, and tertiary), scientific research, health, and social development sectors (excluding transfers to the *Malian Social Security Fund (CMSS)*) was met. Spending totaled CFAF 410 billion, consistent with program objective.

8. Three of the nine structural benchmarks for the seventh review were met by the agreed date. The corrective measures taken by the government made it possible to achieve one missed structural benchmark after the agreed date and to progress in the implementation of the three remaining others (Table 3):

- The benchmarks on Public Procurement Management Integrated Systems, on the Integrated Debt Management System and the inventory of tax exemptions were met.
- The Prime Minister instructed all government officials to submit their financial disclosures to the Supreme Court by December 31, 2016, as required by law. At end-March 2017, 2–3 percent of the officials had submitted their disclosures to the court.
- Members of the Central Office Against Unlawful Enrichment were appointed by decree of the Council of Ministers and have been released from their original departments. The

operationalization of this Office, is expected to improve compliance with the provision of the law.

- The draft law on discretionary exemptions was adopted by the National Assembly on May 26, 2017. The enactment of this law should make it possible to increase tax revenue by at least 0.2 percent of GDP in 2018.
- The implementation of the oil pricing mechanism, which will ensure that price changes in imported petroleum products will be reflected in prices at the pump within a margin of 3 percent, is not yet in effect. After the audit of petroleum price structure decided by the minister of finance, the government will devise a strategy to sensitize social partners about the need to pass through changes in the international prices to prices at the pump and, with the support of technical partners, will adapt a mechanism to support the vulnerable segments of the population. These efforts should facilitate implementation of the mechanism in 2018.

## **ECONOMIC AND FINANCIAL POLICIES FOR 2017 AND 2018**

9. The overall objective of the Strategic Framework for Economic Recovery and Sustainable Development (CREDD) for 2016–18, approved by the Government on April 27, 2016, is to promote inclusive and sustainable development for the reduction of poverty and inequalities, in a united and peaceful Mali, based on the country's potential and resilience in order to achieve the Sustainable Development Objectives (SDGs) by 2030. It is based on three strategic pillars: (i) Promoting inclusive and sustainable economic growth, (ii) improving access to basic social services, and (iii) strengthening institutional development and governance, in support of two preconditions, which are consolidating peace and security and the stability of the macroeconomic framework.

10. To accompany the decentralization process, the authorities are in the process of establishing a Sustainable Development Fund (FDD) pursuant to the 2015 peace accord. In this context, an amount of CFAF 18.0 billion was executed in 2016 and CFAF 33.0 billion provided in the 2017 budget. This Fund is the financial instrument for implementing the Specific Development Strategy for the Northern Regions. It will also help implement development projects in other regions. Its inclusion in the national budget will ensure that it complies with budgetary procedures. Discussions are under way for the drafting and adoption of regulatory texts. In the meantime, the fund is endowed with budgetary appropriations to finance the projects included in the emergency program for the northern regions.

11. The government intends to continue implementing its program to: (i) support growth through a prudent fiscal policy while giving preference to the economic recovery through strategic investments and priority sustainable development spending; (ii) improve public financial management from the revenue as well as the expenditure side, including the reduction in tax exemptions and improvement in the quality of spending; and (iii) modernize the business environment to encourage private sector development and improve competitiveness.

## A. Macro-Fiscal Framework for 2017 and 2018

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

13. For 2017, the government proposes a total of CFAF 1,823.1 billion (20.6 percent of GDP) for revenue and grants in the 2017 supplementary budget law (LFR). Net tax revenue amounts to CFAF 1,358 billion (15.3 percent of GDP), and CFAF 203 billion (2.3 percent of GDP) are expected under grants disbursement. The 2017 LFR also provides sufficient room for VAT credit reimbursement. Projected expenditure and net lending is CFAF 2130 billion (24.0 percent of GDP). Domestically financed expenditure amounts to CFAF 1824 billion (21.0 percent of GDP). The resulting overall fiscal deficit (payment order basis, including grants) is CFAF 307 billion (3.5 percent of GDP), while the basic fiscal deficit is CFAF 101 billion (1.1 percent of GDP). The new resources come from project grant carryovers and budget support not disbursed in 2016 and expected to be received in 2017. The additional spending in the LFR is to cover the additional expenditure on wages of CFAF 5 billion, CFAF 18 billion for the elections, and investment spending for projects and the implementation of the domestic security programming law (LPSI) totaling CFAF 20 billion.

14. In pursuing its decentralization policy, the Government intends to increase decentralized resources to 18.3 percent of budgetary revenues through the strengthening of the National Support Fund for Territorial Communities (FNACT) and the signature of five (5) Regions / District of Bamako (CPER) performance plans, including the regions of Timbuktu and Kidal. This transfer of additional resources was accompanied by the devolution of spending responsibilities in the fields of education, health, agriculture, livestock and fisheries, and environment, sanitation and sustainable development. Moreover, the effective operationalization of the FDD, and the continuation of the regionalization reform with the creation of new regions, increased the level of deconcentrated expenditure to 23.4 percent of budgetary revenues. In accordance with the APRM, the Government is committed to transfer 30 percent of budget revenue in 2018.

## B. Improve Public Financial Management

15. The government will continue to improve public financial management, in particular by remedying the weaknesses identified by the 2016 PEFA assessment, the evaluation of the second Government Action Plan for the Improvement and Modernization of Public Financial Management (PAGAM/GFP II), and technical assistance missions from the IMF Fiscal Affairs Department, through the implementation of the Mali's PFM reform plan.

### Increase Revenue Mobilization by Broadening the Tax Base

16. The government intends to increase tax revenue by 0.3 percent of GDP in 2017 (performance criteria, tables 2 and 4) and by 0.6 percent of GDP in 2018, mainly by implementing

reforms to expand the tax base and reduce exemptions after implementing the law to eliminate discretionary exemptions, ramping up reporting, strictly applying the import verification program (PVI) to more strictly control import documents with a view to preventing fraud. The government will expand the reforms undertaken by the tax administration (DGI), the custom directorate (DGD), and the National Directorate of Government Property and Lands (DNDC) and intends to transform the culture of the revenue collecting units, in particular through ethical standards and performance-based management. In cooperation with economic operators, the government also intends to make efforts to improve tax compliance.

### ***Strengthen tax administration***

17. The government has progressively taken steps gradually to phase out exemptions. To that end, most notably it took the following steps:

- revised the Investment Code in 2012 and eliminated exemptions from the corporate tax, industrial and commercial profit tax, and business license tax;
- removed exemptions in the petroleum code when it was redrafted in 2015;
- eliminated internet and telecommunication tax exemptions (TARTOP)<sup>1</sup>.

18. The government will continue to roll back exemptions. In support of this process, it is implementing the following measures:

- Starting in January 2017, all public projects financed by domestic revenues (budget, administrative public entities—EPA, local governments, special funds, extra budgets funded, etc.) are subject to taxes.
- In line with the initial commitment of the government, it continues to engage in consultations with development partners to ensure that projects financed with foreign aid are subject to taxes, starting in 2017. The government will produce a report of these activities by August 31, 2017.
- It is including, the relevant recommendations from the IMF technical assistance mission in the draft new mining code, notably the ones aimed at preserving government revenues, including limiting the duration of agreements and deconsolidating mining titles. It will also ensure that only subcontractors, acting exclusively in the context of subcontracting, will enjoy the tax and customs benefits granted to companies under the law and contracts.
- Review other legislation (e.g., the investment code, the General Tax Code, the Customs Code, the Law on Partnerships, and all other tax legislation) and prepare a document making proposals for its amendment by end August 2017 in order to reduce significantly the scope of beneficiaries of tax exemptions, their duration, the dues and taxes involved, as well as the rates, etc. In the meantime, the threshold for granting exemptions for investments will be

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<sup>1</sup> TARTOP (French acronym for Tax on access to the telecommunications network open to the public)



increased from CFAF 12.5 million to 100 million by August 31, 2017, once the required modification has been approved by the National Assembly (structural benchmark, Table 4).

- In order to facilitate the reduction of exemptions, produce an exhaustive inventory of tax exemptions (by category of tax, legal source, economic sector, and expiration date) granted in 2016, and prepare a report analyzing this inventory by June 2017 (structural benchmark, Table 4).
- Inclusion of tables as annexes to the draft budgets identifying each exemption provided by Mali's tax legislation (the General Tax Code, the Customs Code, the Investment Code, the Mining Code, and all other tax legislation) and the estimated loss of revenue for the government.<sup>2</sup>
- Exploit the central database of tax and customs exemptions identifying the total amount of exemptions by type of tax and by legal and regulatory source, expiration date, beneficiaries, and any other relevant information that was finalized in 2014. In February 2016, the DGI prepared a memorandum analyzing the exemptions compiled in the database by type of tax, legal or regulatory basis, economic sector, and expiration date; and the amount of the exemptions in 2015 for each of the above categories, identifying options to reduce these expenditures.<sup>3</sup> The CAISFF, after having had the data checked by the DGI and the DGD, has published on the MEF's website a list of beneficiaries of tax exemptions (including those granted by the DGD) and the duration of the exemptions, replacing the name of the beneficiaries with a unique identifier. It will also publish the associated tax expenditures for 2016 by August 2017.
- Set up a technical working committee, comprising the DGI, DGD, and CAISFF, to complete the interfacing of the databases by August 31, 2017, to help assess fiscal expenditures by legal origin of the exemptions. In addition to the establishment of the committee, which produced its first report, the following activities were carried out:
  - a single code for the legal basis of exemptions by source was defined and validated by the committee;
  - the customs and tax information systems are being interfaced with the CAISFF's central exemptions database. The process will be completed after the installation of SIGTAS version 3.0;

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<sup>2</sup> In 2016, tax expenditures representing exemptions totaled CFAF 203 billion (US\$345 million or 3.17 percent of GDP), of which CFAF 133 billion (2.08 percent of GDP) was granted on taxes collected by the DGI and CFAF 70 billion (1 percent of GDP) applied to taxes collected by the DGD, including CFAF 27 billion (US\$46 million or 0.4 percent of GDP) in VAT.

<sup>3</sup> According to a memorandum on the provisional situation of tax expenditures, in 2015, the DGI listed 452 tax exemption measures that amounted to tax expenditures, totaling CFAF 123 billion (US\$ 226 million or 2.08 percent of GDP), of which 97.93 percent related to the VAT, 2 percent to the tax on industrial and commercial profits and the corporate tax, and 0.07 percent to recording and stamp duties. These tax expenditures are broken down by legal basis as follows: General Tax Code: 11 percent; Mining Code: 0.7 percent; ministerial orders: 80 percent; Investment Code: 1.5 percent; contracts: 5 percent.

- development in the DGI information system, SIGTAS version 3.0, of a specific exemption management module;
- review and adaptation of printed tax return forms.

19. To protect tax revenue raised from petroleum products,<sup>4</sup> the government is implementing the following measures:

- calculation of retail petroleum product prices based on actual market values of imported products, as provided by Community legislation; determination of the loss of revenue or potential revenue attributable to setting retail prices below the prices indicated by that calculation; and publication of this presentation of the price structure;
- implementation of a pricing mechanism that ensures that changes in the cost of imported petroleum products are fully reflected in pump prices within a margin of 3 percent per month (structural benchmark, Table 3 and 4).<sup>5</sup> In so doing, by December 31, 2017, the government will determine and fix the level of tax (TIPP) consistent with the appropriate domestic prices for petroleum products. This would ensure the protection of revenue from these products and the pass-through of changes in international prices to domestic fuel prices. In the meantime, by August 31st, the authorities: (1) work to increase public support by launching a public information campaign to explain the costs of current practices, the need for reform and the advantages of the new petroleum pricing mechanism; and (2) develop, in collaboration with the World Bank, measures to protect the poorest and most vulnerable sections of society from the impact of rising petroleum product prices and to assist middle-income ones to adjust. Implementation of this mechanism is scheduled for 2018;
- presentation in budget laws of the potential loss of revenue on petroleum products during the preceding year.

20. The government is in the process of simplifying tax laws to reduce to a minimum the administrative burden of tax returns for operators and facilitate tax collection for the DGI. To that end, the simplification measures already undertaken involve mainly:

- providing taxpayers with a single tax declaration form for all dues and taxes with the same filing frequency. This measure will reduce the workload and cost of management of these dues and taxes;
- establishing a tax system based on self-assessment and a single proportional rate of 3 percent of taxpayer turnover for the alternative minimum business tax—AMBT. These reforms help improve governance of the tax, in particular the elimination of the 288 different

<sup>4</sup> Since 2005, tax revenue from petroleum products has declined from 3 percent of GDP to less than 1 percent of GDP in 2012. In 2014, it increased to 1.5 percent of GDP. See [IMF Country Report No. 14/31. Mali—Automatic Fuel Pricing Mechanism; Technical Assistance Report; International Monetary Fund; Fiscal Affairs Department](#); Figure 6, p. 17.

<sup>5</sup> See [IMF Country Report No. 14/31](#), p. 23, ¶22.

contribution rates listed in the AMBT schedule. The reforms also help reduce the administration cost of the tax.

The number of taxpayers in this segment in the computerized system that filed tax returns increased by 19.8 percent from 35,278 in 2015 to 42,294 in 2016. The contributions of these enterprises increased by 16.48 percent from CFAF 1,416 billion in 2015 to CFAF 1,649 billion in 2016;

- revamping the simplified tax regime to streamline procedures by reducing the number of prepayments from 12 to 4.

21. Moreover, the government is committed to simplifying the income taxes (the ordinary tax applied to large taxpayers and the simplified version applied to medium-size taxpayers); local taxation with an alternative minimum tax, the proceeds of which will be allocated to local governments; the tax on wages and salaries; employer contributions; land taxes; the tax on securities; taxes on financial and real estate transactions as well as on commissions and other costs associated with real estate transactions. The government will produce a report on the implementation of these simplification measures by end-August 2017. The government will conduct all relevant preliminary studies and consultations to continue implementing the simplification efforts. Simplification of the AMBT in the 2015 budget, including replacement of the schedule of rates with a single rate of 3 percent of turnover, serves as a model.

22. With assistance from the IMF Topical Trust Fund on Managing Natural Resource Wealth, the government intends to increase revenues from mining and petroleum resources while improving the competitiveness of the business environment in Mali. In addition to the Petroleum Code, which has already been revised and adopted, the government has undertaken to modernize the Mining Code in light of the current international standards. The Council of Ministers will adopt the new draft mining code by end-August 2017, after introduction of the amendments to the 2012 Mining Code.

23. Having a sound system of incentives for tax and customs inspectors, Treasury staff, and staff of the Ministry of Government Property and Lands is key to the modernization of tax administration and broadening the tax base to make revenue growth sustainable over time.

24. In this context, a technical assistance mission from the Fiscal Affairs Department (FAD) visited Mali in February 2017. Human resources management (HRM) was the subject of a questionnaire completed by the DGI, on the basis of which the mission proposed recommendations, most notably: (i) rebalancing the base salary as indicated in the Public Service Index Grid and the bonuses and incentives awarded to staff; (ii) establishing structured management dialogue at all levels of the organization; and tools for measuring collective and individual performance, (iii) setting up tools for analysis and predictive workforce management, (iv) strengthening vocational training; and the role and competence of department heads in terms of supervision and steering, and (v) strengthening internal control. The authorities are committed to implementing these recommendations with a view to improving HRM. In the interim, to improve the transparency of the system, the regulations governing the incentive system have been published in the official gazette

since 2016. All incentives are paid by bank draft only. One outcome of the final report will be the holding of a regional seminar organized by FAD in 2017.

25. The DGI, DGD, DNDC, and 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. To that end, the DGI took the following measures:

- strengthening the research division by increasing its human resources, renovating the facilities, and providing training in surveys;
- computerizing the process of recording government contracts;
- interconnecting different management systems (CAISFF, DGI, DGB, DNCF, DNTCP, DGD, and DGMP);
- increasing the responsibility of tax collectors that have become government accountants, in particular after payment of the deposit and taking the oath;
- establishment of ad hoc controls of VAT payment;
- adoption of laws strengthening the rules of transfer pricing management;
- ongoing training of auditors, particularly in the extractive industries, telephone, banking, and insurance.

26. Specific measures to be undertaken by DGI include: (i) organizational reform of the DGI with the creation of two medium-sized taxpayer centers (CME) in Bamako under the District Taxes Directorate (DID) and one CME in Kati under the Koulikoro Regional Tax Directorate (DRI), the creation of verification brigades; (ii) pursuit of ad hoc controls of VAT payment; (iii) better management of unpaid taxes; (iv) capacity building for tax auditors especially in the supervision of mining companies, new technologies and the financial sector; (v) computerization of the management of exemptions ongoing at DGI, which over time will lead to opening a module in the computer management system (SIGTAS) and interconnection of different systems of management (DGI, DNDC, DNCC, and DNTTMF); and (vi) strengthening of internal and external communications.

27. With regard to DGD, the following measures will be required: (i) strengthening the capacity of controllers in charge of assessing customs value. To that end, the DGD has trained officers in customs valuation, with support from BIVAC, pursuant to its contractual obligations. Similarly, the Customs Training Center, with support from the French Cooperation Ministry, regularly provides refresher courses and further training for staff in this area; (ii) carry out a systematic check of T1, transport titles. In this context and on an ongoing basis, the transit control office performs this task; and (iii) strengthen the role of advanced brigades in the fight against fraud. This mission is carried out as part of the national anti-fraud plan of the DGD. This is an ongoing mission of the DGD, which it intends to continue to pursue throughout 2017.

*Implementation of multidisciplinary audits*

28. Created in March 2012, the first results obtained by the Mixed Committee on Economic and Financial Information and Investigation (CMRIEF) are significant. The Ministry of Economy and Finance will take steps to revitalize and strengthen the Committee. The report on the investigations conducted and processed in 2015 was published in March 2017. From January 2017, the Committee will produce quarterly reports.

*Improving DGI effectiveness*

29. The government of Mali adopted a series of measures to simplify tax legislation and administration. These measures involve mainly:

- Division of taxpayers into three groups that have similar characteristics and behaviors, namely small enterprises, medium-sized enterprises, and large enterprises. This segmentation is an attempt to help the tax administration better identify and monitor the tax behavior of taxpayers in order to prevent the risks that each group poses in terms of tax revenue losses.
- Modernization of the system of tax dispute management to take account of the principles of equity, transparency, and reduction in the lag time for processing claims (creation of the Disputes Division in the DGE, DME, DID, and DRI, reduction in the legal time limit for processing disputes from nine months to four months for the administrative phase).
- Introduction of the bank draft, which provides greater security for government tax revenue and saves taxpayers from having to pay fees for certified bank checks and reduces their travel. In 2016, the number of taxpayers paying their taxes by bank draft increased from 65 to 107, in other words, 20 percent of the DGE's taxpayers.
- Promoting tax compliance. The DGI continues to publish on the MEF website regular updates of the lists of taxpayers managed by the DGE and DME,<sup>6</sup> so that the public can appreciate the results of concerted efforts to expand the tax base. The goal was to increase the share of DME revenue in the DGI from 5.3 percent in 2016 to 7.1 percent in 2017.
- More effective tax supervision. The DGI is gradually increasing the share of large and medium enterprises audited every year. Coverage rates in 2016 were 37 percent for the DGE (large enterprises), 15 percent for the DME (medium-sized enterprises), and 14 percent for the DID (district taxes). The target for 2017 is an average ratio of 25 percent. Similarly, the DGI is gradually reducing the non-filing rate of medium-sized enterprises and individual taxpayers managed by tax centers (CDI) and plans to decrease this rate to less than 10 percent and 15 percent, respectively, in 2017.
- To increase the yield of income and land taxes, the DGI has: (i) improved inventories of property rentals; and (ii) taken steps to communicate and sensitize the public about the

<sup>6</sup> [http://www.dgi.gouv.ml/contenu\\_documentation.aspx?type=4](http://www.dgi.gouv.ml/contenu_documentation.aspx?type=4).

need to report rents and to pay the applicable taxes. The government undertook a campaign to raise awareness among diplomatic organizations, cooperation agencies, and international NGOs, etc. about the need to communicate to the DGI information about the rent paid on buildings they and their staff occupy. At the same time, the DGI will request information on the salaries of nondiplomatic local personnel. The authorities will take stock of the results of this reporting by diplomatic organizations, cooperation agencies, and NGOs concerning the rents paid on buildings they occupy and applicable taxes for the period 2014, 2015, and 2016 by end-August 2017.

- Identification of all taxpayers, including businesses and individuals, through the use of a national identification number (NINA) to facilitate business creation and modernize tax administration. The government retained a private firm to conduct a feasibility study for the migration, considering the expertise gained since the taxpayer identification number (NIF) was introduced in 1996. The report of this study was submitted. An action plan that was adopted is being implemented. It includes the following:
  - creation and activation of a committee to implement the migration from the NIF to the NINA;
  - amendment of certain provisions in the law establishing the NINA;
  - computerization of the issuance of the RCCM (commercial and property register) number;
  - preparation and allocation of a budget to finance migration activities.
- Implementation of measures to improve tax dispute practices in line with the recommendations of World Bank technical assistance missions. To improve the management of tax litigation, the business environment and relations between the administration and taxpayers, the government (i) will establish, by June 2017, a joint mediation committee composed of representatives from the private sector and the tax administration, chaired by an individual independent of the government and the private sector. Two draft decrees establishing the National Conciliation Commission and the National Tax Commission were prepared. After these draft laws were reviewed by the Ministry of Economy and Finance, they were transmitted to the General Secretariat of Government to begin the process of approval in the Council of Ministers; (ii) by June 2017, will strengthen the Office of the Mediator of the Republic by recruiting experts on taxation charged with receiving and reviewing taxpayer complaints against staff of the revenue-collecting agencies; and (iii) will establish taxpayer rights to bring disputes before the Office of the Auditor General (BVG) or the Anti-Corruption and Unlawful Enrichment Commission when it becomes operational. The DGI will ensure compliance with the deadline set by law for the processing of tax related disputes. To that end, the DGI will send a progress report to MEF by August 31, 2017 on the processing by tax dispute units of outstanding claims by economic agents. In 2016, decisions were made on 60 percent of the requests addressed to the DGI. In other words, of the 723 claims received, 435 cases were processed. The others are being processed.

*Improving DGD effectiveness*

30. The DGD is carrying out an action plan to implement the recommendations of the June 2013 technical assistance mission by the IMF Fiscal Affairs Department.<sup>7</sup> There has been progress in implementing this plan, in particular the optimization of human resource management through the use of a personnel management database called PEDONIA. Also, with respect to improving the management of material and financial resources, the DGD computerized customs funds and strengthened the capacity of the officers responsible for that area. Concerning the improvement of material resources, it should be noted that the DGD has been consistently supported by the Department, through the acquisition of 44 all-terrain vehicles, bullet-proof vests and heavy helmets. With regard computerization, the DGD has been optimizing information and communication technologies by rolling out the migration to the ASYCUDA World information system, which is already in effect in almost all the customs bureaus in Mali, with a coverage rate of 99 percent in terms of the relative contribution of the offices connected to the network to revenue. The purpose of this migration is to allow all customs documents to be processed in paperless form and to institute a fully electronic customs declaration system.

- The DGD has made great strides by using the reports produced by the BIVAC surveillance firm, resulting in an improvement in the performance of the administration. The DGD plans to stay the course.
- *Introduction of the payment of customs duties to the DGD via bank transfer.* To simplify and ensure the security of customs duty payments, the DGD and DNTCP have started actions to raise awareness among operators and consulting with banks to increase by a significant amount the share of taxpayers paying their customs obligations by bank transfer. Customs, Treasury, and BCEAO experts are mapping out the way to interface the interbank computer system (STAR-UEMOA), to which the Treasury is connected, with customs' ASYCUDA World.
- To help maintain the competitiveness of Malian businesses, the DGD has begun to verify WAEMU and Economic Community of West African States (ECOWAS) certificates of origin in cooperation with the issuing authorities and installed a committee including DGD and the *Organisation Patronale des Industriels (OPI)* with a view to strengthening controls on these certificates of origin. Whenever WAEMU and ECOWAS certificates of origin are found to be inapplicable, the DGD is imposing sanctions and collecting the duties according to the tariff preference, depositing the remainder in accordance with applicable rules. Indeed, the certificates of origin audits conducted since July 2014 within the customs perimeter have uncovered CFAF 2.4 billion of compromised customs duties. Claims for these amounts have been issued.
- The DGD is creating a one-stop facility under ASYCUDA World, a comprehensive platform bringing together all stakeholders of the customs clearance chain. The one-stop facility will simplify procedures through a single submission by operators of several formalities required for imports, exports, or transit through a single, transparent procedure. This window

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<sup>7</sup> See [IMF Country Report No. 13/355](#), Mali.



provides a rich range of features considering the intervention of all stakeholders (Customs, DNCC, DNTCP, DGI, Forwarding Agents, Banking, and Insurance). The DGD, DGI, DNTCP, and CAISFF are networked and work on connecting the DNCC is under way. This will facilitate trade and speed up operations with a view to establishing a single facility by December 31, 2017.

- The automatic selectivity project ongoing since 2005 with the assistance of the IMF through AFRITAC West will culminate in the second phase of the ASYCUDA World project concerning the development of specific applications. The application relating to the electronic management of customs disputes has already been validated by the DGD and will serve as the basis for determining the automatic selectivity criteria. Considerable progress has been made in this area with the support of technical partners. This project is expected to be operational by December 31, 2017.
- Modernizing the DNDC. The DNDC will continue to implement the recommendations of the organizational audit sponsored by the Institutional Development Commission (*Commissariat au développement institutionnel*) on modernizing its organization and automating processes. To that end, the DNDC was reformed in early 2017 giving rise to two structures, namely: (i) the National Land Registry Directorate and (ii) the National Government Property Directorate. Pending their operationalization, the former DNDC is taking the necessary measures to collect capital gains taxes on real estate sales by individuals and uses the electronic document management system (Modonum) to safely store property files. 33,900 land titles were digitized in the Modonum software compared with 108,000 digitized property titles inventoried in 2016. The DNDC intends to continue the digitization process in 2017. In addition, progress toward activating the two new structures will continue.

31. Modernizing the DGABE. The MEF will modernize the DGABE through the introduction of modern management tools such as results-based management (RBM), greater use of IT (use of inventory accounting software in the accounting offices of ministries and public institutions), and implementation of reforms for better monitoring and appraisal of the government portfolio.

### **VAT refunds**

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

- To ensure that VAT credits are refunded in a timely manner, a special allocation account was created to be used exclusively for refunding VAT credits. The account will continue to be funded by the full amount of VAT revenue paid by mining companies and their subcontractors on imports, and 10 percent of domestic VAT revenue, or more if needed. To this effect, the Ministry of Economy and Finance (MEF) issued a directive indicating that if the balance of the account is insufficient to cover the refund of VAT credits, the contribution of VAT revenue collected by the DGI can be increased by the amount required. This mechanism will ensure that VAT credits are effectively and regularly refunded, in accordance



with Community legislation, to all companies that generate VAT credits, with the exception of resellers without transformation.

- The DGI and the mining companies consult regularly on monitoring VAT credit refunds.
- To avoid the accumulation of VAT credits by domestic operators, the system of withholding VAT at source will be completely abolished, including for the Treasury, starting in January 1<sup>st</sup>, 2018; to do so, the government has implemented appropriate measures to secure collections, in particular, the setting of a proper interface between the Treasury and DGI information systems to help protect VAT revenue collections.
- To increase the number of businesses that effectively pay VAT,<sup>8</sup> the DGI has been expanding the campaign of selective audits of VAT credits, beginning with businesses whose activity should not systematically generate VAT credits (particularly commercial activities and service providers). It produced reports on results of the targeted audits in 2015 and 2016. The DGI has also continued training staff assigned to research, targeted VAT audits, and audits of VAT credits.

### **Improve Expenditure Management**

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

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

34. The government transposed WAEMU directives 01/2009 and 06/2009 through 10/2009 concerning the transparency code, budgets, public accounting, budget nomenclature, the government chart of accounts, and the TOFE into national laws and regulations. The government is in the process of transposing Directive 01/2011 concerning the subnational jurisdictions' financial regimes. The draft law establishing the code for local governments, transposing the legislative provisions and the directive, were drafted and submitted to the government for consideration. Most of the implementing regulations have already been drafted and adopted and the remainder are in the pipeline for approval. The government has benefited from the support of AFRITAC West and the World Bank in this process. Lastly, the government will ensure that all the regulatory texts related to the 2009 WAEMU directives are published.

#### ***Improve government budget preparation***

35. To improve the budget presentation and facilitate evaluation of the efficiency of public expenditure, the government will gradually implement program budgeting and results-based management in accordance with the relevant WAEMU directive. A first step to test the budget management tools was the presentation of the 2017 budget law to the National Assembly for

<sup>8</sup> In 2014, 51 percent of large businesses and 51 percent of medium-sized businesses required to pay VAT effectively paid the tax, compared to 27 percent and 20 percent, respectively, between January 2012 and May 2013, given the large number of businesses that systematically claim VAT refunds. See [IMF Country Report No. 13/355, Mali: Technical Assistance Report: Continued Modernization of the Malian Tax System and Administration](#), ¶ 49.

information in the form of program budgets. The government has submitted not only the annexes prescribed by the directive, but also, for information, the distribution of appropriations under the current resource-based budget and the distribution of appropriations by region.

36. The Government benefited from technical assistance from Fund staff through a seminar organized in Dakar in June 2016 for DGB, DNTCP, CARFIP, DNPDP, DNCF and certain line ministries to strengthen their capacity to implement program budgeting. This seminar identified several priority actions. The government plans to adopt a decree relative to the organization of program management, the definition of the role of the program manager and other relevant personnel by end-June 2017. Moreover, the Budget Directorate will prepare Guidelines (manual) on the preparation and execution of the program budgeting by March 2017. In the context of taking ownership of the guidelines, tools, and texts, the Budget Directorate designed a national training strategy for actors involved in the transition to program budgeting management in January 2017, and has been implementing it gradually, with the DNTCP, DNPDP, and DNCF since February 2017.

37. The adaptation of the information system is a key part in the transition to budget programming. The expenditure management software (PRED) was adapted to program budgeting preparation in 2015. Other modules were added in March 2017: (i) results-based budgeting; and (ii) implementation in program mode. The final module related to performance monitoring will be completed by end-December 2017 at the latest. The AFRITAC mission to validate the PRED preparation and execution module in program mode took place from April 24–28, 2017. The mission validated the functions of the PRED system and recommended proceeding to the testing phase, which started with a few departments under dual control by May 2017 for program mode execution and will start by July 2017 for interfacing PRED with AICE (accounting and payment segment).

38. To have a clear idea of the budget support forthcoming from the TFPs as early as possible, the government has begun the practice of asking the TFPs to provide information early in the process (in April) on the budget support planned for the following year.

39. 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 on the following year's draft budget during the first half of the year. Discussions for the 2018 budget will be held before June 30, 2017. The information prepared for the discussions, and all other budget preparation and execution reports, will be published on the MEF website in order to fully inform all stakeholders in Mali's development.

### ***Improve government budget execution***

40. As it establishes program budgeting, the government plans to continue employing tools for program budget implementation that would strengthen governance and fiscal transparency. The operationalization process targets: (i) the appointment of program managers and the establishment of criteria to assess their financial management capabilities; (ii) introduction of the ministerial management charter; and (iii) establishment of Annual Performance Contracts (APCs) between program managers and administrative public entities (EPA).

41. To that end, the government is committed to appointing all program managers by end-December 2017. To facilitate decentralization and payment authorization, the government intends to gradually delegate payment authorization powers to program managers based on their financial management skills. To meet that goal, the Budget Directorate will prepare the criteria for financial management capacity assessment by end-March 2018. The government plans to help program managers draft performance contracts between themselves and administrative public entities (EPA) by end-June 2018, to improve program management. It will also draft the ministerial management charter for all government departments by end-August 2018, which would establish the roles and responsibilities of the various operators and would set out the rules of program management and operation.

42. Pursuant to Community directives, the following closing dates have been established for 2017 budget execution: November 30, 2017 for commitments of operating expenditures, investment expenditures, and expenditures under petty cash procedures; December 20 for commitments of other expenditures; December 30 for payment orders; and January 31, 2018 for government accountants' acceptance of payment orders, approval, and ex post validation. Under this arrangement, the carryover period will be limited to accounting operations.

43. The government carried out a physical census of civil servants and staff of local authorities in 2014, which revealed shortcomings in the management of personnel. Based on an interim report, the government suspended the payment of wages for those who did not accounted by the census. However, investigations are ongoing in the case of agents that are reportedly in the field for security or military operations, those that are on excused leave, or abroad for long term training. The report will be finalized after these investigations are concluded and will take stock of the number of people checked, the number of people removed from the salary register and the budget savings achieved in 2016 and 2017.

44. To improve the procedures for awarding and managing public contracts and to enhance public financial management, the government rolled out the Integrated Public Contract Management System (SIGMAP) in the General Directorate of Public Contracting and in public service offices in all the ministerial departments on January 1, 2017 (structural benchmark, Table 4). Any hardcopy files not processed in SIGMAP are rejected. All plans by contracting authorities to award contracts after receipt of the notice of no objection from the DGMP are entered into SIGMAP.

45. To maximize returns on public investment and minimize the associated costs, the Directorate General of Budget (DGB), the National Directorate of Development Planning (DNPD), and the General Directorate of Public Debt (DGDP) have instituted a program of public project monitoring with an annual goal of monitoring 100 projects and programs, the aim being to increase the rate of physical and financial execution of public investment projects and programs. This goal was achieved in 2016.

- In 2017, additional field missions will be carried out with the scheduling of another 100 projects and programs to be monitored.

- The annual list of market prices is drawn up regularly and the cost of line ministry projects and programs under way in 2017 was assessed based on the price listing for 2016. The 2017 listing will be used as the basis for assessing the cost of projects and programs to be included in the three-year program PTI 2018-20 and the special investment budget BSI 2018.
- The DNPDP and the DGDP are also committed to publishing the status of financial execution of foreign-funded projects on a quarterly basis.
- Reports on Q1, Q2, and Q3 execution of foreign financing under the 2016 BSI have already been published on the DNPDP website [www.dnpdp.ml](http://www.dnpdp.ml).

46. For 2016, the fund for project and program research and preparation amounted to CFAF 800 billion, which was entirely allocated to the energy sector for the study of mini-hydroelectric dams. The research fund for 2017 is also assigned in its entirety to the energy sector.

47. The Directorate of Finance and Equipment (DFM) in the MEF issued a request internationally for expressions of interest to draft the forthcoming SDNI. A research firm was hired and the contract is currently being signed.

48. Domestic counterparties of new cofinanced projects are depositing funds in an escrow subaccount with the BCEAO for projects that have been accepted in principle by donors. This process is effective for all projects funded by the government but is only partially effective for projects and programs financed by the TFPs.

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

- The 2013 budget introduced the budgeting of commitment authorizations (AEs) and payment appropriations (CPs) relating to three-year public investment expenditures. On that basis, the MEF arranged monitor the use of AEs and CPs through the PRED5 expenditure management application at end-February 2017.
- Starting with implementation of the 2016 budget, the procedure for carrying over CPs was expected to take effect under a mechanism providing for full implementation of the carryover procedures established by WAEMU directives, which allow only guaranteed CPs included in the cash flow plan to be carried over. However, capacity constraints have prevented the government from putting this in place. The government has requested technical assistance from the IMF's Fiscal Affairs Department to be able to implement it at the earliest possible stage. A workshop was held in April 2017 on AE and CP management and to review compliance of the DGB's IT tools.

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

this purpose.<sup>9</sup> To enhance monitoring, the interface between AICE and PRED is used to produce reports to determine the age of orders that are more or less than 90 days old. Periodic statements are published on the MEF website based on PRED5 data.

### **Improve Fiscal Transparency**

51. To improve transparency in regard to the government's fiscal, liquidity, and asset position, the DNTCP will gradually implement the new WAEMU directive on the TOFE and other financial statements. To ensure an orderly transition to the new TOFE, the DNTCP will produce the TOFE during 2015–17 using the 1998 and 2009 nomenclatures. In 2016, program monitoring will continue to be based on the 1998 TOFE. Beginning in 2018, the DNTCP will produce the TOFE using only the 2009 nomenclature to monitor budget execution, and any new program with the IMF will be based on the 2009 TOFE. A monitoring committee charged with following up progress with migration to the new TOFE has been created. In 2016, the DNTCP will first focus its attention on producing three of the four financial statements provided by the 2009 directive: (i) the TOFE; (ii) the statement of public debt; and (iii) the report on cash flow operations. The fourth financial statement, i.e. the government balance sheet, was produced for the first time in 2015, based on the position as at end-2014. The same exercise was carried out in 2016. The 2016 financial balance sheet was finalized during the April 2017 workshop on the expansion of the TOFE to the 9 national public entities (EPN) monitored in the cash flow plan. This exercise will be gradually expanded to cover a maximum number of EPNs by 2019. It should be noted that the 9 EPNs targeted include the social security structures, namely the National Social Insurance Institute (INPS), the Malian Social Security Fund (CMSS), and the National Health Insurance Fund (CANAM). With a view to monitoring all the reforms at the DNTCP, a roadmap that incorporates all activities was prepared on the basis of an AFRITAC recommendation and a steering meeting is held every week.

52. The Treasury integrated accounting application, AICE, has been rolled out in all the upper level accounting offices, except the two new regions (Ménaka and Taoudéni), which are awaiting the release of the new version of the application (AICE 2) in July 2017. It is now possible to obtain the feedback needed to produce the integrated balance sheet and financial statements with updated data following the rollout of a new centralization module (which has been completed at the central office and is in progress in the regional offices). Output statements are being designed and the DNTCP is paying special attention to this module. As part of the process of implementing program budgeting, accrual-based accounting, and wealth creation from local resources (*patrimonialisation*), a new version of AICE is being procured. It will be able to reflect expenditure execution using the new budget and accounting nomenclatures and to integrate the new procedures manual. Specifications were prepared accordingly and an invitation to bid was issued for the selection of a provider. The new application will track budget execution in program budget mode in AEs and CPs and will provide a better interface with the DGB.

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<sup>9</sup> <http://www.finances.gouv.ml/>

## Improve Cash Flow Management

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

54. The DNTCP continues with efforts to develop a more accurate understanding of the components of the net government position (NGP) vis-à-vis the banking system.<sup>10</sup> It regularly publishes reports on the MEF website analyzing activity in NGP components, highlighting activity in the most important components of the net Treasury position (NTP) and the net position of other government entities (PNACP).<sup>11</sup> These reports present the opening and closing stocks and identify all owners of the accounts included in the PNACP. The DNTCP will update the tables every six months. The report for end-December 2016 was completed in May 2017. The BCEAO will continue to provide the DNTCP with the NTP extracted from the monetary survey for the purpose of compiling the TOFE, in accordance with applicable WAEMU directives.

55. To consolidate the implementation of the TSA, in June 2016, the Ministry of Economy and Finance, in accordance with government commitments in this respect since 2013, adopted a decree setting the rules for the opening, closing and management of public accounts at commercial banks. The census of bank accounts at December 31, 2016 was completed for 11 of the 14 commercial banks. The data gathered on the 11 banks showed a total of 3949 accounts surveyed. In accordance with the decree, the DNTCP will ensure that there is a need to open a bank account for public institutions in commercial banks and will close inactive accounts. Sixteen inactive accounts with the BCEAO have already been closed. A draft bipartite agreement was validated at the meeting held on February 21, 2017 between the DNTCP and the Professional Association of Banks and Financial Institutions (APBEF).

56. The obligation to deposit EPA funds with the Treasury will be clearly reestablished and upheld in accordance with the principle of a single Treasury account and consolidation of cash holdings cited by the 2009 WAEMU directive on the subject. The exceptions will be public hospitals; the Malian Social Security Fund (CMSS), the National Social Insurance Administration (INPS)) and the National Health Insurance Fund (CANAM), which are jointly held entities over which the government does not exercise direct control; and EPAs that do not receive government subsidies. The DNTCP will

<sup>10</sup> At end-2016, the net government position (NGP) vis-à-vis the banks was a creditor position of CFAF 183 billion (2.0 percent of GDP) for the government as broadly defined in the WAEMU directive in the Table of Financial Operations. That figure includes a net Treasury liability position of CFAF 165 billion (1.8 percent of GDP) and a net creditor position of CFAF 18 billion (0.2 percent of GDP) for other government entities.

<sup>11</sup> <http://www.tresor.gouv.ml/documentation/position-nette-du-tresor-et-autres-comptes-publics.pdf>.

issue a broad communique to the banks and institutions concerned for the progressive repatriation of their funds at the Treasury.

57. The DNTCP is in the process of reinforcing the supervision of EPAs.<sup>12</sup> The MEF has advised EPAs that it will not approve their budgets until they have forwarded their budget execution statements for the first half of the previous year to the DNTCP. Therefore, the approval of the 2017 EPA budgets upon submission of half yearly budget execution statements for 2016 is now in effect. No budget is approved by the MEF without submission of proof of filing the budget execution statement for the first half of the previous year with the Treasury. For 2016, the DNTCP has received financial execution statements from 89 EPAs, as opposed to only 79 in 2015. A series of training events on accounting and reporting for accounting staff are planned under the Economic Governance Support Program (PAGE) and the Public Financial Management Reform Plan (PREM). In April 2017, 70 accounting officers from the EPAs were trained in “Management accounting by public accountants of national public institutions.” Other training events on the decree establishing the budget and accounting nomenclature and the accounting operations manual are planned in June 2017. Once the National Assembly ratifies the order amending Law 90/110 establishing the EPAs, their operation, and organization, the EPAs will be required to publish accounts certified by CPAs starting with the accounts for FY 2017.

### **Strengthen Internal and External Controls**

58. The internal and external control agencies will be strengthened. They identified several administrative weaknesses in the management of public finances in Mali. To address these weaknesses, the Government adopted in August 2011 a National Internal Control Strategy, which it implemented over the period 2012–16. Activities that could not be carried out during this period were integrated into the PREM.

- In the context of the new missions emerging from the financial supervision reform that resulted from the transposition of WAEMU directives,<sup>13</sup> tools for implementing these missions were developed, in particular the order on the ex-post assessment of program performance and the order on the ways and means of implementing selective ex-ante audits. Selective ex-ante audits have been in effect since February 1, 2017. At end-2016, the DNCF trained 500 officers, 300 of whom were from financial supervision and 200 from the payment authorization units, in the procedures for implementing selective audits after development of a computerized module in PRED5 on selective audits.

<sup>12</sup> Order N° 05-0053/MEF-SG of January 13, 2005 establishing the budget and accounting nomenclature of the EPAs was amended by Order N° 2016-0206/MEF-SG of February 23, 2016 to adapt it to the new government chart of accounts resulting from the national transposition of WAEMU directives. This order was disseminated to all the national public institutions concerned to enable them to prepare their individual charts of accounts based on their specific needs. In addition, a guide to the operation of accounts under the new budget and accounting nomenclature was prepared in December 2016 to facilitate its application by users.

<sup>13</sup> See [www.dgmp.gov.ml](http://www.dgmp.gov.ml)



- An Internal Audit Office was created to ensure that the financial supervision agencies perform compliance audits of control procedures and produce a report at the end of each mission.
- The Program Performance Assessment Division was established and will develop assessment tools with a view to becoming fully operational by 2018, when the program budget is scheduled to be implemented.
- Audit reports on service effectiveness are regularly published. With a view to improving effectiveness controls, acceptance reports have been computerized.
- Deconcentration of internal control agencies continues, with the creation of 20 of the 35 planned sub-offices in 2015 and 2016. The remaining 15 are scheduled to be established in 2017. Deconcentrated units of the DDCF are currently present in all regions of the country, in 38 circles, in all ministerial departments, in 3 institutions, and in 47 public and equivalent entities.

59. The government's annual financial statements will be produced and audited on a regular basis, as provided by applicable Community directives. The government adopted the budget review law for fiscal year 2015 in November 2016, as provided by the relevant community directives.

### **Bring the Malian Social Security Fund and the National Social Insurance Administration into Financial Balance**

60. The government intends to take action to ensure the financial soundness of the Malian Social Security Fund (CMSS), the public sector pension administrator, and the National Social Insurance Administration (INPS), which administers pensions, employee accident insurance, and benefits for private-sector employees. The relevant recommendations of the study will be incorporated into a new Code under preparation, including increasing the state's contribution to make the CMSS autonomous. For the INPS, a consulting company was recruited and has been conducting an actuarial study since March 2017. The preliminary report is expected in December 2017.

### **Conduct a Sustainable Borrowing Policy**

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

- The government reiterates its commitment to cover its external financing needs primarily through grants and loans in foreign currency for which the grant element is at least 35 percent. Most loans contracted in 2016 have an average grant element of at least the required 35 percent.
- In line with the Policy on Public Debt Limits in Fund-Supported Programs, which took effect on June 30, 2015, the Directorate General of Public Debt (DGPD) has prepared a detailed chart of loan agreements that will support execution of the 2017 budget. The borrowing plan identifies the amount disbursed and the financial terms of each loan agreement and



will continue to be annexed to the budget. In 2016, the government mobilized about CFAF 192 billion in concessional loans and CFAF 33 billion non-concessional loans.

- For 2017, the government plans to contract CFAF 345 billion in new external borrowing (of which CFAF 49 billion would be non-concessional), equivalent to CFAF 180 billion in PV terms (Table 5). On this basis, the cumulative ceiling on external borrowing for 2015–17 remains consistent with the program and amounts to CFAF 426 billion in PV terms (continuous performance criterion, Table 2).
- To improve debt management, the DGDP continues to implement the recommendations of the October 2014 AFRITAC West technical assistance mission, with a view to improving the quality of the public debt database. Before the implementation of a new debt-management tool, the following results were achieved:
  - The committee in charge of updating the database has been in existence since January 2016. Its primary mission is to periodically ensure the reliability of the data in the public debt database, which were used to improve disbursement levels and, consequently, debt balances. To illustrate, debt balances rose from CFAF 1,484.6 billion in 2014, to CFAF 1,754.4 billion in 2015, and CFAF 2,073.9 billion in 2016.
  - Staff were trained in house in the use of the existing CS-DRMS application
  - The staffing and skills of the Operations Subdirectorate was increased by assigning three senior staff to the unit in 2015 and one more in 2016. This improved the quality of processing of cases in the subdirectorate in terms of data input and analysis.
  - Two missions were organized to reconcile IFAD debt data with IsDB data in September and November 2015, respectively. Another two missions to the BADEA, the OPEC Fund and the Kuwait Fund took place in November and December 2016.
  - The reconciliation mission at the Islamic Development Bank (IsDB) has enabled the Malian party to obtain the access code to the IsDB's data information site through its extranet, which now allows the DGDP to access all the information regarding the active portfolio of projects in Mali financed by the IsDB in real time.
  - For donors with representative offices in Mali, such as the World Bank and African Development Bank, the data are regularly cross checked with data from the DGDP;
  - As part of the development of the new debt management software, a meeting to launch the project was held in January 2017 for ensuring that all the stakeholders in the project have a clear and similar understanding of the expectations. Thus, the objectives, scope, timetable, approach, roles and responsibilities, and management of the project were discussed at the meeting. According to the established timetable, the project will be carried out from January 16 to August 31, 2017.
  - To closely monitor its borrowing policy, the government launched the National Public Debt Committee (CNDP) in March 2014. The committee's principal functions are to provide an opinion on any initiative or plan for government borrowing or the provision of a government guarantee and to produce an annual borrowing strategy document to be annexed to the budget law. The CNDP Technical Committee meets regularly to

review requests for financing submitted by the sectoral departments. The conclusions of the Technical Committee meetings are then reviewed by the statutory members of the CNDP at a meeting chaired by the Minister of Economy and Finance. In 2016, the Committee met four times.

- In addition, to improve debt management by the end of August 2017 the government will set up the second phase (analysis) of the project for the development of the integrated debt system by deploying complementary modules for the calculation of net present value, production of debt statistics, and debt simulations (structural benchmark, Table 4).

### ***Domestic debt management is being strengthened***

- To strengthen domestic debt management and fulfill the commitments made in the MEFP, the DGDP wrote to all the banks requesting a progress report on government commitments to the banks, including their repayment schedules under the budget laws. The review of the files received from the banks confirmed a total of CFAF 78.3 billion in outstanding commitments. CFAF 8.9 billion claims were validated. Some commitments related to advances on contracts and other indirect commitments to public institutions were rejected. The banks were notified by correspondence of the reasons for the rejection of those commitments. CFAF 6.2 billion of the validated outstanding payments was paid in 2016 and the remaining CFAF 2.7 billion will be paid in 2017.
- As there were no other recorded guarantees by the DGDP, it was not considered necessary to establish provisions in the 2016 and 2017 budget laws.
- The government is in the process of clearing domestic arrears validated by an audit. Of the CFAF 166 billion (2.6 percent of GDP), comprising CFAF 94 billion validated by the consultant and CFAF 72 billion that has not been validated, the government paid out CFAF 117 billion in 2013–16. In 2016, the government refused to pay the remainder due to shortcomings in supporting documentation. The validated arrears included a CFAF 30 billion court judgment against the government, for which an appeal decision is pending. The government had requested a supplementary audit by the firm, to be concluded by end-August 2016, to provide creditors of invalidated debts totaling CFAF 40 billion the opportunity to supplement their dossiers. After suspending the supplementary audit process due to shortcomings in the validation of the arrears in question, in January 2017, the Ministry of Finances has decided to resume the process, entrusting the review of these cases to a commission created for identifying cases that can be paid. To that end, a total of CFAF 10 billion is provided in the 2017 budget to make these payments when the commission completes its work.

### **Improve the Business Environment to Encourage Private Sector Development**

62. The government is working on easing the principal constraints on the business environment, which were identified in the latest Africa Competitiveness Report—produced jointly by the World Economic Forum, the World Bank, and the African Development Bank. These constraints include

access to financing, corruption, insufficient infrastructure (including in the energy sector), complex tax laws, government bureaucracy, and inadequate work force qualifications.

63. The government is implementing measures to mobilize resources for infrastructure investment and simplify tax legislation (¶19). In addition, it will take additional measures (see paragraphs 56–58) to maintain the stability of the financial sector improve access to financing provided by the sector, strengthen the financial position and productive capacity of the electricity sector, and reduce corruption.

64. To improve the investment framework and increase the attractiveness of foreign direct investment, the Government adopted in 2016 a law defining the legal and regulatory framework for Public-Private Partnerships (PPP), with Technical and financial support from the World Bank. A PPP unit was also created with the support of the African Development Bank. The IMF's Fiscal Affairs Department commented on this law with the aim of improving the management of PPP contracts and further minimizing budgetary risks for the State. The Government will take into account all IMF comments as part of a future revision of the law.

### **Promote the Stability and Development of the Financial Sector**

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

- Provide security for bank branches that have reopened in Northern Mali since August 2013.
- Strengthen the bank created through the merger of the Malian Housing Bank (BHM) and the Malian Solidarity Bank (BMS), completed in March 2016. Its capital was increased to CFAF 34.6 billion compared with a normal standard of CFAF 5 billion. The bank has taken remedial measures through the intensification of collection, the sale of real estate seized in connection with the realization of guarantees, and the rationalization of the management team, which enabled it to realize a significant profit in 2016 and has made it attractive for private investors. Advanced discussions are underway with a sound African banking group for a participation in the bank's capital.
- Contribute, in support of the actions of the BCEAO, to strengthening the credibility of the credit bureau (established in May 2015) through communication campaigns in order to increase the rate of collection of consent from clients of financial institutions. Good progress has been made in this regard, with the successful passing by Malian banks of the compliance tests for this system. The credit bureau (BIC) is based on clients' prior consent to the sharing of their information. In order to facilitate the collection of consent from clients, the BCEAO, in collaboration with the SFI, provided credit institutions and decentralized financial systems (SFD) with a public awareness cartoon in November 2016. In addition, in 2016, the ministry of finance, through its Financial Sector Support Unit, trained the executives and IT specialists of the decentralized financial systems in order to remedy the shortcomings associated with the collection of the consent and the legal obligations related to it and also those associated

with the extraction and sending data to the platform of sharing of the BIC. At end-April 2017, more than 230,000 consents had been collected by the banks from more than 970,000 active customers, which represents a rate of 24.0 percent. The number of clients reported by banks in the BIC database is over 64,000, of which about 2,000 are legal entities. Over 180,000 loan contracts were submitted to the BIC database. Lastly, about 2,300 solvency reports were consulted by the credit institutions at end-April 2017.

- Restore confidence in the micro-finance sector by implementing an action plan in 2016 to reform the sector. In order to clean up the microfinance sector, the government has implemented the following measures agreed with the World Bank: in 2016, (i) the audit of 32 decentralized financial systems (SFDs) which are in difficulty including 2 networks; the terms of reference (TOR) for the extension of this audit to all troubled SFDs are already available (ii) adopting a favorable compensation rule for small depositors of the SFDs to be liquidated, which has been tested in the case of Jemeni and will be assessed before replication to other SFDs slotted for liquidation; and (iii) the signature in 2016 of the delicensing notices for 23 SFDs, which have already been audited and must be liquidated; in 2017, the government will take steps to liquidate at least two SFDs which have been subject to delicensing. The two SFDs to be liquidated have been identified.
- In order to reduce non-performing loans, the government will focus its efforts on the two main sources of the impaired loans, former Malian Development Bank (BDM) loans and the non-operating property held by the banking system. To that effect, it is in the process of i) recruiting a specialized firm to suggest practical solutions to the non-operating property, and ii) it will process BDM's impaired loans using practical modalities suggested by the audit firm GMI. Concerning point (i), the firm is recruited and its contract to provide services to the ministry of finance is in the process of being signed. Regarding point (ii), the interim report of the GMI Audit firm highlighted major difficulties to reconstruct data going back to the 1980s and which were managed by a software that no longer exists. As a result, the firm had to recruit retired former BDM executives and a software specialist who was then used to try to reconstruct all the data. The results of the work of these experts are awaited.
- The Government will design a strategy to reduce the level of non-performing loans in the banking system by June 2017 (Structural Benchmark, Table 4). In order to do so, the Government has requested technical assistance (TA) from the IMF Capital Markets Department to examine these claims and propose a strategy to reduce outstanding debts. The TA mission, undertaken in May 2017, concluded that the NPL ratios in the Malian context were not relevant, because of differences in calculation between WAEMU and the standards recommended by the IMF. The NPL situation is less concerning than initially believed. Based on data, including in Fund reports, Mali's situation is in line with the region. Furthermore, the implementation of the Basel II / III provisions in 2018 would definitively solve this problem by removing the fixed receivables from overdue receivables and automatically leaving the bank balance sheet all outstanding debts due more than five (5) years.

## Reform the Electricity Sector

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

- In 2016, EDM reduced its pre-subsidy deficit to CFAF 57 billion from CFAF 104 billion in 2015. This deficit is expected to be further reduced to CFAF 35 billion in 2017. The government transferred CFAF 33 billion in 2016 and will provide an additional CFAF 25 billion in 2017 to help EDM meet its financial commitments.
- The government will also ensure that adequate measures are put in place to reduce EDM's deficit so that the company can cover its financing needs and meet all its financial obligations. EDM will continue to implement all necessary measures to increase its billing rates and reduce operating costs, in particular by outsourcing the fuel supply function. The government commits to take the necessary measures to ensure that EDM reduces the deficit further and does not accumulate new arrears, including by implementing measures to reduce technical and non-technical losses, the use of pre-paid meters, the adoption of accelerated monthly billing, better monitoring of key customers to protect revenue collection, and if necessary adjusting electricity rates to narrow the gap between rates and costs. These measures, combined with transfers from the government would allow EDM to cover its financing needs and fully meet its obligations.
- The plan to clear arrears prepared by EDM in 2016 has been implemented, based on the conversion of short term bonds to banks into medium term debts and settlement of other debts with other public sector entities including with the government. The plan provides for the payment of the ECOWAS subsidy (CFAF 12 billion) which did not happen in 2015. However, the government paid that amount instead of ECOWAS to enable EDM to meet its commitments. EDM will publish its financial statements (balance sheet and income statement) and performance indicators on its website and in an annex to the annual draft budget. The government will monitor closely the financial position of EDM and will ensure the company produces quarterly financial statements in a timely manner to make sure that quarterly results of its cash-flow plans are respected so as to allow payment of the subsidy.

## Promote Good Governance

67. The government will continue to pursue efforts to improve governance.

- To this end, the government is carrying out the measures described above to improve the management and transparency of the public finances. It was planning to forward to the Supreme Court senior government officials' financial disclosures—pursuant to the unlawful enrichment law—by December 31, 2016 (structural benchmark, Table 3). A circular letter from the Prime Minister was sent to all public institutions so that all relevant officials submit their declaration of assets. The officials have begun to submit their declarations but the number of submissions is still low. When the Central Office Against Unlawful Enrichment becomes operational—its members are already on the job and their main task is to implement the law against unlawful enrichment—the rate of submission of declarations of assets is expected to increase significantly.

- All implementation texts for the fight against illicit enrichment have been adopted by the government, including the decree creating the Anti-Corruption Central Office. Given the sensitive nature of the tasks of members of the Office and related risks, discussions about the regulatory texts defining their remunerations and allowances took time, which has delayed its implementation. The members of the Office have been appointed and have started their work (structural benchmark, Table 4).
- To ensure that the law is broadly disseminated, the government had it translated into Arabic, Bambara, Peulh, Sonrhai, and Tamasheq.
- The government is also making efforts to promote good governance in the judicial system by publishing the decisions of the commercial courts and the decisions of other courts concerning governance-related offenses.<sup>14</sup>
- In February 2016, the National Assembly approved new legislation on anti-money laundering and combating the terrorism financing (AML/CFT), which will support efforts to improve governance in the country. The government is aware that the new Uniform Law is not fully compliant with the international FATF standard, and agrees on the need to bring the matter before the WAEMU monetary authorities to amend it. Indeed, the main concerns expressed by the IMF, which relate to the definition of certain concepts and specific requirements applicable to the groups subject to the law, have already been taken into account in the new regulations (law and instructions of the BCEAO). The other suggested improvements, which relate mainly to the incrimination of terrorists and terrorist organizations, have been taken into account in the context of the amendment of Mali's Code of Criminal Procedures following their inclusion in the national anti-money laundering strategy of capital and the financing of terrorism. In this regard, bribery of foreign public officials and officials of public international organizations, the removal of property in the private sector and possession of stolen goods, and dissuasive and financial penalties and penalties against banks that violated AML / CFT, have been incriminated in the Penal Code of Mali through Law No. 2016-039 of 7 July 2016 amending Law No. 01-79 of 20 August 2001 on the Criminal Code, Chap. X, Section IX. Similarly, comments on the inclusion of Politically Exposed Personalities and property declarations of parliamentarians have been taken into account in the Law on the Suppression of Unlawful Enrichment. The IMF's comments on the subjection of all Members (in addition to the President of the National Assembly and the judiciary), as well as children of full age (in addition to minor children) and the publication of declarations taken into consideration as part of the revision of the Act by March 31, 2018.

### C. Technical Assistance and Capacity Building

68. Technical Assistance (TA) and training remain essential for continued strengthening of our technical and institutional capacities. In this respect, we confirm our participation in the IMF's Capacity Development Framework (CDF). Mali has received substantial technical assistance from the Fund in recent years, and the overall record of implementation has been positive. This TA has made a positive contribution to capacity building in the country and facilitated the implementation of our

<sup>14</sup> See [www.reforme-justice.gouv.ml](http://www.reforme-justice.gouv.ml).

economic programs. Further TA will be needed in the coming years to support our policy priorities. At this point, we anticipate that the areas where Fund TA under the CDF would focus in 2017–18 include human resources management, revenue administration, public financial management, and real sector statistics. Donors are not providing TA in the specific areas that would be covered by Fund TA. As a participant in the CDF initiative and implement the associated TA program, we have agreed a memorandum of understanding with the IMF. We remain committed to further improving our technical and institutional capacities and making the best use of the TA that will be provided by the IMF and other development partners. We are also committed to securing the availability of adequate human and financial resources, and ensuring a good collaboration between national agencies involved in the various TA areas.

## **PROGRAM MONITORING**

69. The eighth and ninth reviews will be based on the performance criteria for end-June and end-December 2017, respectively, as well as the continuous performance criteria (Table 2) and structural benchmarks (Tables 3–4). Indicative targets are also set for end-September 2017 (Table 2). The performance criteria and indicators are set forth in the Technical Memorandum of Understanding (TMU), which also describes the nature and frequency of the reporting required for program monitoring purposes. The Eighth and Ninth Reviews under the ECF Arrangement are expected to be completed on or after November 1, 2017 and May 1, 2018, respectively.

**Table 1. Mali: Performance Criteria and Indicative Targets, 2016<sup>1</sup>**

(in billions of CFAF)

	2016																
	March			June				September				December					
	Prog.	Est.	Status	Prog.	Target	Est.	Status	Prog.	Adj.	Target	Est.	Status	Prog.	Adj.	Target	Est.	Status
<b>Performance criteria</b>																	
Ceiling on net domestic bank and market financing of the government <sup>2</sup>	133	67	Met	55	76	196	Not met	60	318	287	Met	259	281	235	Met		
Cumulative increase in external payments arrears (ceiling) <sup>3</sup>	0	0	Met	0		0	Met	0		0	Met	0		0	Met		
New external debt contracted or guaranteed																	
by the government on non-concessional terms (cumulative ceiling from June 2015) <sup>3,4,7</sup>	241	26	Met	250		26	Met	250		0	Met	33		33	Met		
Gross tax revenue (floor)	301	257	Not met	644		649	Met	952		942	Not met	1,302		1,311	Met		
<b>Indicative targets</b>																	
Basic fiscal balance (floor) <sup>5</sup>	-93	80	Met	-146	-140	18	Met	-140	-187	-62	Met	-170	-181	-156	Met		
Priority poverty-reducing expenditure (floor)	57	76	Met	146		192	Met	264		296	Met	410		410	Met		
<i>Memorandum items:</i>																	
External budgetary support <sup>6</sup>	0	40		8		0		86		16		86		46			
General budgetary grant	0	14		0		0		56		0		56		46			
Net change in budgetary float (= reduction)	-15	-123		-30		-49		-10		-61		19		10			
Tax refunds (-)	-18	-10		-36		-29		-53		-52		-71		-72			
Net change in arrears (= reduction)	-4	-3		-9		-9		-8		-7		-21		-8			
New external debt contracted or guaranteed																	
by the government on concessional terms (cumulative ceiling from June 2015) <sup>7</sup>	387	322		557		402		557		557		460		460			

Sources: Malian authorities; and IMF staff projections.

<sup>1</sup> Cumulative figures from the beginning of the year, unless otherwise indicated. See Technical memorandum of understanding (TMU) for definitions. The March and September test dates are for indicative targets, while the June and December test dates are for performance criteria.<sup>2</sup> This performance criterion is subject to adjustment for external budget support, reduction of pending bills, tax refunds, and arrears payment. See TMU for more details.<sup>3</sup> These performance criteria will be monitored on a continuous basis.<sup>4</sup> Provided the average grant element of these loans is about 30 percent.<sup>5</sup> This indicative target is subject to adjustment for budgetary grants and tax refunds. See TMU for more details.<sup>6</sup> On a disbursements basis.<sup>7</sup> On a contracting basis in accordance with the IMF's new debt limits policy: <http://www.imf.org/external/np/pp/eng/2014/111414.pdf>.



**Table 2. Mali: Performance Criteria and Indicative Targets, 2017<sup>1</sup>**

(in billions of CFAF)

	2017				
	March	June	September	December	
	Prog.	Prog.	Prog.	6th Rev. Proj.	Proposed
<b>Performance criteria</b>					
Ceiling on net domestic bank and market financing of the government <sup>2</sup>	66	197	210	189	156
Cumulative increase in external payments arrears (ceiling) <sup>3</sup>	0	0	0	0	0
New external debt contracted or guaranteed by the government, in PV terms (cumulative ceiling from June 2015) <sup>3,4,7</sup>	426	426	426	426	426
Gross tax revenue (floor)	341	698	1,077	1,440	1,440
<b>Indicative targets</b>					
Basic fiscal balance (floor) <sup>5</sup>	-85	-141	-126	-160	-101
Priority poverty-reducing expenditure (floor)	62	158	285	444	443
<i>Memorandum items:</i>					
External budgetary support <sup>6</sup>	9	16	56	99	155
General budgetary grant	0	0	35	63	85
Net change in budgetary float (- = reduction)	-26	-66	-68	17	30
Tax refunds (-)	-9	-29	-37	-82	-82
Net change in arrears (- = reduction)	-3	-8	-14	-16	-24

Sources: Malian authorities; and IMF staff projections.

<sup>1</sup> Cumulative figures from the beginning of the year, unless otherwise indicated. See Technical memorandum of understanding (TMU) for definitions. The March and September test dates are for indicative targets, while the June and December test dates are for performance criteria.<sup>2</sup> This performance criterion is subject to adjustment for external budget support, reduction of pending bills, tax refunds, and arrears payment. See TMU for more details.<sup>3</sup> These performance criteria will be monitored on a continuous basis.<sup>4</sup> Provided the average grant element of these loans is about 30 percent.<sup>5</sup> This indicative target is subject to adjustment for budgetary grants and tax refunds. See TMU for more details.<sup>6</sup> On a disbursements basis.<sup>7</sup> On a contracting basis in accordance with the IMF's new debt limits policy: <http://www.imf.org/external/np/pp/enq/2014/111414.pdf>.

**Table 3. Mali: Structural Benchmarks for 2016**

<b>Measure</b>	<b>Implementation deadline</b>	<b>Status</b>	<b>Macroeconomic rationale</b>
CGSP audit of exempt contracts designated "defense secret" or "essential government interest" signed in 2015 to verify compliance with Decree 2014-764 of October 9.	February 28	Met	Strengthen governance of public finances
Report on implementation of the recommendations of October 2014 West AFRITAC technical assistance mission to strengthen the quality of the public debt database, including an action plan with specific timetable to implement all recommendations.	February 28	Not met. Implemented with delay (in mid-April).	Strengthen public debt management
Nomination by the minister of economy and finance of all directors of finance and material and administrative and financial directors for the ministerial departments and other public institutions.	June 30	Met	Improve compliance with budget rules
Audit by a private firm of the amount and process of granting exemptions from taxes collected by the DGI and DGD in 2015.	August 31	Not met. Implemented in September.	Increase tax revenue
Preparation of DGD report analyzing monthly reconciliation reports by the inspection company comparing duties paid and receivable by import declaration during the first seven months of 2015.	August 31	Met	Increase tax revenue
Transmittal to the Supreme Court of senior government officials' financial disclosures pursuant to the law against unlawful enrichment.	August 31	Not met. Reprogrammed for December 31.	Promote good governance
Adopt a pricing mechanism that ensures that changes in the cost of imported petroleum products are reflected in pump prices within a margin of 3 percent per month (paragraph 19).	December 31	Not met. Replaced with "Conduct an outreach campaign on fuel price reforms and identify options to protect vulnerable groups (end-August 2017)".	Adequately price oil products and protect revenue derived from their taxation.
Complete the implementation a treasury single account (TSA) at the BCEAO, including by transferring EPA deposits to the TSA (paragraph 56).	December 31	Not met. Proposed to be reprogrammed for August 31.	Strengthen public financial management.
Establish and operationalize the commission against corruption and unlawful enrichment.	December 31	Not met. Expected to be implemented shortly.	Promote good governance
Transmittal to the Supreme Court of senior government officials' financial disclosures pursuant to the law against unlawful enrichment.	December 31	Not met. Proposed for August 31, 2017.	Promote good governance

**Table 4. Mali: Structural Benchmarks for 2017**

<b>Measures</b>	<b>Implementation Deadline</b>	<b>Status</b>	<b>Macroeconomic Justification</b>
Adopt and implement a law to stop granting new discretionary tax exemptions (paragraph 8).	January 1	Not met. Implemented with delay (end-May)	Increase tax revenue
Implement use of the Public Procurement Management Integrated System (SIGMAP) by all ministerial departments.	March 31	Met	Improve public financial management and increase the efficiency of public spending
Implement the first phase (Administration or Management of Loans) of the project to develop the Integrated Debt Management System, through the development of modules for the registration and monitoring of the loan mobilization and debt service payment.	March 31	Met	Strengthen debt management
Produce an inventory of tax exemptions by type of tax, legal or regulatory source, economic sector, and expiry date in respect of 2016 and the first quarter of 2017.	June 30	Implemented.	Monitor progress with reducing tax exemptions to increase revenue
In consultation with Fund staff, design a strategy for reducing non-collateralized NPLs in the banking system.	June 30	In progress. The May Fund TA report is being prepared.	Strengthen the banking system
Raise the eligibility threshold for investments benefiting from tax exemptions from CFAF 12.5 million to CFAF 100 million (paragraph 18).	August 31		Increase tax revenue
Carry out the second phase (Analysis) of the Integrated Debt Management System project, by developing complementary modules for the calculation of debt ratios, the calculation of the present value, the production of debt statistics, and debt simulations.	August 31		Strengthen debt management
Complete the implementation a treasury single account (TSA) at the BCEAO, including by transferring EPA deposits to the TSA (paragraph 56).	August 31	Proposed	Strengthen public financial management.
Conduct an outreach campaign on fuel price reforms and identify options to protect vulnerable groups (paragraph 19).	August 31	Proposed	Adequately price oil products and protect revenue derived from their taxation.
Achieve a transmission rate of 20 percent of their asset declaration to the Supreme Court of the government officials subject to declaration by the law against illicit enrichment.	August 31	Proposed	Promote good governance

**Table 5. Mali: Summary of External Borrowing Program <sup>1</sup>**

(in billions of CFAF)

	2015		2016				2017					
	Actual	PV	Prog.	PV	Actual	PV	Prog.	PV	Already Signed	To be Signed	Rev. Prog.	PV
	(CFAF Billions)											
<b>Debt financing sources</b>	<b>231</b>	<b>117</b>	<b>493</b>	<b>260</b>	<b>456</b>	<b>246</b>	<b>783</b>	<b>426</b>	<b>522</b>	<b>279</b>	<b>801</b>	<b>426</b>
Concessional debt of which/2	231	117	460	239	423	221	616	311	489	231	720	365
Multilateral debt	206	104	390	197	345	177	545	269	411	201	612	303
Bilateral debt	25	13	71	42	78	44	71	42	78	30	108	62
Nonconcessional debt/3	0	0	33	21	33	24	167	116	33	49	81	61
<b>Uses of borrowed funds</b>	<b>231</b>	<b>117</b>	<b>493</b>	<b>260</b>	<b>456</b>	<b>246</b>	<b>783</b>	<b>426</b>	<b>522</b>	<b>279</b>	<b>801</b>	<b>426</b>
Budgetary assistance	46	21	79	35	46	21	114	51	81	63	144	54
Infrastructure (roads, bridges, etc.)	27	15	144	79	132	73	207	122	132	8	140	78
Energy	34	21	53	32	53	33	168	103	65	113	179	102
Agriculture	50	25	50	25	68	33	68	33	87	40	127	69
Social (education, health)	58	28	147	79	58	28	181	96	58	0	58	28
Various	15	7	20	10	99	58	45	20	99	55	154	96

Source: Mali authorities; and IMF staff calculations and estimates.

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

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

3/ Debt comprising a grant component that is positive but does not comply with the established floor.

## Attachment II. Technical Memorandum of Understanding

Bamako, Mali, June 19, 2017

1. This Technical Memorandum of Understanding (TMU) defines the performance criteria and indicative targets presented in Tables 1 and 2 of the Memorandum of Economic and Financial Policies (MEFP). It also determines the frequency and deadlines for reporting data to the staff of the International Monetary Fund (IMF) for program monitoring purposes.

### 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-June 2017 and end-December 2017, and as indicative targets at end-March 2017 and end-September 2017.

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

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

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

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

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

### Adjusters

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

8. The ceiling on net domestic bank and market financing of government will be adjusted upward (downward) if the **net reduction in the budgetary float (*instances de paiement*)** is higher (lower) than program amounts (MEFP, Tables 1 and 2). The budgetary float is defined as payment orders that have not been paid by the National Directorate of the Treasury and Public Accounting (DNTCP) in the context of budget execution or on miscellaneous correspondent or depositor accounts, irrespective of how long such payments have been outstanding.

9. Lastly, the ceiling on net bank and market financing to government will be adjusted upward (downward) for the **payment of VAT credits, other tax refunds, external arrears, and audited arrears from previous fiscal years**, which exceed (fall short of) program amounts (MEFP, Tables 1, and 2).

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

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

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

## C. Ceiling on Non-Concessional External Debt Contracted or Guaranteed by the Government and/or Public Enterprises

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

- (a) the term “debt” will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms; the primary ones being as follows:
  - i. loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers’ credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);
  - ii. suppliers’ credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and
  - iii. leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.
- (b) Under the definition of debt set out in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

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

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

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

16. **Debt-related performance criteria.** The performance criterion through December 2016 applies to new non-concessional debt contracted or guaranteed by the government, the Mali energy company (EDM), and the Malian textile company (CMDT), insofar as the government is the majority shareholder. The performance criteria shall apply to any debts or liabilities contracted or guaranteed for which value has not yet been received. They shall also apply to private debt for which official guarantees have been extended and which, therefore, constitute a contingent liability of the government. Starting in 2017, the performance criteria apply to total new debt contracted or guaranteed by the government, the Mali energy company (EDM), and the Malian textile company (CMDT), insofar as the government is the majority shareholder. The performance criteria are monitored on a continuous basis. No adjusters will be applied to these performance criteria.

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

18. **Reporting.** The government shall immediately report to the IMF staff any new external loans it contracts or guarantees, stating the conditions of these loans.

## 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.

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

<sup>2</sup> 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.



## INDICATIVE TARGETS

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

### A. Floor on the Basic Fiscal Balance

21. The basic fiscal balance is defined as the difference between net total revenue, plus budgetary grants (general budgetary support) and HIPC resources, and total authorized expenses plus net lending, excluding capital expenditure financed by creditors or donors, pursuant to the definition of the basic fiscal balance in the WAEMU texts (Additional Act N° 05/2009/CCEG/UEMOA of March 17, 2009, amending Act N°04/1999 on the Convergence, Stability, Growth, and Solidarity Pact).

#### Adjuster

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

23. Lastly, the floor on the basic fiscal balance will be adjusted downward (upward) for the **payment of VAT credits and other tax refunds** exceeding (under) the programmed amounts (MEFP, Tables 1 and 2).

### B. Floor on Priority Poverty-Reducing Expenditure

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

## STRUCTURAL BENCHMARKS

25. Information concerning the implementation of measures constituting structural benchmarks will be reported to the IMF staff when the measures are implemented.

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;
- term deposits (DAT) with commercial banks where the DNTCP places any cash surpluses, so long as the interest rates on such term deposits are greater than the BCEAO deposit rates.

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

### **Additional Information for Program Monitoring**

29. To facilitate program monitoring, the government will report the information (in Excel format for all quantitative data) indicated in the following summary table to the IMF staff.

### Summary of Reporting Requirements

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

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

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



# MALI

July 5, 2017

## SEVENTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REQUEST FOR EXTENSION AND AUGMENTATION OF ACCESS—DEBT SUSTAINABILITY ANALYSIS UPDATE

Approved By  
**Roger Nord and Peter Allum (IMF), and Paloma Anos Casero (IDA)**

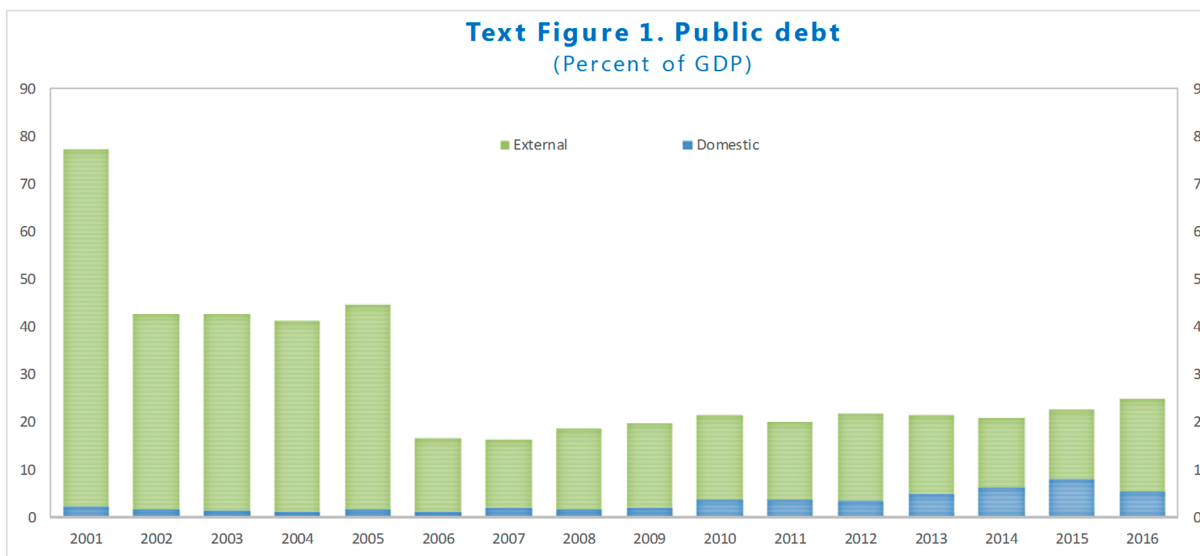
Prepared by staffs of the International Monetary Fund and the International Development Association

<i>Risk of external debt distress:</i>	<i>Moderate</i>
<i>Augmented by significant risks stemming from domestic public debt?</i>	<i>No</i>

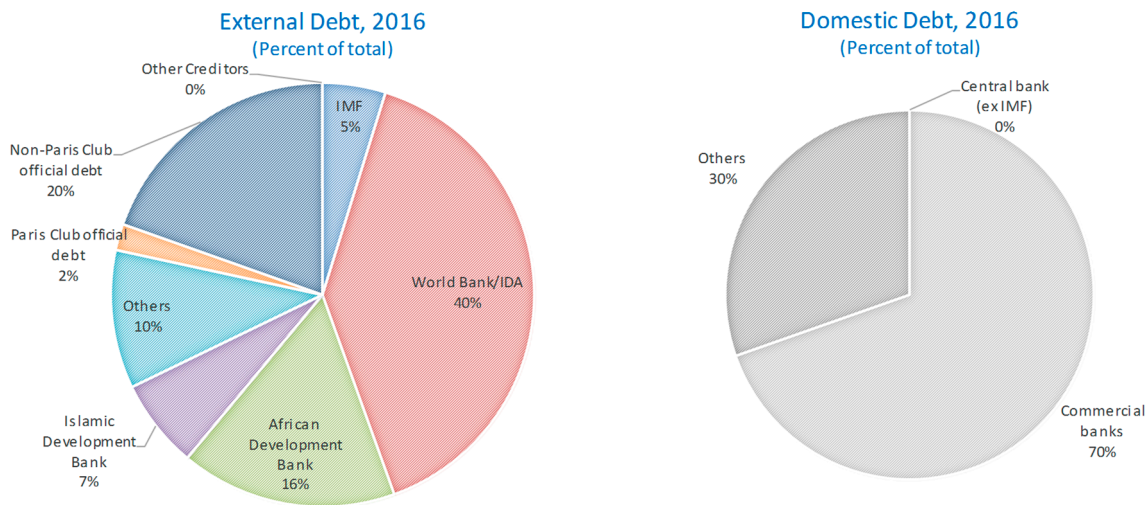
*This debt sustainability analysis (DSA) updates the joint IMF/IDA DSA from the 6th ECF program review of November 2016 (Country report 16/375). It reflects updated information on the macroeconomic outlook, and the proposed access augmentation from the IMF, and indicates that Mali stands at moderate risk of debt distress—unchanged from the previous analysis. Under the baseline scenario all external debt indicators and debt service ratios lie below the policy-dependent thresholds throughout the projection period. Under worst-case stress scenarios, only the debt-to-export ratio breaches its threshold (as in the 2016 DSA). The country's external debt profile is vulnerable to changes in financing conditions, exchange rate depreciation, and shocks to export growth. The inclusion of domestic debt does not alter the assessment of Mali's debt sustainability.*

# BACKGROUND

**1. At end-2016, Mali's stock of public debt was composed mostly of external debt on concessional terms (Text figure 1).** External debt amounted to CFAF 2,074 billion (24.9 percent of GDP), and is held mostly by multilateral creditors (CFAF 1,678 billion). Domestic debt (5.5 percent of GDP), was held mostly by commercial banks in treasury bills and bonds issued on the WAEMU regional market (Text figure 2). It also included some domestic arrears validated through audits and recognized as debt by the authorities.



**Text Figure 2. Holders of Mali's Public Debt, 2016**



Sources: Malian authorities; and IMF staff calculations.

## MACROECONOMIC OUTLOOK, 2017–37

**2. This DSA is consistent with the macroeconomic framework underlying the Staff Report prepared for the seventh review of the ECF-supported program.** Key macroeconomic assumptions are broadly similar to those used in the previous DSA and are as follows:

- **Real GDP growth.** The outlook for growth remains positive. In 2017, real output is projected at 5.3 percent and over the long term it converges to 4.7 percent - Mali's long-term growth potential (Text table 1).
- **Fiscal policy.** In 2017, despite steady spending pressures, the authorities are committed to containing the overall fiscal deficit (including grants) at 3.5 percent of GDP. This path would help them to achieve an overall fiscal balance of 3 percent of GDP by 2019, in line with the WAEMU convergence criterion.
- **External sector.** Despite a tighter monetary policy stance in the near term, the current account deficit (including grants) is projected to widen to an average of 7.3 percent (from 6 percent in the 6th review) during 2017–18 due to a deterioration in the terms of trade (higher oil prices, but lower gold prices), and strong import growth associated with public and private investment. Thereafter, the current account deficit is projected to narrow from 6.5 percent in 2018 to about 6.0 percent by 2022, and stabilize at about 6.3 percent of GDP over the longer term. This stabilization in the external position would be driven partly by supportive macroeconomic policies, gradual increase in other exports (including food, cotton, tourism and other minerals such as phosphate, uranium, bauxite, iron ore, copper, and nickel), and lower long-run oil prices. These factors should help to offset the expected steady decline in export earnings from gold.<sup>1</sup> The current account deficit continues to be financed mainly through foreign direct investment, public sector borrowing, and official grant flows.
- **Gross financing needs will be covered by a combination of external and domestic debt.** For 2017 and the near term, given the tighter regional financial conditions relative to the 6th review, the authorities plan to lower the issuance of domestic debt and progressively increase their reliance on external financing. The augmentation of access to IMF resources, and budgetary support from the EU, World Bank and AfDB will contribute to finance the 2017 budget. Over the long term, as access to regional financing sources is expected to gradually normalize, the composition of financing is expected to become again broadly similar to the previous DSA, with about 90 percent from external sources and 10 percent from regional and domestic sources.

**3. The main differences in the medium-term macroeconomic assumptions with respect to the previous DSA are as follows (Text table 1):**

<sup>1</sup> Gold export volumes are expected to decline steadily over time, with the share of gold in total exports projected to fall from 67 percent in 2015 to about 20 percent in 2036.



- GDP deflator in US dollar terms is projected to be lower during the projection period compared with the previous DSA. This result is driven by the projected depreciation of the national currency by 0.2 percent over the projection horizon, compared with an appreciation of a similar magnitude in the previous DSA.
- Gold prices are projected to be lower than in the previous DSA. At the same time, however, gold production is projected to be higher following an upward revision of reserves, and therefore gold export revenues as a share of GDP are projected to be higher compared with the previous DSA.<sup>2</sup>
- Oil prices during 2017 to 2018 are projected to be higher than in the previous DSA, but fall below it over the long term.
- The effective interest rate is projected to be marginally higher at 1.39 percent, compared with 1.36 percent in the previous DSA.

**4. External debt accumulation would be slightly higher than in the previous DSA as the authorities are assumed to increase reliance on external funding during 2017–19 given tighter domestic and regional financial conditions.** Public debt will grow from about 30.4 percent of GDP in 2016 to 42.8 percent in 2037. Of this, external debt would increase from about 25 percent of GDP to 36 percent in 2037.

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<sup>2</sup> Higher gold output is based on discussions with the authorities during the mission. In particular, they are expecting gold output to be higher relative to the baseline over the medium-term. In addition, the gold reserves have increased slightly to 850 tons, from about 805 tons in the previous DSA.

**Text Table 1. Mali: Evolution of Selected Macroeconomic Indicators**

	2015	2016	2017	2018	2019	Long term <sup>1</sup>	
	Est	Projections					
Real GDP growth							
Current DSA	6.0	5.8	5.3	5.0	4.7	4.7	
Previous DSA	6.0	5.4	5.3	4.8	4.7	4.7	
GDP Deflator in US dollar terms							
Current DSA	-14.2	1.3	-2.9	1.1	0.7	2.0	
Previous DSA	-14.2	2.1	2.7	1.6	1.4	1.9	
Overall fiscal deficit (excluding grants, percent of GDP)							
Current DSA	-4.5	-5.5	-5.7	-5.5	-5.0	-4.2	
Previous DSA	-4.5	-6.3	-6.1	-5.5	-4.9	-4.2	
Overall fiscal deficit (including grants, percent of GDP)							
Current DSA	-1.8	-3.9	-3.5	-3.4	-3.0	-3.0	
Previous DSA	-1.8	-4.3	-4.1	-3.5	-3.0	-3.0	
Current account deficit <sup>2</sup> (excluding grants, percent of GDP)							
Current DSA	-12.3	-14.6	-16.7	-14.7	-14.0	-7.5	
Previous DSA	-14.3	-17.0	-15.9	-13.3	-12.8	-7.8	
Current account deficit (including grants, percent of GDP)							
Current DSA	-5.3	-7.1	-8.2	-6.6	-6.2	-6.3	
Previous DSA	-7.3	-7.7	-6.8	-5.3	-5.3	-6.3	
Official aid <sup>3</sup> (percent of GDP)							
Current DSA	5.6	3.4	5.2	5.2	5.5	4.6	
Previous DSA	5.6	4.4	4.5	4.7	5.1	4.6	
Gold prices (US\$/fine ounce London fix)							
Current DSA	1160	1248	1254	1281	1311	1333	
Previous DSA	1160	1276	1343	1373	1387	1418	
Gold exports (percent of GDP)							
Current DSA	13.0	13.8	13.5	13.4	13.0	7.4	
Previous DSA	12.8	12.7	13.0	12.4	11.8	5.2	
Oil prices (US\$/barrel) <sup>4</sup>							
Current DSA	51	43	55	55	54	55	
Previous DSA	51	42	49	52	54	58	

<sup>1</sup> Defined as the last 15 years of the projection period. For the current DSA, the long term covers the 2023-37 period. For the previous DSA, it covered 2022-36.

<sup>2</sup> The large current account (excluding grants) deficit in 2015-19 reflects the international military assistance, which is assumed to continue into the medium term. It is registered as imports of security services financed by grants, which average 6% of GDP per annum.

<sup>3</sup> Defined as the sum of concessional grants and loans.

<sup>4</sup> Simple average of three spot prices; Dated Brent, West Texas Intermediate, and the Dubai Fateh.

## DEBT SUSTAINABILITY ANALYSIS

### A. External DSA

**5. The results of the external DSA confirm that Mali's debt dynamics are sustainable under the baseline scenario.** Under the baseline scenario, all external debt ratios remain within their indicative thresholds, though one measure—public debt to exports ratio, as in the previous DSA, displays a distinct uptrend over the course of the forecast. The ratio for the present value (PV) of external public debt to GDP, calculated using a 5 percent discount rate, is projected to remain between 16 and 21 percent of GDP, well below the indicative threshold of 40 percent throughout the projection period (Figure 1a, panel b, and Table 1a). The present value (PV) of the external debt-to-revenue ratio is also projected to remain broadly stable between about 85 percent and 95 percent, comfortably below the 250 percent threshold (Figure 1a, panel d, and Table 1a). As production from existing and planned new gold mines declines starting in 2023 and growth of other exports only partly compensates for that decline, the PV of the external debt-to-exports ratio is projected to increase from about 67 percent in 2016 to 130 percent in 2037, but remains below the threshold of 150 percent (Figure 1a, panel c, and Table 1a).

**6. Almost all debt indicators remain within indicative thresholds even under the most extreme scenario.** The present values of the debt-to-GDP ratio, debt-to-revenue ratio, and liquidity measures of debt service to exports and revenues (excluding grants) all remain under the debt distress thresholds in the most extreme scenario (tighter financing conditions on public debt).<sup>3</sup> However, the present value of debt-to-exports ratio, shows a breach of the threshold from 2027 to 2037 in line with the previous DSA.<sup>4</sup> Going forward, however, the full implementation of the 2015 peace agreement and continued policy reforms should promote economic development, while increasing the overall flexibility and dynamism of the economy to cushion shocks. In particular, the ongoing scaling up and country-wide expansion of public sector investment in high-priority infrastructure augur well for increasing overall economy-wide productivity growth and lead to the development of other sectors. These initiatives would help to make the economy more diversified and resilient to export shocks.

**7. Mali's external debt sustainability is sensitive to an export growth shock, a reduction in transfers and FDI and, a combination shock, along with changes in borrowing terms.** Under a bounds test that reduces export growth temporarily in 2017–18 with the effect of reducing exports levels permanently, the PV of the debt-to-exports ratio would breach its threshold in 2031 (Table 1b, Scenario B2). A bounds test that reduces FDI and official and private transfers in 2017–18, would cause the PV of the debt-to-exports ratio to start rising toward threshold, almost breaching it in 2037 (Table 1b, Scenario B4). A bounds test that combines shocks to growth, export values, the US dollar GDP deflator and FDI would cause the debt to exports ratio to breach its threshold in 2032 (Table 1b, Scenario B5).

<sup>3</sup> In the DSA methodology this is a permanent shock.

<sup>4</sup> In the previous DSA the most extreme shock was a combination shock, which is by design a temporary shock for two years.

## B. Public DSA

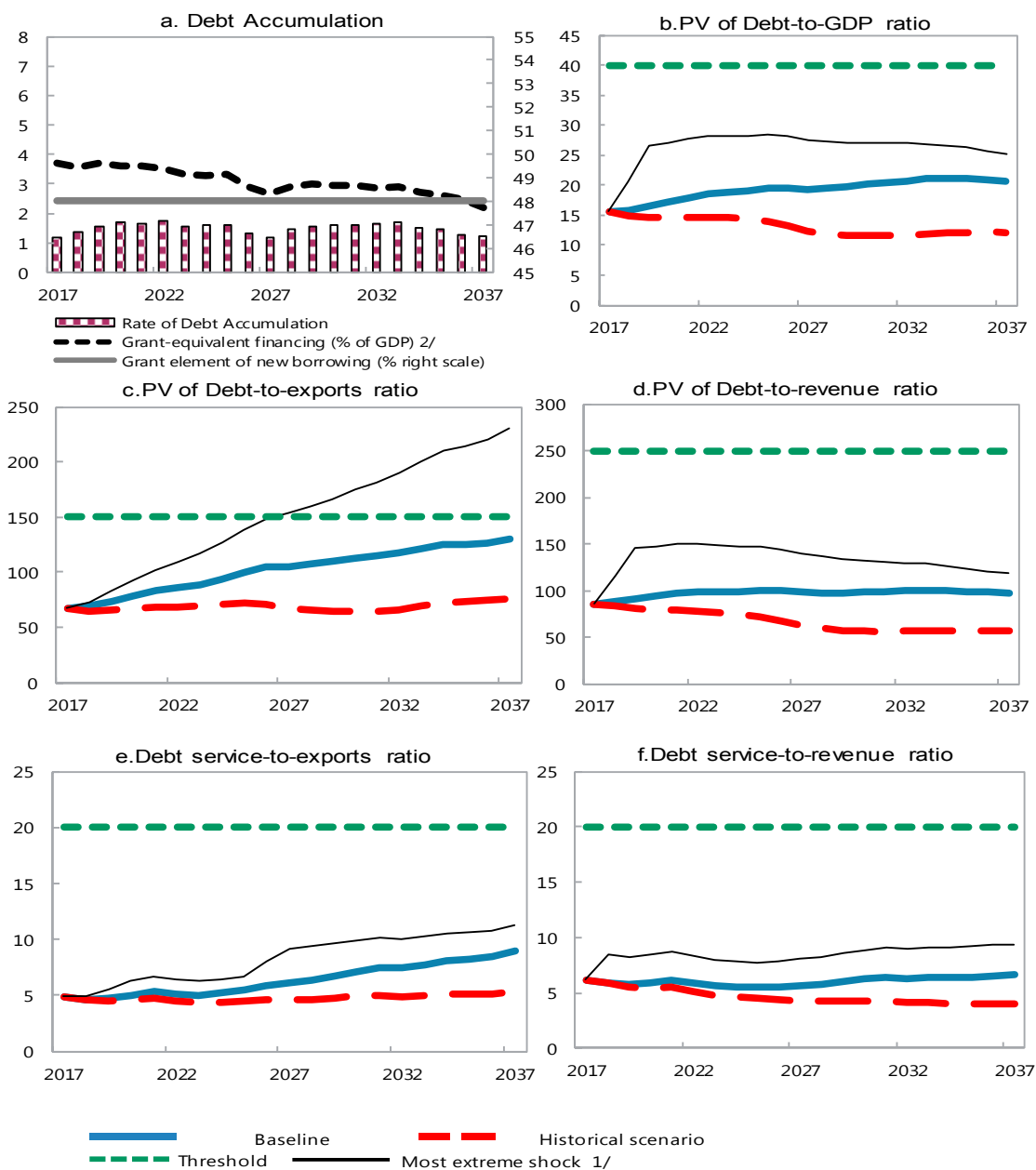
### 8. **The inclusion of domestic debt does not alter the assessment of Mali's debt sustainability.**

Given the small size of Mali's domestic debt and the planned reduction in domestic borrowing in the baseline scenario, the public debt sustainability analysis closely mirrors the external debt sustainability analysis (Figure 2 and Table 2a). The PV of public sector debt-to-GDP ratio stays between 22 and 27 percent of GDP during the entire projection period. That said, as stated in the previous DSA, the recent rapid growth of the domestic debt stock needs to be monitored closely to maintain debt sustainability and financial stability going forward.

## CONCLUSION

9. **This updated DSA, as the previous one, suggests that Mali's risk of debt distress remains moderate.** As in the previous DSA, stress tests highlight a sustained breach of the threshold for the PV of public debt-to-exports under the most extreme shock. Mali's debt sustainability is highly sensitive to a tightening of financing terms, and a combination shock. In addition to a financing shock (less favorable terms for external finance looking forward- which yields the breach noted above), Mali's debt sustainability is also vulnerable to a reduction in transfers and FDI, and an export shock owing to the export concentration in gold. And as highlighted in the previous DSA, it remains crucial that Mali maintain prudent macroeconomic policies, strengthen the effectiveness of public debt management, and continue to meet its external financing needs with grants and concessional loans, wherever possible. In addition, the country should ensure that underlying projects deliver a high return on investment, while continuing the implementation of structural reforms to improve the investment climate and export diversification, amid an expected decline in gold's export performance over the medium term. The Malian authorities broadly agreed with the conclusions of the DSA. They indicated that they considered their economy could grow faster than envisaged by staff over the medium to long term, but shared staff's overall assessment.

**Figure 1a. Mali: Indicators of Public and Publicly guaranteed External Debt under Alternative Scenarios, 2017–37**

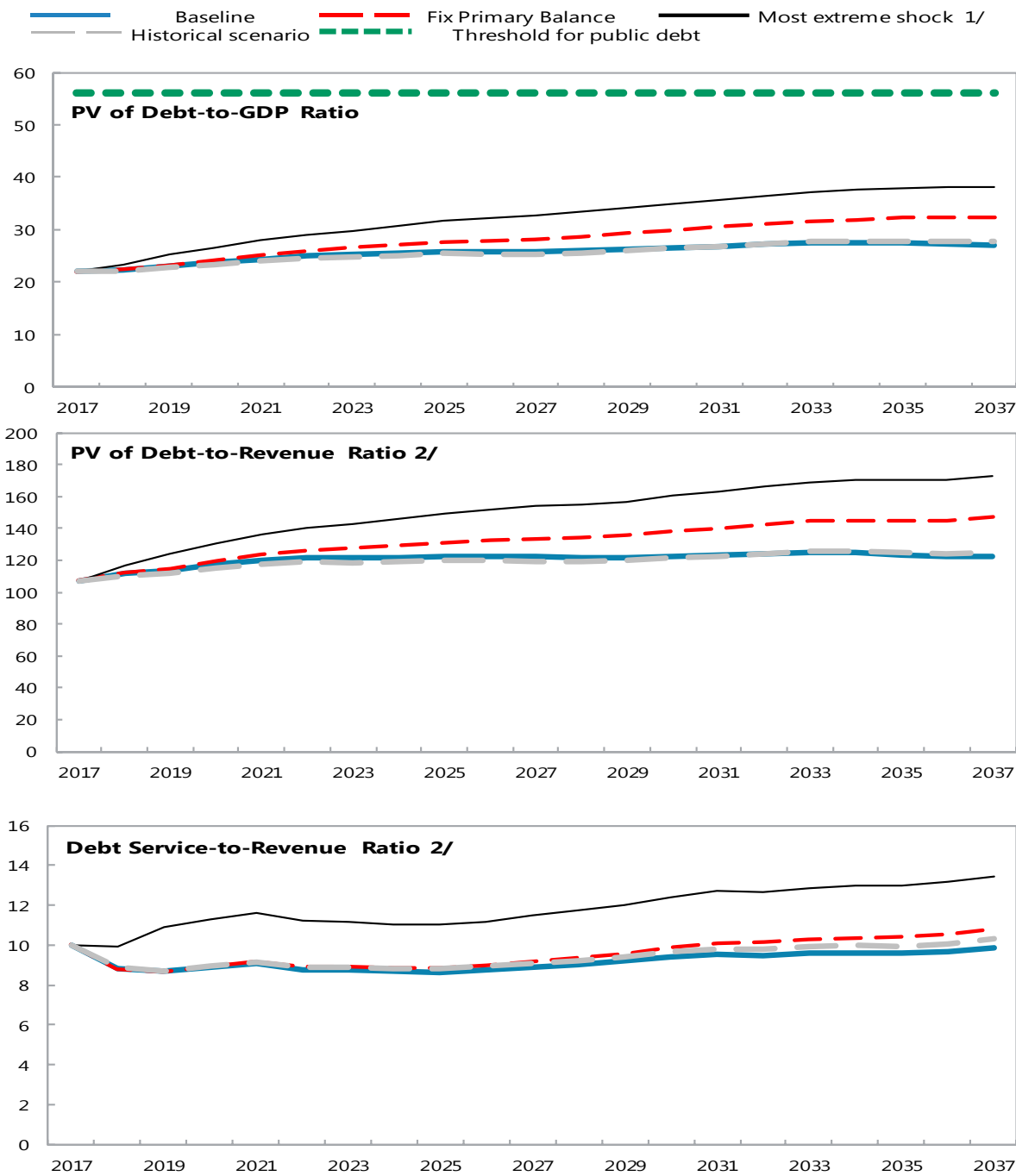


Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2027. In figure b, it corresponds to a B5. Combination of B1-B4 using one-half standard deviation shocks shock; in c, to a A2. New public sector loans on less favorable terms in 2017-2037 2 shock; in d, to a B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/ shock; in e, to a B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/ shock and in figure f, to a B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/ shock

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

**Figure 2. Mali: Indicators of Public Debt Under Alternative Scenarios, 2017-37**



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 2027.

2/ Revenues are defined inclusive of grants.

**Table 1a. Mali: External Debt Sustainability Framework, Baseline Scenario, 2017-37**  
(In percent of GDP, unless otherwise indicated)

	Actual			Historical <sup>6/</sup> Average	Standard <sup>6/</sup> Deviation	Projections									
	2014	2015	2016			2017	2018	2019	2020	2021	2022	2017-2022 Average		2027	2037
<b>External debt (nominal) 1/</b>	<b>21.0</b>	<b>22.6</b>	<b>24.9</b>			<b>25.3</b>	<b>26.1</b>	<b>27.4</b>	<b>28.9</b>	<b>30.2</b>	<b>31.4</b>		<b>32.9</b>	<b>36.3</b>	
<i>of which: public and publicly guaranteed (PPG)</i>	21.0	22.6	24.9			25.3	26.1	27.4	28.9	30.2	31.4		32.9	36.3	
Change in external debt	-0.5	1.6	2.3			0.4	0.8	1.3	1.5	1.3	1.2		-0.2	-0.3	
Identified net debt-creating flows	2.0	6.0	4.2			5.5	4.1	3.8	3.7	3.6	3.4		4.1	3.2	
<b>Non-interest current account deficit</b>	<b>4.5</b>	<b>5.0</b>	<b>6.8</b>	<b>6.5</b>	<b>3.8</b>	<b>7.9</b>	<b>6.3</b>	<b>5.9</b>	<b>5.9</b>	<b>5.7</b>	<b>5.5</b>		<b>6.3</b>	<b>5.5</b>	5.8
Deficit in balance of goods and services	15.5	15.6	16.6			18.1	16.1	15.6	15.2	14.9	14.3		10.9	10.5	
Exports	22.5	24.0	22.9			23.1	23.1	22.5	21.9	21.5	21.7		18.4	15.8	
Imports	38.0	39.6	39.5			41.2	39.2	38.1	37.1	36.4	36.0		29.3	26.3	
Net current transfers (negative = inflow)	-13.5	-12.5	-12.5	-9.2	3.9	-13.5	-13.1	-12.8	-12.3	-12.1	-11.7		-6.4	-5.9	-6.3
<i>of which: official</i>	-8.0	-7.0	-7.5			-8.5	-8.1	-7.8	-7.3	-7.0	-6.7		-1.4	-0.9	
Other current account flows (negative = net inflow)	2.4	2.0	2.7			3.3	3.2	3.1	3.0	2.9	2.8		1.8	0.9	
<b>Net FDI (negative = inflow)</b>	<b>-1.0</b>	<b>-1.5</b>	<b>-1.4</b>	<b>-2.8</b>	<b>1.9</b>	<b>-1.4</b>	<b>-1.2</b>	<b>-1.2</b>	<b>-1.2</b>	<b>-1.2</b>	<b>-1.2</b>		<b>-1.2</b>	<b>-1.2</b>	-1.2
<b>Endogenous debt dynamics 2/</b>	<b>-1.5</b>	<b>2.4</b>	<b>-1.2</b>			<b>-1.0</b>	<b>-0.9</b>	<b>-0.9</b>	<b>-0.9</b>	<b>-0.9</b>	<b>-1.0</b>		<b>-1.0</b>	<b>-1.1</b>	
Contribution from nominal interest rate	0.2	0.3	0.3			0.3	0.3	0.3	0.3	0.4	0.4		0.4	0.5	
Contribution from real GDP growth	-1.4	-1.4	-1.2			-1.3	-1.2	-1.2	-1.2	-1.3	-1.3		-1.5	-1.6	
Contribution from price and exchange rate changes	-0.3	3.5	-0.3			...	...	...	...	...	...		...	...	
<b>Residual (3-4) 3/</b>	<b>-2.4</b>	<b>-4.3</b>	<b>-1.9</b>			<b>-5.1</b>	<b>-3.3</b>	<b>-2.5</b>	<b>-2.3</b>	<b>-2.3</b>	<b>-2.1</b>		<b>-4.3</b>	<b>-3.6</b>	
<i>of which: exceptional financing</i>	0.0	-0.2	-0.2			-0.2	-0.2	-0.2	-0.1	-0.1	0.0		0.0	0.0	
PV of external debt 4/	...	...	15.5			15.5	15.9	16.5	17.3	17.9	18.5		19.4	20.6	
In percent of exports	...	...	67.4			67.2	68.9	73.4	78.7	83.3	85.5		105.4	130.1	
<b>PPG external debt</b>	<b>...</b>	<b>...</b>	<b>15.5</b>			<b>15.5</b>	<b>15.9</b>	<b>16.5</b>	<b>17.3</b>	<b>17.9</b>	<b>18.5</b>		<b>19.4</b>	<b>20.6</b>	
<b>In percent of exports</b>	<b>...</b>	<b>...</b>	<b>67.4</b>			<b>67.2</b>	<b>68.9</b>	<b>73.4</b>	<b>78.7</b>	<b>83.3</b>	<b>85.5</b>		<b>105.4</b>	<b>130.1</b>	
<b>In percent of government revenues</b>	<b>...</b>	<b>...</b>	<b>92.6</b>			<b>85.1</b>	<b>88.6</b>	<b>90.5</b>	<b>93.7</b>	<b>96.9</b>	<b>98.4</b>		<b>98.5</b>	<b>96.7</b>	
<b>Debt service-to-exports ratio (in percent)</b>	<b>4.3</b>	<b>6.5</b>	<b>4.4</b>			<b>4.9</b>	<b>4.6</b>	<b>4.7</b>	<b>5.0</b>	<b>5.3</b>	<b>5.1</b>		<b>6.1</b>	<b>8.9</b>	
<b>PPG debt service-to-exports ratio (in percent)</b>	<b>4.3</b>	<b>6.5</b>	<b>4.4</b>			<b>4.9</b>	<b>4.6</b>	<b>4.7</b>	<b>5.0</b>	<b>5.3</b>	<b>5.1</b>		<b>6.1</b>	<b>8.9</b>	
<b>PPG debt service-to-revenue ratio (in percent)</b>	<b>6.5</b>	<b>9.5</b>	<b>6.1</b>			<b>6.2</b>	<b>5.9</b>	<b>5.8</b>	<b>5.9</b>	<b>6.2</b>	<b>5.9</b>		<b>5.7</b>	<b>6.6</b>	
Total gross financing need (Billions of U.S. dollars)	0.6	0.7	0.9			1.1	0.9	0.9	1.0	1.0	1.0		1.6	2.9	
Non-interest current account deficit that stabilizes debt ratio	4.9	3.4	4.5			7.5	5.5	4.6	4.4	4.4	4.2		6.5	5.8	
<b>Key macroeconomic assumptions</b>															
Real GDP growth (in percent)	7.0	6.0	5.8	4.2	2.3	5.3	5.0	4.7	4.7	4.7	4.7		4.8	4.7	4.7
GDP deflator in US dollar terms (change in percent)	1.6	-14.2	1.3	3.5	9.6	-2.9	1.1	0.7	0.9	0.9	1.2		0.3	1.8	2.3
Effective interest rate (percent) 5/	1.2	1.4	1.5	1.5	0.3	1.2	1.2	1.2	1.3	1.3	1.4		1.3	1.4	1.5
Growth of exports of G&S (US dollar terms, in percent)	-1.9	-2.8	2.1	6.3	11.2	3.2	5.9	2.9	3.0	3.6	6.8		4.2	5.4	3.1
Growth of imports of G&S (US dollar terms, in percent)	3.5	-5.2	6.9	10.8	19.0	6.7	1.1	2.5	2.9	3.7	4.8		3.6	5.6	5.5
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	48.0	48.0	48.0	48.0	48.0	48.0		48.0	48.0	48.0
Government revenues (excluding grants, in percent of GDP)	14.9	16.4	16.7			18.3	17.9	18.3	18.4	18.5	18.8		19.7	21.3	20.3
Aid flows (in Billions of US dollars) 7/	0.6	0.7	0.5			0.6	0.6	0.7	0.7	0.8	0.8		0.8	1.4	
<i>of which: Grants</i>	0.3	0.4	0.2			0.3	0.3	0.3	0.3	0.3	0.3		0.4	0.4	
<i>of which: Concessional loans</i>	0.2	0.4	0.3			0.3	0.3	0.4	0.4	0.4	0.5		0.5	1.0	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			3.7	3.6	3.7	3.6	3.6	3.5		2.7	2.2	2.9
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			70.9	69.1	67.5	65.6	65.8	64.9		67.2	58.4	62.8
<b>Memorandum items:</b>															
Nominal GDP (Billions of US dollars)	14.4	13.1	14.0			14.4	15.2	16.1	17.0	18.0	19.0		26.4	50.7	
Nominal dollar GDP growth	8.8	-9.1	7.1			2.3	6.2	5.5	5.7	5.7	6.0		5.2	6.6	7.1
PV of PPG external debt (in Billions of US dollars)	...	...	2.1			2.2	2.4	2.7	2.9	3.2	3.5		5.1	10.4	
(Pvt-Pvt-1)/GDPt-1 (in percent)	...	...	...			1.2	1.3	1.6	1.7	1.6	1.7		1.5	1.2	1.2
Gross workers' remittances (Billions of US dollars)	0.8	0.7	0.7			0.7	0.8	0.8	0.9	0.9	1.0		1.3	2.5	
PV of PPG external debt (in percent of GDP + remittances)	...	...	14.7			14.8	15.1	15.7	16.4	17.1	17.7		18.4	19.6	
PV of PPG external debt (in percent of exports + remittances)	...	...	55.4			55.3	56.6	60.1	64.0	67.5	69.5		82.8	98.9	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	3.6			4.0	3.8	3.8	4.0	4.3	4.2		4.8	6.8	

Sources: Country authorities; and staff estimates and projections.

1/ Public sector external debt only.

2/ Derived as  $[r - g - \rho(1+g)] / (1+g+\rho+g\rho)$  times previous period debt ratio, with  $r$  = nominal interest rate;  $g$  = real GDP growth rate, and  $\rho$  = 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, 2017-37**

(In percent of GDP, unless otherwise indicated)

	Projections											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2037
<b>PV of Debt-to-GDP ratio</b>												
<b>Baseline</b>	16	16	17	17	18	19	19	19	19	19	19	21
<b>A. Alternative Scenarios</b>												
A1. Key variables at their historical averages in 2017-2037 1/	16	15	15	15	15	15	15	14	14	13	12	12
A2. New public sector loans on less favorable terms in 2017-2037 2	16	17	19	20	22	24	25	26	27	28	28	36
<b>B. Bound Tests</b>												
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	16	16	18	18	19	20	20	20	20	21	20	22
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	16	17	20	21	21	22	22	22	22	22	22	22
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	16	17	19	20	21	21	22	22	22	22	22	24
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	16	21	26	26	27	27	27	27	27	27	26	24
B5. Combination of B1-B4 using one-half standard deviation shocks	16	21	27	27	28	28	28	28	28	28	28	25
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	16	23	24	25	25	26	27	27	28	28	27	29
<b>PV of Debt-to-exports ratio</b>												
<b>Baseline</b>	67	69	73	79	83	86	89	94	100	105	105	130
<b>A. Alternative Scenarios</b>												
A1. Key variables at their historical averages in 2017-2037 1/	67	65	65	67	68	68	69	70	72	71	67	76
A2. New public sector loans on less favorable terms in 2017-2037 2	67	73	82	92	102	109	117	127	139	149	153	230
<b>B. Bound Tests</b>												
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	67	69	73	79	83	85	89	94	100	104	105	130
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	67	83	107	114	119	121	125	131	139	145	145	165
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	67	69	73	79	83	85	89	94	100	104	105	130
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	67	89	114	119	124	125	128	133	140	145	143	149
B5. Combination of B1-B4 using one-half standard deviation shocks	67	90	117	123	128	129	132	138	145	151	149	158
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	67	69	73	79	83	85	89	94	100	104	105	130
<b>PV of Debt-to-revenue ratio</b>												
<b>Baseline</b>	85	89	90	94	97	98	99	99	100	100	99	97
<b>A. Alternative Scenarios</b>												
A1. Key variables at their historical averages in 2017-2037 1/	85	83	80	79	79	78	77	74	72	68	63	56
A2. New public sector loans on less favorable terms in 2017-2037 2	85	94	101	110	119	125	130	134	139	141	143	171
<b>B. Bound Tests</b>												
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	85	91	96	99	102	104	104	105	106	105	104	102
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	85	96	110	112	115	116	115	115	116	114	112	102
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	85	95	105	108	112	114	114	114	115	115	114	112
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	85	115	140	142	144	144	142	141	141	138	134	111
B5. Combination of B1-B4 using one-half standard deviation shocks	85	115	145	147	150	150	148	147	147	144	140	118
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	85	126	129	133	137	140	140	141	142	141	140	137



**Table 1b. Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2017-37 (continued)**

(In percent of GDP, unless otherwise indicated)

	Projections											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2037
<b>Debt service-to-exports ratio</b>												
<b>Baseline</b>	5	5	5	5	5	5	5	5	5	6	6	9
<b>A. Alternative Scenarios</b>												
A1. Key variables at their historical averages in 2017-2037 1/	5	5	4	5	5	4	4	4	5	5	5	5
A2. New public sector loans on less favorable terms in 2017-2037 2	5	5	5	5	6	6	6	7	7	8	9	14
<b>B. Bound Tests</b>												
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	5	5	5	5	5	5	5	5	5	6	6	9
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	5	5	6	6	7	7	6	7	7	8	9	12
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	5	5	5	5	5	5	5	5	5	6	6	9
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	5	5	5	6	6	6	6	6	6	8	9	11
B5. Combination of B1-B4 using one-half standard deviation shocks	5	5	5	6	7	6	6	6	7	8	9	11
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	5	5	5	5	5	5	5	5	5	6	6	9
<b>Debt service-to-revenue ratio</b>												
<b>Baseline</b>	6	6	6	6	6	6	6	5	5	6	6	7
<b>A. Alternative Scenarios</b>												
A1. Key variables at their historical averages in 2017-2037 1/	6	6	5	5	5	5	5	5	5	4	4	4
A2. New public sector loans on less favorable terms in 2017-2037 2	6	6	6	6	7	7	7	7	7	8	8	10
<b>B. Bound Tests</b>												
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	6	6	6	6	7	6	6	6	6	6	6	7
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	6	6	6	6	7	6	6	6	6	6	7	7
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	6	6	7	7	7	7	6	6	6	6	7	8
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	6	6	6	7	7	7	7	6	6	7	8	8
B5. Combination of B1-B4 using one-half standard deviation shocks	6	6	7	8	8	7	7	7	7	8	9	8
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	6	8	8	8	9	8	8	8	8	8	8	9
<i>Memorandum item:</i>												
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	43	43	43	43	43	43	43	43	43	43	43	43

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, 2017–37**

(In percent of GDP, unless otherwise indicated)

	Actual		Average	s/	Standard Deviation	s/	Estimate					Projections			
	2015	2016					2017	2018	2019	2020	2021	2022	2017-22 Average	2027	2037
<b>Public sector debt 1/</b>	30.7	30.4					31.8	32.6	33.9	35.4	36.7	37.9		39.3	42.8
<i>of which: foreign-currency denominated</i>	22.6	24.9					25.3	26.1	27.4	28.9	30.2	31.4		32.9	36.3
Change in public sector debt	3.4	-0.3					1.4	0.8	1.3	1.5	1.3	1.2		-0.2	-0.3
Identified debt-creating flows	2.1	2.5					1.4	1.2	1.1	1.2	1.1	0.9		0.5	0.0
Primary deficit	1.2	3.3	2.2		0.9		2.8	2.7	2.4	2.4	2.3	2.3	2.5	2.2	2.0
Revenue and grants	19.1	18.3					20.6	20.0	20.3	20.3	20.4	20.6		21.1	22.0
<i>of which: grants</i>	2.7	1.6					2.3	2.1	2.0	1.9	1.9	1.8		1.5	0.8
Primary (noninterest) expenditure	20.3	21.6					23.3	22.8	22.7	22.6	22.7	22.9		23.3	24.0
Automatic debt dynamics	0.9	-0.7					-1.3	-1.3	-1.1	-1.1	-1.2	-1.4		-1.6	-2.0
Contribution from interest rate/growth differential	-1.5	-1.5					-1.4	-1.5	-1.4	-1.4	-1.5	-1.6		-1.7	-1.9
<i>of which: contribution from average real interest rate</i>	0.0	0.2					0.1	0.0	0.1	0.1	0.1	0.0		0.1	0.0
<i>of which: contribution from real GDP growth</i>	-1.5	-1.7					-1.5	-1.5	-1.5	-1.5	-1.6	-1.6		-1.8	-1.9
Contribution from real exchange rate depreciation	2.4	0.8					0.1	0.2	0.3	0.3	0.4	0.2		...	...
Other identified debt-creating flows	-0.1	0.0					-0.1	-0.2	-0.2	0.0	0.0	0.0		0.0	0.0
Privatization receipts (negative)	0.1	0.2					0.1	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
Debt relief (HIPC and other)	-0.2	-0.2					-0.2	-0.2	-0.2	0.0	0.0	0.0		0.0	0.0
Other (specify, e.g. bank recapitalization)	0.0	0.0					0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Residual, including asset changes	1.3	-2.8					0.0	-0.5	0.2	0.2	0.2	0.2		-0.7	-0.3
<b>Other Sustainability Indicators</b>															
<b>PV of public sector debt</b>	...	20.9					22.1	22.4	23.0	23.8	24.4	25.0		25.8	27.0
<i>of which: foreign-currency denominated</i>	...	15.5					15.5	15.9	16.5	17.3	17.9	18.5		19.4	20.6
<i>of which: external</i>	...	15.5					15.5	15.9	16.5	17.3	17.9	18.5		19.4	20.6
Gross financing need 2/	7.7	7.9					7.5	6.0	5.6	5.7	5.7	5.6		5.5	5.6
PV of public sector debt-to-revenue and grants ratio (in percent)	...	114.5					107.3	111.8	113.3	117.1	119.9	121.3		122.2	122.7
PV of public sector debt-to-revenue ratio (in percent)	...	125.4					120.7	124.9	126.0	129.0	132.0	132.7		131.3	127.0
<i>of which: external 3/</i>	...	92.6					85.1	88.6	90.5	93.7	96.9	98.4		98.5	96.7
Debt service-to-revenue and grants ratio (in percent) 4/	11.2	9.6					10.0	8.8	8.7	8.9	9.1	8.8		8.9	9.9
Debt service-to-revenue ratio (in percent) 4/	13.1	10.5					11.3	9.9	9.6	9.8	10.0	9.6		9.6	10.2
Primary deficit that stabilizes the debt-to-GDP ratio	-2.2	3.5					1.4	2.0	1.1	0.9	1.0	1.1		2.4	2.3
<b>Key macroeconomic and fiscal assumptions</b>															
Real GDP growth (in percent)	6.0	5.8	4.2		2.3		5.3	5.0	4.7	4.7	4.7	4.7	4.8	4.7	4.7
Average nominal interest rate on forex debt (in percent)	1.4	1.5	1.5		0.3		1.2	1.2	1.2	1.3	1.3	1.4	1.3	1.4	1.5
Average real interest rate on domestic debt (in percent)	2.3	3.3	1.5		3.5		6.6	3.7	4.4	4.4	4.1	3.9	4.5	4.4	3.9
Real exchange rate depreciation (in percent, + indicates depreciation)	12.3	3.6	0.0		8.7		0.2	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	2.8	1.5	4.4		3.3		1.2	1.4	0.7	0.9	1.2	1.2	1.1	1.8	2.3
Growth of real primary spending (deflated by GDP deflator, in percent)	11.3	12.1	3.1		5.1		14.0	2.5	4.2	4.5	4.8	5.8	6.0	3.7	3.8
Grant element of new external borrowing (in percent)	...	...	...		...		48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0

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, 2017–37**

	Projections							
	2017	2018	2019	2020	2021	2022	2027	2037
<b>PV of Debt-to-GDP Ratio</b>								
<b>Baseline</b>	22	22	23	24	24	25	26	27
<b>A. Alternative scenarios</b>								
A1. Real GDP growth and primary balance are at historical averages	22	22	23	23	24	25	25	28
A2. Primary balance is unchanged from 2017	22	22	23	24	25	26	28	32
A3. Permanently lower GDP growth 1/	22	23	23	24	25	26	30	40
<b>B. Bound tests</b>								
B1. Real GDP growth is at historical average minus one standard deviations in 2018-2019	22	23	25	27	28	29	33	38
B2. Primary balance is at historical average minus one standard deviations in 2018-2019	22	22	23	24	25	25	26	27
B3. Combination of B1-B2 using one half standard deviation shocks	22	23	24	25	26	27	29	33
B4. One-time 30 percent real depreciation in 2018	22	28	28	28	28	28	26	24
B5. 10 percent of GDP increase in other debt-creating flows in 2018	22	28	29	29	30	30	30	30
<b>PV of Debt-to-Revenue Ratio 2/</b>								
<b>Baseline</b>	107	112	113	117	120	121	122	123
<b>A. Alternative scenarios</b>								
A1. Real GDP growth and primary balance are at historical averages	107	110	112	115	117	119	119	125
A2. Primary balance is unchanged from 2017	107	112	115	120	124	126	133	147
A3. Permanently lower GDP growth 1/	107	113	115	120	124	128	140	180
<b>B. Bound tests</b>								
B1. Real GDP growth is at historical average minus one standard deviations in 2018-2019	107	116	124	131	136	141	154	173
B2. Primary balance is at historical average minus one standard deviations in 2018-2019	107	112	115	119	122	123	124	124
B3. Combination of B1-B2 using one half standard deviation shocks	107	113	116	122	126	130	138	151
B4. One-time 30 percent real depreciation in 2018	107	141	138	138	136	134	123	108
B5. 10 percent of GDP increase in other debt-creating flows in 2018	107	140	141	144	146	147	143	135
<b>Debt Service-to-Revenue Ratio 2/</b>								
<b>Baseline</b>	10	9	9	9	9	9	9	10
<b>A. Alternative scenarios</b>								
A1. Real GDP growth and primary balance are at historical averages	10	9	9	9	9	9	9	10
A2. Primary balance is unchanged from 2017	10	9	9	9	9	9	9	11
A3. Permanently lower GDP growth 1/	10	9	9	9	9	9	10	12
<b>B. Bound tests</b>								
B1. Real GDP growth is at historical average minus one standard deviations in 2018-2019	10	9	9	10	10	10	10	12
B2. Primary balance is at historical average minus one standard deviations in 2018-2019	10	9	9	9	9	9	9	10
B3. Combination of B1-B2 using one half standard deviation shocks	10	9	9	9	9	9	9	11
B4. One-time 30 percent real depreciation in 2018	10	10	11	11	12	11	11	13
B5. 10 percent of GDP increase in other debt-creating flows in 2018	10	9	9	10	10	9	10	11

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.

**Statement by Mr. Daouda Sembene, Executive Director for Mali, and  
Mr. Oumar Diakite, Advisor to the Executive Director  
July 7, 2017**

Our Malian authorities are thankful to staff for their continued engagement and valuable policy advice. They also appreciate the substantial technical assistance and training provided by the Fund in recent years which have made a positive contribution to building capacity and establishing a solid track record for policy implementation. In this regard, Mali's participation in the IMF's Capacity Development Framework (CDF) should help strengthen further its technical and institutional capacities needed to formulate and implement reforms.

Despite important security and economic development challenges, the authorities continue to implement their ECF-supported program successfully and create the foundations for sustainable and inclusive growth. All performance criteria and indicative targets at end-December 2016 were met and good progress is being made towards meeting the structural benchmarks that were delayed.

With risks of terrorist attacks in some parts of the country, maintaining peace, stability and unity remains a major priority for the authorities. While growth has remained strong and the budget deficit in line with the objectives of the program, this progress must be consolidated further and the implementation of reforms steadfastly pursued. To this end, our authorities request an augmentation of access and a one-year extension of the program to help them address additional fiscal and balance of payment financing needs generated notably by security and terms of trade shocks.

**Economic Developments in 2016 and Performance under the ECF-Supported Program**

In 2016, real GDP growth remained strong at 5.8 percent driven by the solid performance of the agricultural sector and the strengthening of the tertiary sector, while inflation remained subdued at -1.8 percent. The overall balance of payment deficit widened to 3.9 percent despite a smaller than envisaged current account deficit (7.1 percent of GDP), due to higher than expected private capital outflows and delays in the receipts of grants and multilateral loans.

The overall fiscal balance (including grants) is estimated at 3.9 percent in line with program objectives. Tax revenue increased by 1 percent of GDP, reflecting a favorable oil product taxation that more than offset the underperformance in direct taxes and nontax revenue, while grants disbursements decreased by 1.1 percent. Total expenditures and net lending increased by 1.4 percent of GDP. This improvement in fiscal performance resulted from the tight control of current expenditures which helped create fiscal space for public investments and accelerate the momentum for timely compliance with the regional convergence criterion.

In the financial sector, the risk-weighted capital ratio of banks remained stable at 14.7 percent at end 2016. While the ratio of gross non-performing loans (NPL) remained constant at 15.4 percent compared to 2015, net NPL ratio declined from 7.2 percent to 5.4 percent. The financial stability of the microfinance sector continued to improve with the share of NPLs declining from 6.6 percent in 2015 to 6.2 percent in February 2017.

The overall performance under the ECF program continues to be satisfactory. All quantitative performance criteria and indicative targets at end- December 2016 were met. With regard to structural benchmarks, three of the nine benchmarks set for the seventh review were met at the agreed dates. The authorities achieved with delay in May 2017 the missed benchmark on the adoption of the Law to stop granting new discretionary tax exemptions. Progress is being made on the remaining benchmarks, notably the financial disclosure of senior officials, the operationalization of the anti-corruption commission and the completion of the transition to the single treasury account (STA). Concerning the automatic pricing mechanism on petroleum products, the authorities remain committed to its implementation but need more time to devise a strategy to sensitize social partners and work on measures to mitigate the adverse impact on vulnerable segments of the population.

### **Economic and financial policies and outlook in 2017–18**

The near-term outlook remains positive with growth expected to remain strong in 2017 at 5.3 percent fueled by strong domestic demand. Inflation is expected to increase slightly and reach 1 percent because of higher oil prices. While the current account deficit is projected to widen to 8.1 percent of GDP in 2017 amid strong import growth, higher oil and lower gold prices, it should be financed by net capital inflows mainly in the form of foreign aid and foreign direct investment. The medium term economic and financial policies of the government will continue to be driven mainly by the priorities of the strategic framework for economic growth and sustainable development (CREDD) covering the period 2016-18.

#### ***Achieving progress in Fiscal Policy and Reforms***

The Malian authorities will continue implementing a sustainable fiscal policy in compliance with their commitments under the West African Economic and Monetary Union's (WAEMU) surveillance framework. They remain focused on maintaining the overall fiscal balance (including grants) at levels compatible with debt sustainability and the WAEMU convergence criteria of 3 percent fiscal deficit by 2019.

For 2017, the authorities envisage an overall fiscal deficit of 3.5 percent of GDP to be reached with total revenue and grants reaching 20.6 percent of GDP. To this end, they will continue to improve public financial management and enhance revenue mobilization. They intend to increase tax revenue by 0.3 percent of GDP in 2017 and by 0.6 percent in 2018 notably through reforms aimed at broadening the tax base, reducing exemptions after implementing the Law to eliminate discretionary tax exemptions, and strictly controlling and verifying imports to reduce fraud. The reforms initiated at the Tax, Customs and Government

Property and Lands administrations will be expanded and a results-based management framework to enhance revenue collection will be implemented. The strengthening of the tax administration continues with the reduction of exemptions and various codes and legislations (investment, petroleum, telecommunication, customs etc.) are being revised to this effect.

The authorities are also committed to preserving fiscal revenue on petroleum products. In this regard, they will continue their efforts to implement the new pricing mechanism for petroleum products which will pass on the evolution of petroleum products prices to retail prices within a margin of 3 percent a month. They will devise a strategy to sensitize social partners and work with the assistance of the World Bank on measures to mitigate the adverse impact on vulnerable segments of the population

The efforts aimed at simplifying fiscal legislation will also be pursued with the objective of reducing the administrative burden on taxpayers and simplifying tax collection. The authorities will also continue their efforts to increase revenue from mining and oil activities with Fund technical assistance. Improving and modernizing the mining and petroleum codes based on international standards remains a priority of the authorities. Fund technical assistance also helps to address the weaknesses in the system of incentives for tax and customs inspectors in the context of the modernization of the tax administration.

With regard to expenditures, the authorities will continue their efforts to improve the regulatory framework for public financial management consistent with regional directives and regulations. In this regard, they will continue to transpose into Malian legal framework WAEMU directives as was the case for the transparency code, budget laws, public accounting, and the government chart of accounts and flow of funds table (TOFE). Efforts to improve the preparation, execution and control of the budget, and treasury operations will also be stepped up. To improve budget preparation and facilitate the review of the effectiveness of public expenditures, program budgeting and results based management will be gradually implemented, following the presentation of the 2017 budget in that format for information to the National Assembly.

The authorities continue to improve cash management and progress in the implementation of the Single Treasury Account (STA). Bank accounts of the central government in 11 out of 14 banks have been identified as of December 2016. Inactive accounts which are no longer needed will be closed by the Treasury which will also decide on the necessity for any public entity to open an account in the commercial banking system. The goal is to ultimately ensure that all public administrative entities deposit their funds at the Treasury.

The authorities also intend to pursue the national internal control strategy which they implemented during the period 2012–15 with the aim of enhancing the capacities of internal control structures and improving public procurement.

### ***Conducting a sustainable borrowing policy and improving the business environment***

The authorities will continue to conduct a borrowing policy consistent with the preservation of debt sustainability. To this end, they will have recourse primarily to grants and highly concessional loans. The authorities have prepared a detailed borrowing plan underlying the execution of the 2017 and 2018 budgets. Debt management continues to strengthen with the implementation of the recommendations of Fund's technical assistance aimed at improving the quality of the database on public debt.

Structural reforms will also be steadfastly pursued. The authorities are committed to further improving the business environment by addressing the major constraints to private sector development. Our Malian authorities recognize that infrastructure investments notably in the energy sector, good governance and stability of the financial sector are essential to private sector development. To improve the investment framework, they have adopted a law on public-partnerships (PPP) with the assistance of the World Bank, and established a PPP unit with assistance from the African Development Bank. The Fund has also contributed to improving the law with the view to minimizing fiscal risks.

The authorities are determined to address the weaknesses of the financial sector and reduce the level of NPLs. With Fund's assistance, they are taking steps to designing by June 2017 a strategy to reduce the level of NPLs. Efforts to strengthen the new bank resulting from the merger of the Housing Bank (BHM) and the Malian Solidarity Bank (BMS) will also be pursued. In the microfinance sector, continuing to restore confidence by implementing the action plan prepared with the assistance of the World Bank remains critical for the authorities, including the audit of microfinance institutions in difficulty, the revocation of operating permits for institutions to be liquidated and the adoption of favorable compensation of small depositors.

### **Conclusion**

Our Malian authorities are committed to pursuing sound macroeconomic policies, improving public financial management and achieving strong and inclusive growth. They request an augmentation of access and a one year extension of the ECF program to help them meet additional financing needs to restore peace and stability in the country and consolidate the progress achieved in the implementation of their reforms agenda.

In view of Mali's satisfactory progress under the ECF arrangement, we would appreciate Directors' support for the completion of the seventh review under the arrangement, the augmentation of access and the extension of the program through December 2018.