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MALI

December 2018

TENTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION —PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR MALI

In the context of the Tenth Review Under the Extended Credit Facility Arrangement and Request for Waiver of Nonobservance of a Performance, the following documents have been released and are included in this package:

- A **Press Release.**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 10, 2018, following discussions that ended on November 6, 2018, 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 November 26, 2018.
- 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*

* Also included in Staff Report.

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

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INTERNATIONAL MONETARY FUND

COMMUNICATIONS DEPARTMENT

Press Release No. 18/464
FOR IMMEDIATE RELEASE
December 10, 2018

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Tenth Review under the Extended Credit Facility Arrangement for Mali and approves US$43.85 Million Disbursement

On December 10, 2018, the Executive Board of the International Monetary Fund (IMF) completed the Tenth Review of Mali's performance under an economic program supported by an Extended Credit Facility (ECF) arrangement.[1] Completion of the review enables the immediate disbursement of SDR 31.65 million (about US$43.85 million), bringing total disbursements under the arrangement to SDR 186.6 million (about US$ 258.53 million) or 100 percent of quota.

The ECF arrangement for Mali was approved on December 18, 2013 for SDR 30 million (about US$46.2 million, or 32 percent of quota at the time see Press Release No. 13/524).[2] Additional access of SDR 68 million (about US$94.21 million), or 73 percent of quota at the time, was approved on June 9, 2016. It was followed by an augmentation of SDR 88.6 million (about US$122.75 million), or 47.5 percent of Mali's quota approved on July 7, 2017 along with a one-year extension of the program, bringing Mali's access under the ECF arrangement to SDR 186. 6 million (about US$258.53 million) or 100 percent of quota.

Following the Executive Board's discussion on Mali, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, made the following statement:[3]

"Mali's economic performance over the course of the ECF-supported program has been broadly positive. Macroeconomic stability has been restored under difficult circumstances marked by persistent insecurity, volatile commodity prices, and adverse weather conditions. While the ECF-supported program catalyzed financing from international donors, the authorities' reforms over the last five years helped create the foundations for solid growth and subdued inflation. However, meaningfully reducing poverty has remained a challenge.

[1] 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.

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

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

“Program implementation was broadly on track at end-June 2018, although progress on structural reforms has been slower than expected. The authorities are taking important steps to address the tax revenue shortfall in 2018, including through intensified revenue collection and spending cuts.

“The near-term macroeconomic outlook remains favorable, although there are considerable downside risks from the fragile security conditions, commodity prices changes, and weather conditions. The 2019 draft budget provides an adequate basis for fiscal policy and reflects the authorities’ commitment to meeting the WAEMU fiscal deficit target. Pursuing ambitious fiscal reforms going forward would help address emerging fiscal risks and make room for needed security, social and capital spending, while maintaining a sustainable deficit. Steadfast efforts to improve public finance and debt management would also boost the policy framework.

“To build upon and sustain the progress achieved, the authorities should pursue the structural reforms set in motion during the program to promote private activity, economic diversification, and foster sustained, inclusive growth.”

Table 1. Mali: Selected Economic and Financial Indicators, 2013–23

	2013	2014	2015	2016	2017	2017	2018	2018	2019	2019	2020	2021	2022	2023
				Est.	Prog.[1] Rev.	Est.	Prog.	Proj.	Prog.	Proj.	Projections			
	(Annual Change in percentage)													
National income and prices														
Real GDP	2.3	7.1	6.2	5.8	5.3	5.4	5.0	4.9	4.7	5.0	4.9	4.8	4.8	4.8
GDP deflator	0.6	1.3	2.9	1.4	1.2	2.0	1.4	2.0	1.4	1.9	2.1	2.2	2.2	2.2
Consumer price inflation (average)	-2.4	2.7	1.4	-1.8	0.2	1.8	1.4	2.0	1.7	2.0	2.1	2.2	2.2	2.2
Consumer price inflation (end of period)	0.0	1.2	1.0	-0.8	1.0	1.1	1.6	1.9	1.7	2.1	2.1	2.2	2.2	2.2
External sector (percent change)														
Terms of trade (deterioration -)	-16.6	5.5	18.6	15.5	-6.4	-1.3	-2.6	-4.9	0.9	-3.1	-0.2	1.1	0.9	0.7
Real effective exchange rate (depreciation -)	0.5	1.9	-3.5	-1.9	…	0.7	…	…	…	…	…	…	…	…
Money and credit (contribution to broad money growth)														
Credit to the government	-2.7	0.8	1.6	10.4	6.9	3.9	14.5	7.4	3.0	5.0	…	…	…	…
Credit to the economy	7.5	12.4	14.6	13.7	10.8	6.3	8.5	7.5	8.9	9.8	…	…	…	…
Broad money (M2)	7.4	7.1	13.2	7.3	7.8	7.9	16.2	7.0	8.0	7.3	…	…	…	…
	(Percent of GDP, unless otherwise indicated)													
Investment and saving														
Gross domestic investment	19.3	20.2	20.8	22.7	20.0	22.1	19.6	20.6	19.7	20.9	21.6	21.7	21.8	21.8
Of which: government	6.0	6.5	7.3	8.9	9.9	8.8	9.5	8.1	9.6	8.9	9.6	9.7	9.7	9.8
Gross national savings	16.4	15.5	15.4	15.5	11.8	16.2	13.0	13.2	13.4	13.6	14.2	14.5	14.8	15.0
Of which: government	3.9	4.0	5.4	5.2	3.1	6.8	3.1	5.6	3.5	6.5	7.2	7.3	7.4	7.5
Gross domestic savings	4.3	4.6	5.2	5.8	1.9	6.3	4.2	4.8	4.1	4.3	4.8	5.2	5.7	10.2
Central government finance														
Revenue	14.5	14.9	16.4	16.7	18.3	18.4	19.4	17.9	18.7	18.5	19.1	19.3	19.6	19.9
Grants	2.8	2.2	2.7	1.6	2.3	1.6	1.2	1.0	1.6	2.0	2.0	2.1	2.1	2.1
Total expenditure and net lending	19.8	20.0	20.9	22.3	24.0	22.9	23.9	22.1	23.3	23.5	24.1	24.4	24.6	24.9
Overall balance (payment order basis, including grants)	-2.4	-2.9	-1.8	-3.9	-3.5	-2.9	-3.3	-3.3	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, including grants)	-2.4	-2.4	-3.2	-3.9	-3.4	-2.6	-3.6	-3.5	-3.0	-3.0	-3.0	-2.9	-2.9	-2.9
Basic fiscal balance (WAEMU def.) [2]	-0.7	-1.2	0.5	-1.9	-1.1	-0.9	-1.3	-1.3	-1.1	-1.1	-0.9	-0.9	-0.7	-0.7
External sector														
Current external balance, including official transfers	-2.9	-4.7	-5.3	-7.2	-8.1	-5.9	-6.5	-7.4	-6.3	-7.2	-7.4	-7.2	-7.0	-6.8
Current external balance, excluding official transfers	-12.4	-12.7	-12.3	-14.6	-16.6	-13.0	-13.6	-14.2	-13.5	-14.6	-14.4	-13.9	-13.4	-8.8
Exports of goods and services	24.9	22.6	24.0	23.5	23.1	23.1	22.7	23.1	21.1	21.5	19.9	18.9	18.0	17.2
Imports of goods and services	39.9	38.1	39.6	40.3	41.2	38.9	38.0	38.9	36.7	38.1	36.7	35.3	34.0	28.8
Debt service to exports of goods and services	2.3	3.5	5.8	3.8	4.8	4.1	5.3	4.9	4.7	5.8	5.9	6.2	6.8	6.6
External debt (end period)	21.5	21.1	22.6	25.0	25.3	24.4	23.4	24.8	23.2	24.2	24.0	23.8	23.9	23.8
Memorandum items:														
Nominal GDP (CFAF billions)	6,541	7,093	7,748	8,308	8,868	8,929	9,474	9,557	10,057	10,221	10,950	11,727	12,564	13,460
WAEMU gross official reserves (billions of US$)[4]	13.8	13.3	12.5	10.5	…	13.0	…	15.1	…	…	…	…	…	…
(percent of broad money)	49.9	47.2	44.0	35.3	…	35.3	…	…	…	…	…	…	…	…
(months of WAEMU imports of GNFS)	4.5	4.7	5.0	3.8	…	3.8	…	4.3	…	…	…	…	…	…
Public Debt (Percent of GDP)	26.4	27.4	30.7	35.9	31.8	35.4	35.9	37.3	36.6	37.5	38.1	38.7	39.3	39.5
Domestic debt (end period) [3]	4.9	6.3	8.0	11.0	6.5	11.0	12.5	12.5	13.4	13.3	14.1	14.9	15.5	15.8

US$ exchange rate (end of period)	478.7	532.0	603.1	622.2	…	554.2	…	…	…	…	…	…	…	…
Gold Price (US$/fine ounce London fix)	1411	1266	1160	1248	1254	1257	1340	1261	1375	1218	1255	1304	1343	1382
Petroleum price (crude spot)(US$/bbl)	104	96	51	43	55	53	62	69	58	69	66	63	61	60

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

[1] IMF Country Report No. 17/209, Mali: Seventh Review Under the Extended Credit Facility Arrangement.

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

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

[4] Values for 2018 are for end-September 2018. All other years are end-December.

MALI

November 26, 2018

TENTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION

KEY ISSUES

Context. Mali is a fragile state, struggling with insurgency and making efforts to build peace. The 2013–18 ECF-supported program has broadly succeeded in achieving its objectives under difficult circumstances. The program helped stabilize the economy in the context of persistent insecurity, changing terms of trade, and adverse weather conditions. The economy has continued to perform well in 2018, with robust economic growth and low inflation, but poverty and inequality have remained high. The near-term outlook for sustainable growth is subject to downside risks from unfavorable security conditions.

Policy discussions. The discussions focused on addressing the revenue shortfall in 2018, as well as improving and securing revenue mobilization in the medium term, including through optimizing mining taxation, limiting exemptions, and expanding the tax base. The authorities reaffirmed their commitment to achieving the overall deficit target of 3.3 percent of GDP projected under the program for 2018, and to respect the WAEMU deficit target of 3 percent of GDP in 2019. While supporting the fiscal stance in 2019, staff called for building buffers against fiscal risks and to protect outlays on large infrastructure, social, and human capital needs while maintaining sound public finances. In addition, measures are being taken to strengthen public financial and debt management as well as to promote financial sector stability and pursue governance-improving efforts.

Program implementation. The Executive Board approved a three-year Extended Credit Facility (ECF) for Mali on December 18, 2013 (16 percent of quota), which was augmented and extended on June 9, 2016 and July 7, 2017 for a total access of SDR 186.6 million (100 percent of quota). All continuous and all but one end-June 2018 quantitative performance targets were met. Revenue fell short by about 1.2 percent of GDP at end-June 2018. The authorities are committed to meeting the end-December 2018 deficit target of 3.3 percent of GDP and have identified remedial tax administration measures as well as spending cuts to offset the impact on the budget balance. Progress on structural benchmarks has been slower than expected; four structural benchmarks were met while six were unmet at end-October 2018. Revenue mobilization will remain a key priority for the authorities in 2019. The authorities have expressed interest in a successor ECF arrangement to help lock in gains achieved under the current program.

Staff views. Staff support the authorities' requests for a waiver for nonobservance of a performance criterion and for completion of the tenth (and last) ECF review. The disbursement released upon completion of this review would amount to SDR 31.65 million. The authorities have consented to publication of the staff report and the Letter of Intent.

Approved By
Michel Lazare and Maria Gonzalez

Staff team: Boriana Yontcheva (head), Jemma Dridi, Alexandre Nguyen-Duong (all AFR), and Modeste Some (SPR). Irena Jankulov Suljagic (FAD) supported the mission from headquarters. The mission was assisted by René Tapsoba (Resident Representative) and Bakary Traoré (local economist). Ms. Mensah provided research support and Mr. Treilly provided assistance in the preparation of this report. Abebe Selassie (AFR) joined the mission on November 1, 2018. Mission dates: October 24–November 6, 2018, in Bamako. The team met with President Ibrahim Boubacar Keïta; Prime Minister Soumeylou Boubèye Maïga; Minister of Economy and Finance, Boubou Cissé, other government members and senior officials; the National Director of the Central Bank of West African States, Konzo Traoré; trade unions; civil society organizations; representatives of the private sector; and development partners.

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APPENDIX

BACKGROUND AND PROGRAM PERFORMANCE

1. **Five years ago, Mali faced significant challenges following the 2012 institutional and security crisis.** The economy contracted with a sharp decline in services, construction, and public works. Banks suffered losses estimated at 0.3 percent of GDP through the theft of banknotes, the looting of buildings, and an increase in nonperforming loans. Drastic budget constraints forced the government to reduce capital spending by over 30 percent.

2. **The authorities put in place an economic program supported by an ECF arrangement aiming at** (i) maintaining macroeconomic stability, while allocating sufficient resources to poverty reduction and other priority spending, including in the North; (ii) mobilizing domestic revenue; (iii) strengthening public financial management (PFM); and (iv) improving the business environment, including by implementing anti-corruption measures.

3. **The program successfully achieved macroeconomic stability under difficult circumstances (Text Figure 1).** Over the past five years, Mali has faced repeated adverse shocks; persistent insecurity, fluctuations in international commodity prices, droughts, as well as the tightening of financing conditions since 2017. The authorities' reforms supported by the current program helped stabilize the economy. The ECF-supported program catalyzed additional financing from multilateral donors. Real GDP growth has generally been stronger than expected at about 5.3 percent per year over 2013–17, driven by a robust performance in agriculture, services, and construction, and supported by strong domestic demand. Inflation has remained subdued below the WAEMU convergence criterion of 3 percent. Tax revenue grew at an average of 0.8 percentage point of GDP per year from 2013 to 2017 and the tax-to-GDP ratio reached the WAEMU average, while staying below WAEMU's target of 20 percent of GDP. The economy's continued dependence on the primary sector renders it highly vulnerable to weather-related shocks and volatile commodity prices. Poverty and inequality remain high, calling for more inclusive policies over the medium term.

4. **The program adapted to new challenges.** The program was adapted flexibly in light of the severe security challenges and external shocks that have affected Mali since 2012. It was extended twice by one year each. The extensions helped lock in the gains to date and make further inroads on key reforms. Two program augmentations of access to reach 100 percent of quota were also approved, first in 2016 to accommodate spending for security and decentralization, and then in 2017 to help mitigate the adverse effects of increasing oil prices on the balance of payments and to accommodate security spending.

5. **All continuous and all but one end-June 2018 quantitative performance targets were met.** (Table 11). The gross tax revenue target was missed by a large margin (1.2 percent of GDP), reflecting weak taxpayers compliance, fraud, and the impact of uncertainties ahead of the July presidential election; all of which underline the fragility of the achieved progress. The ceiling on government bank and market financing was met with a significant margin. The continuous performance criteria (PCs) on external payment arrears and contracting or guaranteeing of new external debt were also met. The indicative target on the basic fiscal balance was observed with a

large margin. The poverty-reducing expenditure target was also observed despite weak revenue performance and low budget support.

6. Over the program period, progress on structural reforms has often been slower than expected. While many of the measures outlined in the program were completed, weak institutional capacity, vested interests, and political economy challenges have delayed or even halted some reforms (Text Figure 1).[1] At end-October 2018 four out of the ten structural benchmarks proposed for 2018 were met, including the assessment of the expenditure management software and of the financial and accounting information system. The structural benchmark target for the transmission of asset declarations of government officials to the Supreme Court was exceeded both at end-June and at end-October 2018. However, the following reforms have experienced delays:

- Raising the eligibility threshold for investments benefiting from tax exemptions from CFAF 12.5 million to CFAF 100 million could not be completed as planned at end-July because of an agreement on the sectoral coverage of the law had not yet been reached.[2] The draft law is now awaiting presentation to the Council of Ministers in the first quarter of 2019.

- Progress toward the establishment of the treasury single account (TSA) was slower-than envisaged because of technical and administrative difficulties to transfer accounts of public administrative institutions (*Établissements publics à caractère administratif*) to the BCEAO. These difficulties are being addressed.

- A strategy to reduce non-collateralized NPLs and non-operating assets (NOAs) in the banking system could not be fully developed by end-June. The authorities presented a proposal to address NOAs, including a timeline, to staff in October. This proposal is being discussed with banks and is expected to be finalized by end-2018. In addition, the authorities are implementing measures to strengthening the credit bureau[3] and enhance governance at the commercial banks.

- The oil price formula has been implemented since September 2017 albeit with some suspensions.[4] The authorities are committed to implementing the formula in a more systematic way going forward.

- The taxpayer compliance improvement plan scheduled for end-October 2018 was not implemented because of delays in completing the validation process by the technical committee

[1] Lapses in PFM caused a delay in completing the first review under the ECF-supported program set for mid-2014, and a temporary suspension of asset declaration by government officials last year caused a delay in completing the eighth review.

[2] A proposal for establishing a lower floor for companies operating in agriculture and handicraft was initially considered but dropped.

[3] The Council of Ministers approved an amendment to waive the need for credit consumers' consent, which should improve the quality and quantity of information available in the credit bureau.

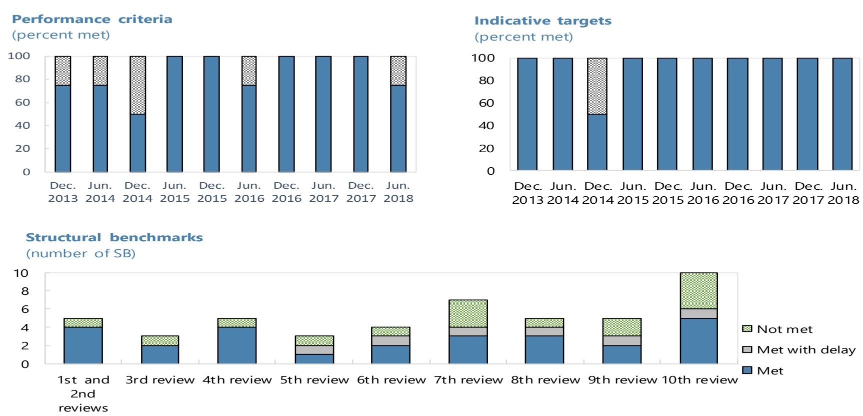
[4] Prices were kept unchanged in February, July, and August 2018, but price adjustments resumed from September 2018.

responsible for drawing up the new Strategic Plan (PS 2019–21) of the Tax Directorate. The draft plan is expected to be adopted by the Steering Committee in late November.

- Overall, significant challenges remain to preserve fiscal sustainability, deepen structural reforms to promote private sector activity and enhance growth inclusiveness, and further improve governance.

7. **The authorities are requesting a waiver of nonobservance for the PC on gross tax revenue at end-June 2018.** The authorities reaffirmed their commitment to reaching their target deficit of 3.3 percent of GDP for 2018 and abiding by the WAEMU deficit criteria of 3 percent of GDP in 2019. To offset the impact of the June revenue shortfall on the end-2018 deficit, they identified corrective measures including intensified revenue collection and spending cuts.

Text Figure 1. Mali: Program Performance, Dec. 2013–June 2018

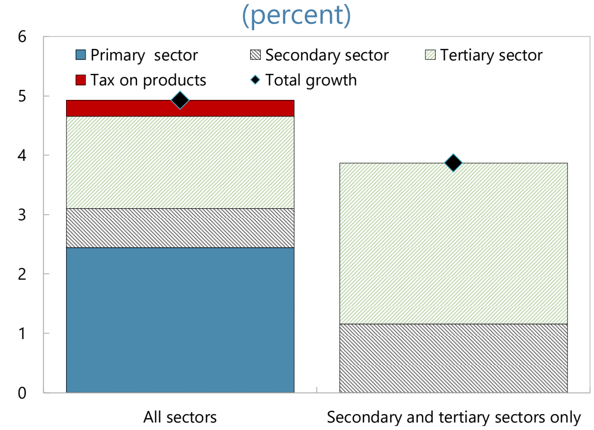


Source: IMF staff.

RECENT DEVELOPMENTS, OUTLOOK AND RISKS

A. Recent Developments

Text Figure 2. Mali: Sectorial Contribution to Growth, 2018
(percent)



8. **Despite security challenges, Mali's economic recovery continues but vulnerabilities are increasing and external imbalances remain large** (see Figures 1-3, Text Table 1, and Tables 1-6).

- **Activity has remained robust**. Real GDP is projected to grow by 4.9 percent (0.2 percentage points below program projection) in 2018, driven by cereal, cotton, and gold outputs that have offset the slowdown in the secondary and tertiary sectors. Going forward, service and manufacturing activities are expected to grow at full potential as political uncertainties subside (Text Figure 2). Inflation has remained subdued at about 2 percent y-o-y in June 2018. External imbalances are large as higher gold production and prices only partially offset the impact of higher oil prices. A current account deficit of about 7.4 percent of GDP is expected in 2018.

- **Fiscal performance in the first half of 2018 was marked by significantly lower-than-programmed revenues and sizable spending cuts to achieve the fiscal deficit target.** Tax revenue fell short of the end-June program target by about CFAF 110 billion (1.2 percent of GDP). The shortfall was evenly split between customs and domestic tax revenues (Text Table 1). This counter performance contrasted with the steadily improving revenue collection since the inception of the program. The authorities identified temporary and structural causes. Temporary factors include slower activity in the secondary and tertiary sectors and higher taxpayers' noncompliance ahead of the presidential election as well as losses due to international fuel price increases. Structural concerns include increased fraud associated with growing insecurity and recurrent terrorist attacks, organizational inefficiency, and inefficient management. The authorities have offset the impact on the fiscal balance by significantly cutting public spending. The June overall balance and the basic fiscal balance were in surplus, while deficits were projected under the program targets of CFAF 236.5 billion and CFAF 155.5 billion (or 2.5 and 1.6 percent of GDP), respectively.

Text Table 1. Mali: Central Government Consolidated Financial Operations, End-December 2018

(Billions of CFA Francs)

	Billions of CFAF			Percent of GDP		
	Prog.	Proj.	Difference	Prog.	Proj.	Difference
Total revenue and grants[1]	**1,825.7**	**1,667.1**	**-158.6**	**19.3**	**17.4**	**-1.8**
Tax revenue	**1,498.9**	**1,418.8**	**-80.1**	**15.8**	**14.8**	**-1.0**
Direct taxes	459.6	448.5	-11.1	4.9	4.7	-0.2
Indirect taxes	1,039.3	970.3	-69.0	11.0	10.2	-0.8
VAT	562.3	517.2	-45.1	5.9	5.4	-0.5
Excises on petroleum products	95.2	82.7	-12.5	1.0	0.9	-0.1
Import duties	192.3	180.9	-11.4	2.0	1.9	-0.1
Other indirect taxes	257.3	257.3	0.0	2.7	2.7	0.0
Tax refund	-67.8	-67.8	0.0	-0.7	-0.7	0.0
Nontax revenue	**212.3**	**153.8**	**-58.5**	**2.2**	**1.6**	**-0.6**
Grants	**114.6**	**94.6**	**-20.0**	**1.2**	**1.0**	**-0.2**
Total expenditure and net lending[1]	**2,138.1**	**1,979.4**	**-158.7**	**22.6**	**20.7**	**-1.9**
Current expenditure	**1,251.0**	**1,211.2**	**-39.8**	**13.2**	**12.7**	**-0.5**
Wages and salaries	516.4	516.4	0.0	5.5	5.4	0.0
Goods and services	323.5	300.3	-23.2	3.4	3.1	-0.3
Transfers and subsidies	332.7	316.1	-16.6	3.5	3.3	-0.2
Interest	78.3	78.3	0.0	0.8	0.8	0.0
Capital expenditure	**897.5**	**778.6**	**-118.9**	**9.5**	**8.1**	**-1.3**
Externally financed	257.4	237.4	-20.0	2.7	2.5	-0.2
Domestically financed	640.1	541.2	-98.9	6.8	5.7	-1.1
Net lending	**-10.4**	**-10.4**	**0.0**	**-0.1**	**-0.1**	**0.0**
Overall fiscal balance (incl. grants)	**-312.3**	**-312.3**	**0.1**	**-3.3**	**-3.3**	**0.0**
Basic fiscal balance[2]	**-124.3**	**-124.4**	**-0.1**	**-1.3**	**-1.3**	**0.0**
Nominal GDP	9,474	9,557				

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

[1] Excluding special funds and annexed budgets.

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

- **The banking sector continues to be broadly stable, but asset quality remains a concern.** The overall capital adequacy ratio (CAR) for the sector was 13.4 percent at end-December 2017, indicating that large groups are stable and sound. However, one bank did not comply with the capital requirement under Basel I and two banks did not comply under Basel II/III due to their high level of non-operating fixed assets (NOAs). The ratio of nonperforming loans (NPLs) is stable, albeit high (around 16.5 percent). While the level of NPLs is expected to decline due to the transition to Basel II/III,[5] structural vulnerabilities endure, including from the persistently high

[5] The expected reduction of NPLs is mainly due to: (i) a more favorable asset classification framework under Basel II/III and (ii) a five-year maximum for holding NPLs in banks' balance sheets.

level of NOAs (19 percent), in breach of the WAEMU regulatory ceiling (15 percent).[6] The authorities and banks are developing a strategy to reduce the stock of NOAs.

B. Outlook

9. **The macroeconomic outlook remains broadly positive.** Real GDP growth is projected to rebound slightly to 5 percent in 2019 as political uncertainty subsides, before settling around 4¾ percent, Mali's long-run rate of growth, thereafter (Text Table 2). Absent supply shocks, inflation should remain below the WAEMU criterion. The implementation of tax policy and administrative measures would sustain an annual increase in tax revenue by 0.4 percentage point of GDP to help stabilize the overall fiscal deficit at 3 percent of GDP.[7] The current account deficit is projected to improve slightly in 2019, despite a decline in gold export volume and prices, before gradually narrowing to about 7 percent of GDP over the medium term. This is in line with the planned lower fiscal deficits as Mali meets the WAEMU criteria and the convergence of GDP growth to its long-term potential.

C. Risks

10. **Risks to the outlook remain tilted to the downside**. The most immediate risk remains the volatile security situation. The intensification of violent attacks, especially if reaching Bamako, could dampen private sector confidence, and affect economic growth and public finances. Agricultural output 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 commodity price fluctuations. Other external risks arise from potential reductions in donor funding and falling FDI. At the regional level, further tightening of liquidity conditions could slow credit to the private sector and increase the cost of domestic debt.

11. **The central government's fiscal stance has strengthened since 2013, but potential risks arising from the broader public sector could undermine fiscal performance (Text Figure 3).** Staff emphasized that preserving fiscal sustainability hinges on creating adequate fiscal buffers and securing the capacity to address these risks should they materialize. Staff pointed to the near-term risks to public finances posed by the public electricity company (EDM), which is in dire financial position (Box 1). Drawing on the findings of the September 2018 IMF Technical Assistance mission on fiscal risks, staff added that there are significant risks, with both high probability and impact, stemming from unfavorable terms of trade shocks; insufficient pass-through of international oil price changes to domestic prices of petroleum products; revenue losses on production, particularly cotton and gold; high exposure to liabilities accumulated in other state-owned companies. Other risks are related to institutions, decentralization, and natural disasters (Box 2).

[6] Seven banks out of twelve breach the regulatory ceiling of 15 percent of non-operating fixed assets to capital.

[7] These include improving VAT taxation, enhancing tax compliance, introducing agriculture taxation, streamlining exemptions, improving mining taxation, and strengthening controls.

Text Table 2. Mali: Key Economic Indicators, 2014–23

	2014	2015	2016		2017		2018		2019	2020	2021	2022	2023
	Est.	Est.	Rev. Prog.	Est.	Rev. Prog.	Est.	Prog.	Proj.	Proj.				
						(Change in percent)							
Real GDP growth	7.1	6.2	5.4	5.8	5.3	5.4	5.0	4.9	5.0	4.9	4.8	4.8	4.8
Consumer price inflation (average)	2.7	1.4	-1.6	-1.8	0.2	1.8	1.4	2.0	2.0	2.1	2.2	2.2	2.2
Consumer price inflation (end of period)	1.2	1.0	0.5	-0.8	1.0	1.1	1.6	1.9	2.1	2.1	2.2	2.2	2.2
						(Percent of GDP)							
Revenue	14.9	16.4	16.8	16.7	18.3	18.4	19.4	17.9	18.5	19.1	19.3	19.6	19.9
of which : Tax revenue	12.6	14.0	14.9	14.9	15.3	15.2	15.8	14.8	15.6	16.2	16.5	16.8	17.1
Grants	2.2	2.7	2.0	1.6	2.3	1.6	1.2	1.0	2.0	2.0	2.1	2.1	2.1
Total expenditure and net lending	20.0	20.9	23.2	22.3	24.0	22.9	23.9	22.1	23.5	24.1	24.4	24.6	24.9
Overall balance (payment orders)	-2.9	-1.8	-4.3	-3.9	-3.5	-2.9	-3.3	-3.3	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis)	-2.4	-3.2	-4.3	-3.9	-3.4	-2.6	-3.5	-3.5	-3.0	-3.0	-2.9	-2.9	-2.9
Basic fiscal balance [1]	-1.2	0.5	-2.1	-1.9	-1.1	-0.9	-1.3	-1.3	-1.1	-0.9	-0.9	-0.7	-0.7
Total public debt	27.4	30.7	29.7	35.9	31.8	35.4	35.9	37.3	37.5	38.1	38.7	39.3	39.5
Current external balance (including official transfers	-4.7	-5.3	-7.7	-7.2	-8.1	-5.9	-6.5	-7.4	-7.2	-7.4	-7.2	-7.0	-6.8
Overall balance of payments	-2.5	-1.6	0.1	-3.9	-2.9	0.7	-2.0	-2.3	-2.6	-2.2	-1.9	-1.5	-1.4

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

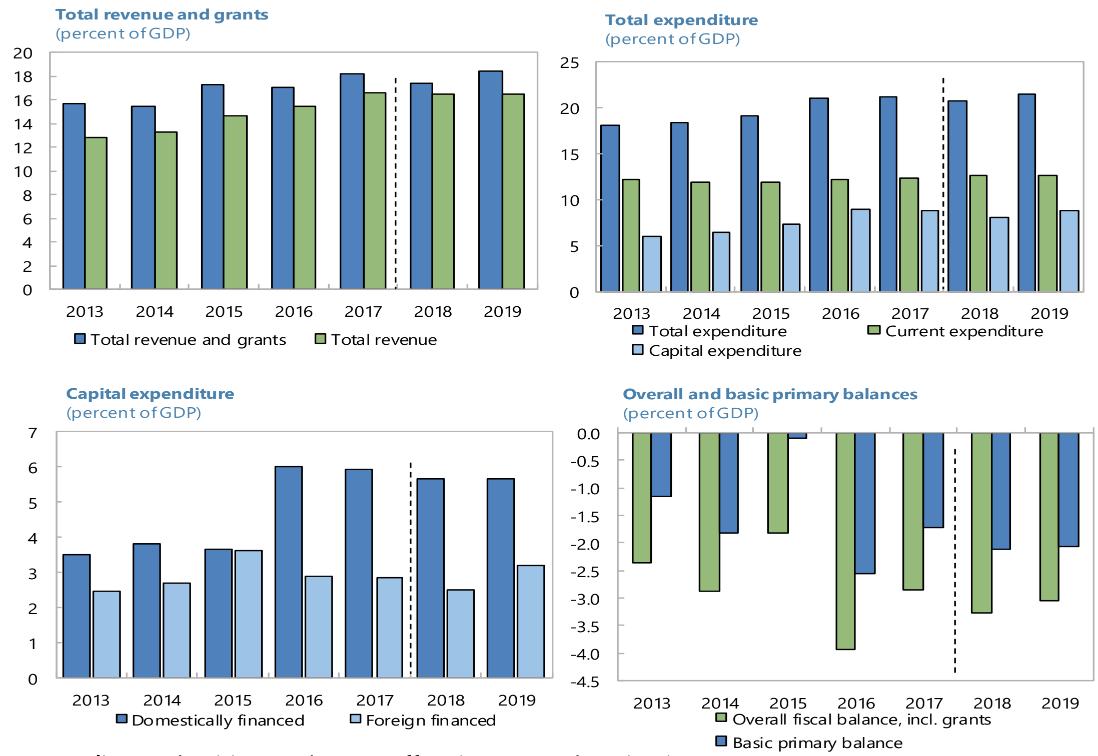
[1] Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending..

Box 1. EDM's Difficult Financial Situation

EDM is experiencing serious technical and financial difficulties. This situation results mainly from the long-standing inadequacy between the production price and the sale price of electricity, insufficient and delayed critical investment, and poor management. Sales revenue and government subsidies fall short of allowing the company to meet its financial commitments, keeping it in a tight cash position. Total debt in early 2018 is estimated at CFAF 304 billion (3.2 percent of GDP), split almost evenly between commercial banks and suppliers.

To strengthen EDM's financial position, the government is implementing a two-pronged strategy, with the World Bank's technical and financial support. Pending the ongoing Bank assessment of EDM's debt, the government increased its subsidy by CFAF 15 billion in 2018, bringing the total to CFAF 42 billion. The government also envisages other measures to strengthen EDM's financial position, notably reducing losses and operational costs, using pre-payment meters, adopting accelerated monthly billing, and closely monitoring the consumption of key consumers. To enhance EDM's governance, the authorities are improving its management and appointing more independent board members. In the short run, the World Bank's proposed restructuring program includes: (i) improving revenue collection through smart meters and combatting illegal connections and leakages, while controlling costs; (ii) revising tariffs to identify potential improvements, such as an increase in rates for institutional consumers, the removal of the subsidy on connection fees for customers who use medium voltage, and (iii) improving the loan portfolio of EDM, through refinancing and collateralization of existing short term commercial debt. In the long run, the World Bank will support the government in improving the investment plan for the electricity sector with a view to reversing the energy mix in favor of renewable sources to lower EDM's production costs and improve the overall financial position of the company through the elimination of generator leasing, the reduction of national thermal production (diesel and heavy fuel), the increase in national hydroelectric production and imports of electricity, including low-cost electricity from neighboring countries (Côte d'Ivoire, and Guinea). It is critical for the authorities to tackle problems in the energy sector both in the short term and the long run without further increasing unsustainable subsidies in order to free up resources for investment and social spending.

Text Figure 3. Mali: Fiscal Performance, 2013–19



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

Box 2. Fiscal Risks

Macro-fiscal sensitivity analysis shows that Mali is particularly vulnerable to institutional risks, SOEs' risk, and macroeconomic shocks. Institutional risks mainly stem from the implementation of the decentralization process. While the full materialization of this risk is deemed low, rescues of troubled regional and local governments could significantly deteriorate the fiscal position. SOEs' financial situation could also severely impact public finances, generating high opportunity costs. In the absence of a centralized database for SOEs, their liabilities are not systematically known and managed. Determining the risk they pose to the budget is, therefore, difficult. Technical and financial losses could hinder cash flow management for the treasury and affect the budget. For instance, the public electricity company (EDM) is currently facing serious financial difficulties. If the current measures envisaged to address its financial situation underperform, this would increase its burden on the budget. Macroeconomic shocks in the form of commodity price shocks, such as a sharp decrease in gold and cotton prices or a substantial increase in oil prices, could have large implications for revenue mobilization, budget execution, and public debt.

Natural disaster shocks or adverse weather conditions in Mali tend to have a modest impact on public finances despite being relatively frequent. Taxation of the primary sector is almost non-existent. However, the social impact of such shocks could be devastating and lasting. A large segment of the population relies on subsistence farming, livestock, cotton, and cereal productions. The authorities are encouraged to take additional precautionary measures to mitigate the social impact of such shocks.

The government is vulnerable to rollover risk. The government increasingly relies on the regional debt market to finance its deficit. Malian banks tend to purchase around 50 percent of the government's issuances. Rollover risk and potential difficulty to issue bonds could have a significant negative fiscal impact and deteriorate Mali's debt sustainability.

POLICY DISCUSSIONS

Policy discussions focused on addressing the immediate issue of the 2018 revenue shortfall as well as critical medium-term challenges. For 2018, the authorities are committed to meeting the programmed budget deficit through the implementation of remedial revenue measures and expenditure cuts. For the medium term, discussions centered on improving and securing revenue mobilization, promoting financial sector stability and pursuing governance-improving efforts.

A. Addressing Recent Revenue Shortfalls

12. The authorities are determined to respect the 2018 fiscal deficit target through remedial revenue collection measures as well as spending cuts. Preliminary September revenue data suggest that the tax revenue shortfall will amount to about 2 percent of GDP for the full 2018 year.[8] The authorities plan to offset the shortfall through remedial revenue measures for about 1 percent of GDP and spending cuts also for about 1 percent of GDP.

13. On the revenue side, the authorities identified remedial measures to be implemented by the tax and customs authorities. On the tax side, measures include optimizing monthly tax returns through closer monitoring of performance indicators and recovering tax arrears. On the customs side, measures aim at expanding joint tax administration-customs control brigades in strategic import zones, strengthening controls, enhancing post-clearance audits, as well as boosting the fight against fraud and illicit trade. The authorities have started addressing organizational and management inefficiencies, through reshuffling some of the managerial positions, relying on bailiffs for recovering tax arrears, and undertaking an audit of the root causes of the revenue shortfalls. The latter will be supplemented by an upcoming IMF TA mission, scheduled for mid-November 2018, to conduct a deeper investigation of the factors underlying the tax revenue shortfalls and help the authorities implement the appropriate remedial measures. The TA mission will assist the tax directorate in the implementation of concrete short-term revenue mobilization measures, including through the intensification of the recovery of tax arrears and the reinforcement of ad-hoc control actions. Further measures to improve VAT performance will also be discussed, including with the customs directorate. The tax authorities are confident that they can recover

Text Table 3. Mali: Remedial Revenue Measures and Spending Cuts Planned in 2018

	Billion CFAF	Percent of GDP
Revenue measures	**120**	**1.3**
Tax administration (tax arrears recovery)	90	**0.9**
Customs	30	**0.3**
Spending cuts	**129**	**1.3**
Current	39	**0.4**
Goods and services	23	**0.2**
Transfers	16	**0.2**
Capital	90	**0.9**
Domestically financed	90	**0.9**

Sources: Malian authorities and IMF staff estimates and projection.

[8] In addition, the authorities expect a shortfall in non-tax revenues of about CFAF 58 billion (0.5 percent of GDP) by end-December 2018, mostly due to the renegotiation of the royalty related to the license of the fourth telecom operator and the renewal of the existing 4G license.

CFAF 72 billion (0.7 percent of GDP) out of CFAF 144 billion tax arrears identified by audits recently conducted for the period 2015–17 and another CFAF 20 billion (0.15 percent of GDP) from tax adjustment of a mining company.[9] The customs directorate is also expected to improve its collection by CFAF 30 billion. (Text Table 3).

14. On the spending side, the authorities have identified further cuts for the rest of the year. Capital expenditure planned for 2018 has borne the brunt of the spending cuts thus far, but savings also include further reductions in spending on some non-priority goods and services and transfers (Text Table 3). The authorities agreed with staff that cutting capital spending could undermine growth and social development. They noted that they have carefully selected the projects to be postponed and are committed to reaching the ceiling on social spending.

15. Staff underlined the risk that the revised objective of tax revenues may not be achieved. While stepping up collection efforts to meet the targets for the fourth quarter is commendable, heavy reliance on tax arrears' recovery may not be realistic. The authorities agreed but are determined to take needed actions to recover the planned amounts. They have also stopped commitments on non-essential public expenditures from November 1, 2018, two weeks before the usual deadline to ensure that their spending cut target will be achieved.

B. Preserving Fiscal Sustainability and Controlling Fiscal Risks

Greater domestic revenue mobilization to keep up with rising spending is critical to implement the government's development priorities while preserving fiscal sustainability in the context of uncertain external support. This underscores the importance of strengthening tax administration, reducing exemptions, improving the effectiveness of the mining sector taxation, and increasing revenues from petroleum products, while enhancing the efficiency of public spending.

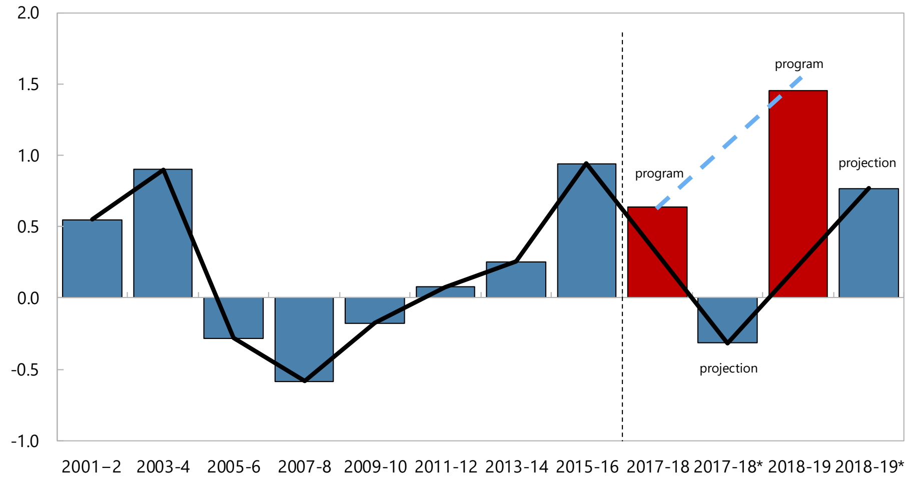
16. The authorities reaffirmed their commitment to reach the WAEMU fiscal deficit target in 2019 and agreed with staff to tighten the 2019 fiscal stance. The draft 2019 budget presented to Parliament envisages a reduction in the overall and basic deficits to 3 percent of GDP and 1.1 percent of GDP, respectively.

- The 2019 budget aims to enhance tax revenue mobilization efforts and projects that tax revenue will reach 15.6 percent of GDP (an 0.8 percentage point increase relative to the revised 2018 estimate; Text Figure 4).

- At the same time, the authorities have committed to limiting both capital and current spending to ensure adherence to the WAEMU deficit criterion. In doing so, spending cuts will target the least efficient current or capital projects.

[9] This tax adjustment stems from a 2015 audit whose conclusions were recently agreed upon by the taxpayer.

Text Figure 4. Mali: Tax Revenue-to-GDP Ratio, 2000–19
(annual change)



Sources: Malian authorities; and IMF Staff estimates.

17. Staff and the authorities agreed on the need to further advance reforms to bolster domestic revenues.

- In recent years, Mali has benefited from extensive IMF TA on tax and customs administration, which served the country well in increasing the revenue-to-GDP ratio. However, implementation has experienced delays in 2018. Staff urged the authorities to expedite implementation of tax and customs reforms, including developing the taxpayer compliance improvement plan and enhancing the use of third party information; improving large- and medium-sized taxpayers' compliance; and increasing capacity in the core functions of taxpayer registration and audit.

- Efforts to further reduce exemptions should continue. The implementation of the law adopted in 2017 to stop granting new discretionary tax exemptions is in effect. However, tax exemptions are still significant (about 3.5 percent of GDP in 2017) and there is scope to further streamline them. Staff encouraged the authorities to expedite the adoption of the law on raising the eligibility threshold for investments benefiting from tax exemptions granted through the Investment Code from CFAF 12.5 million to CFAF 100 million. Staff also urged the authorities to reduce exemptions in areas identified by the review of existing tax legislation undertaken in 2018.

- The current legal framework contains some loopholes that create vulnerabilities to profit shifting and base erosion by international companies. IMF TA assessed the framework for applying the arm's length principle to transfer pricing and recommended to strengthen the requirement to document transfer prices consistently with international standards, including by adopting a specific under-capitalization rule. In late 2017, Fund staff have also reviewed the draft of the revised mining code and made several recommendations to improve it. A follow up TA mission is scheduled in February 2019. Staff urged the authorities to improve the efficiency of taxation of the mining sector, notably through the adoption of the revised mining code and the mitigation measures for vulnerabilities related to aggressive tax optimization, consistent with IMF TA recommendations.

- Efforts to bolster revenue raised from petroleum products should be strengthened. With rising international oil prices, the petroleum price revenue has decreased by 0.3 percentage point of GDP at end-June 2018 due to the limited pass-through of these increases to domestic prices, a stronger increase in exempted quantities (Text figure 5), fraud, and porous borders (Text Figure 5, Text Table 4, and Box 3). For example, assuming full level of taxation—with no implicit subsidy component that reduces the retail price—the price for consumers would have been 816 CFAF instead of 717 CFAF in July 2018. The automatic price formula caps the price increase at 3 percent of the international price in any given month.[10] In a period of rapid international price increases, the formula protects consumers at the cost of public revenues (Box 3). At the same time, while universal subsidies are regressive, appropriate safety nets to protect the poor and vulnerable households from price increases are not effectively in place.[11] Staff underscored the need for a comprehensive strategy for the energy sector including addressing the existence of loopholes and avoiding differentiated pricing that can give rise to arbitrage opportunities and rent extraction, and reviewing exemptions, including for mining companies. The authorities agreed to a more systematic implementation of the pricing mechanism and on the need for a holistic approach to fuel taxation, including by revisiting fuel margins and large exemptions. They committed to continue working with the World Bank on enhancing social safety nets and improving subsidy targeting.

- The authorities agreed with staff that digital taxation could enhance revenue collection. Capitalizing on the fast expansion of mobile banking, the authorities could gradually explore digital taxation options which could help expand the taxpayer base, including by reaching out to those currently unable to hold a bank account.[12]

18. Staff and the authorities agreed that strengthening the public investment management framework could reduce the infrastructure gap. The 2017 IMF PIMA mission found important deficiencies that undermine the contribution of investment to the domestic capital stock. The mission called for improving various administrative practices to close Mali's large public investment efficiency gap. As the authorities are adjusting capital spending in response to lower revenues, there is an urgent need to focus on improving Mali's public investment management, with a view to improving the quality of and access to infrastructure. Staff commended the authorities for preparing a methodology for elaborating a standard unit cost market price list for the implementation of road infrastructures, buildings, hydro-agricultural development and hydraulic structures (SB for August 2018; not met but implemented with delay in October 2018) to help streamline project costs. Staff encouraged the authorities to expedite the implementation of a comprehensive action plan to raise public investment managers' accountability and stewardship, strengthen the social-economic impact of investment spending, and accrue and maintain existing

[10] However, since the implementation of the formula in September 2017, the domestic prices were left unchanged on five occasions.

[11] The latest household budget survey dates back to 2001 and plans to conduct a new survey hinge on completing a population census in 2019 and securing adequate financing.

[12] Lund, White, and Lamb (2017) estimate that digitalizing government payments in developing countries could save some 1 percent of GDP annually.

infrastructure in the long term. Staff also urged the authorities to strengthen the institutional framework to identify, monitor, and manage fiscal risks arising from public-private partnerships (PPPs).

Text Figure 4. Oil Prices in Mali and WAEMU Countries

Mali: Oil Sector Indicators, 2012–17

	2012	2013	2014	2015	2016	2017
Crude Oil Price (CFAF / barrel, IMF/GAS)	51.4	47.5	30.0	25.4	31.2	40.1
Growth rate, percent		-0.1	-0.4	-0.2	0.2	0.3
Import volume (million tons)	1.1	1.0	1.0	1.1	1.4	1.5
Growth rate, percent	0.1	-0.1	0.0	0.1	0.3	0.1
Exemptions: Volume (million tons)				0.3	0.3	0.4
Value of exemption (billion CFAF) [1]				65.9	72.9	79.8
Excise on Oil Products (billion CFAF, TOFE	25.3	22.3	27.8	93.1	100.9	84.7
Growth rate, percent	439.1	-11.8	24.2	235.4	8.5	-16.1
Percent of GDP	0.4	0.3	0.4	1.2	1.2	0.9

Sources: Malian authorities; World Economic Outlook; and IMF staff estimations.

[1] Foregone taxes and excises.

WAEMU: Fuel Price Pass-Through in 2014–18
(in percentage)

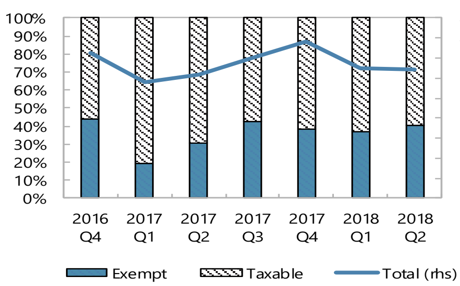
	Gasoline		Diesel	
	2014-17	2017-18	2014-17	2017-18
Bénin	12	26	66	55
Burkina Faso	100	0	106	0
Côte d'Ivoire	131	42	36	63
Guinée Bissau	79	-4	57	-29
Mali	**64**	**16**	**62**	**35**
Niger	n/a	n/a	n/a	n/a
Sénégal	82	0	161	0
Togo	132	14	150	8
WAEMU average (unweighted)	85	13	91	19

Source: IMF Staff Calculations.

Text Figure 5. Oil Prices in Mali and WAEMU Countries

A significant portion of total consumption is exempt.

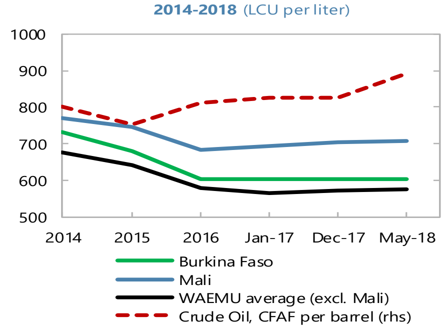
Consumption of Petroleum Products (in million liters)



Sources: Malian customs; and IMF Staff estimates.

Mali's retail prices are significantly higher than the WAEMU average.

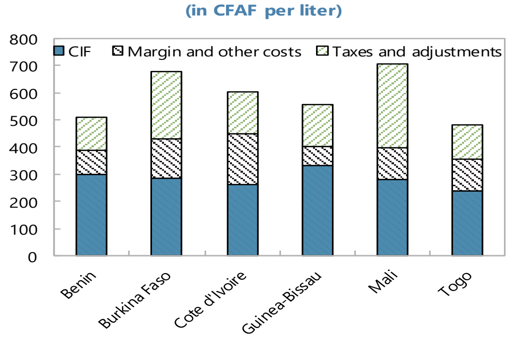
WAEMU: Regional Comparison of Pump Prices of Gasoline, 2014-2018 (LCU per liter)



Source: IMF staff calculations.

Margins and taxes are relatively high...

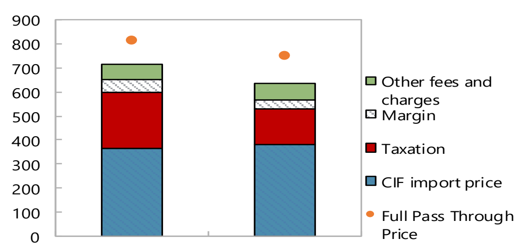
Gasoline Price Structure, Dec 2017 (in CFAF per liter)



Source: IMF staff estimates.

...but the retail price does not include a full pass-through.

Price per Liter in CFAF: Build Up (July, 2018)



Sources: Malian National Office of Petroleum Products; and IMF staff calculations.

Box 3. Fuel Pricing Mechanism in the Context of Increasing International Fuel Prices

Malian gasoline and diesel prices are the highest in the WAEMU region and consumption is entirely met through imports. Mali is a landlocked country with no domestic crude oil production and liberalized imports of fuel products. Out of six active supply routes, with Senegal and Côte d'Ivoire are the most important ones. Imports increased from 650 million liters in 2007 to 1.5 billion liters in 2017. Diesel is the main type of product consumed, but imports of gasoline have increased over the last two years. Based on December 2017 price structure information for the WAEMU region, Malian fuel prices have relatively high margins and high taxes.[1]

Malian fuel pricing policy focuses on retail price stabilization. Starting September 2017, Mali implemented an automatic fuel pricing formula allowing for a limited pass-through from international to domestic fuel prices. The formula allows for adjusting the retail price when the international fuel price changes but caps the adjustment at 3 percent.

While the pricing mechanism is designed to be automatically applied, the Ministry of Economy and Finance sets monthly indicative retail prices based on information prepared by the National Office of Petroleum Products *(ONAP)* and a fuel price monitoring commission.[2] The prices are set for each fuel product and are perceived as monthly ceilings for the whole country. The new pricing formula has been applied seven times in the last twelve-months. Since the implementation of the formula, international oil prices increased by 29 percent, while retail prices increased by only 3 percent.

Increases in the international prices and exemptions, combined with a formula that focuses on retail price stabilization, diminished revenues from fuel products. As the international prices increased above 3 percent, taxes were reduced to limit the impact on the retail price. At the same time exemptions increased. As a result, revenues from fuel products fell from 1.2 percent of GDP in 2015-16 to 0.9 percent of GDP in 2017. Lower revenue collection from oil products continued in 2018 with only 0.3 percent of GDP (or CFAF 32.4 billion) collected during 2018:H1.[3] However, given the large increase in international oil prices during that period (about 15 percent), a full implementation of the price formula would have increased collection by only CFAF 1–1.5 billion relative to the actual outcome.

While the Malian automatic fuel pricing mechanism is designed to limit price volatility, it should also shore up related tax revenues. Implementing an automatic mechanism requires an agreement on the appropriate level of taxes, transportation costs, margins, and on how to pass through international price volatility to retail prices. The choice of smoothening mechanism involves a trade-off between retail price volatility and tax volatility. The current fuel price levels and the level of taxation raise the question of the appropriate target tax revenue and corresponding excise on petroleum products (TIPP) rates. At this stage, additional measures could be implemented to reinforce the pricing mechanism, including: (i) updating the margins used in the formula , based on the findings of the 2017 ONAP study, (ii) making the fuel price commission and the ONAP activities more autonomous, by reinforcing the perception that price changes are determined by changes in the international prices and are outside of the government's control; (iii) reviewing the cost of various exemptions from fuel price taxation, and considering their streamlining including in the revision of the mining code; and (iv) ensuring a candid revenue projection in the budget to benefit transparency and setting TIPP rates accordingly.

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[1] The fuel price is subject to: (i) 10 percent customs duty on gasoline/diesel, 5 percent on kerosene, (ii) 18 percent VAT rate, (iii) specific excise tax—*Taxe Intérieure sur les Produits Pétroliers* (TIPP), (iv) road fee, and (v) domestic transport charges and fees.

[2] ONAP—a semi-autonomous body reporting to the Ministry of Economy—was created in 1992 in the context of fuel supply liberalization and tasked with preparing the monthly fuel price structure. *The Commission de Suivi du Méchanisme de Taxation des Produits Pétroliers* was created in 2001 and includes petroleum importers, customs, DG of commerce, competition and consumption, and the consumers association.

[3] The authorities indicated that an increase in exempt quantities is attributed to start of production in two new gold mines.

19. Gradual decentralization remains key for advancing the 2015 peace agreement. The central government is increasing transfers to local governments, which are projected to rise from 24.4 percent of budgetary revenue in 2017 to 25.3 percent in 2018, but still 5 percentage points lower than the level targeted in the peace agreement. The draft 2019 budget projects the transfer rate to reach 30.6 percent of government revenue. These financial transfers are being accompanied by the transfer of expenditure responsibilities to local authorities. The government, supported by donors, has also been working to strengthen local governments' technical capacities, while improving monitoring and control mechanisms to help ensure that resources are well-used. Staff urged the authorities to expedite the design of subnational taxation, including property taxation, to raise stable tax revenues at the subnational level, as suggested by previous IMF TA, to fund social and pro-poor spending, and to develop a framework for monitoring and managing contingent liabilities and additional likely fiscal risks arising from the decentralization process.

20. While supporting the authorities' fiscal stance for 2019, staff underscored that building fiscal buffers was needed going forward. Given the various sources of possible fiscal risks (see paragraph 11 and Box 2), there is a need to build adequate buffers to avoid significant increase of public debt should these risks materialize, as well as abrupt spending cuts in the face of tighter financing conditions. Buffers include further revenue increase as the authorities plan ½ a percentage point of GDP increase per year over the medium term. Staff explained that a tighter fiscal stance after 2019 could also help build adequate buffers given the steadily rising public debt and downside risks to overly-ambitious tax revenue performance projections. The authorities, however, argued that a further tightening would dampen economic activity and delay implementation of much-needed infrastructure and social programs, including those related to the peace agreement. At the same time, they committed to monitoring fiscal risks carefully and indicated that they stood ready to take additional measures should these risks materialize.

21. Staff agreed with the authorities on the need to improve the monitoring of fiscal risks. The authorities have recently developed forecasting instruments and multi-year budget management as well as plans to put in place a process of risk control. At the same time, the absence of an effective centralized database covering all activities, assets and liabilities of public enterprises makes it difficult to determine the risk they may pose to the budget. Staff encouraged the authorities to expedite implementation of the September 2018 IMF mission's recommendations on fiscal risks, particularly regarding the development of a clear strategy to identify, document, and control key fiscal risks over time.

22. Staff called for a prudent approach to domestic borrowing to strengthen debt sustainability. The DSA conducted in May 2018[13] indicates that Mali continues to face a moderate risk of debt distress. The authorities continue to execute the 2018 external borrowing plan as agreed with staff (Table 12). However, the high maturity concentration of the domestic debt is a major vulnerability in the government's debt portfolio.[14] A change in market conditions could require the government to scale down regional debt issuances and higher cost of borrowing could weaken debt

[13] IMF Country Report No. 18/141, Debt Sustainability Analysis.

[14] Currently, over 60 percent of domestic debt will fall due in the next three years.

sustainability and reduce fiscal space. This highlights the need for improving the current debt institutional framework, including the Medium-Term Debt Strategy (MTDS) framework. Staff underscored the importance of concessional financing sources and domestic issuances at auction prices in mitigating rollover risk and higher debt burden costs. Staff urged for the early completion of Mali's ongoing efforts to strengthen debt management and underscored the importance of better interdepartmental coordination to support debt policy.

C. Deepening Structural Reforms to Promote the Private Sector and Inclusive Growth

23. Mali has experienced sustained robust growth in recent years, but progress in meaningfully reducing poverty and inequality has been elusive. According to the UNDP (2016), Mali is among the poorest countries in the world. The poverty rate was estimated at 50.9 percent in 2013 and is much more prevalent in the rural areas. Income distribution is highly uneven. Mali continues to score low on the human development index (Text Figure 6), particularly for income and education.[15] The gap between male and female literacy rates (43.3 percent and 24.6 percent) reflects broader gender inequality. The quality of schooling outside the cities is deemed extremely poor. Malnutrition is a major challenge (28 percent of children are stunted), health services are often inaccessible and of poor quality.

24. Achieving strong economic growth and reducing poverty hinges on tackling critical social, infrastructure, and governance gaps. The existing capacity is insufficient in roads, agricultural development, education, and health. According to the World Bank's *Doing Business Report*, Mali lags its regional comparators in dealing with expanding electricity coverage, enhancing access to finance, strengthening investor protection, and improving health and education standards, discouraging entrepreneurial activity. Staff encouraged the authorities to finalize their medium-term development strategy, which could form the basis for a successor ECF-supported program. Staff also encouraged the authorities to support productivity growth and promoting small- and medium-sized enterprises by improving the business environment and developing the country's physical infrastructure and human capital, as well as improving basic public services and financial inclusion. It will also be important to develop a more targeted and sustainable social safety net. Gradually eliminating blanket subsidies and reorienting them to poverty-reducing outlays (such as in education and health) will build social cohesion and improve human capital.

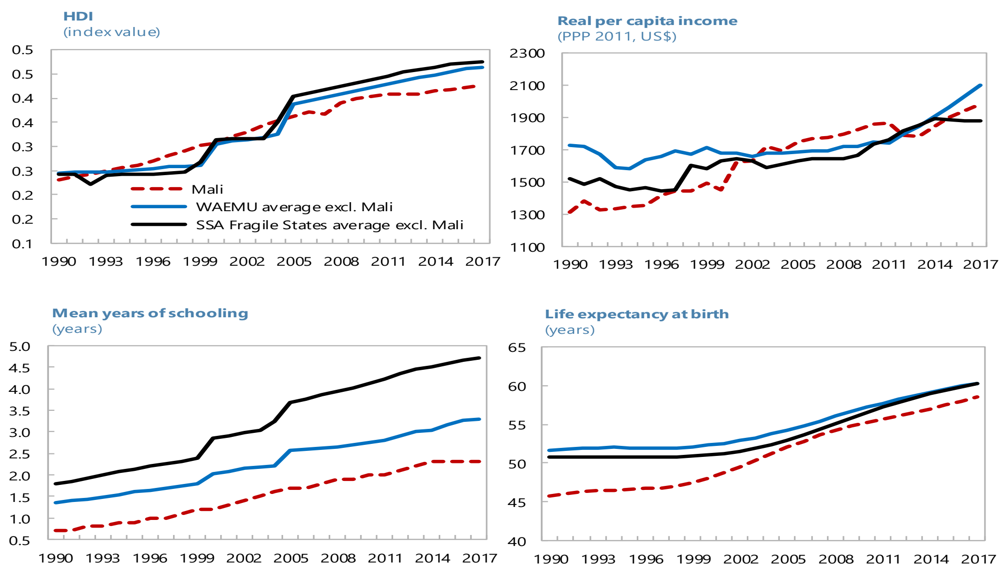
D. Improving Governance and Reducing Corruption

25. Mali has been assessed to have governance weaknesses in several state functions and a high level of corruption, underscoring the importance of stepping up efforts to fight corruption and improve governance. There is a strong perception that the Malian justice system is corrupt, with laws and contracts enforced arbitrarily. Laws to fight corruption and illicit enrichment

[15] About 84 percent of the population have access to primary education, 45 percent to secondary education, and only 7 percent to higher education. One-third of the population is able to read and write (literacy rate 33.6 according to the World Bank).

(LAIE) were passed in 2013 and 2015, but without a noticeable increase in indictments or convictions. Serious lapses in PFM caused a delay in completing the first review under the ECF-supported program set for mid-2014. A temporary suspension of the application of the LAIE caused significant delay in the conclusion of the eighth ECF review in late 2017. The authorities are working to expedite governance reforms, including the LAIE and the recommendations made by the Office of the Auditor General (AG), an independent agency tasked to audit public spending. Despite long delays in completing the TSA reform, the authorities are committed to continue to expand the scope of the Treasury single account by closing all non-active accounts and repatriate their balances to the TSA, while avoiding the opening of new accounts.

Text Figure 6. Mali: Human Development and Components, 1990–2017



Source: United Nations Development Programme; and IMF, World Economic Outlook.

26. Notwithstanding progress, several weaknesses remain, including in the areas of fiscal transparency and PFM, regulatory framework, and the rule of law. The authorities welcome the idea of a comprehensive assessment of governance vulnerabilities to be undertaken in the context of discussions on a possible successor program. Meanwhile, they agreed with staff on the need to consolidate progress in implementing the LAIE and publishing the judiciary actions to address the economic and financial offenses identified in the reports of the Auditor General. Staff also encouraged the authorities to implement the AML/CFT framework, including in the context of the 2019 assessment against the FATF standard, and consolidate improvements in the PFM system's integrity and transparency.

PROGRAM AND OTHER ISSUES

27. Capacity to repay the Fund is adequate. Mali has a good track record of timely payment of its external debt obligations, including to the Fund. The total outstanding debt to the Fund is expected to peak in 2018 at SDR 227.5 million (121.9 percent of quota).

28. **Relations with the Fund.** The authorities have requested a successor ECF-supported program. Negotiations are tentatively planned for March 2019. Staff encouraged the authorities to finalize their medium-term (2019–23) development strategy, which would form the basis for a successor ECF-supported program.

29. **Safeguards assessments.** An updated safeguards assessment of the BCEAO, completed in April 2018, found that the central bank has maintained a strong control environment since the last assessment in 2013 and its governance arrangements are broadly appropriate. In addition, audit arrangements have been strengthened, International Financial Reporting Standards (IFRS) were adopted as the accounting framework beginning with the 2015 financial statements, and a 2016 external quality review of the internal audit function found broad conformity with international standards. The BCEAO's risk management framework established in 2014 is also progressing well with implementation of its work across the bank.

STAFF APPRAISAL

30. **The authorities made commendable strides in restoring macroeconomic stability and setting in motion structural reforms under difficult circumstances and repeated adverse shocks.** Mali's economic performance over the course of the current program has been broadly positive. The economy has recovered from the contraction following the 2012 institutional and security crisis, strong revenue performance helped increase public investment and pro-poor spending, while keeping the fiscal deficit in check. GDP growth has been robust but meaningfully reducing poverty and inequality has remained a challenge. Structural reforms have improved transparency and governance, strengthened public financial management, and addressed financial sector weaknesses, but significant challenges remain. To build upon and sustain the progress achieved, sustained efforts are needed to increase the pace of reforms.

31. **The ratio of tax revenue to GDP plummeted in 2018, prompting the authorities to identify remedial tax collection measures and cut spending given their commitment to the deficit target under the program**. Looking ahead, steadfast implementation of tax policy and tax administration reforms will be essential to implement the government's development priorities while preserving fiscal sustainability. Durable gains in tax revenue will need to come from strengthening tax and customs administration, reducing exemptions, improving the effectiveness of mining sector taxation and increasing revenues from petroleum products, combatting evasion and fraud, and broadening the tax base.

32. **The 2019 draft budget provides an adequate basis for fiscal policy and reflects the authorities' commitment to reaching the WAEMU fiscal deficit criterion of 3 percent of GDP in 2019.** On the revenue side, the budget aims at correcting the 2018 revenue underperformance and bringing back revenue mobilization efforts in line with the strong performance of previous years. Tax revenue is expected to increase by 0.8 percent of GDP, as a result of broadening the tax base, reducing exemptions, combatting frauds, and reforms in tax administration. On the expenditure side, increased attention should be paid to the quality of expenditure.

33. Risks are tilted to the downside. Fragile security conditions coupled with an uncertain external environment pose the greatest downside risks. If external budget support were reduced further, a continuation of the weak revenue performance of 2018 would lead to undesirable spending cuts and possibly accumulation of payment arrears. Agricultural output remains vulnerable to adverse weather conditions, while high dependency on gold and cotton exports leaves Mali's balance of payments vulnerable to international commodity price fluctuations. Staff encourages the authorities to build additional fiscal buffers to be better able to respond to these contingencies.

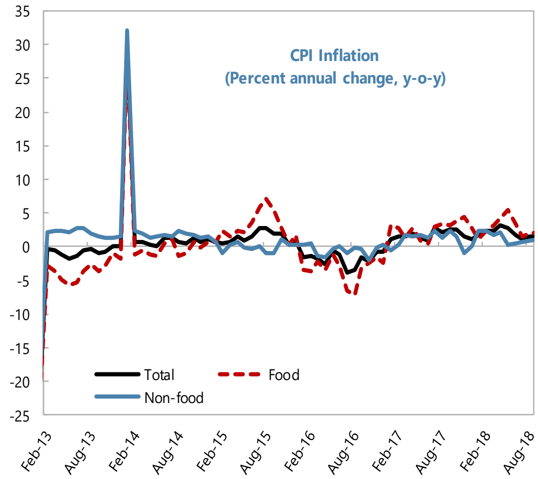
34. Strengthening the performance of the electricity sector will contribute to improving government finances and support growth. Government transfers to EDM have increased in 2018 and will remain significant in 2019, given EDM's difficult financial situation. A recent decision by the authorities to improve management and appoint more independent board members to enhance governance is expected to reduce losses in the short run. The ongoing collaboration with the World Bank to address EDM debt and develop an ambitious investment plan for the electricity sector to reduce costs, are expected to improve the overall financial position of the company over the medium term.

35. Staff encouraged the authorities to strengthen the public investment management framework to help reduce infrastructure gaps. Progress has been made in implementing the 2017 IMF PIMA mission's recommendation. Staff encourages the authorities to expedite implementation of a comprehensive action plan to raise public investment managers' accountability and stewardship, strengthen the social-economic impact of investment spending, and accrue and maintain existing infrastructure in the long term.

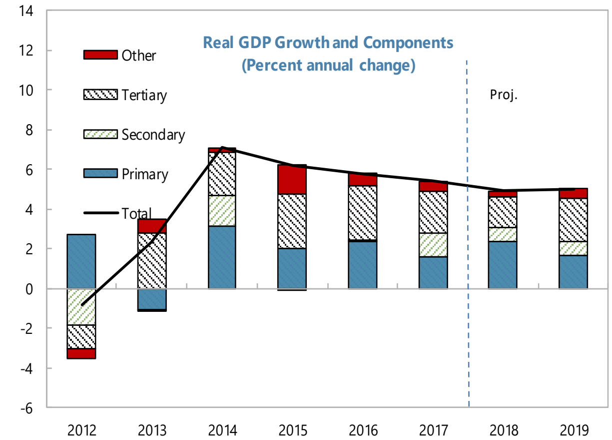
36. Staff recommend the completion of the tenth review under the ECF arrangement based on broadly satisfactory performance and the authorities' forward-looking policy commitments. Staff also recommend the granting of a waiver of nonobservance of a performance criterion based on the corrective measures adopted by the authorities.

Figure 1. Mali: Macroeconomic Developments, 2011–19

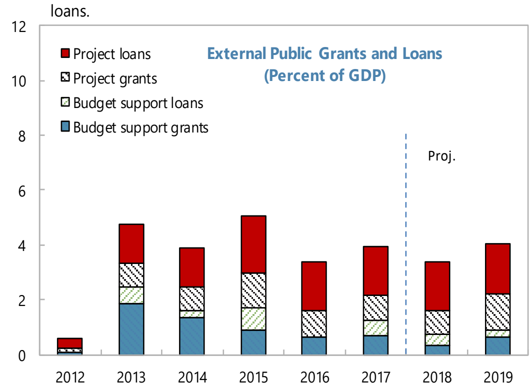
Inflation remains subdued, well below the WEAMU criterion.



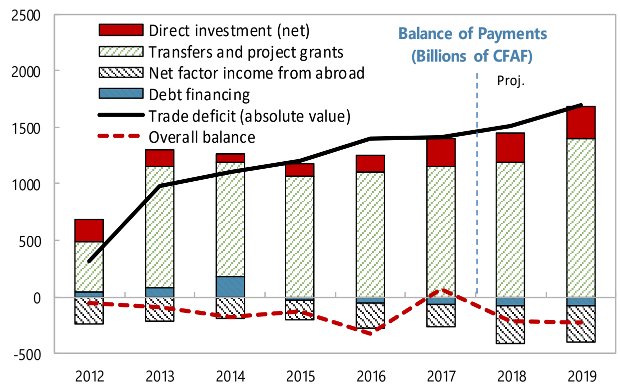
Growth is projected to decelerate to 4.9 percent in 2018.



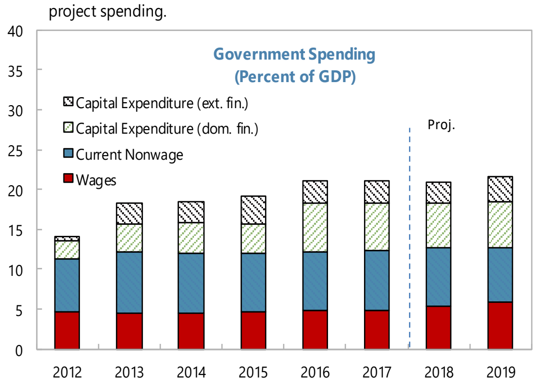
Efforts to address past governance lapses relating to public financial management helped unlock budget support grants and loans.



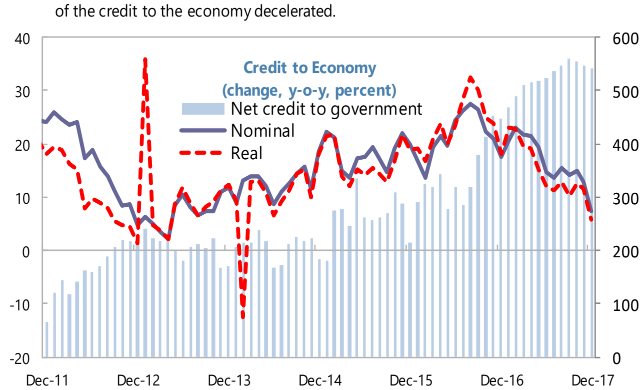
The trade balance is expected to widen further over the medium-term as gold exports decline and cotton exports grow slower.



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



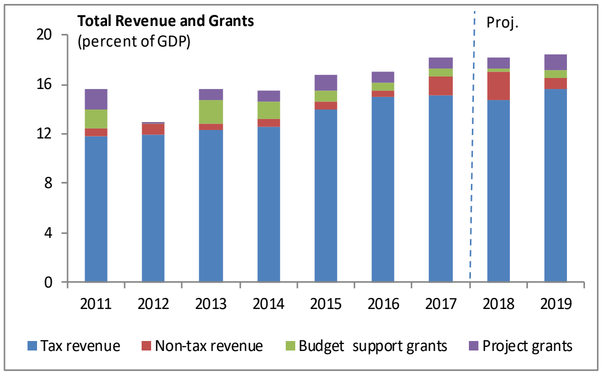
With the increase in credit to the government in recent months, growth of the credit to the economy decelerated.



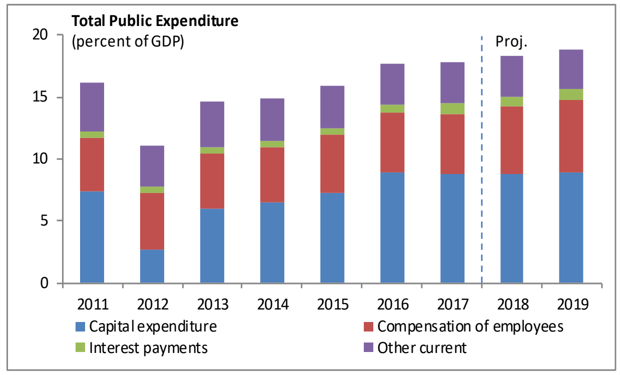
Sources: Malian authorities; and IMF staff estimates and projections.

Figure 2. Mali: Fiscal Developments, 2005–19

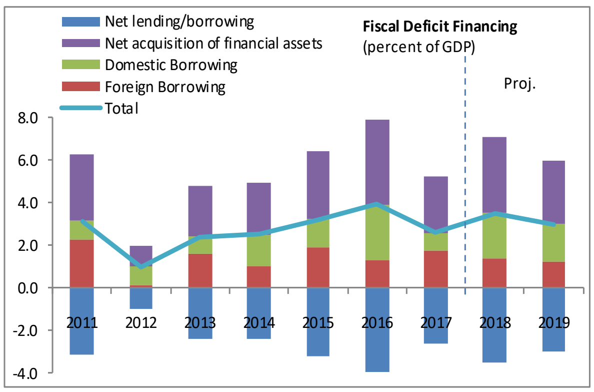
Since declining in 2012, both revenues and grants have increased...



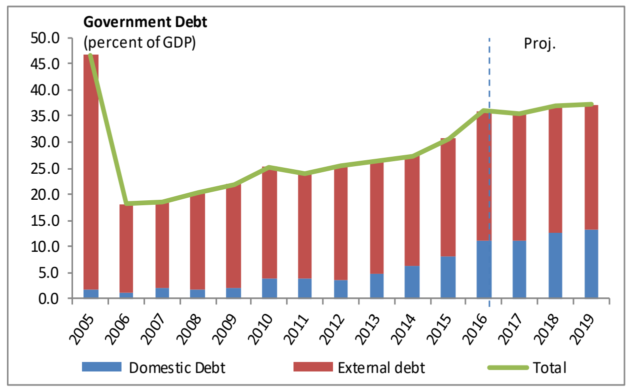
...supporting an increase in capital spending...



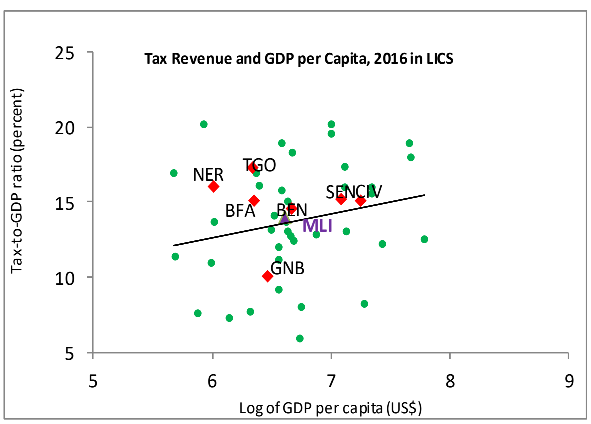
... and contributing to a sustainable fiscal position.



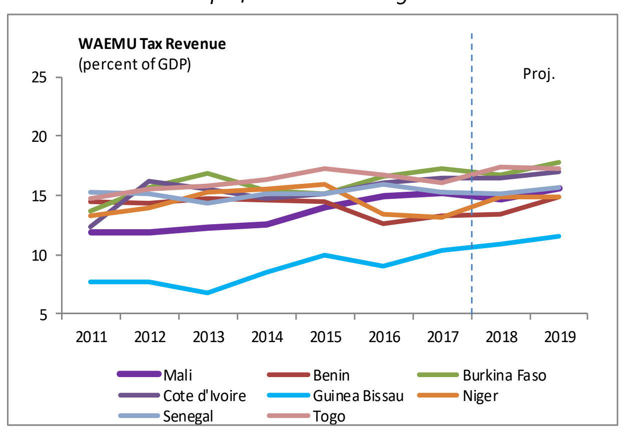
Debt relief in the last decade has provided some fiscal space.



More revenues can be mobilized...



... to reach the best performers in the region.



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

Table 1. Mali: Selected Economic and Financial Indicators, 2013–23

	2013	2014	2015	2016	2017		2018		2019		2020	2021	2022	2023
				Est.	Prog. [1] Rev.	Est.	Prog.	Proj.	Prog.	Proj.	Projections			
	(Annual Change in percentage)													
National income and prices														
Real GDP	2.3	7.1	6.2	5.8	5.3	5.4	5.0	4.9	4.7	5.0	4.9	4.8	4.8	4.8
GDP deflator	0.6	1.3	2.9	1.4	1.2	2.0	1.4	2.0	1.4	1.9	2.1	2.2	2.2	2.2
Consumer price inflation (average)	-2.4	2.7	1.4	-1.8	0.2	1.8	1.4	2.0	1.7	2.0	2.1	2.2	2.2	2.2
Consumer price inflation (end of period)	0.0	1.2	1.0	-0.8	1.0	1.1	1.6	1.9	1.7	2.1	2.1	2.2	2.2	2.2
External sector (percent change)														
Terms of trade (deterioration -)	-16.6	5.5	18.6	15.5	-6.4	-1.3	-2.6	-4.9	0.9	-3.1	-0.2	1.1	0.9	0.7
Real effective exchange rate (depreciation -)	0.5	1.9	-3.5	-1.9	...	0.7	...	...	...	...	...	...	...	...
Money and credit (contribution to broad money growth)														
Credit to the government	-2.7	0.8	1.6	10.4	6.9	3.9	14.5	7.4	3.0	5.0	...	...	...	...
Credit to the economy	7.5	12.4	14.6	13.7	10.8	6.3	8.5	7.5	8.9	9.8	...	...	...	...
Broad money (M2)	7.4	7.1	13.2	7.3	7.8	7.9	16.2	7.0	8.0	7.3	...	...	...	...
	(Percent of GDP, unless otherwise indicated)													
Investment and saving														
Gross domestic investment	19.3	20.2	20.8	22.7	20.0	22.1	19.6	20.6	19.7	20.9	21.6	21.7	21.8	21.8
Of which: government	6.0	6.5	7.3	8.9	9.9	8.8	9.5	8.1	9.6	8.9	9.6	9.7	9.7	9.8
Gross national savings	16.4	15.5	15.4	15.5	11.8	16.2	13.0	13.2	13.4	13.6	14.2	14.5	14.8	15.0
Of which: government	3.9	4.0	5.4	5.2	3.1	6.8	3.1	5.6	3.5	6.5	7.2	7.3	7.4	7.5
Gross domestic savings	4.3	4.6	5.2	5.8	1.9	6.3	4.2	4.8	4.1	4.3	4.8	5.2	5.7	10.2
Central government finance														
Revenue	14.5	14.9	16.4	16.7	18.3	18.4	19.4	17.9	18.7	18.5	19.1	19.3	19.6	19.9
Grants	2.8	2.2	2.7	1.6	2.3	1.6	1.2	1.0	1.6	2.0	2.0	2.1	2.1	2.1
Total expenditure and net lending	19.8	20.0	20.9	22.3	24.0	22.9	23.9	22.1	23.3	23.5	24.1	24.4	24.6	24.9
Overall balance (payment order basis, including grants)	-2.4	-2.9	-1.8	-3.9	-3.5	-2.9	-3.3	-3.3	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, including grants)	-2.4	-2.4	-3.2	-3.9	-3.4	-2.6	-3.6	-3.5	-3.0	-3.0	-3.0	-2.9	-2.9	-2.9
Basic fiscal balance (WAEMU def.) [2]	-0.7	-1.2	0.5	-1.9	-1.1	-0.9	-1.3	-1.3	-1.1	-1.1	-0.9	-0.9	-0.7	-0.7
External sector														
Current external balance, including official transfers	-2.9	-4.7	-5.3	-7.2	-8.1	-5.9	-6.5	-7.4	-6.3	-7.2	-7.4	-7.2	-7.0	-6.8
Current external balance, excluding official transfers	-12.4	-12.7	-12.3	-14.6	-16.6	-13.0	-13.6	-14.2	-13.5	-14.6	-14.4	-13.9	-13.4	-8.8
Exports of goods and services	24.9	22.6	24.0	23.5	23.1	23.1	22.7	23.1	21.1	21.5	19.9	18.9	18.0	17.2
Imports of goods and services	39.9	38.1	39.6	40.3	41.2	38.9	38.0	38.9	36.7	38.1	36.7	35.3	34.0	28.8
Debt service to exports of goods and services	2.3	3.5	5.8	3.8	4.8	4.1	5.3	4.9	4.7	5.8	5.9	6.2	6.8	6.6
External debt (end period)	21.5	21.1	22.6	25.0	25.3	24.4	23.4	24.8	23.2	24.2	24.0	23.8	23.9	23.8
Memorandum items:														
Nominal GDP (CFAF billions)	6,541	7,093	7,748	8,308	8,868	8,929	9,474	9,557	10,057	10,221	10,950	11,727	12,564	13,460
WAEMU gross official reserves (billions of US$) [4]	13.8	13.3	12.5	10.5	...	13.0	...	15.1	...	...	...	...	...	...
(percent of broad money)	49.9	47.2	44.0	35.3	...	35.3	...	...	...	...	...	...	...	...
(months of WAEMU imports of GNFS)	4.5	4.7	5.0	3.8	...	3.8	...	4.3	...	...	...	...	...	...
Public Debt (Percent of GDP)	26.4	27.4	30.7	35.9	31.8	35.4	35.9	37.3	36.6	37.5	38.1	38.7	39.3	39.5
Domestic debt (end period) [3]	4.9	6.3	8.0	11.0	6.5	11.0	12.5	12.5	13.4	13.3	14.1	14.9	15.5	15.8
US$ exchange rate (end of period)	478.7	532.0	603.1	622.2	...	554.2	...	...	...	...	...	...	...	...
Gold Price (US$/fine ounce London fix)	1411	1266	1160	1248	1254	1257	1340	1261	1375	1218	1255	1304	1343	1382
Petroleum price (crude spot)(US$/bbl)	104	96	51	43	55	53	62	69	58	69	66	63	61	60

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

[1] IMF Country Report No. 17/209, Mali: Seventh Review Under the Extended Credit Facility Arrangement.

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

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

[4] Values for 2018 are for end-September 2018. All other years are end-December.

Table 2. Mali: National Accounts, 2012–18

	2012	2013	2014	2015	2016	2017	2018
				Est.	Est.	Est.	Proj.
	(Annual growth rate, constant prices)						
Primary sector	9.1	-3.4	10.1	6.4	7.5	5.0	7.4
Crops	14.7	-9.5	15.6	10.3	12.3	6.2	11.3
Food crops	15.3	-11.2	14.2	14.1	9.8	4.9	12.4
Export crops	11.9	0.0	21.8	-6.5	26.0	12.4	6.4
Livestock	4.4	1.2	7.9	3.5	4.0	3.9	4.5
Fishing and forestry	6.4	2.2	3.5	4.0	3.8	3.6	4.1
Quarrying	17.3	-9.9	5.2	5.2	6.0	6.8	0.0
Secondary sector	-8.6	-0.4	8.1	-0.4	0.3	6.6	3.8
Gold (mining & processing)	5.4	-1.2	-2.4	1.2	0.8	5.6	18.7
Manufacturing	5.7	1.7	11.2	-5.6	-6.0	5.8	0.4
Agribusiness	-10.2	10.2	14.2	-8.9	-12.0	10.4	-8.6
Textile	26.1	-8.0	10.2	-8.7	3.7	12.6	10.6
Utilities	5.0	2.8	10.1	8.0	9.0	8.5	8.5
Construction and public works	-34.9	-5.6	6.4	5.8	7.9	7.5	0.0
Tertiary sector	-2.9	7.3	5.4	6.9	6.8	5.3	3.9
Transportation and telecommunications	8.1	10.5	7.9	8.8	8.8	7.8	6.0
Trade	-8.0	5.1	4.4	4.6	6.5	4.1	2.2
Financial services	15.3	1.9	4.8	4.3	7.5	5.3	3.5
Other nonfinancial services	-1.5	9.2	5.3	4.8	4.7	4.2	4.9
Public administration	-7.4	0.8	5.2	8.1	6.9	4.7	2.2
Indirect taxes and Interior VAT	-5.5	7.7	2.3	16.6	6.0	4.7	2.8
GDP at market prices	-0.8	2.3	7.1	6.2	5.8	5.4	4.9
	(Percent of GDP, unless otherwise indicated)						
National accounts							
Gross domestic investment	17.2	19.3	20.2	20.8	22.7	22.1	20.6
Gross national savings	15.0	16.4	15.5	15.4	15.5	16.2	13.2
Current account balance	-2.2	-2.9	-4.7	-5.3	-7.2	-5.9	-7.4
(including official transfers)							
Memorandum items:							
Nominal GDP (in CFAF billions)	6352	6541	7093	7748	8308	8929	9557
GDP deflator (annual % change)	4.6	0.6	1.3	2.9	1.4	2.0	2.0

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

Table 3. Mali: Consolidated Fiscal Transactions of the Government, 2013–23

(Billions of CFA francs)

	2013	2014	2015	2016	2017		2018		2019	2020	2021	2022	2023
					Rev. Prog. [1]	Est.	Prog.	Proj.	Projections				
Revenue and grants	1137.2	1215.1	1481.1	1522.2	1823.1	1789.7	1948.9	1802.0	2091.9	2309.6	2501.7	2716.3	2956.2
Total revenue	951.2	1057.6	1273.4	1389.7	1620.4	1645.6	1834.4	1707.5	1891.0	2090.6	2260.9	2458.6	2677.1
Budgetary revenue	842.7	940.8	1134.2	1284.7	1509.0	1480.1	1711.2	1572.6	1684.6	1869.5	2024.2	2205.0	2405.3
Tax revenue	804.5	890.5	1082.5	1239.3	1357.5	1353.7	1498.9	1418.8	1595.9	1776.2	1932.7	2106.9	2295.3
Direct taxes	258.1	324.0	330.8	367.7	424.6	419.4	459.6	448.5	557.3	652.8	714.8	778.3	853.4
Of wich: Gold sector	71.0	56.2	46.0	63.5	73.9	72.9	80.0	82.9	91.4	89.6	87.7	86.9	85.9
Indirect taxes	546.4	566.5	751.7	871.6	932.9	934.3	1039.3	970.3	1038.6	1123.4	1217.8	1328.7	1441.9
VAT	325.7	335.0	411.3	467.3	508.9	523.5	562.3	517.2	611.4	663.7	720.4	788.6	856.8
Excises on petroleum products	22.3	27.8	93.1	100.9	94.7	84.7	95.2	82.7	99.6	107.8	117.2	128.7	143.8
Import duties	111.8	115.5	141.8	157.4	176.1	180.1	192.3	180.9	201.6	215.2	230.0	246.3	265.2
Other indirect taxes	146.9	149.9	189.5	218.0	235.3	235.2	257.3	257.3	198.5	214.1	233.3	254.0	271.4
Of wich: Gold sector	55.3	51.9	55.5	65.4	68.1	65.6	70.9	75.3	56.5	55.6	57.0	58.0	54.0
Tax refund	-60.3	-61.7	-84.0	-72.1	-82.1	-171.3	-67.8	-67.8	-72.4	-77.6	-83.1	-89.0	-95.3
Nontax revenue	38.2	50.2	51.7	45.4	151.5	126.4	212.3	153.8	88.7	93.3	91.5	98.0	110.0
Of wich: Gold sector	17.4	7.2	0.0	0.0	8.3	8.4	0.0	0.0	8.7	10.0	9.6	9.1	8.9
Special funds and annexed budgets	108.5	116.8	139.2	105.0	111.4	165.5	123.2	134.9	206.4	221.1	236.7	253.7	271.8
Grants	186.0	157.5	207.7	132.5	202.7	144.1	114.6	94.6	200.8	219.0	240.7	257.6	279.1
Projects grants	56.6	61.6	98.1	78.6	96.5	81.4	81.0	61.0	136.1	145.6	155.8	166.8	181.8
Budgetary support	120.1	96.0	67.1	53.9	106.2	62.7	33.6	33.6	64.8	73.4	84.9	90.9	97.3
Of which: General	110.8	70.2	46.4	45.5	84.8	48.6	26.2	26.2	56.6	60.6	64.9	69.4	74.3
Of which: Sectoral	9.3	25.8	20.7	8.4	21.4	14.2	7.4	7.4	8.1	12.8	20.1	21.5	23.0
Total expenditure and net lending (payment orders basis)	1292.4	1419.9	1622.3	1850.1	2130.2	2045.0	2261.3	2114.5	2403.5	2638.1	2856.7	3090.5	3358.1
Budgetary expenditure	1190.1	1308.4	1488.0	1753.0	2028.0	1889.5	2148.5	1990.0	2206.8	2417.1	2620.0	2836.8	3086.4
Current expenditure	800.5	848.1	922.0	1013.0	1150.8	1105.0	1251.0	1211.4	1300.3	1371.2	1482.8	1611.9	1765.0
Wages and salaries	290.8	313.4	358.2	400.9	459.7	432.6	516.4	516.4	595.6	646.2	691.3	739.9	792.0
Goods and services	239.6	240.5	260.9	268.5	319.2	297.6	323.5	300.3	319.8	320.1	342.5	370.2	412.9
Transfers and subsidies	237.7	252.4	257.0	287.5	308.3	300.5	332.7	316.3	283.8	304.4	336.4	377.7	422.0
Interest	32.4	41.7	45.9	56.1	63.5	74.4	78.3	78.3	101.1	100.5	112.6	124.0	138.1
Of which: domestic	14.0	24.5	22.9	30.0	35.9	46.2	47.3	47.3	66.9	71.0	80.7	89.6	100.0
Capital expenditure	389.6	460.3	566.0	740.0	877.3	784.5	897.5	778.6	906.5	1045.8	1137.2	1224.9	1321.3
Externally financed	161.0	190.5	281.1	240.9	306.5	253.1	257.4	237.4	327.5	385.2	423.6	469.5	515.8
Domestically financed	228.6	269.8	284.9	499.0	570.7	531.4	640.1	541.2	579.0	660.6	713.5	755.4	805.6
Special funds and annexed budgets	108.5	116.8	139.2	105.0	111.4	165.5	123.2	134.9	206.4	221.1	236.7	253.7	271.8
Net lending	-6.2	-5.4	-4.9	-7.9	-9.2	-10.0	-10.4	-10.4	-9.6	0.0	0.0	0.0	0.0
Overall fiscal balance (excl. grants)	-341.2	-362.3	-348.8	-460.4	-509.9	-399.4	-426.9	-407.0	-512.5	-547.6	-595.8	-631.8	-681.0
Overall fiscal balance (incl. grants)	-155.1	-204.7	-141.1	-327.9	-307.2	-255.3	-312.3	-312.5	-311.7	-328.5	-355.1	-374.2	-401.9
Variation of arrears	6.0	-50.4	-37.2	-8.2	-23.6	-5.2	-12.8	-12.8	-10.0	0.0	0.0	0.0	0.0
Of which: Domestic	7.5	-50.4	-37.2	-8.2	-23.6	-5.2	-12.8	-12.8	-10.0	0.0	0.0	0.0	0.0
Of which: External (Interest)	-1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjustment to cash basis	-8.1	85.0	-69.8	9.9	29.9	28.1	-11.9	-11.9	14.2	-1.8	18.9	9.2	11.4
Overall balance (cash basis, incl. grants)	-157.2	-170.1	-248.1	-326.1	-300.8	-232.4	-337.0	-337.1	-307.5	-330.3	-336.1	-364.9	-390.5
Financing	157.3	175.6	248.7	326.9	300.8	232.4	337.0	337.1	307.5	287.8	301.1	330.0	355.5
External financing (net)	103.9	70.5	145.0	109.2	195.8	154.9	133.3	133.3	129.2	159.7	177.1	208.2	213.4
Loans	134.7	119.5	225.2	149.9	258.5	206.3	206.0	206.0	209.9	255.5	278.4	314.0	307.4
Project loans	95.1	103.1	160.5	149.9	188.6	156.5	169.0	169.0	183.3	226.8	247.8	281.3	311.0
Of which: non-concessional	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Budgetary loans	39.6	16.4	64.7	0.0	69.9	49.8	37.0	37.0	26.6	28.7	30.7	32.7	-3.6
Amortization	-42.9	-52.0	-97.5	-58.4	-80.5	-69.6	-91.7	-91.7	-98.5	-95.8	-101.3	-105.8	-94.0
Debt relief	25.6	14.9	17.4	17.7	17.8	18.2	19.0	19.0	17.8	0.0	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	0.0
Domestic financing (net)	53.4	105.1	103.7	217.6	105.0	77.5	203.7	203.8	178.3	128.1	124.0	121.8	142.1
Banking system	-23.1	61.6	58.9	165.2	166.8	161.3	374.2	190.9	137.3	128.1	124.0	121.8	142.1
Central bank	-75.5	-65.8	23.0	77.4	37.7	57.0	66.3	66.3	-13.5	-11.9	-12.0	-16.5	-8.4
Commercial banks	29.4	80.3	7.9	105.3	129.1	29.1	308.0	124.7	150.8	140.0	136.0	138.3	150.5
Adjustment[2]	-23.0	47.1	-28.0	17.5	0.0	-60.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts	55.1	0.0	-11.4	-17.5	-10.0	-10.2	-15.0	-15.0	30.0	0.0	0.0	0.0	0.0
Non-bank financing	21.4	43.5	56.2	69.9	-51.9	-73.6	-155.5	27.9	11.0	0.0	0.0	0.0	0.0
Financing gap	0.0	-5.5	-0.6	-0.7	0.0	0.0	0.0	0.0	0.0	42.5	35.0	35.0	35.0
Memorandum items													
Basic fiscal balance[3]	-43.7	-86.7	38.5	-156.2	-100.7	-79.5	-124.3	-124.4	-110.6	-101.8	-107.3	-92.9	-91.0
Tax and non tax revenue from gold sector	143.6	115.4	101.5	128.8	150.3	146.8	150.8	158.1	156.6	155.2	154.3	154.0	148.8
Total official assistance (loans and grants)	320.7	277.0	432.9	282.4	461.2	350.4	320.6	300.6	410.8	474.5	519.2	571.6	586.5
Nominal GDP	6541	7093	7748	8308	8868	8929	9474	9557	10221	10950	11727	12564	13460

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

[1] IMF Country Report No. 17/209, Mali: Seventh Review Under the Extended Credit Facility Arrangement.

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

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

Table 4. Mali: Consolidated Fiscal Transactions of the Government, 2018

(Billions of CFA francs)

	Jun		Sept
	Prog.	Est.	Prog.
Revenue and grants	910.9	773.6	1358.8
Total revenue	856.8	746.6	1265.3
Budgetary revenue	795.2	654.1	1172.9
Tax revenue	741.1	631.9	1095.4
Direct taxes	239.0	221.2	342.4
Indirect taxes	502.1	410.8	753.0
VAT	275.2	223.9	411.9
Excises on petroleum products	47.6	32.4	71.9
Import duties	97.5	82.8	145.2
Other indirect taxes	115.6	98.9	174.9
Tax refund	-33.8	-27.2	-50.8
Nontax revenue	54.1	22.2	77.5
Special funds and annexed budgets	61.6	92.5	92.4
Grants	54.0	27.0	93.5
Projects	40.1	23.7	59.9
Budgetary support	13.9	3.4	33.6
General	6.6	0.0	26.2
Sectoral	7.4	3.4	7.4
Total expenditure and net lending (payment orders basis)	1147.4	769.3	1691.5
Budgetary expenditure	1091.0	680.8	1607.8
Current expenditure	656.0	465.7	950.9
Wages and salaries	258.2	194.8	387.3
Goods and services	161.8	92.6	242.7
Transfers and subsidies	187.0	126.5	256.0
Interest	49.1	51.7	65.0
Of which: domestic	33.7	38.7	42.0
Capital expenditure	435.0	215.1	656.8
Externally financed	115.0	60.5	176.7
Domestically financed	320.0	154.6	480.1
Special funds and annexed budgets	61.6	92.5	92.4
Net lending	-5.2	-4.0	-8.7
Overall fiscal balance (excl. grants)	-290.5	-22.7	-426.2
Overall fiscal balance (incl. grants)	-236.5	4.4	-332.7
Variation of arrears	-5.0	-6.4	-12.8
Adjustment to cash basis	-63.8	-11.7	-63.8
Overall balance (cash basis, incl. grants)	-305.3	-13.7	-409.2
Financing	305.0	13.8	409.1
External financing (net)	38.1	27.3	86.4
Loans	72.4	43.9	137.2
Project loans	67.5	36.9	109.4
Of which: non-concessional	0.0	0.0	0.0
Budgetary loans	4.9	7.0	27.8
Amortization	-47.8	-30.1	-65.7
Debt relief	13.5	13.5	14.9
Variation of External Arrears (Principal)	0.0	0.0	0.0
Domestic financing (net)	266.9	-13.5	322.7
Banking system	298.6	55.9	360.0
Central bank	18.3	-7.8	40.4
Commercial banks	280.3	95.5	319.6
Adjustment [1]	0.0	31.8	0.0
Privatization receipts	-7.5	-3.3	-7.5
Non-bank financing	-24.2	-66.2	-29.8
Financing gap	0.3	0.0	0.1
Memorandum items			
Basic fiscal balance[2]	-155.5	51.4	-208.3
Government bank and market financing	388.8	105.4	467.4

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

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

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

Table 5. Mali: Consolidated Fiscal Transactions of the Government, 2013–23
(Percent of GDP)

	2013	2014	2015	2016	2017		2018		2019		2020	2021	2022	2023
					Rev. Prog. [1]	Est.	Prog.	Proj.	Prog.	Proj.	Projections			
Revenue and grants	17.4	17.1	19.1	18.3	20.6	20.0	20.6	18.9	20.3	20.5	21.1	21.3	21.6	22.0
Total revenue	14.5	14.9	16.4	16.7	18.3	18.4	19.4	17.9	18.7	18.5	19.1	19.3	19.6	19.9
Budgetary revenue	12.9	13.3	14.6	15.5	17.0	16.6	18.1	16.5	17.4	16.5	17.1	17.3	17.6	17.9
Tax revenue	12.3	12.6	14.0	14.9	15.3	15.2	15.8	14.8	16.3	15.6	16.2	16.5	16.8	17.1
Direct taxes	3.9	4.6	4.3	4.4	4.8	4.7	4.9	4.7	5.3	5.5	6.0	6.1	6.2	6.3
Of wich: Gold sector	1.1	0.8	0.6	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.8	0.7	0.7	0.6
Indirect taxes	8.4	8.0	9.7	10.5	10.5	10.5	11.0	10.2	11.0	10.2	10.3	10.4	10.6	10.8
VAT	5.0	4.7	5.3	5.6	5.7	5.9	5.9	5.4	5.9	6.0	6.1	6.1	6.3	6.4
Excises on petroleum products	0.3	0.4	1.2	1.2	1.1	0.9	1.0	0.9	1.1	1.0	1.0	1.0	1.0	1.1
Import duties	1.7	1.6	1.8	1.9	2.0	2.0	2.0	1.9	2.0	2.0	2.0	2.0	2.0	2.0
Other indirect taxes	2.2	2.1	2.4	2.6	2.7	2.6	2.7	2.7	2.7	1.9	2.0	2.0	2.0	2.1
Of wich: Gold sector	0.8	0.7	0.7	0.8	0.8	0.7	0.7	0.8	0.7	0.6	0.5	0.5	0.5	0.4
Tax refund	-0.9	-0.9	-1.1	-0.9	-0.9	-1.9	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
Nontax revenue	0.6	0.7	0.7	0.5	1.7	1.4	2.2	1.6	1.1	0.9	0.9	0.8	0.8	0.8
Of wich: Gold sector	0.3	0.1	0.0	0.0	0.1	0.1	0.0	0.0	0.0	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	1.9	1.3	1.4	1.3	2.0	2.0	2.0	2.0	2.0
Grants	2.8	2.2	2.7	1.6	2.3	1.6	1.2	1.0	1.6	2.0	2.0	2.1	2.1	2.1
Projects grants	0.9	0.9	1.3	0.9	1.1	0.9	0.9	0.6	0.9	1.3	1.3	1.3	1.3	1.4
Budgetary support	1.8	1.4	0.9	0.6	1.2	0.7	0.4	0.4	0.7	0.6	0.7	0.7	0.7	0.7
Of which: General	1.7	1.0	0.6	0.5	1.0	0.5	0.3	0.3	0.5	0.6	0.6	0.6	0.6	0.6
Of which: Sectoral	0.1	0.4	0.3	0.1	0.2	0.2	0.1	0.1	0.2	0.1	0.1	0.2	0.2	0.2
Total expenditure and net lending (payment orders basis)	19.8	20.0	20.9	22.3	24.0	22.9	23.9	22.1	23.3	23.5	24.1	24.4	24.6	24.9
Budgetary expenditure	18.2	18.4	19.2	21.1	22.9	21.2	22.7	20.8	22.0	21.6	22.1	22.3	22.6	22.9
Current expenditure	12.2	12.0	11.9	12.2	13.0	12.4	13.2	12.7	12.4	12.7	12.5	12.6	12.8	13.1
Wages and salaries	4.4	4.4	4.6	4.8	5.2	4.8	5.5	5.4	5.3	5.8	5.9	5.9	5.9	5.9
Goods and services	3.7	3.4	3.4	3.2	3.6	3.3	3.4	3.1	2.9	3.1	2.9	2.9	2.9	3.1
Transfers and subsidies	3.6	3.6	3.3	3.5	3.5	3.4	3.5	3.3	3.4	2.8	2.8	2.9	3.0	3.1
Interest	0.5	0.6	0.6	0.7	0.7	0.8	0.8	0.8	0.9	1.0	0.9	1.0	1.0	1.0
Of which: domestic	0.2	0.3	0.3	0.4	0.4	0.5	0.5	0.5	0.6	0.7	0.6	0.7	0.7	0.7
Capital expenditure	6.0	6.5	7.3	8.9	9.9	8.8	9.5	8.1	9.6	8.9	9.6	9.7	9.7	9.8
Externally financed	2.5	2.7	3.6	2.9	3.5	2.8	2.7	2.5	2.9	3.2	3.5	3.6	3.7	3.8
Domestically financed	3.5	3.8	3.7	6.0	6.4	6.0	6.8	5.7	6.7	5.7	6.0	6.1	6.0	6.0
Special funds and annexed budgets	1.7	1.6	1.8	1.3	1.3	1.9	1.3	1.4	1.3	2.0	2.0	2.0	2.0	2.0
Net lending	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0
Overall fiscal balance (excl. grants)	-5.2	-5.1	-4.5	-5.5	-5.7	-4.5	-4.5	-4.3	-4.7	-5.0	-5.0	-5.1	-5.0	-5.1
Overall fiscal balance (incl. grants)	-2.4	-2.9	-1.8	-3.9	-3.5	-2.9	-3.3	-3.3	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Variation of arrears	0.1	-0.7	-0.5	-0.1	-0.3	-0.1	-0.1	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0
Of which: Domestic	0.1	-0.7	-0.5	-0.1	-0.3	-0.1	-0.1	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0
Of which: External (Interest)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjustment to cash basis	-0.1	1.2	-0.9	0.1	0.3	0.3	-0.1	-0.1	0.1	0.1	0.0	0.2	0.1	0.1
Overall balance (cash basis, incl. grants)	-2.4	-2.4	-3.2	-3.9	-3.4	-2.6	-3.6	-3.5	-3.0	-3.0	-3.0	-2.9	-2.9	-2.9
Financing	2.4	2.5	3.2	3.9	3.4	2.6	3.6	3.5	2.6	3.0	2.6	2.6	2.6	2.6
External financing (net)	1.6	1.0	1.9	1.3	2.2	1.7	1.4	1.4	1.5	1.3	1.5	1.5	1.7	1.6
Loans	2.1	1.7	2.9	1.8	2.9	2.3	2.2	2.2	2.2	2.1	2.3	2.4	2.5	2.3
Project loans	1.5	1.5	2.1	1.8	2.1	1.8	1.8	1.8	1.8	1.8	2.1	2.1	2.2	2.3
Of which: non-concessional	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Budgetary loans	0.6	0.2	0.8	0.0	0.8	0.6	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.0
Amortization	-0.7	-0.7	-1.3	-0.7	-0.9	-0.8	-1.0	-1.0	-0.8	-1.0	-0.9	-0.9	-0.8	-0.7
Debt relief	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.0	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	0.0	0.0
Domestic financing (net)	0.8	1.5	1.3	2.6	1.2	0.9	2.2	2.1	1.1	1.7	1.2	1.1	1.0	1.1
Banking system	-0.4	0.9	0.8	2.0	1.9	1.8	4.0	2.0	1.0	1.3	1.2	1.1	1.0	1.1
Central bank	-1.2	-0.9	0.3	0.9	0.4	0.6	0.7	0.7	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Commercial banks	0.4	1.1	0.1	1.3	1.5	0.3	3.3	1.3	1.0	1.5	1.3	1.2	1.1	1.1
Adjustment[2]	-0.4	0.7	-0.4	0.2	0.0	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts	0.8	0.0	-0.1	-0.2	-0.1	-0.1	-0.2	-0.2	0.0	0.3	0.0	0.0	0.0	0.0
Non-bank financing	0.3	0.6	0.7	0.8	-0.6	-0.8	-1.6	0.3	0.1	0.1	0.0	0.0	0.0	0.0
Financing gap	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.4	0.3	0.3	0.3
Memorandum items														
Basic fiscal balance[3]	-0.7	-1.2	0.5	-1.9	-1.1	-0.9	-1.3	-1.3	-1.1	-1.1	-0.9	-0.9	-0.7	-0.7
Tax and non tax revenue from gold sector	2.2	1.6	1.3	1.6	1.7	1.6	1.6	1.7	1.6	1.5	1.4	1.3	1.2	1.1
Total official assistance (loans and grants)	4.9	3.9	5.6	3.4	5.2	3.9	3.4	3.1	3.8	4.0	4.3	4.4	4.6	4.4
Nominal GDP (in billions of CFAF)	6541	7093	7748	8308	8868	8929	9474	9557	10057	10221	10950	11727	12564	13460

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

[1] IMF Country Report No. 17/209, Mali: Seventh Review Under the Extended Credit Facility Arrangement.

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

[3] Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending

Table 6. Mali: Balance of Payments, 2013–23

(Billions of CFA franc)

	2013	2014	2015	2016	2017		2018		2019		2020	2021	2022	2023
					Rev. Prog.[1]	Est.	Prog.	Proj.	Prog.	Proj.	Projections			
							(Billions of CFAF)							
Current account balance														
Excluding official transfers	-814.2	-903.7	-955.3	-1214.9	-1474.5	-1158.3	-1289.7	-1353.5	-1388.5	-1494.5	-1577.5	-1633.3	-1677.3	-1179.7
Including official transfers	-188.8	-333.9	-412.4	-601.9	-721.6	-525.1	-619.3	-703.2	-657.6	-738.9	-809.7	-845.0	-873.2	-920.0
Trade balance	-126.5	-251.1	-281.3	-342.0	-509.9	-358.7	-367.9	-409.5	-459.2	-564.1	-660.2	-718.5	-788.9	-871.6
Exports, f.o.b.	1419.5	1374.4	1606.8	1675.9	1803.2	1779.8	1847.0	1909.1	1857.3	1885.3	1845.2	1858.4	1881.1	1909.7
Cotton fiber	176.8	166.7	183.1	187.6	249.2	229.8	258.4	286.6	254.0	299.7	291.6	286.4	290.1	295.5
Gold	964.5	917.7	1004.1	1120.4	1199.1	1167.9	1182.4	1225.6	1146.5	1163.1	1105.2	1095.2	1083.6	1075.1
Other	278.2	290.0	419.6	368.0	354.9	382.1	406.1	396.8	456.8	422.5	448.3	476.8	507.4	539.1
Imports, f.o.b.	-1546.1	-1625.4	-1888.1	-2018.0	-2313.1	-2138.5	-2214.9	-2318.6	-2316.5	-2449.4	-2505.4	-2576.9	-2669.9	-2781.3
Petroleum products	-434.3	-434.8	-403.7	-425.8	-582.1	-528.9	-607.5	-672.5	-548.3	-721.3	-709.2	-699.8	-698.5	-710.8
Foodstuffs	-231.6	-248.7	-324.3	-336.0	-331.9	-336.2	-342.5	-336.6	-378.8	-351.9	-373.0	-394.8	-415.4	-437.7
Other	-880.1	-941.9	-1160.1	-1256.2	-1399.1	-1273.3	-1265.0	-1309.4	-1389.4	-1376.1	-1423.2	-1482.3	-1556.1	-1632.8
Services (net)	-854.1	-850.1	-923.6	-1061.0	-1089.1	-1051.1	-1084.3	-1098.3	-1166.8	-1130.8	-1174.2	-1211.7	-1228.6	-693.0
Credit	211.7	225.6	256.0	272.6	247.8	282.0	302.2	299.7	346.1	317.3	335.9	356.0	377.5	400.3
Debit[2]	-1065.9	-1075.7	-1179.7	-1333.6	-1336.9	-1333.1	-1386.5	-1398.0	-1513.0	-1448.0	-1510.1	-1567.8	-1606.1	-1093.3
Of which: freight and insurance	-319.7	-299.9	-348.4	-372.4	-440.6	-391.6	-421.9	-441.6	-441.2	-466.5	-477.2	-490.8	-508.6	-529.8
Income (net)	-213.7	-190.0	-174.8	-222.1	-319.0	-194.1	-312.0	-322.8	-299.4	-309.9	-289.7	-288.5	-286.9	-287.1
Of which: interest due on public debt	-18.4	-17.2	-23.0	-26.1	-27.6	-28.2	-31.0	-31.0	-28.5	-34.1	-29.5	-31.9	-34.5	-38.2
Transfers (net)	1005.5	957.2	967.3	1023.2	1196.4	1078.8	1144.9	1127.3	1267.8	1265.9	1314.4	1373.7	1431.2	931.7
Private transfers (net)	380.2	387.4	424.4	410.2	443.5	445.6	474.5	477.0	536.9	510.2	546.6	585.4	627.1	672.0
Official transfers (net)[2]	625.4	569.8	542.9	613.0	752.9	633.2	670.4	650.3	730.9	755.6	767.8	788.4	804.1	259.7
Of which: budgetary grants	110.8	70.2	46.4	45.5	106.2	48.6	33.6	33.6	81.5	64.8	73.4	84.9	90.9	97.3
Capital and financial account	120.1	175.3	322.2	319.6	464.8	557.0	425.2	482.4	520.1	515.0	615.4	666.7	738.3	784.9
Capital account (net)	107.0	95.9	180.3	101.7	203.1	81.6	81.2	61.2	100.7	136.3	145.9	156.1	167.1	182.1
Debt forgiveness	25.5	14.9	59.3	0.0	0.0	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	98.1	78.6	96.5	81.4	81.0	61.0	100.4	136.1	145.6	155.8	166.8	181.8
Financial account	13.2	79.4	141.8	217.8	261.8	475.4	344.0	421.2	419.4	378.7	469.5	510.6	571.2	602.7
Private (net)	-63.5	-63.7	-45.0	-8.7	17.3	322.6	205.6	289.7	223.1	249.0	290.1	312.4	340.4	365.1
Direct investment (net)	150.7	70.9	114.2	153.8	123.0	245.5	218.4	262.7	235.1	281.0	301.1	322.4	345.4	370.1
Portfolio investment private (net)	-1.0	-1.5	4.5	2.6	-1.0	10.0	2.2	-3.0	3.0	-2.0	-1.0	0.0	0.0	0.0
Other private capital flows	-213.2	-133.1	-163.7	-165.0	-104.6	67.2	-15.0	30.0	-15.0	-30.0	-10.0	-10.0	-5.0	-5.0
Official (net)	75.2	52.7	127.7	91.5	178.0	136.7	114.3	114.3	172.2	111.3	159.7	177.1	208.2	213.4
Disbursements	134.7	119.5	225.2	149.9	258.5	206.3	206.0	206.0	265.5	209.9	255.5	278.4	314.0	307.4
Budgetary	39.6	16.4	64.7	0.0	69.9	49.8	37.0	37.0	41.3	26.6	28.7	30.7	32.7	-3.6
Project related	95.1	103.1	160.5	149.9	188.6	156.5	169.0	169.0	224.2	183.3	226.8	247.8	281.3	311.0
Amortization due on public debt	-42.9	-52.0	-97.5	-58.4	-80.5	-69.6	-91.7	-91.7	-93.4	-98.5	-95.8	-101.3	-105.8	-94.0
Errors and omissions	-17.5	-15.9	-33.7	-42.3	0.0	34.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-86.2	-174.5	-124.0	-324.7	-256.7	66.3	-194.1	-220.8	-137.6	-223.9	-194.3	-178.3	-134.9	-135.1
Financing	86.2	174.5	124.0	324.7	256.7	-66.3	194.1	220.8	137.6	223.9	194.3	178.3	134.9	135.1
Foreign assets (net)	60.6	159.6	107.2	307.0	238.8	-84.1	176.0	202.7	86.8	206.9	143.6	135.0	134.9	135.1
Of which: IMF (net)	18.8	4.3	1.9	24.6	44.0	21.8	63.3	71.2	-11.6	-10.9	-11.9	-12.0	-13.2	-20.9
HIPC Initiative assistance	25.6	14.9	16.8	17.7	17.8	17.8	18.1	18.1	8.2	17.0	8.2	8.2	0.0	0.0
Financing gap	0.0	-5.5	0.0	0.0	0.0	0.0	0.0	0.0	42.5	0.0	42.5	35.0	35.0	35.0
							(in percent of GDP, unless otherwise indicated)							
Current account balance														
Excluding official transfers	-12.4	-12.7	-12.3	-14.6	-16.6	-13.0	-13.6	-14.2	-13.0	-14.6	-14.4	-13.9	-13.4	-8.8
Including official transfers	-2.9	-4.7	-5.3	-7.2	-8.1	-5.9	-6.5	-7.4	-6.1	-7.2	-7.4	-7.2	-7.0	-6.8
Trade Balance	-1.9	-3.5	-3.6	-4.1	-5.8	-4.0	-3.9	-4.3	-4.3	-5.5	-6.0	-6.1	-6.3	-6.5
Overall Balance	-1.3	-2.5	-1.6	-3.9	-2.9	0.7	-2.0	-2.3	-1.3	-2.2	-1.8	-1.5	-1.1	-1.0
							(annual percentage change)							
External trade														
Export volume index	7.1	-2.3	32.0	-4.0	4.7	6.4	7.0	8.9	3.8	0.8	0.2	1.1	1.3	1.4
Import volume index	1.7	10.2	49.9	13.3	2.4	4.3	4.8	4.5	5.0	4.7	4.7	4.6	4.7	4.9
Export unit value	-14.3	-1.5	-8.0	8.9	3.6	0.4	-3.0	-1.3	-0.3	-2.2	-2.5	-0.6	-0.2	0.0
Import unit value	2.7	-6.6	-22.5	-5.7	10.6	1.6	-0.4	3.8	-1.6	0.9	-2.3	-1.6	-1.1	-0.7
Terms of trade	-16.6	5.5	18.6	15.5	-6.4	-1.3	-2.6	-4.9	1.2	-3.1	-0.2	1.1	0.9	0.7

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

[1] IMF Country Report No. 17/209, Mali: Seventh Review Under the Extended Credit Facility Arrangement.

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

Table 7. Mali: Monetary Survey, 2013–19

(Billions of CFA franc)

	2013	2014	2015	2016	2017 Rev. Prog.[1]	2017 Est.	2018 Prog.	2018 Proj.	2019 Prog.	2019 Proj.
					(Billions of CFAF)					
Net Foreign Assets	758	623	536	211	-14	108	-68	-94	-182	-301
BCEAO	482	322	215	-92	-331	-8	-184	-211	-299	-418
Commercial Banks	277	301	321	303	317	116	116	116	116	116
Net Domestic Assets	1087	1354	1702	2189	2603	2481	3075	2865	3431	3274
Credit to the government (net)	-101	-86	-55	178	289	272	646	463	735	600
BCEAO	0	-66	-43	29	67	85	152	152	141	138
Commercial banks, net	-101	-20	-12	149	222	187	495	311	594	462
Other	0	0	0	0	0	0	0	0	0	0
Credit to the economy	1228	1458	1747	2054	2335	2205	2426	2399	2692	2670
Other items (net)	-41	-18	9	-44	-21	3	3	3	3	3
Money supply (M2)	1845	1977	2237	2400	2589	2589	3008	2771	3248	2972
Currency outside banks	509	443	407	444	479	555	645	594	696	637
Bank deposits	1337	1533	1830	1956	2110	2034	2363	2177	2552	2335
Memorandum item:										
Base Money (M0)	742	715	750	698	815	790	917	845	991	907
Gross international reserves BCEAO	613	465	369	87	-263	175	-60	-86	-186	-305
in percent of broad money	33.2	23.5	16.5	3.6	-10.2	6.7	-2.0	-3.1	-5.7	-10.3
					(in percentage of beginning of period broad money)					
Contribution to growth of broad money										
Money supply (M2)	7.4	7.1	13.2	7.3	7.8	7.9	16.2	7.0	8.0	7.3
Net foreign assets	3.6	-7.3	-4.4	-14.5	-9.9	-4.3	-6.8	-7.8	-3.8	-7.5
BCEAO	-3.5	-8.6	-5.4	-13.7	-9.9	3.5	-6.8	-7.8	-3.8	-7.5
Commercial banks	7.1	1.3	1.0	-0.8	0.0	-7.8	0.0	0.0	0.0	0.0
Net domestic assets	3.8	14.5	17.6	21.8	17.8	12.2	23.0	14.9	11.8	14.7
Credit to the central government	-2.7	0.8	1.6	10.4	6.9	3.9	14.5	7.4	3.0	5.0
Credit to the economy	7.5	12.4	14.6	13.7	10.8	6.3	8.5	7.5	8.9	9.8
Other items net	-1.0	1.2	1.4	-2.4	0.0	2.0	0.0	0.0	0.0	0.0
	(Annual growth rate)									
Memorandum items:										
Money supply (M2)	7.4	7.1	13.2	7.3	7.8	7.9	16.2	7.0	8.0	7.3
Base money (M0)	1.3	-3.7	5.0	-7.0	7.8	13.2	16.2	7.0	8.0	7.3
Credit to the economy	11.7	18.7	19.9	17.6	12.5	7.4	10.0	8.8	11.0	11.3
Velocity (GDP/M2)	3.5	3.6	3.5	3.5	3.4	3.4	3.2	3.4	3.1	3.4
Money Multiplier (M2/M0)	2.5	2.8	3.0	3.4	3.2	3.3	3.3	3.3	3.3	3.3
Currency outside banks / M2	27.6	22.4	18.2	18.5	18.5	21.4	21.4	21.4	21.4	21.4

Sources: BCEAO; and Fund staff estimates and projections.

[1] IMF Country Report No. 17/209, Mali: Seventh Review Under the Extended Credit Facility Arrangement.

Table 8. Mali: Financial Soundness Indicators for the Banking Sector, 2009–18

	2009	2010	2011	2012	2013	2014	2015	2016	2017				2018	
									March	June	Sep.	Dec.	March	June
	(in percent)													
Capital														
Capital to risk-weighted assets	7.7	13.7	11.7	11.4	12.9	14.5	14.8	14.7	13.0	13.6	13.9	14.3	…	…
Tier 1 capital to risk-weighted assets	7.2	12.7	10.8	10.0	12.2	13.1	13.4	13.2	11.6	12.3	12.6	13.0	…	…
Capital (net worth) in percent of assets	4.6	7.5	8.3	7.7	7.9	7.1	7.4	7.3	7.2	7.2	7.6	7.3	…	…
Sectoral distribution of credit to the economy														
Agriculture and fishing	7.9	1.6	11.7	10.9	6.5	5.5	4.3	3.8	4.0	2.2	2.8	3.6	2.8	3.4
Minining sector	0.2	0.1	0.1	3.8	4.7	3.4	2.6	2.2	1.9	2.4	2.0	2.1	2.3	2.1
Manufacturing	5.9	7.3	8.0	9.6	11.1	12.7	12.1	13.2	13.5	13.9	13.1	13.6	14.1	15.0
Electricity, gas, and water	4.3	11.1	10.0	6.4	9.6	11.9	9.6	7.5	7.6	7.8	7.0	6.8	6.4	6.1
Building and construction	1.6	4.3	4.4	5.0	3.8	4.9	7.0	6.8	6.5	7.4	6.7	6.9	6.8	6.9
Wholesale and retail trade, hotels and restaurants	37.4	44.4	43.3	44.6	45.2	40.9	45.5	43.2	43.2	42.1	43.7	41.6	43.5	41.9
Transportation, warehouses, communications	11.3	8.8	7.1	5.6	9.3	10.1	8.8	9.6	9.3	10.3	10.7	11.9	10.7	11.9
Insurance, real estate, and services for enterprises	18.8	14.9	9.8	8.2	5.7	6.9	6.3	7.8	7.5	8.3	8.2	7.7	7.1	7.2
Collectives and social services	14.6	7.6	5.6	5.8	4.0	3.6	3.7	4.1	4.5	4.4	4.7	4.6	4.9	4.7
Asset quality														
Non-performing loans to total loans	25.4	22.1	18.0	21.0	19.3	15.9	14.5	15.4	16.6	17.3	17.6	18.2	16.8	16.4
Non-performing loans to total loans (net of provisioning)	11.6	8.5	6.5	8.7	8.3	5.6	5.4	7.2	7.9	8.2	8.6	8.9	7.4	7.5
Provisions to gross non-performing loans	59.5	64.0	69.3	65.0	62.0	68.6	66.5	57.7	56.9	57.0	55.8	56.0	60.3	59.6
Earnings and profitability														
Return on assets (ROA)	0.6	1.4	1.7	1.3	1.2	1.1	1.1	1.1	…	…	…	1.0	…	…
Return on equity (ROE)	6.8	8.6	14.9	12.5	14.1	16.0	14.9	14.8	…	…	…	14.6	…	…
Liquidity														
Liquid assets to total assets	33.8	32.7	36.7	34.8	34.4	51.8	51.7	50.0	51.7	51.5	49.8	49.2	…	…
Liquid assets to short term liabilities	61.2	92.9	89.4	90.0	98.0	95.6	87.9	86.2	69.2	69.0	69.6	67.3	…	…
Ratio of loans to deposits	72.2	82.6	88.0	88.5	89.7	87.8	86.7	95.8	97.3	95.4	97.3	99.6	99.4	99.4
Memorandum items [1]														
Deposit rate	1.9	1.9	1.8	1.9	1.8	1.8	1.8	2.2	…	…	…	2.7	…	…
Lending rate	9.7	9.4	9.3	8.9	9.5	8.2	7.8	7.5	…	…	…	8.0	…	…

Source: BCEAO, and IMF staff estimates.

[1] Average

Table 9. Mali: Schedule of Disbursements Under the ECF Arrangement, 2013–18

Amount	In percent of quota [1]	Available date	Conditions for disbursement
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.

[1] Using the new quota under the 14th General Review of Quotas (SDR 186.6 million).

Table 10. Mali: Indicators of Capacity to Repay the Fund, 2018–27[1]

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Fund obligations based on existing credit										
Principal	4.2	13.8	15.2	15.4	17.0	26.9	29.8	27.8	24.7	19.0
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit										
Principal	4.2	13.8	15.2	15.4	17.0	26.9	36.1	34.1	31.0	25.3
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total obligations based on existing and prospective credit										
In millions of SDRs	4.2	13.8	15.2	15.4	17.0	26.9	36.1	34.1	31.0	25.3
In billions of CFA francs	3.3	10.9	11.9	12.0	13.2	34.6	46.5	43.9	40.0	32.6
In percent of government revenue	0.2	0.6	0.6	0.5	0.5	1.3	1.6	1.4	1.2	0.9
In percent of exports of goods and services	0.1	0.5	0.5	0.5	0.6	1.5	2.0	1.8	1.6	1.2
In percent of debt service	1.9	5.4	6.1	5.6	5.7	14.9	18.9	16.9	14.6	11.0
In percent of GDP	0.0	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.2	0.2
In percent of quota	4.5	14.8	16.3	16.5	18.2	28.8	38.7	36.6	33.2	27.1
Outstanding Fund credit[1]										
In millions of SDRs	227.5	213.7	198.5	183.1	166.1	139.2	103.1	69.0	38.0	12.7
In billions of CFA francs	178.5	168.4	155.2	142.8	129.1	108.1	80.1	53.6	29.5	9.8
In percent of government revenue	10.5	8.9	7.4	6.3	5.3	4.0	2.7	1.7	0.9	0.3
In percent of exports of goods and services	8.1	7.6	7.1	6.4	5.7	4.7	3.4	2.2	1.2	0.4
In percent of debt service	105.0	84.4	79.1	66.8	56.2	46.6	32.6	20.5	10.8	3.3
In percent of GDP	1.9	1.6	1.4	1.2	1.0	0.8	0.6	0.3	0.2	0.1
In percent of quota[3]	121.9	114.5	106.4	98.1	89.0	74.6	55.3	37.0	20.4	6.8
Disbursements and Repurchases	82.3	-13.8	-15.2	-15.4	-17.0	-26.9	-36.1	-34.1	-31.0	-25.3
Disbursements	95.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	12.7	13.8	15.2	15.4	17.0	26.9	36.1	34.1	31.0	25.3
Memorandum items:										
Nominal GDP	9,557	10,221	10,950	11,727	12,564	13,460	14,421	15,450	16,553	17,734
Exports of goods and services	2,209	2,203	2,181	2,214	2,259	2,310	2,363	2,445	2,532	2,631
Government revenue	1,707	1,891	2,091	2,261	2,459	2,677	2,917	3,169	3,444	3,724
Debt service	170	200	196	214	230	232	246	261	274	297

Sources: IMF staff estimates and projections.

[1] Total debt service includes IMF repurchases and repayments.
[2] Using the new quota under the 14th General Review of Quotas (SDR 186.6 million).

Table 11. Mali: Performance Criteria and Indicators for 2018 [1]
(in CFAF billion)

	2018				
	June				September (Ind. targets)
	Prog.	Adj. Target	Est.	Status	Prog.
Performance criteria					
Ceiling on net domestic bank and market financing of the government [2]	389	336	105	Met	467
Cumulative increase in external payments arrears (ceiling) [3]	0		0	Met	0
New external debt contracted or guaranteed by the government, in PV terms (cumulative ceiling from June 2015) [3,4,7]	557		441	Met	557
Gross tax revenue (floor)	775		659	Not met	1,146
Indicative targets					
Basic fiscal balance (floor) [5]	-155	-155	51	Met	-208
Priority poverty-reducing expenditure (floor)	142		147	Met	341
Memorandum items:					
External budgetary support [6]	11		7		54
General budgetary grant	7		0		26
Net change in budgetary float (– = reduction)	-64		-12		-64
Tax refunds (–)	-34		-27		-51
Net change in arrears (– = reduction)	-5		-6		-13

Sources: Malian authorities; and IMF staff projections.

[1] Cumulative figures from the beginning of the year, unless otherwise indicated. See Technical memorandum of understanding (TMU) for definitions. The March and September test dates are for indicative targets, while the June test date is for performance criteria.

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

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

[4] Provided the average grant element of these loans is no less than 30 percent.

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

[6] On a disbursements basis.

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

Table 12. Mali: Summary of External Borrowing Program[1]

(in CFAF billion)

	2015		2016				2017				2018					
											June		October			
	Actual	PV	Prog.	PV	Actual	PV	Prog.	PV	Actual	PV	Actual	PV	Actual	PV	Prog.	PV
Debt financing sources	**231**	**117**	**493**	**260**	**456**	**246**	**801**	**426**	**770**	**399**	**854**	**441**	**990**	**528**	**1046**	**557**
Concessional debt of which[2]	231	117	460	239	423	221	720	365	738	374	804	405	848	425	894	443
Multilateral debt	206	104	389	197	345	177	612	303	641	320	700	346	743	366	790	384
Bilateral debt	25	13	71	42	78	44	108	62	97	54	104	59	104	59	104	59
Nonconcessional debt[3]	0	0	33	21	33	24	81	61	33	24	50	36	142	103	152	114
Uses of borrowed funds	**231**	**117**	**493**	**260**	**456**	**246**	**801**	**426**	**770**	**399**	**854**	**441**	**990**	**528**	**1046**	**557**
Budgetary assistance	46	21	79	35	46	21	144	54	94	41	94	41	110	48	131	55
Infrastructure (roads, bridges, etc.)	27	15	144	79	132	73	140	78	226	124	234	128	234	128	381	229
Energy	34	21	53	32	53	33	179	102	130	68	143	73	146	74	151	74
Agriculture	50	25	50	25	68	33	127	69	87	43	126	60	143	68	123	59
Social (education, health)	58	28	147	79	58	28	58	28	58	28	75	40	83	44	75	40
Various	15	7	20	10	99	58	154	96	175	95	182	99	275	166	183	99

Sources: Malian authorities;and IMF staff calculations

[1] New borrowing arranged or guaranteed, cummulative 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.

Table 13. Mali: Proposed Structural Benchmarks for 2018			
Measures	**Implementation Deadline**	**Status**	**Macroeconomic Justification**
Assess the implementation of recommendations of the 2017 report on compliance of the expenditure management software (PRED) and financial and accounting information system (AICE) with the new budgeting and accounting processes.	May 28	Met.	Ensure the monitoring and evaluation of program performance starting in December 2018.
Continue the implementation of the oil product's pricing formula to ensure that changes in the cost of imported petroleum products are reflected in pump prices within a margin of 3 percent per month, in order to meet oil revenue targets.	Continuous	Not met.	Adequately price oil products and protect revenue derived from their taxation.
Develop a strategy to reducing non-collateralized NPLs in the banking system, including reducing the non-operating fixed assets obtained through the realization of guarantees.	June 30	Not met. Expected to be implemented in December.	Strengthen the banking system.
Achieve a transmission rate of 35 percent of their asset declaration to the Supreme Court of the government officials explicitly mentioned in by the law against illicit enrichment.	June 30	Met. The transmission rate exceeded 40 percent.	Promote good governance
Reduce the amount of public institution of an administrative nature (EPAs)' funds are deposited in commercial banks by transferring 50 percent of these funds to the BCEAO relative to end-2017 deposits.	June 30	Not met.	Strengthen public financial management.
Raise the eligibility threshold for investments benefiting from tax exemptions from CFAF 12.5 million to CFAF 100 million, except for small agricultural and artisanal enterprises (paragraph 11).	July 31	Not met. The draft law was submitted for discussion by the cabinet.	Increase tax revenue.
Prepare a methodology to establish a market cost list for road, building, hydroagricultural, and hydrolic infrastructures	August 31	Not met. Implemented with delay in October.	Improve capital spending execution
Assess transfer pricing policy and its implementation, with a focus on the mining sector, and propose adequate transfer pricing rules.	September 30	Met.	Improve government revenue and increase fiscal space.
Implement taxpayer compliance improvement plan being designed with Fund TA support.	October 31	Not met.	Foster taxpayer compliance.
Achieve a transmission rate of 50 percent of their asset declaration to the Supreme Court of the government officials explicitly mentioned in by the law against illicit enrichment.	October 31	Met. The transmission rate exceeded 60 percent.	Promote good governance

Appendix I. Letter of Intent

Bamako, November 19, 2018

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

Madame Managing Director:

At its meeting on December 18, 2013, the Executive Board of the International Monetary Fund (IMF) approved a three-year Extended Credit Facility (ECF)-supported arrangement with the government of Mali to maintain macroeconomic stability and revive growth, with broad-based support from technical and financial partners for the country's renewal following the 2012 security and political crisis. The arrangement was subsequently augmented and extended twice to help Mali cope with emerging needs for increased spending on security and decentralization.

The implementation of this agreement has made it possible to stabilize the macroeconomic environment despite the challenges of insecurity and the impact of exogenous shocks while also laying the foundation for durable and inclusive economic growth.

The ECF-supported program has achieved its objectives. Consequently, the government is requesting the completion of the tenth review, a waiver of nonobservance for the performance criterion, and the disbursement of the final tranche in the amount of SDR 31.65 million based on the overall performance and the government's policy intentions for the future.

Recent Economic Developments and Program Implementation

Recent Developments

Economic performance in 2018 was characterized by the good performance of the agriculture and mining sectors, and real GDP growth is estimated at 4.9 percent. The recent revenue shortfalls were mainly offset by an under-execution of capital expenditure. The government is committed to maintaining fiscal discipline and the deficit is estimated at 3.3 percent of GDP, in line with program objectives. The current account deficit worsened in 2018 and amounted to around 7.4 percent of GDP. The significant increase in gold and cotton production, coupled with a slight increase in international prices made it possible to increase exports and partially offset the impact of higher international oil prices.

Program Implementation

Performance under the tenth and final review of the ECF-supported program remained broadly satisfactory despite a challenging security environment, particularly in the North and Centre of the country, and a difficult social environment. The authorities have maintained their reform plan. Thus:

- All the quantitative performance criteria at end-2018, except one, have been met. The performance criterion regarding the floor on gross tax revenue was not met. The security conditions and uncertainty during the pre-election period had a negative impact on revenues. The government is currently putting in place a series of administrative measures to raise the level of revenue. To prevent any accumulation of domestic payments arrears, the government has cut public spending. However, priority and social spending as well as investment spending on projects already underway and new and productive products were spared.

- Progress on structural benchmarks in 2018 was slower than expected. Out of the ten structural benchmarks, four were fully implemented at October 31, 2018. In particular, the measures related to improving governance were met, capitalizing on the progress made in previous reviews. In the first half of 2019, the government intends to intensify its efforts to implement the structural benchmarks that have not been fully met.

Future Macroeconomic and Structural Policies

Mali remains exposed to significant external risks and the government intends to continue implementing its reform agenda with support from the IMF to maintain economic stability, ensure fiscal stability, continue its decentralization/deconcentration efforts, support financial sector development, strengthen the fight against corruption and its efforts to improve good governance, improve the efficiency of the energy sector, and foster economic diversification and inclusive growth.

The government reaffirms its commitment to the policies and reforms described in this Letter of Intent. It is finalizing its new development strategy for the period 2019-2023 that will serve as the basis for its request for a new three-year Extended Credit Facility (ECF) arrangement in the first quarter of 2019.

Fiscal Policy

The authorities are determined to respect the WAEMU convergence criterion limiting the budget deficit to 3 percent of GDP. They intend to make the necessary efforts to strengthen their planning and implementation capacities and to accelerate the implementation of the reforms, in particular, those related to mobilizing additional resources. The authorities will continue to pursue a prudent debt policy, without accumulating external or domestic arrears, to maintain and strive to improve its moderate risk of debt distress.

In this context, they plan to give preference to grants and concessional financing, while continuing to make prudent use of the regional financial market. Recourse to non-concessional financing remains an option of last resort, and only for projects of the highest priority and guaranteed economic return.

Fiscal Space to Support Public Investment and its Efficient Execution

The authorities are determined to preserve fiscal space to support public investment, which is vital to bridge the infrastructure gap. Reforms will be undertaken to improve the selection, assessment, and execution of public investments. The government is determined to focus on reducing the efficiency gap, identified during the August 2017 public investment management assessment (PIMA), by reducing expenditures that do not directly contribute to fixed capital formation and improving project performance.

Public Financial Management

The government is determined to improve public financial management. It intends to take measures to strengthen the improvements in the regulatory framework and public financial management as well as in budget preparation, execution, monitoring, and audit of budget execution. It will continue its efforts to improve fiscal transparency, internal and external audit, and cash management. The government will also strengthen its budgetary and financial forecasting instruments that were recently developed and speed up the process of putting in place a process for controlling fiscal risks.

Tax Policy and Administration

The government plans to increase tax revenues by 0.5 percentage points of GDP a year over the medium term. It will therefore intensify the reforms underway to (i) broaden the tax base and reduce exemptions; (ii) intensify the collection and processing of information; (iii) transform the culture of the revenue collecting units; (iv) strengthen efforts to improve tax compliance; (v) improve tax efficiency in the mining sector, particularly by adopting the revised mining code and measures to mitigate the vulnerabilities related to aggressive tax optimization; and (vi) and to optimize tax revenue from petroleum products.

Combating Corruption and Improving Governance

To promote good governance and combat corruption, the government is currently strengthening its set of measures. It is determined to continue its efforts to properly implement Law n°2014-015 of May 27, 2014 on the prevention and repression of illicit enrichment. It undertakes to accelerate the legal work aimed at reviewing this Law, including to increase the base of subject entities. It also undertakes to accelerate the implementation of the recommendations of the Auditor General's Office to ensure the proper use of public resources. An assessment of governance vulnerabilities could be undertaken in the context of a new three-year ECF-supported program to help prioritize the reforms.

Energy Sector Efficiency

The financial situation of the public electricity utility (EDM) remains fragile because of ill-adapted and costly infrastructure, technical losses, the application of rates below production cost, and a high debt level. The government is currently taking steps, with World Bank support, to strengthen EDM's financial situation and stop the accumulation of arrears. Investments aimed at reversing the energy mix in favor of renewable sources, coupled with a possible adjustment of electricity pricing, are being considered to lower production costs and improve the EDM's financial situation.

Economic Diversification and Economic Growth

The government intends to make further efforts to strengthen economic diversification and to promote more inclusive growth. A high priority will be placed on investment spending aimed at improving public infrastructure, such as roads and electricity coverage, and on protecting spending in priority sectors, including education and health. The government will focus on policies centered around improving the business climate, infrastructure, and human capital.

We agree to the publication, including on the IMF website, of this Letter of Intent and the accompanying staff report.

Yours sincerely,

/s/

Dr. Boubou Cissé

Minister of Economy and Finance

Statement by Mr. Mohamed-Lemine Raghani and
Mr. Oumar Diakite on Mali
December 10, 2018

On behalf of our Malian authorities, we would like to thank the Executive Board, Management and staff for the long-standing support of the Fund to Mali, as the ECF Arrangement approved in December 2013 is heading to an end. The authorities believe that the ECF-supported program has achieved its goals and played a critical role in restoring macroeconomic stability and bringing the country back to a path of stronger growth and poverty reduction, despite security challenges and the adverse impacts of exogenous shocks. In this difficult context, program implementation has remained broadly satisfactory. All performance criteria (PC) at end-June 2018 were met with the exception of the PC on gross tax revenue for which the authorities are requesting a waiver of nonobservance. Corrective measures are being taken to ensure that the deficit targets will be met.

While the authorities request the completion of the tenth and last review of the Arrangement, they remain committed to pursue sound policies to lay the foundations for macroeconomic stability and sustainable inclusive growth going forward. To this end, they look forward to the continued support of the Fund in the context of a future arrangement as Mali continues to be exposed to important external vulnerabilities and development challenges.

Economic Developments in 2018 and Performance under the ECF-Supported Program

Economic Developments in 2018

Despite a challenging year on the security and socioeconomic fronts, economic activity was characterized by the good performance of the agricultural and mining sectors. Real GDP growth is estimated to remain strong at 4.9 percent and inflation moderate at around 2 percent. In the fiscal area, despite the authorities' efforts to steadily boost domestic resource mobilization in recent years, tax revenue fell significantly as a result notably of tax non-compliance and fraud, and the impact of higher international fuel prices.

In the external sector, the current account deficit is expected to deteriorate to 7.4 percent of GDP as a result of the rise in the international prices of oil. However, the important increase in gold and cotton production and favorable terms of trade on these products, allowed to somewhat mitigate the impact of the increase in oil prices.

Performance under the ECF

The authorities continue to implement satisfactorily their ECF-supported program. As indicated above, all PC at end-June 2018 were met with the exception of the PC on gross tax revenue. The corrective measures aim at preventing any accumulation of domestic payment arrears by cutting non-priority public spending, while preserving priority social expenditures, as well as capital expenditures for on-going projects and projects with high development impacts. As a result, the fiscal deficit is expected to be contained at 3.3 percent of GDP in line with the objectives of the program and the West African Economic and Monetary Union's fiscal deficit convergence criterion for 2019. At the same time, revenue collection efforts are being stepped up, including by improving tax policy and administration, and addressing inefficiencies in management.

Progress on structural benchmarks was slower than expected. The authorities have been able to fully implement four out of the ten structural benchmarks expected under the tenth review. In particular, the benchmarks related to improving governance were met or exceeded, reflecting the progress made recently to address corruption and weaknesses in governance. However, the authorities recognize that more needs to be done, and they remain committed to advance their structural reform agenda. In this regard, they are stepping up their efforts to implement the delayed structural benchmarks during the first semester of 2019.

Medium term macroeconomic policies and structural reforms

Mali remains subject to significant security and external risks, and the pursuit of sound economic, financial and structural policies with the assistance of the IMF and other partners is of paramount importance in this context. The authorities will continue to maintain macroeconomic stability, ensure fiscal sustainability, support the development of the financial sector and improve economic governance to preserve the gains made under the program.

Priorities on structural reforms will also include the efficiency of the electricity sector and the promotion of economic diversification and inclusive growth. The authorities are in the process of finalizing their new development strategy covering the period 2019-2023 which will provide the pillars for a request for a new three-year arrangement with the IMF in the first quarter of 2019.

Advancing Fiscal and debt sustainability

The Malian authorities will continue to implement a sustainable fiscal policy. In this regard, they will step up their efforts to strengthen their capacities to accelerate the implementation of reforms to boost domestic resource mobilization. The authorities are determined to meet their commitment to an annual increase of fiscal revenue of 0.5 percent of GDP in the medium term. To this end, and with technical assistance from the Fund, they will deepen tax policy and tax administration reforms aimed at expanding the tax base, reduce exemptions, and improve the effectiveness of revenue collecting agencies. The measures planned will notably enhance the operations of joint brigades between the tax and customs administrations to combat fraud and smuggling, step up the collection of tax arrears, and implement a strict follow-up of performance indicators by revenue collecting agencies. Moreover, the authorities will continue their efforts to improve taxation in the mining sector with the adoption of a revised code, and policy measures to address the vulnerabilities related to international profit shifting and base erosion in this sector, and preserve fiscal revenue on petroleum products.

The authorities will continue to conduct a borrowing policy consistent with the preservation of debt sustainability, which prevents the accumulation of domestic and external arrears. To this end, they will have recourse primarily to grants and highly concessional loans while continuing to prudently have recourse to the regional financial market. Non-concessional borrowing will be the last resort, to be devoted exclusively to financing priority projects with the highest economic return.

The authorities are cognizant of the need to use scarce public resources in an effective, efficient and transparent manner. In this regard, they will step up their efforts to strengthen the legal framework for public financial management as well as the budget cycle. They will pursue the implementation of measures aimed at improving transparency, strengthening internal and external controls and audit institutions, as well as cash management. Moreover, PFM instruments recently developed for establishing multiyear fiscal targets and spending plans, as well as processes for managing fiscal risks will be steadfastly implemented.

Increasing the efficiency and execution of public investment will remain a key objective going forward. The inadequate level and efficiency of public infrastructure are issues of concern to the authorities. The reforms to be implemented will improve the process of selection, appraisal and execution of public investment projects to address the reduction in efficiency in public investment management identified by the 2017 Public Investment Management Assessment (PIMA). To this end, expenditures which do not contribute directly to the formation of fixed capital will be reduced while improving the performance of projects.

Improving governance and deepening structural reforms for economic diversification and inclusive growth

Structural reforms will also be pursued, notably to further improve the business environment and address the major constraints to private sector development. In this regard, the authorities will deepen the reforms aimed at promoting notably the stability and development of the financial sector, increasing the mobilization of resources for infrastructure investments, and improving the financial situation of the electricity company (EDM) to ensure that it is able to meet its obligations.

On governance, the authorities are committed to further improve economic management and fight corruption. They are determined to make further progress on asset declarations of civil servants and plan to revise the Law on illicit enrichment to make it more effective and inclusive. Going forward, they plan to further assess weaknesses in the area of economic governance and prioritize reforms in the framework of a new ECF arrangement.

Conclusion

Our Malian authorities are committed to pursuing sound macroeconomic policies and improving public financial management and the business environment for sustainable and inclusive growth. In view of Mali's satisfactory progress under the ECF arrangement, we would appreciate Directors' support for the completion of the tenth and last review under the arrangement, and approval of the authorities' request for a waiver of nonobservance of the performance criterion on gross tax revenue.