INTERNATIONAL MONETARY FUND

IMF Country Report No. 19/289

MALI

September 2019

REQUEST FOR THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY —PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR MALI

In the context of the Request for Three-Year Arrangement Under the Extended Credit Facility, 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 August 28, 2019, following discussions that ended on June 25, 2019, 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 August 12, 2019.
- 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. 19/319
FOR IMMEDIATE RELEASE
August 28, 2019

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Approves Three-year Extended Credit Facility Arrangement and US$27.4 Million Disbursement to Mali

- IMF approves New, Three-Year ECF Arrangement for Mali in the Amount of US$191.9 million.
- IMF also approves immediate disbursement of US$27.4 million.
- The new arrangement supports the authorities' development strategy for strong and inclusive growth through job creation, economic diversification, and greater resiliency.

On August 28, 2019, the Executive Board of the International Monetary Fund (IMF) approved a new three-year arrangement under the IMF's Extended Credit Facility (ECF) for Mali in the amount of SDR 139.95 million (about US$191.9 million), as well as the release of the first disbursement under the arrangement of SDR 20 million (about US$27.4 million).

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

"Mali has made significant progress under the previous Fund-supported program despite challenging conditions. Looking ahead, while the economic outlook remains generally positive, it is subject to important downside risks related to possible challenges arising from the security situation, potential shocks to the terms of trade (the price of gold, cotton, and fuels), and adverse weather conditions.

"The authorities' corrective measures taken in the first half of 2019 have significantly improved domestic revenue collection. Going forward, decisive efforts aimed at domestic resource mobilization through tax policy and revenue administration reforms will be key to meeting the ambitious, but realistic program targets. The fiscal framework of the program is robust and adequate mechanisms are in place to deal with any revenue shortfall.

"The authorities' reform strategy for the state-owned electricity company (EDM-SA) is welcome in view of its strategic importance for the Malian economy. The authorities are encouraged to seek participation from the commercial banks in the financial restructuring of the company.

"Going forward, it is essential to pursue greater spending efficiency, including through strengthened project selection and execution, as well as the rationalization of subsidies. The authorities' efforts to increase financial inclusion and narrow the gender gap, including by direct measures to economically empower women are welcome. Steadfast perseverance in the government's efforts to improve governance and fight corruption would also enhance the business climate."

Annex

Recent Developments and Outlook

Mali is a fragile low-income country, struggling with insurgency, terrorism, and social tensions. Implementation of the 2015 peace agreement remains challenging and the authorities have limited control over the North and Center regions. The country is subject to frequent terrorist attacks and increasing interethnic violence. Mali's human development indicators are among the lowest in the world and the security crisis has complicated the government's ability to deliver basic social and poverty-reducing services.

Despite the difficult security situation, the Malian economy has performed reasonably well in recent years, with real growth averaging about 5 percent per year and inflation being well contained through the peg of the Franc CFA to the Euro. However, with the population expanding by about 3 percent annually, annual per capita GDP growth has been modest, as has progress in reducing poverty and raising human development indicators.

Following many years of steady growth, Revenue collections contracted sharply in 2018. Tax revenue declined by 3.4 percentage points of GDP and non-tax revenue by 0.8 percentage points of GDP from 2017. Some of the decline can be explained by the challenging security situation and higher international fuel prices but there is the need for major improvements in revenue administration and tax compliance.

The projections underlying the program assume that the Malian economy will continue to grow at an annual rate of about 5 percent underpinned by the continued expansion the all-important gold and cotton sectors. The outlook is subject to risks, the principal ones being a further deterioration in the security situation, terms of trade shocks (the price of gold, cotton, fuels), and drought.

Program Summary

The new program aims to support the authorities' development strategy (CREDD) for strong and inclusive growth through job creation, economic diversification, and greater resiliency. The program targets adherence to the WAEMU criterion for the overall fiscal deficit of no more than 3 percent of GDP from 2019.

The immediate focus of the program is to return revenue collections to the path they were on pre-2018 through strengthened tax administration and customs. Revenue collection data for the first half of 2019 indicate that considerable progress is already being made. Another urgent focus is putting the country's electricity company EDM on a sound financial footing so that it can provide electricity, a crucial ingredient of economic development, to domestic businesses and households in an efficient and cost-effective manner.

Over the medium term, the ECF’s key goals will be to: (i) expand fiscal space for productive investment and priority social spending; (ii) strengthen the business environment; (iii) improve governance and combat corruption; and (iv) sustain capacity development.

Background

Mali, which became a member of the IMF on September 27, 1963, has an IMF quota of SDR 186.6 million.

For additional information on the IMF and Mali, see: https://www.imf.org/en/Countries/MLI

Table 1. Mali: Selected Economic and Financial Indicators, 2016–23

	2016	2017	2018	2019	2020	2021	2022	2023
		Estimates		Projections				
	(Annual percentage change)							
National income and prices								
Real GDP	5.8	5.4	4.7	5.0	5.0	4.9	4.9	4.8
Real non-agriculture GDP	5.0	5.6	4.2	4.8	...	...	...	...
GDP deflator	1.4	1.9	2.1	1.8	1.8	2.0	2.1	2.1
Consumer price inflation (average)	-1.8	1.8	1.7	0.4	1.9	2.0	2.1	2.1
Consumer price inflation (end of period)	-0.8	1.1	1.0	1.8	1.9	2.0	2.1	2.1
External sector (percent change)								
Terms of trade (deterioration -)	15.5	-25.0	-1.3	0.5	-2.8	-3.7	-1.4	-1.8
Real effective exchange rate (depreciation -)	-1.9	0.8	...	...	...	...	...	...
Money and credit (contribution to broad money growth)								
Credit to the government	11.3	4.4	9.3	5.0	4.3	4.0	3.8	3.9
Credit to the economy	12.5	9.5	0.4	9.0	9.3	11.4	12.3	13.3
Broad money (M2)	12.8	15.4	8.1	5.8	10.4	10.7	3.6	14.9
	(Percent of GDP, unless otherwise indicated)							
Central government finance								
Revenue	16.7	18.4	14.2	19.9	17.9	18.2	18.5	18.8
Grants	1.6	1.6	1.2	2.3	2.0	1.7	1.8	1.8
Total expenditure and net lending	22.3	22.9	20.2	25.2	22.9	22.9	23.3	23.5
Overall balance (committment basis, including grants)	-3.9	-2.9	-4.7	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, including grants)	-3.9	-2.6	-3.9	-3.7	-3.2	-2.9	-2.9	-2.9
External sector								
Current external balance, including official transfers	-7.2	-7.3	-3.8	-5.6	-6.4	-7.1	-7.0	-6.9
Current external balance, excluding official transfers	-14.6	-12.1	-8.2	-10.0	-10.5	-10.9	-10.6	-10.3
Exports of goods and services	23.5	22.2	23.6	22.8	21.7	20.1	19.4	18.8
Imports of goods and services	40.3	35.9	34.1	35.2	34.6	33.7	32.8	32.0
Public debt (end period)								
External and Domestic public debt	36.0	36.0	37.3	37.4	38.2	38.7	39.2	39.3
External public debt	25.1	24.9	24.6	25.5	25.1	24.8	24.6	24.0
Domestic public debt[1]	11.0	11.0	12.7	11.9	13.0	13.9	14.6	15.3
External debt service to exports of goods and services ratio	4.8	4.5	4.2	4.1	5.0	5.4	5.4	5.9
Debt service to budgetary revenue ratio	36.5	38.2	41.7	30.5	25.8	33.4	34.0	36.9
Memorandum items:								
Nominal GDP (CFAF billions)	8,308	8,928	9,538	10,199	10,905	11,663	12,486	13,360
Overall balance of payments (US$ millions)	-536.2	-70.6	194.2	-42.5	-400.1	-529.9	-587.9	-649.9
US$ exchange rate (end of period)	622.2	554.2	576.3	...	...	...	...	...
Gold Price (US$/fine ounce London fix)	1248	1257	1269	1321	1359	1398	1430	1463
Petroleum price (crude spot)(US$/bbl)	43	53	68	59	59	58	58	58

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

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

INTERNATIONAL MONETARY FUND

MALI

August 12, 2019

REQUEST FOR THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY

EXECUTIVE SUMMARY

Context. Mali is a low-income fragile country facing significant development challenges that have intensified due to insurgency, terrorism, and social tensions. Implementation of the 2015 peace agreement is challenging, and the authorities have limited control over the North and Center regions. Mali's social development could be further undermined by the recent instability and interethnic violence that complicates the government's ability to implement basic social and poverty-reducing programs.

Outlook and risks. The economic outlook for Mali remains positive but subject to important downside risks. The potential real growth rate is estimated at about 5 percent per year and inflation is expected to continue to be contained by the CFAF's peg to the euro. Downside risks relate to the possible further deterioration of the security situation, potential shocks to the terms of trade (the price of gold, cotton, and fuels), and adverse weather conditions. In addition, a continued shortfall in domestically-financed public investment, if revenue mobilization does not improve as expected, could adversely affect growth potential and performance.

New program. The new ECF arrangement aims to support the authorities' development strategy (CREDD) for strong and inclusive growth through job creation, economic diversification, and greater resiliency. The main focus in the short term is to significantly increase revenue collection to allow for development spending and to reform the energy sector. Over the medium term, the ECF's key goals will be to: (i) expand fiscal space for productive investment and priority social spending; (ii) strengthen the business environment; (iii) improve governance and combat corruption; and (iv) sustain capacity development.

Staff views. Staff supports the Malian authorities request for a new, three-year ECF arrangement in the amount of SDR 139.95 million (75 percent of quota), as well as the release of the first disbursement (SDR 20 million, 10.7 percent of quota). The new arrangement would help catalyze external assistance. The authorities' strong commitment to the envisaged policies adequately contain the risks associated with the arrangement.

Approved By
Annalisa Fedelino (AFR) and Maria Gonzalez (SPR).

The mission (June 12–25, 2019) comprised Boriana Yontcheva (head), Birgir Arnason, Alexandre Nguyen-Duong (all AFR), David Bartolini (FAD), and Modeste Some (SPR). Rene Tapsoba (Resident Representative) and Bakary Traore (local economist) also participated in the mission. Mr. Diakite (OED) attended some of the discussions. The team met with the Prime Minister and Minister of Economy and Finance, Dr. Boubou Cissé, the Deputy Minister in Charge of Budget, Mrs. Aoua Sylla Barry, and other members of the Government, the National Director of the Central Bank of West African States, Mr. Konzo Traoré, other senior officials, representatives of civil society and the private sector, and development partners.

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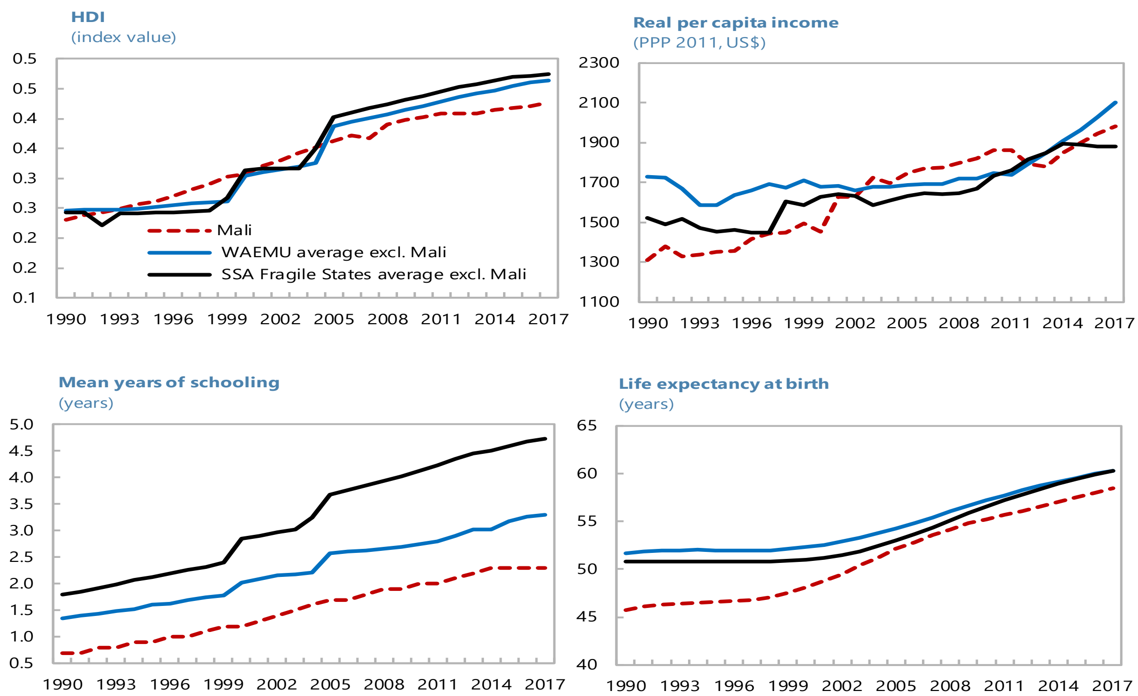
CONTEXT

1. **Mali is a fragile low-income country, struggling with insurgency, terrorism, and social tensions.** Implementation of the 2015 peace agreement remains challenging and the authorities have limited control over the North and Center regions. The country is subject to frequent terrorist attacks and increasing interethnic violence. Mali's human development indicators are among the lowest in the world (Text Figure 1) and the security crisis has complicated the government's ability to deliver basic social and poverty-reducing services.[1]

Text Figure 1. Mali: Human Development and Components, 1990–2017



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

2. **The five-year ECF arrangement that expired in December 2018 brought some important results, considering Mali's fragility, capacity limitations, and security challenges.**[2] The program helped the authorities achieve macroeconomic stability in difficult circumstances. Average annual growth exceeded 5 percent (about 2 percent in per capita terms). Tax revenue rose steadily during the first four years of the program but those gains were reversed in 2018 when tax revenue dropped to 11.8 percent of GDP from 15.2 percent of GDP a year earlier, about 25 percent below the initial budget target. Moreover, implementation of structural reforms was mixed and progress in reducing poverty and improving social conditions has remained limited.

[1] The economic impact of the poor security situation is significant. Thus, GDP is estimated to be about 20 percent lower because of the insecurity than it would otherwise be (Chapter 2 ("The Economic Consequences of Conflict") in the April 2019 Regional Economic Outlook for Sub-Saharan Africa and Annex 1).).

[2] For a more complete assessment of performance under the previous arrangement, see the Staff Report for the Tenth ECF Review, IMF Country Report No. 18/360.

3. Amid widespread dissatisfaction, rising interethnic violence, and protracted public sector pay disputes, President Keita appointed a new government on May 5, 2019. The political stance and policies remain unchanged. The key policy objectives are reflected in the new Strategic Framework for Economic Recovery and Sustainable Development, Cadre Stratégique pour la Relance Economique et le Développement Durable du Mali (CREDD, Box 1). One of the first actions taken by the new government was the settlement of a long-lasting dispute with teachers' unions, in line with budgeted allowances.

Box 1. New Strategic Framework for Economic Recovery and Sustainable Development (CREDD)

The Government has prepared a new Strategic Framework for Economic Recovery and Sustainable Development (CREDD) for 2019–23. The new national development strategy provides a roadmap to Mali 2040, the country's long-term development vision, and aligns with the African Union's development agenda, as well as with the UN's Sustainable Development Goals (SDGs). The 2019-23 CREDD aims at achieving strong, sustainable, broad-based, and pro-poor economic growth, through a private-sector led structural transformation of the economy on the back of large-scale infrastructure investments in energy, transport, and agriculture and the creation of an enabling business environment. Building on the gains achieved under the 2016-18 CREDD and on a comprehensive and participatory diagnosis of the development challenges facing the country, the new CREDD revolves around five main pillars: (i) addressing governance weaknesses; (ii) restoring peace and security and preserving social cohesion; (iii) ensuring strong and inclusive growth through the structural transformation of the economy; (iv) better protecting the environment and strengthening resilience to climate change; and (v) better capturing the demographic dividend through improved human capital development. The CREDD is expected to be formally adopted in Q3:2019.

The macroeconomic framework underpinning the new CREDD is, however, not in line with the commitment to the WAEMU criteria over the medium term, but reflects the fiscal space needed to achieve the ambitious development objectives. The new CREDD aims to bring the poverty rate down to 40 percent by 2023, from 45 percent currently, through strong real GDP growth of about 5 percent per year on average over the medium term (baseline scenario). To meet the large investment needs (about US$10 billion), the new CREDD plans to better tap Mali's tax revenue potential, coupled with external borrowing and innovative financing schemes involving the private sector, including public-private partnerships (PPPs). Although the resulting overall fiscal deficit is set to comply with WAEMU's deficit target of 3 percent of GDP during 2019-20, it would breach the criterion from 2021 onward.

Baseline scenario

	2019	2020	2021	2022	2023
Real GDP growth (percent)	5.0	4.9	4.8	4.9	4.8
Tax revenue (percent of GDP)	15.6	16.2	16.5	16.7	17.0
Overall fiscal balance (percent of GDP)	-3.0	-3.0	-6.1	-8.1	-9.4

Source: Malian authorities

RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

4. Economic growth softened somewhat in 2018 (Text Table 1). Real GDP grew by 4.7 percent, slightly less than projected, with agriculture performing relatively well, due to an abundant cereal harvest, while growth in non-agricultural sectors slowed (Figure 1, Tables 1 and 2). Inflation remained subdued at below 2 percent. Monetary developments mirrored the softening of growth in the non-agricultural economy, with private sector credit expanding at a modest pace

(Table 3). The current account deficit narrowed from 7.3 percent of GDP in 2017 to 3.8 percent of GDP, reflecting higher exports from gold and cotton and lower imports, the latter in line with lower public capital expenditure and lower non-agricultural GDP compressing domestic demand (Table 4). The banking sector is broadly stable. Banking sector stability indicators improved in 2018 with the ratio of non-performing loans to total loans declining to 13.5 percent (Table 5). However, the level of non-operating fixed assets remains persistently high.

Text Table 1. Mali: Key Economic Indicators, 2017–23

	2017	2018	2019	2020	2021	2022	2023
	Est.	Est.	Prog.	Projections			
	(Annual percentage change)						
Real GDP growth	5.4	4.7	5.0	5.0	4.9	4.9	4.8
Consumer price inflation (average)	1.8	1.7	0.4	1.9	2.0	2.1	2.1
Consumer price inflation (end of period)	1.1	1.0	1.8	1.9	2.0	2.1	2.1
	(percent of GDP)						
Revenue	18.4	14.2	19.9	17.9	18.2	18.5	18.8
of which: Tax revenue	*15.2*	*11.8*	*14.5*	*15.8*	*16.1*	*16.4*	*16.6*
Grants	1.6	1.2	2.3	2.0	1.7	1.8	1.8
Total expenditure and net lending	22.9	20.2	25.2	22.9	22.9	23.3	23.5
Overall balance (payment orders)	-2.9	-4.7	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash)	-2.6	-3.9	-3.7	-3.2	-2.9	-2.9	-2.9
Total public debt	36.0	37.3	37.4	38.2	38.7	39.2	39.3
Current external balance (including official transfers)	-7.3	-3.8	-5.6	-6.4	-7.1	-7.0	-6.9
Overall balance of payments	-0.5	1.1	-0.2	-2.1	-2.6	-2.6	-2.7

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

5. **Revenue collection contracted sharply in 2018** (Figure 2, Tables 6a and 6b, Text Table 2). Against the backdrop of the 2018 presidential elections, tax revenue declined by 3.4 percentage points of GDP and non-tax revenue by 0.8 percentage points of GDP from 2017. The challenging security situation and higher international fuel prices[3] can explain about a quarter of the tax revenue shortfall but the authorities recognized the need for major improvements in revenue administration and tax compliance. In addition, delays in the issuance of a new telecommunications license reduced non-tax revenue while budget support grants also fell short by 0.2 percentage points of GDP.

Text Table 2. Revenue Performance 2017–18 (percent of GDP)

	2017	2018
Total revenue	18.4	14.2
Budgetary revenue	16.6	12.4
Tax revenue	15.2	11.8
Direct taxes	4.7	3.6
Indirect taxes	10.5	8.2
Nontax revenue	1.4	0.6

Source: Malian authorities; IMF staff calculations

6. **The overall fiscal deficit widened significantly in 2018**. The authorities sharply reduced planned domestically-financed capital spending (1.8 percentage points of GDP) and current

[3] Mali's fuel pricing mechanism tends to be applied asymmetrically, with world market price decreases passed through relatively rapidly to pump prices, and increases less so. When world market prices rise above the assumed level revenue from the excise tax on fuels falls short of projections as suppliers' margins are unchanged.

spending (1.2 percentage points of GDP) to partially offset the impact of the revenue shortfall on the deficit. The overall fiscal deficit (commitment basis) widened from 2.9 percent of GDP in 2017 to 4.7 percent of GDP. This led to a substantial increase in the budgetary float[4] (from 1 percent to 2 percent of GDP) and larger domestic bank financing than planned.

7. **The authorities have taken corrective measures to restore revenue performance.** They have started implementing specific recommendations from several IMF technical assistance missions. Preliminary revenue collection data for the first semester of 2019 point to a considerable performance improvement, particularly for tax administration. Tax revenue collection reached 91.8 percent of the budget (Text Table 3). Some of the gains reflect the recovery of tax arrears.[5] With IMF technical assistance, the authorities are conducting an internal audit of tax administration and customs to fully account for the collection failures in 2018 and provide a basis for additional corrective measures.

Text Table 3. Revenue Performance in the First Semester of 2019

(CFAF billion, unless otherwise indicated)

	June 2019		
	Projections[1]	Actual	Ratio Actual to Projections (percent)
Budgetary revenue	879.1	767.8	87.3
Tax revenue	806.2	739.7	91.8
Direct taxes	248.4	245.0	98.6
Indirect taxes	592.9	494.7	83.4
VAT	312.7	269.3	86.1
Excises on petroleum products	49.7	27.5	55.3
Import duties	104.6	95.5	91.3
Other indirect tax	125.9	120.1	95.4
Tax refund	-35.1	-17.6	50.1
Nontax revenue	67.4	25.1	37.3
Capital revenue	5.5	2.9	52.5

Source: Malian authorities; Staff calculation

[1] Projections refer to the 2019 initial budget

8. **The difficult financial situation of the state-owned electricity company, Energie du Mali (EDM-SA), threatens its continued operation and could endanger economic activity in Mali**. High production costs and inadequate tariffs, along with inefficiencies and mismanagement, have led EDM-SA to borrow heavily from commercial banks and fuel suppliers (Text Table 4, Box 2). Short-term debt to local commercial banks (estimated at about CFAF 100 billion at end-June 2019) amounts to more than half of EDM-SA's annual revenue and needs to be urgently restructured to improve its cash-flow.

Text Table 4. Revenues and Cost of Electricity Services,

(CFAF/kWh)

	CFAF/kWh
Revenue from sale	96.5
Cost of service	138.4
Deficit	**-41.9**
Government subsidies	16.3
New debt, including arrears	25.6

Sources: Malian authorities; World Bank

[4] The budgetary float represents the difference between committed and paid expenditures.

[5] Recovered arrears amount so far to 0.4 percentage points of GDP out of 1.6 percentage points of potentially recoverable arrears.

Box 2. The Financial Situation of EDM-SA

The Malian electricity company (EDM-SA) is facing insolvency. EDM-SA's revenues are insufficient to cover its operating expenses, financing costs, and investment needs. This situation results mainly from insufficient investment, poor management, and the long-standing practice of charging electricity prices well below the cost of generation. Inadequate revenue and subsidies have forced the company to borrow from suppliers and banks. EDM-SA's debt (including arrears) was estimated at CFAF 319 billion (3.1 percent of GDP) at end-June 2019.

EDM-SA's debt at end-June 2019
(CFAF billion)

	June 2019
	Est.
Total debt	**319**
Financial debt	**209**
Short-term debt[1]	128
Local commercial banks	99
of which: overdraft	*27*
Other financial institutions	29
Medium and Long-term debt	82
Local commercial banks	4
Other financial institutions	78
Supplier debt (arrears)	**76**
Electricity	37
Petroleum product	11
Other	28
Fiscal debt	**34**
Tax arrears	26
Other	8

Source: Malian authorities; IMF staff estimates

[1] Loan maturity is 12 months or less

The government is implementing a two-pronged strategy to strengthen EDM-SA's financial position, efficiency, and investment, with the technical and financial support of the World Bank. In the short run, the strategy involves streamlining tariffs, reducing operational costs as well as addressing EDM-SA's short-term debt and arrears. In the long run, the World Bank is supporting the investment plan for the electricity sector with a view to lowering EDM-SA's production and procurement costs by favoring solar generation and electricity imports over the use of expensive hydrocarbon fuels in electricity generation.

EDM-SA's short-term debt to commercial banks urgently needs to be restructured to prevent EDM-SA from defaulting. Financial debt is estimated at CFAF 209 billion (2.1 percent of GDP) at end-June 2019. Due to its tight cash position, short-term debt to local commercial banks (about CFAF 99 billion) is rolled over at a premium and interest payments are de facto financed with additional short-term debt.

EDM-SA's owed its suppliers CFAF 76 billion at end-June 2019. Arrears (CFAF 51 billion) to large suppliers were settled in May and June 2019 via two government-guaranteed bank loans with a maturity of one year, thus mechanically increasing by the same amount local commercial bank debt to reach CFAF 99 billion at end-June 2019. EDM-SA intends to use its 2019 government subsidy (CFAF 30 billion), coupled with the anticipated payment of government entities' electricity bills to EDM-SA, to repay the loans and avoid rolling over the principal. The government intends to contribute to the reduction of EDM-SA's stock of arrears via additional transfers and debt reprofiling.

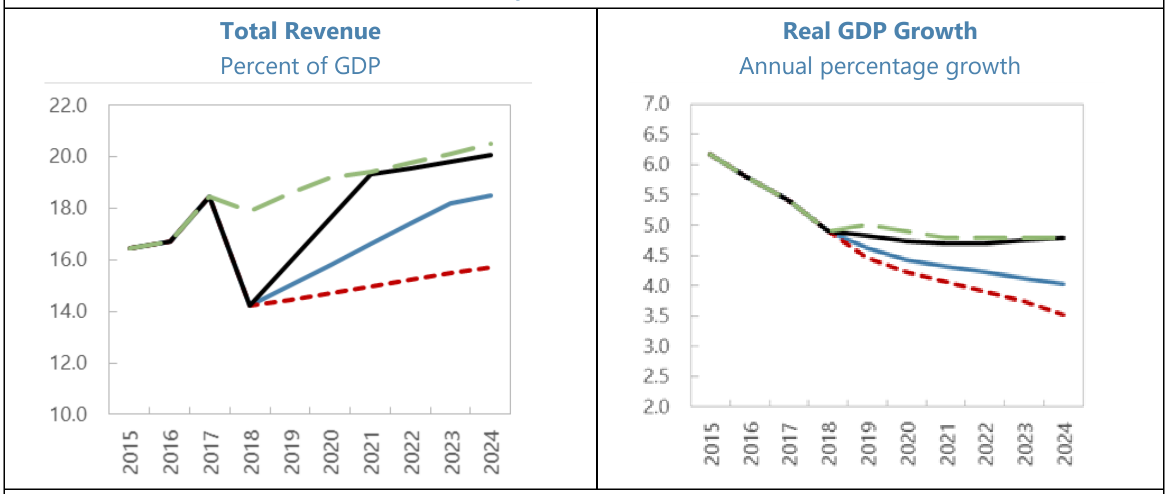
9. **The economic outlook for Mali remains positive but subject to important downside risks**. The potential real growth rate is estimated at about 5 percent per year and inflation is expected to continue to be contained by the CFAF's peg to the euro. Staff assess external position to be broadly in line with fundamentals and desirable policy settings (Annex II, ESA). The trade deficit is expected to return to trend level in 2019 and deteriorate further in the medium-term due to higher reliance on imports as the economy continues to strengthen. Downside risks relate to the possible

further deterioration of the security situation, potential shocks to the terms of trade (the price of gold, cotton, and fuels), and adverse weather conditions (Box 4). In addition, a continued shortfall in domestically-financed public investment, should revenue mobilization not improve, would adversely affect growth (Box 3).

Box 3. Revenue Mobilization, Public Investment, and GDP Growth

Persistently lower revenue could lead to a reduction in economic growth in both the short and medium term. The simulations below assume that lower revenue would be offset by cuts in capital expenditure, given the relatively rigid structure of Mali's current expenditure, consisting largely of public sector wages and interest. In general, cuts in public investment have a larger negative impact on output growth than cuts in current spending, as lower levels of public investment lead to lower levels of accumulated capital, which in turn has a negative effect on potential output in subsequent periods. This impact would largely depend on how fast revenue collections could go back to their original level and trend. Using fiscal multipliers estimated from data for Sub-Saharan African countries,[1] simulations suggest that persistently lower investment levels (similar in magnitude to those seen in 2018) driven by persistently lower revenue could compress the potential non-agricultural GDP growth rate by 2 to 3 percentage points on an annual basis. Given Mali's large infrastructure gaps, higher capital expenditure, along with better spending efficiency, are needed to anchor potential growth (currently around 5 percent) firmly above the annual population growth rate (about 3 percent).

Mali: Revenue Projections and Real GDP Growth



Scenario 1: Total revenue increases by 0.25 percentage point of GDP per year.

Scenario 2: Total revenue increases by 0.8 percentage point of GDP until 2023 and by 0.25 percentage point of GDP in 2024. Scenario 2 replicates the trend of revenue growth during the 2012-2017 period.

Scenario 3: Total revenue goes back to its end-2017 projection path by 2021.

Revenue projections at the time of the ECF 10th review (December 2018).

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[1] Fiscal multipliers discussed in *Sub-Saharan Africa Fiscal Adjustment and Economic Diversification*, Regional Economic Outlook, IMF, October 2017

Box 4. Mali: Risk Assessment Matrix[1]

Source of Risks	Relative Likelihood	Impact if Realized	Recommended Policy Response
Spillover Risks			
Rising protectionism and retreat from multilateralism	**High**	**Medium** Tighter (or more volatile) global financial conditions could raise investment financing costs, and lead to a fall in FDI and through this output growth.	Diversify exports with more private sector involvement.
Weaker-than-expected global growth	**High**	**Medium** Falling export demand may reduce revenue and net exports, increasing fiscal risks; and have an adverse impact on growth through less FDI and external support.	Improve business environment to support diversification. Consolidate fiscal buffers through domestic revenue mobilization and streamline public investment plans. Energize external support through better compliance to donors' conditionality and emphasis on the merits and needs of Mali's development strategy.
Large swings in energy prices	**Medium**	**Medium** Adverse impact on balance of payments, inflation, and economic activity. Possibly also adverse effect on government revenue	Strengthen and diversify electricity supply. Increase flexibility of pump fuel prices.
Domestic/Regional Risks			
Intensification of security risks	**High**	**High** Adverse impact on economic activity and government revenue. Increase in the number of displaced persons and food insecurity. Security spending needs would rise.	Pursue efforts to implement the 2015 peace agreement and lessen interethnic strife. Promote inclusive growth and create fiscal space for social programs and reduce fragility.
Shortfall in revenue mobilization	**High**	**High** Adverse impact on spending envelope, including for high-priority investment, social, and security spending. If persistent, would adversely affect prospects for growth and poverty reduction over the medium term.	Vigilantly pursue efforts to strengthen tax administration and customs. Prioritize spending and improve its efficiency, especially in regard to investment spending.
Adverse weather conditions	**Medium**	**High** Lower agricultural production could imply heightened food security risks, a decline in growth rates, additional fiscal costs, and could intensify social tensions.	Seek international support and make room for more food security-related spending.

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

POLICY DISCUSSIONS

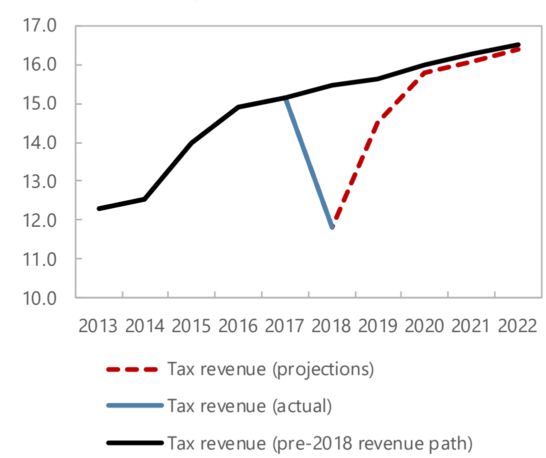
The authorities have requested a new three-year ECF arrangement to support their development and poverty-reduction objectives, to improve domestic revenue performance, and lay the foundation for sustainable and inclusive growth. Policy discussions focused on pressing near-term issues and medium-term challenges. For 2019, the key objectives of the ECF arrangement are to significantly increase revenue collection, restructure EDM-SA's commercial bank debt, and protect growth-promoting investment and priority social spending. Over the medium term, the ECF arrangement will support the CREDD objectives for strong and inclusive growth, job creation, economic diversification, and greater resiliency. The key goals will be to: (i) expand fiscal space for productive investment and priority social spending, while adhering to the WAEMU fiscal deficit convergence criteria; (ii) strengthen the business environment; (iii) improve governance and combat corruption; and (iv) sustain capacity development.

A. Fiscal Policy for the Rest of 2019

The Fiscal Framework

10. Reflecting the significant revenue shortfall in 2018, the program targets a significant strengthening of fiscal discipline and tax revenue mobilization through further revenue administration reforms. The authorities are committed to fully reversing the unprecedented 2018 loss of revenue. The fiscal framework envisages a full recovery by 2020 and sets the tax revenue target at 14.5 percent of GDP in 2019, a 2.7 percentage points improvement over 2018, thereby frontloading the recovery effort (Text Figure 2, Text Table 6). To achieve this objective, the authorities are implementing corrective measures to address the sharp decline in tax revenue collection experienced in 2018, based on IMF TA recommendations. They will finalize the audits of tax administration and customs by mid-August 2019 (prior action).

Text Figure 2. Tax Revenue, 2013–22
(percent of GDP)



Sources: Malian authorities; IMF staff estimates

Text Table 6. Proposed Fiscal Framework for 2019

(percent of GDP)

	2019			2020
	Budget[1]	Proposed Suppl. Budget[2]	Prog.	Prog.
Revenue and grants	**19.7**	**22.7**	**22.2**	**19.9**
Total revenue	17.7	20.4	19.9	17.9
Budgetary revenue	16.5	16.5	16.0	16.7
Tax revenue	15.6	15.0	14.5	15.8
Direct taxes	5.5	4.5	4.4	4.8
Indirect taxes	10.2	10.5	10.1	11.0
Nontax revenue	0.9	1.5	1.5	0.9
Special funds and annexed budgets[3]	1.2	3.9	3.9	1.2
Grants	2.0	2.3	2.3	2.0
Project grants	1.3	1.4	1.4	1.4
Budgetary grants	0.6	0.9	0.9	0.6
Total expenditure and net lending (payment order basis)	**22.7**	**25.2**	**25.2**	**22.9**
Budgetary expenditure	21.6	21.4	21.4	21.8
Current expenditure	12.7	13.3	13.3	13.1
Wages and salaries	5.8	5.8	5.8	5.8
Goods and services	3.1	3.1	3.1	3.3
Transfers and subsidies	2.8	3.4	3.4	2.9
of which: EDM	*0.3*	*0.7*	*0.7*	*0.4*
Interest	1.0	1.0	1.0	1.1
Capital expenditure	8.9	8.1	8.1	8.7
Externally financed	3.2	2.4	2.4	3.3
Domestically financed	5.7	5.7	5.7	5.4
Special funds and annexed budgets[3]	1.2	3.9	3.9	1.2
Net lending	-0.1	-0.1	-0.1	-0.1
Overall fiscal balance (payment order basis, incl. grants)	**-3.0**	**-2.5**	**-3.0**	**-3.0**
Variation of arrears	-0.1	-0.1	-0.1	-0.1
Adjustment to cash basis	0.1	-0.6	-0.6	-0.1
Overall fiscal balance (cash basis, including grants)	-3.0	-3.2	-3.7	-3.2
Financing	**3.0**	**3.2**	**3.7**	**3.2**
External financing (net)	1.3	2.4	2.4	1.0
Domestic financing (net)	1.7	0.9	1.4	2.2
Nominal GDP	10,221	10,199	10,199	10,905

Source: Malian autohrities; IMF staff calculation

[1] 2019 initial budget voted by the Malian parliament.

[2] 2019 Proposed supplementary budget to be submitted to the Malian parliament.

[3] Revenue and subsequent spending from non-central government entities.

11. **The authorities are determined to respect the WAEMU convergence criterion for the overall fiscal deficit of 3 percent of GDP in 2019**. They are preparing a supplementary budget to be submitted to parliament by mid-August 2019 (prior action). The supplementary budget includes spending levels aligned with the program and consistent with a deficit of 3 percent of GDP if the program tax revenue target of 14.5 percent of GDP is attained. Within this overall spending envelope, the government has reallocated expenditures (CFAF 12 billion, or 0.1 percent of GDP) to address issues of security, food security, health, and education in the Center and the North regions to regain a measure of state control and respond to multiple instances of interethnic violence.[6] The supplementary budget will aim to overperform the tax revenue target of 14.5 percent of GDP by ½ percentage point. Thus, it will aim for an overall fiscal deficit target of 2.5 percent of GDP,

[6] Security spending over 2016-19 has exceeded the planning target formulated in the Military Orientation and Planning Act 2015-19 (LOPM) by 1.1 percentage point of GDP, largely by crowding out other spending.

½ percentage point of GDP lower than the program (MEFP ¶12). To create a buffer if the budgeted tax revenue target cannot be achieved, the program framework targets a deficit of 3 percent of GDP. As usual, if revenue underperforms, the government has the authority to cancel or freeze any approved spending according to Article 29 of the 2019 budget law (MEFP ¶16). Should recourse to this article become necessary to preserve adherence to the fiscal deficit target, the government will seek to protect priority social and capital spending.

12. The discussions took place in the context of WAEMU Council of Ministers' discussions of more fiscal flexibility for conflict-affected member countries. Until a regional decision is taken, the authorities indicated that they wanted to focus on offsetting the impact of the higher-than-programmed 2018 deficit and on reducing the excess budgetary float back to a normal[7] level by the end of 2019. More broadly, the overall program will be anchored on making progress toward attainment of the various WAEMU convergence criteria (Text Table 7).

Text Table 7. Mali and the WAEMU Convergence Criteria

	Criteria	2017	2018	2019	2020	2021	2022	2023
		Actual		Projections				
First-order WAEMU convergence criteria								
Fiscal deficit	<= -3	-2.9	-4.7	-3.0	-3.0	-3.0	-3.0	-3.0
Consumer price inflation (average)	<= 3	1.8	1.7	0.4	1.9	2.0	2.1	2.1
Public debt to GDP ratio	<= 70	36.0	37.3	37.4	38.2	38.7	39.2	39.3
Second-order WAEMU convergence criteria								
Wages and salaries to tax revenue	<= 35	32.0	41.8	40.2	36.8	36.2	35.4	34.9
Tax revenue to GDP ratio	>= 20	15.2	11.8	14.5	15.8	16.1	16.4	16.6

Sources: Malian authorities; IMF staff estimates.

External Financing

13. The authorities are considering various options for reducing and reprofiling domestic debt and supporting the below-the-line operation for EDM-SA (Text Table 9[8], MEFP ¶21-23 and ¶25). The World Bank is providing exceptionally high budget support to Mali in 2019 (Text Table 8). While most of the World Bank's budget support will directly benefit the budget, one-fifth of it has been allocated for the policy-based guarantee instrument of the

Text Table 8. Financing Scheme for Development Policy Operations (DPO) in 2019–20
(CFAF billion)

	Initial DPO Financing	New DPO Financing
2019 DPO Funds	**33**	**144**
Grant	17	23
Credit	17	92
Policy-Based Guarantee	...	29
Envisaged Policy-Based Guarantee operation	...	**288**
of which: guaranteed by the World Bank (40%)	...	115
of which: insured by ATI[1] (60%)	...	173

Source: Malian authorities; World Bank; IMF staff calculation.
[1]African Trade Insurance Agency (ATI) to cover the amount that is not guaranteed by the World Bank.

[7] The "normal" level of the float targeted by the authorities is one month's total spending less the wage bill and foreign-financed capital spending.

[8] The figures in Text Table 9 include the Abu Dhabi loan but not the policy-based guarantee operation.

World Bank, which will allow Mali to contract syndicated loans in the international market for about US$500 million on commercial terms. The World Bank would offer a partial guarantee of about 40 percent, and the remainder of the syndicated loan would be guaranteed by the African Trade Insurance Agency (ATI) to help secure the best terms for this financing. In addition, they signed a budget support loan of US$250 million from the Abu Dhabi Development Fund on near concessional terms in July 2019. These loans would not materially impact risks to Mali's external debt sustainability, which remain moderate (Annex II, DSA).

Text Table 9. Mali: Summary of External Borrowing Program[1]
(CFAF billion)

	2019	
	Nominal	PV
Debt financing sources	**563**	**329**
Concessional debt of which[2]	376	199
Multilateral debt	284	145
Of which: World Bank	*220*	*118*
Bilateral debt	92	54
Nonconcessional debt[3]	187	130
Uses of borrowed funds	**563**	**329**
Budgetary assistance	252	146
Infrastructure (roads, bridges, etc.)	25	10
Energy	164	98
Agriculture	27	11
Social (education, health)	66	40
Telecommunication	29	24
Various	0	0

Source: Malian authorities; IMF staff estimates

[1] Indicative objective for new borrowing arranged or guaranteed

[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.

B. Tax and Customs Reforms

14. The authorities will implement various measures to improve tax administration (Text Table 10). The envisaged reforms include organizational restructuring, strengthening of human resource management, and better information systems and data management with the objective of greatly enhanced monitoring and control, which would also strengthen governance and reduce vulnerabilities to corruption. Electronic filing and payment for large enterprises will be introduced with the aim of both reducing the cost of compliance for firms and improving tax audits. Over time, electronic payments will be extended to other types of taxes (MEFP ¶5 and ¶6). Similarly, many processes in customs administration are expected to be exclusively automated, thus reducing the risk of fraud and error. For instance, the elimination of non-electronic acceptance of Airway bills and the automation of procedures for the control of suspensive regimes (both SBs) should be implemented by end-2019.

15. The authorities are also determined to improve the efficiency of customs (Text Table 10). Although customs performance has improved since 2018, its tax and duty collections remain below target due to existing inefficiencies and the presence of a broad range of tax exemptions, especially on fuel products. The government is determined to restrict the scope of exemptions and favorable customs treatment through a variety of measures identified with help from IMF TA (MEFP ¶7).

Text Table 10. Mali: Expected Yields from Revenue Measures
(Percent of GDP)

	2019	2020	2021	2022	2023
Tax revenue	2.1	1.3	0.3	0.3	0.3
Direct taxes	0.6	0.4	0.1	0.1	0.1
Indirect taxes	1.5	0.8	0.1	0.2	0.1
VAT	1.0	0.5	0.1	0.1	0.1
Other indirect taxes	0.5	0.4	0.0	0.1	0.0

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

16. The government recognizes the importance of improving collaboration between tax administration and customs. It is committed to finalizing a framework for the exchange of tax-related information between tax administration and customs to limit tax avoidance opportunities (structural benchmark, MEFP ¶5).

17. The authorities are weighing their options for protecting fuel tax revenues. The oil price mechanism is designed to limit the pass-through from large changes in international prices to the domestic ones so that consumers do not suffer from large shocks. The mechanism, however, can be costly for the budget if world prices rise beyond the fluctuation band. The authorities intend to identify non-priority spending cuts to balance the loss of fuel revenues in case of a large increase in the international price of oil. In the medium term the government recognizes the importance of streamlining fuel tax exemptions, such as in the mining sector, in order to improve the mobilization of fuel-based revenues (MEFP ¶9).

18. On a longer horizon, the authorities are preparing tax policy measures to broaden the tax base. These include reform of land and property taxation, as well as of the informal sector. Moreover, the authorities are finalizing changes to the mining and investment codes that would eliminate various unwarranted exemptions and loopholes and increase revenue mobilization (MEFP ¶10-11 and ¶17). They are moving cautiously with the creation of special economic zones, mindful of the potential implications for tax collection.

C. Enhancing Spending Efficiency and Improving PFM

19. The authorities recognize that greater spending efficiency is needed in the context of limited domestic and external resources. Mali needs to improve the composition and effectiveness of spending by tilting it away from current spending and toward investment and poverty-reducing social spending, as well as doing more with available resources. PFM reforms need to be pursued, particularly with a view to improving public investment outcomes through better selection, execution, and management of public investment projects. Moreover, cash management needs to be strengthened (MEFP ¶18-20).

20. The authorities intend to rationalize and reduce budget transfers and subsidies, including to EDM-SA over time. They will seek to improve medium-term transparency and predictability for all recipients of budget transfers, particularly in the agriculture sector, which depend on timely and adequate support for the acquisition of inputs (MEFP ¶17).

21. The authorities will continue to strengthen the processes for the selection and implementation of investment projects, based on the recommendations of the 2017 PIMA, in order to maximize budget efficiency and impact on the business environment and potential growth through improvements in the ex-ante evaluation of projects, regular technical review of project evaluations, and strengthening of the legal framework governing public-private partnerships (PPPs). The latter would aim at mitigating the risks arising from contingent liabilities (MEFP ¶18 and ¶32).

22. The authorities are committed to improving liquidity forecasting and liquidity management, as well as to expanding the scope of the Treasury Single Account (TSA). The Treasury signed bilateral agreements with 14 commercial banks on March 14, 2019 to operationalize transfers of funds held in commercial banks to the TSA before end-March 2020 (MEFP ¶19-20).

D. Other Structural Reforms

EDM-SA Reform Plan

23. The authorities are working with the World Bank on a multipronged reform strategy for the energy sector. The government is developing a multi-year electricity sector reform strategy with support from the World Bank to better enable EDM-SA to perform its vital role of providing electricity to Mali's population and economy, as well as to eliminate the need for subsidies (Box 5). In the short term, the strategy aims to improve the revenue and cash flow of EDM-SA, including via the restructuring of EDM-SA's short-term commercial bank debt (Box 2). To this end, the supplementary budget will contain an additional allocation for EDM-SA of CFAF 45 billion (almost ½ percent of GDP). The authorities will strengthen EDM-SA's balance sheet by restructuring EDM-SA's short-term debt through a one-off loan (up to CFAF 100 billion). They will also discuss burden sharing options with creditor banks as suggested by the mission. Over the medium term, the strategy aims to reduce the cost of providing electricity and improve the operations of EDM-SA. It includes gradually reducing reliance on fuel-based generation by expanding the connections to the regional network and revising the outdated tariff structure, while protecting vulnerable customers. This support for EDM-SA will be accompanied by a performance contract between the government and EDM-SA with the aim of safeguarding the viability of its financial position and limiting moral hazard, and gradually eliminating the need for budget subsidies. The performance contract will set out the terms, conditions, and reciprocal commitments for the support in the financial restructuring of EDM-SA, including for renegotiation of bank debt, purchase of fuels, EDM-SA's cash flow plan, and priority investments. The performance contract will be finalized no later than November 30, 2019 (structural benchmark, MEFP ¶24-26).

Box 5. World Bank's EDM-SA Envisaged Strategy

Measures	**Purpose**
Short-term measures (2019)	
Recover debt from public entities (about CFAF 25.5 billion).	Increase revenue
Adjust high-voltage electricity tariff (industrial customers).	Increase revenue and improve cash flow
Implement an improved invoice collection mechanism.	Increase revenue and improve cash flow
Install 6,000 "smart meters".	Increase revenue and improve cash flow
Improve the efficiency of fuel purchases.	Reduce the cost of electricity production
Renegotiate electricity purchase contracts.	Reduce the cost of electricity production
Restructure financial debt.	Reduce debt service burden
Renegotiate or clear 40 percent of total arrears (about CFAF 46 billion).	Reschedule or clear arrears to suppliers
Capitalize or reschedule debt to public entities (about CFAF 14.4 billion).	Clear or reschedule arrears to public entities
Medium-term measures (2020-23)	
Recover debt from public entities (about CFAF 25.5 billion).	Increase revenue
Install more "smart meters".	Increase revenue and improve cash flow
Clear arrears to suppliers (about CFAF 69.5 billion).	Clear arrears to suppliers
Improve energy mix by increasing import of electricity and reducing the use of hydrocarbon fuels in electricity generation.	Reduce the cost of electricity production
Contract loans for future projects on concessional terms.	Reduce debt service burden
Improve and enforce strict assessment of future electricity purchase contracts and investment projects.	Reduce the cost of electricity production
Design and implement a sustainable financial plan for the operations and investments of EDM.	Improve cash flow and strengthen EDM's balance sheet
Source: World Bank	

Strengthening the Business Environment

24. **There are several obstacles to sustained and inclusive growth in Mali**. Among these are infrastructure gaps in energy and transportation, and weak governance that raises vulnerabilities to corruption. Lack of economic and financial inclusion is also a hindrance to broader economic inclusion. In addition to efforts to reform EDM-SA and enhance physical capital through public investment, as well as to strengthen governance in various areas, the authorities are keen to capitalize on the rapid development of mobile banking to offer administrative services, such as the payment of certain taxes (MEFP ¶29). This will promote access to basic banking services for people excluded from the banking system, reduce the risk of fraud, shrink the informal sector, and improve payment systems, especially for small and medium-sized enterprises. The authorities are also strengthening their efforts to reduce the gender gap. In particular, they plan to promote increased income and economic empowerment of women in the shea butter sector.[9] This would allow the creation of 400 women's cooperatives, as well as capacity building in cooperative and financial management for 50,000 beneficiaries (MEFP ¶30).

Improving Governance and Combatting Corruption

25. **Addressing governance weaknesses and pervasive corruption will help support efforts towards inclusive and sustainable growth.** The government is committed to improving governance and fighting corruption. Various activities across a range of revenue mobilizing, spending, cash management, and financing operations reflect a desire for improved governance. In parallel, steps need to be taken to strengthen the anti-corruption and anti-money laundering frameworks to decisively prevent, detect, investigate and prosecute acts of corruption and related proceeds. In particular, measures should aim at implementing commitments taken under the United Nations Convention against Corruption (UNCAC), including by strengthening the asset declaration regime by broadening the scope of assets to be declared and publishing the declaration of top-level officials, and addressing the recommendations of the ongoing AML/CFT assessment against the Financial Action Task Force Standards (MEFP ¶33). Implementation also need to be spurred by providing the relevant audit and law enforcement agencies with the proper power, independence and resources to carry out their anti-corruption mandate. To that end, the authorities are committed to enhance coordination between the actions of control, audit and inspection agencies (MEFP ¶34), strengthening the role of the Auditor General and creating a special economic crime prosecution service with national jurisdiction in Bamako (MEFP ¶35).

26. **A joint FAD-LEG mission will assist the authorities in conducting a governance diagnostic and a plan of action to address governance vulnerabilities and tackle corruption.** The mission will take place early 2020. The diagnostic report and the exercise will further inform program design for future reviews.

[9] Shea butter is an extract from tree nuts, which, in addition to being edible, has cosmetic and medicinal uses.

27. The authorities welcomed the governance diagnostic mission. They agreed to reflect the main conclusions of such diagnostic in later reviews and to consider the eventual publication of the governance diagnostic report.

E. Capacity Development

28. Mali needs large-scale capacity building across the public administration. It has been the recipient of extensive TA from the Fund in the past, most recently focused on improving revenue administration and PFM (Annex II, Capacity Development Strategy). The authorities indicated that they very much wanted these efforts to continue and guide the implementation of structural reforms.

PROGRAM MODALITIES

29. The proposed access under the new ECF arrangement is 75 percent of quota, or SDR 139.95 million. This reflects Mali's balance of payments needs arising from the large deterioration in the terms of trade over 2017-18 and continuous smaller deteriorations from 2020 as well as rising imports, the steady decline in official transfers over time, and the magnitude of security-related shocks, as well as Mali's track record of largely satisfactory policies under previous programs. With this access, the program is fully financed with a significant catalytic effect, particularly in 2019 (exceptional budget support from the World Bank which is dependent on a Fund program being in place, Table 7). Disbursements would be made according to the schedule laid out in Table 8. Proposed quantitative performance criteria (PCs) and indicative targets (ITs) are set out in MEFP Table 1. Structural benchmarks (SBs) drawing on Fund TA recommendations are presented in MEFP Table 2. The first two test dates for the program are end-September and end-December 2019. Thereafter, performance under the program will be reviewed every six months based on end-June and end-December PCs.

30. Ahead of the Board Meeting, the authorities have committed to fulfill the following prior actions: (i) submission to Parliament of a supplementary 2019 budget in line with program parameters; and (ii) completion of the audit of the tax and custom administrations (MEFP Table 2).

31. The authorities' commitment to program engagement with the Fund along with the design of the quantitative PCs[10], ITs, and SBs mitigate risks to the program. The main fiscal risks pertain to the possibility of underperformance of domestic revenue collections. Other risks relate to a potential further deterioration in the security environment, adverse weather conditions, and terms of trade shocks. In case these risks materialize, keeping the program on track would require proactive adjustment in macroeconomic policies in consultation with Fund staff.

32. Mali's capacity to repay the Fund would not be materially affected by the disbursements proposed under the new ECF arrangement (Table 9). Mali has a long track record

[10] The criteria on the ceiling on new external debt contracted or guaranteed by the government for June 2020 is an indicative target and will be defined as a performance criterion at the first review.

of Fund borrowing and repayments that is a testament to its ability and willingness to repay any Fund lending. Moreover, Mali has unrestricted access to the pooled reserves of the BCEAO, further bolstering the safety of IMF lending to the country.

33. An updated safeguards assessment of the BCEAO was completed in 2018. It found that the regional central bank had maintained a strong control environment; audit arrangements were in broad conformity with international standards; and the financial statements were prepared in accordance with the International Financial Reporting Standards. The BCEAO has recently enhanced the oversight role of its audit committee in line with the recommendations of the assessment.

STAFF APPRAISAL

34. Mali achieved some important results under the previous ECF arrangement despite its fragility. Macroeconomic stability was broadly maintained in the face of frequent terrorist attacks and increasing interethnic violence. Average annual growth exceeded 5 percent and inflation remained moderate. However, the significant gains in revenue performance during 2014–17 were reversed in 2018, reflecting significant challenges in revenue administration and tax compliance.

35. The economic outlook for Mali, while broadly positive, is subject to notable downside risks. The potential real growth rate is estimated at about 5 percent per year and inflation is expected to continue to be contained by the CFAF's peg to the euro; the external position is assessed to have been broadly consistent with fundamentals and desirable policy settings. However, downside risks relate to the possible further spread and deterioration of security, potential shocks to the terms of trade (the price of gold, cotton, and fuels), and adverse weather conditions.

36. The new medium-term strategic framework for Economic Recovery and Sustainable Development for 2019-23 (CREDD) provides a general direction for achieving strong, sustainable, and inclusive economic growth. It relies on a private-sector led structural transformation of the economy on the back of large-scale infrastructure investments in energy, transport, and agriculture. However, a better tapping in Mali's tax revenue potential coupled with stronger public-private partnerships (PPPs) framework would be required to comply with the WAEMU convergence criteria over the medium term.

37. Staff welcomes the authorities' commitment to take the necessary measures to improve domestic revenue mobilization. The authorities have started implementing specific recommendations from recent IMF TA missions. Information on revenue collection data for the first semester of 2019 points to a significant improvement in performance, particularly for tax administration. Staff is of the view that these reforms are adequate for the achievement of the revenue targets of the program.

38. Staff considers that the agreed fiscal framework for the program is based on ambitious but realistic revenue targets. Fiscal policy should aim for a return to the domestic revenue mobilization path by 2020. Staff is also of the view that the authorities have in place adequate mechanisms to deal with the contingency of a revenue shortfall. Staff supports the reallocation of expenditures towards priority zones in the Center and the North of the country.

39. Staff supports the authorities' reform strategy for the state-owned electricity company. The financial situation of EDM-SA the state-owned electricity company has deteriorated to such an extent that it endangers ongoing economic activity and development in Mali. Staff encourages the authorities to seek participation from the commercial banks in the financial restructuring of EDM-SA.

40. The authorities are considering various external financing opportunities, including a large near-concessional budgetary loan and a policy-based guarantee operation with the World Bank. The proceeds of these loans would be to reprofile Mali's domestic and regional debt and support the financial restructuring of EDM-SA. Staff urges the authorities to weigh these opportunities prudently but does not see them materially impacting Mali's debt sustainability.

41. Staff concurs with the authorities that greater spending efficiency is needed in the context of limited domestic and external resources and welcomes their intentions to rationalize subsidies, strengthen project selection and execution, and broaden the scope of the Single Treasury Account.

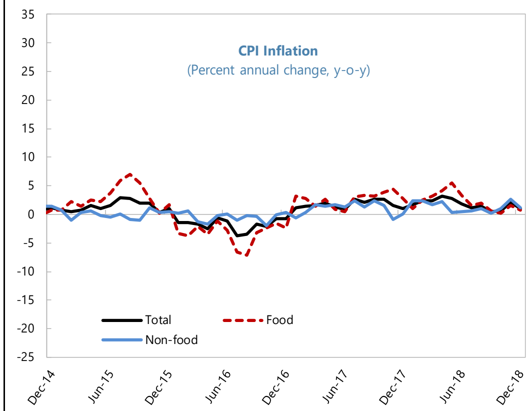
42. Staff welcomes the authorities' efforts to expand mobile banking and lessen the gender gap as elements of their strategy for improving the business environment. Mobile banking has the potential to foster inclusive economic growth as do direct efforts to economically empower women.

43. The authorities' commitment to improved governance and the fight against corruption is commendable. The results of the planned governance diagnostic will be integrated into the ECF arrangement in a timely fashion. Staff encourages the authorities to consent to the publication of the governance diagnostic report when available.

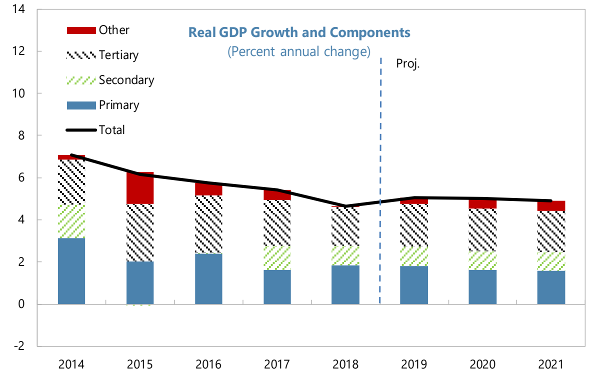
44. Staff supports the Malian authorities request for a new, three-year ECF arrangement, as well as the release of the first disbursement.

Figure 1. Mali: Macroeconomic Developments, 2014–21

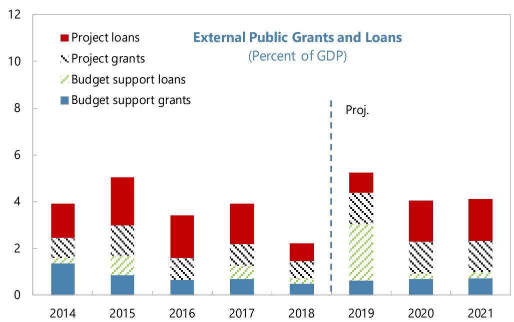
Inflation remains subdued, well below the WEAMU criterion.



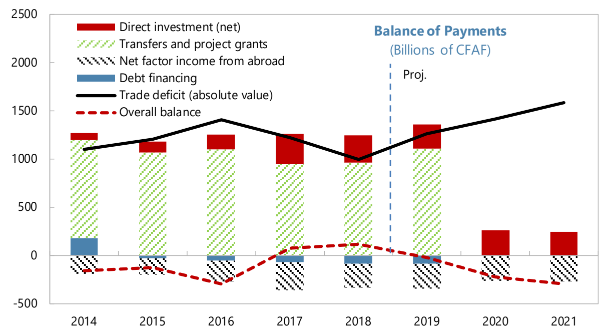
Growth is projected to slightly rebound from 4.7 percent in 2018 to 5.0 percent in 2019.



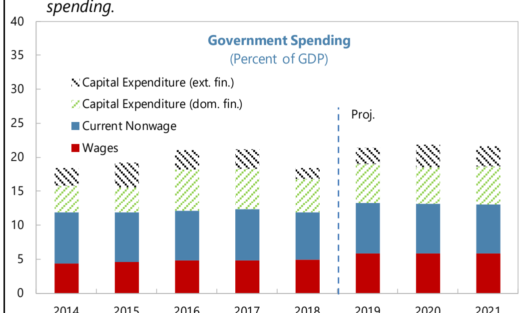
Budget support grants and loans are expected to be significantly higher in 2019.



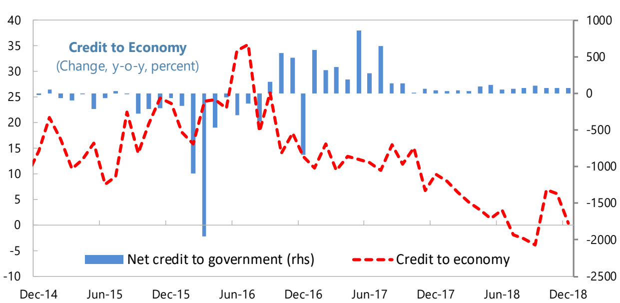
The trade balance is expected to widen further over the medium-term as gold exports decline and cotton exports grow slower.



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



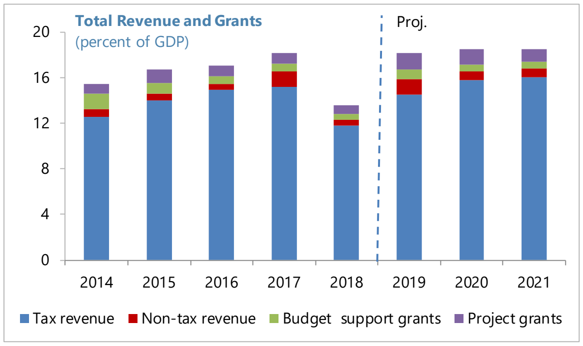
Credit to the economy has decelerated.



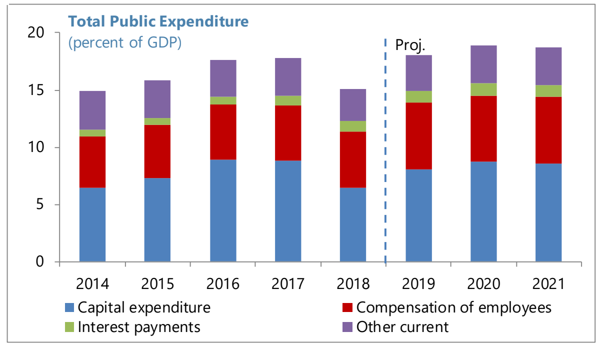
Sources: Malian authorities; and IMF staff estimates and projections.

Figure 2. Mali: Fiscal Developments, 2014–21

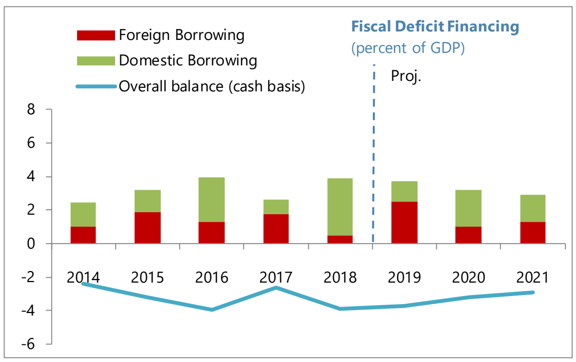
Despite a significant shortfall in 2018, revenues are expected to go back to their original trend and level...



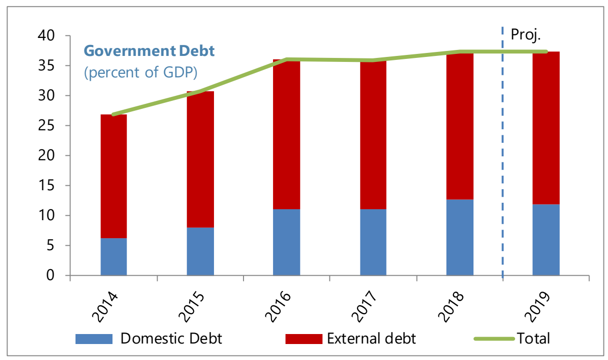
...enabling a continuous increase in capital spending...



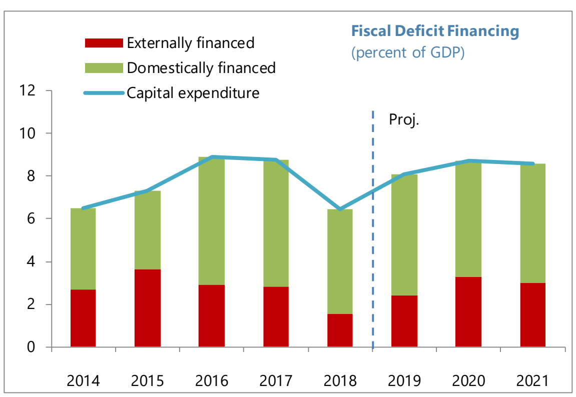
... and contributing to a sustainable fiscal position.



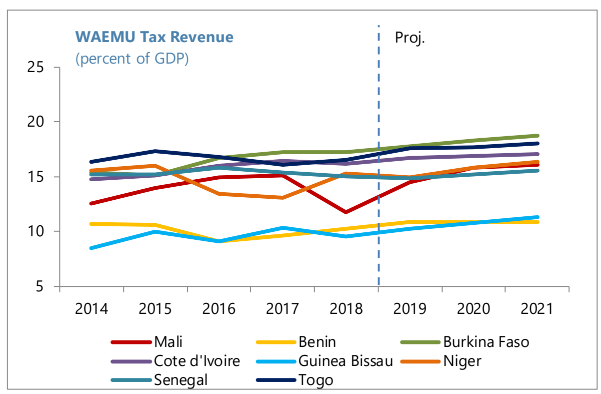
Debt relief in the last decade has provided some fiscal space.



Capital expenditure declined in 2018 due to revenue shortfall.



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, 2016–23

	2016	2017	2018	2019	2020	2021	2022	2023
		Estimates		Projections				
	(Annual percentage change)							
National income and prices								
Real GDP	5.8	5.4	4.7	5.0	5.0	4.9	4.9	4.8
Real non-agriculture GDP	5.0	5.6	4.2	4.8	...	...	...	...
GDP deflator	1.4	1.9	2.1	1.8	1.8	2.0	2.1	2.1
Consumer price inflation (average)	-1.8	1.8	1.7	0.4	1.9	2.0	2.1	2.1
Consumer price inflation (end of period)	-0.8	1.1	1.0	1.8	1.9	2.0	2.1	2.1
External sector (percent change)								
Terms of trade (deterioration -)	15.5	-25.0	-1.3	0.5	-2.8	-3.7	-1.4	-1.8
Real effective exchange rate (depreciation -)	-1.9	0.8	...	...	...	...	...	...
Money and credit (contribution to broad money growth)								
Credit to the government	11.3	4.4	9.3	5.0	4.3	4.0	3.8	3.9
Credit to the economy	12.5	9.5	0.4	9.0	9.3	11.4	12.3	13.3
Broad money (M2)	12.8	15.4	8.1	5.8	10.4	10.7	3.6	14.9
	(Percent of GDP, unless otherwise indicated)							
Central government finance								
Revenue	16.7	18.4	14.2	19.9	17.9	18.2	18.5	18.8
Grants	1.6	1.6	1.2	2.3	2.0	1.7	1.8	1.8
Total expenditure and net lending	22.3	22.9	20.2	25.2	22.9	22.9	23.3	23.5
Overall balance (committment basis, including grants)	-3.9	-2.9	-4.7	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, including grants)	-3.9	-2.6	-3.9	-3.7	-3.2	-2.9	-2.9	-2.9
External sector								
Current external balance, including official transfers	-7.2	-7.3	-3.8	-5.6	-6.4	-7.1	-7.0	-6.9
Current external balance, excluding official transfers	-14.6	-12.1	-8.2	-10.0	-10.5	-10.9	-10.6	-10.3
Exports of goods and services	23.5	22.2	23.6	22.8	21.7	20.1	19.4	18.8
Imports of goods and services	40.3	35.9	34.1	35.2	34.6	33.7	32.8	32.0
Public debt (end period)								
External and Domestic public debt	36.0	36.0	37.3	37.4	38.2	38.7	39.2	39.3
External public debt	25.1	24.9	24.6	25.5	25.1	24.8	24.6	24.0
Domestic public debt[1]	11.0	11.0	12.7	11.9	13.0	13.9	14.6	15.3
External debt service to exports of goods and services ratio	4.8	4.5	4.2	4.1	5.0	5.4	5.4	5.9
Debt service to budgetary revenue ratio	36.5	38.2	41.7	30.5	25.8	33.4	34.0	36.9
Memorandum items:								
Nominal GDP (CFAF billions)	8,308	8,928	9,538	10,199	10,905	11,663	12,486	13,360
Overall balance of payments (US$ millions)	-536.2	-70.6	194.2	-42.5	-400.1	-529.9	-587.9	-649.9
US$ exchange rate (end of period)	622.2	554.2	576.3	...	...	...	...	...
Gold Price (US$/fine ounce London fix)	1248	1257	1269	1321	1359	1398	1430	1463
Petroleum price (crude spot)(US$/bbl)	43	53	68	59	59	58	58	58

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

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

Table 2. Mali: National Accounts, 2016–23

	2016	2017	2018	2019	2020	2021	2022	2023
		Estimates		Projections				
	(Annual percentage change)							
Primary sector	7.5	5.0	5.7	5.5	5.0	4.9	4.9	4.8
Crops	12.3	6.2	6.5	6.8				
Food crops	9.8	4.9	10.0	6.0				
Export crops	26.0	12.4	-9.3	10.9				
Livestock	4.0	3.9	5.6	4.8				
Fishing and forestry	3.8	3.6	4.2	2.9				
Quarrying	6.0	6.8	0.0	9.4				
Secondary sector	0.3	6.6	5.4	5.2	5.0	4.9	4.9	4.8
Gold (mining & processing)	0.8	5.6	21.4	0.0				
Manufacturing	-6.0	5.8	3.7	4.3				
Agribusiness	-12.0	10.4	-0.8	4.9				
Textile	3.7	12.6	12.8	4.0				
Utilities	9.0	8.5	6.7	7.7				
Construction and public works	7.9	7.5	0.0	8.1				
Tertiary sector	6.8	5.4	4.5	5.1	5.1	4.9	4.9	4.8
Transportation and telecommunications	8.8	7.8	7.2	7.2				
Trade	6.5	4.4	3.1	4.0				
Financial services	7.5	5.3	3.7	4.6				
Other nonfinancial services	4.7	4.2	3.9	3.7				
Public administration	6.9	4.7	3.5	5.2				
GDP at market prices	5.8	5.4	4.7	5.0	5.0	4.9	4.9	4.8
	(Percent of GDP, unless otherwise indicated)							
National accounts								
Gross domestic investment	22.7	20.1	18.4	18.7	19.3	19.2	19.6	19.7
Gross national savings	15.5	12.8	14.6	13.1	12.9	12.0	12.6	12.8
Current account balance (including official transfers)	-7.2	-7.3	-3.8	-5.6	-6.4	-7.1	-7.0	-6.9
Memorandum items:								
Nominal GDP (in CFAF billions)	8308	8928	9538	10199	10905	11663	12486	13360
GDP deflator (annual % change)	1.4	1.9	2.1	1.8	1.8	2.0	2.1	2.1

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

Table 3. Mali: Monetary Survey, 2015–20

	2015	2016	2017	2018	2019	2020
			Estimates		Projections	
			(CFAF billion)			
Net Foreign Assets	574	247	206	314	323	137
BCEAO	221	-82	-8	107	116	-70
Commercial Banks	353	329	214	207	207	207
Net Domestic Assets	1336	1858	2052	2242	2629	3028
Credit to the government (net)	-28	208	309	530	668	794
BCEAO	-35	36	93	135	140	160
Commercial banks, net	-438	-247	-203	122	528	635
Other	445	418	419	273	0	0
Credit to the economy	1936	2197	2416	2426	2675	2948
Other items (net)	-384	-344	-379	-379	-379	-379
Money supply (M2)	2087	2311	2394	2752	2952	3165
Currency outside banks	415	451	469	517	555	595
Bank deposits	592	1859	1926	2235	2397	2570
Memorandum item:						
Base Money (M0)	759	763	714	845	779	819
			(In percent of beginning of period broad money)			
Contribution to growth of broad money						
Money supply (M2)	10.4	10.7	3.6	14.9	7.2	7.2
Net foreign assets	-2.6	-15.7	-1.8	4.5	0.3	-6.3
BCEAO	-4.9	-14.5	3.2	4.8	0.3	-6.3
Commercial banks	2.3	-1.2	-5.0	-0.3	0.0	0.0
Net domestic assets	11.8	25.0	8.4	7.9	14.0	13.5
Credit to the central government	2.0	11.3	4.4	9.3	5.0	4.3
Credit to the economy	19.6	12.5	9.5	0.4	9.0	9.3
Other items net	-4.6	1.9	-1.5	0.0	0.0	0.0
			(Annual percent growth rate)			
Memorandum items:						
Money supply (M2)	10.4	10.7	3.6	14.9	7.2	7.2
Base money (M0)	5.1	0.5	-6.4	18.5	-7.9	5.2
Credit to the economy	23.7	13.4	10.0	0.4	10.3	10.2
Velocity (GDP/M2)	3.7	3.6	3.7	3.5	3.5	3.4
Money Multiplier (M2/M0)	2.7	3.0	3.4	3.3	3.8	3.9
Currency outside banks / M2	19.9	19.5	19.6	18.8	18.8	18.8

Sources: BCEAO; and Fund staff estimates and projections.

Table 4. Mali: Balance of Payments, 2016–23
(CFAF billion)

	2016	2017	2018	2019	2020	2021	2022	2023
		Estimates		Projections				
Current account balance								
Excluding official transfers	-1214.9	-1078.4	-780.0	-1020.9	-1140.5	-1275.2	-1318.0	-1370.9
Including official transfers	-601.9	-649.6	-358.1	-567.2	-702.2	-833.5	-872.9	-921.9
Trade balance	-342.0	-415.4	-227.8	-427.7	-536.7	-673.2	-735.3	-804.3
Exports, f.o.b.	1675.9	1685.9	1942.9	2003.6	2019.4	1985.5	2044.6	2111.6
Cotton fiber	187.6	223.4	270.8	247.5	277.4	293.1	310.7	328.5
Gold	1120.4	1175.7	1388.4	1455.5	1418.2	1343.4	1365.3	1385.4
Other	368.0	286.8	283.7	300.6	323.7	349.1	368.7	397.7
Imports, f.o.b.	-2018.0	-2101.4	-2170.7	-2431.4	-2556.1	-2658.7	-2779.9	-2915.9
Petroleum products	-425.8	-551.9	-658.6	-618.6	-641.1	-652.9	-674.8	-699.4
Foodstuffs	-336.0	-348.7	-275.8	-296.9	-313.7	-335.3	-356.5	-379.0
Other	-1256.2	-1200.8	-1236.3	-1515.9	-1601.4	-1670.5	-1748.6	-1837.4
Services (net)	-1061.0	-807.5	-769.1	-831.6	-874.7	-908.1	-927.8	-953.5
Credit	272.6	296.1	308.2	325.5	343.5	362.1	382.5	404.0
Debit	-1333.6	-1103.5	-1077.3	-1157.2	-1218.2	-1270.2	-1310.3	-1357.6
Of which: freight and insurance	-372.4	-386.7	-400.5	-463.1	-486.9	-506.4	-529.5	-555.4
Income (net)	-222.1	-290.8	-253.5	-264.8	-269.0	-273.2	-277.2	-281.2
Of which: interest due on public debt	-26.1	-28.2	-29.0	-34.1	-38.0	-27.4	-29.7	-32.3
Transfers (net)	1023.2	864.1	892.3	957.0	978.2	1021.1	1067.5	1117.1
Private transfers (net)	410.2	435.3	470.4	503.2	539.9	579.4	622.3	668.1
Official transfers (net)[1]	613.0	428.7	421.9	453.8	438.3	441.7	445.2	449.0
Of which: budgetary grants	45.5	48.6	42.5	87.1	65.4	69.3	74.2	78.2
Capital and financial account	348.8	697.9	472.6	542.8	475.2	534.5	543.3	559.1
Capital account (net)	124.4	150.1	135.6	209.6	203.7	182.9	208.9	215.5
Of which: debt forgiveness	17.7	18.2	19.0	17.8	0.0	0.0	0.0	0.0
Of which: project grants	87.0	95.7	74.5	146.8	155.6	131.5	153.8	156.6
Financial account	224.4	547.8	337.0	333.2	271.5	351.6	334.4	343.6
Private (net)	-2.2	395.0	196.5	54.7	125.8	164.1	128.4	130.9
Direct investment (net)	153.8	318.3	285.8	254.7	258.2	244.2	238.0	254.7
Portfolio investment private (net)	2.6	0.6	0.5	0.0	0.0	0.0	0.0	0.0
Other private capital flows	-158.5	76.1	-89.8	-200.0	-132.4	-80.1	-109.7	-123.8
Official (net)	226.5	152.7	140.5	278.5	145.7	187.5	206.0	212.7
Portfolio investment public (net)	135.0	16.1	115.5	41.9	44.8	47.9	51.3	54.9
Disbursements	149.9	206.3	97.3	335.1	223.1	238.6	255.4	273.3
Budgetary	0.0	49.8	23.3	245.8	28.7	30.7	32.9	35.2
Project related	149.9	156.5	74.0	89.3	194.4	207.9	222.6	238.2
Amortization due on public debt	-58.4	-69.6	-72.3	-98.5	-122.2	-99.0	-100.7	-115.5
Errors and omissions	-64.7	-89.3	-6.7	0.0	0.0	0.0	0.0	0.0
Overall balance	-317.8	-41.0	107.8	-24.4	-227.0	-299.0	-329.6	-362.9
Financing	317.8	41.0	-107.8	8.3	195.1	267.0	297.6	362.9
Foreign assets (net)	300.1	22.8	-126.8	-9.5	186.1	258.1	297.6	362.9
Of which: IMF based on existing drawing (net)	*24.6*	*16.1*	*64.6*	*-11.1*	*-12.1*	*-12.3*	*-13.6*	*-21.5*
HIPC Initiative assistance	17.7	18.2	19.0	17.8	9.0	9.0	0.0	0.0
Financing gap	0.0	0.0	0.0	-16.0	-31.9	-32.0	-32.0	0.0
IMF financing based on prospective drawing (net)				16.0	31.9	32.0	32.0	0.0
	(Pourcentage du PIB, sauf indication contraire)							
Current account balance								
Excluding official transfers	-14.6	-12.1	-8.2	-10.0	-10.5	-10.9	-10.6	-10.3
Including official transfers	-7.2	-7.3	-3.8	-5.6	-6.4	-7.1	-7.0	-6.9
Trade Balance	-4.1	-4.7	-2.4	-4.2	-4.9	-5.8	-5.9	-6.0
Overall Balance	-3.5	0.8	1.2	-0.2	-2.1	-2.6	-2.6	-2.7
	(variation annuelle en %)							
External trade								
Export volume index	-4.0	11.4	-3.7	0.6	3.0	1.1	3.2	3.7
Import volume index	13.3	-14.2	-15.7	9.5	4.5	3.0	3.4	3.5
Export unit value	8.9	-9.0	20.9	2.7	-2.2	-2.8	-0.3	-0.4
Import unit value	-5.7	21.3	22.5	2.3	0.7	1.0	1.1	1.4
Terms of trade	15.5	-25.0	-1.3	0.5	-2.8	-3.7	-1.4	-1.8

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

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

Table 5. Mali: Financial Soundness Indicators for the Banking Sector, 2015–19
(in percent)

	2015				2016				2017				2018[2]				2019[2]
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.[3]	Mar.[3]
Capital																	
Capital to risk-weighted assets	14.7	15.2	15.5	14.8	15.1	15.3	14.3	14.7	13.0	13.6	13.9	14.7	...	12.5	...	...	...
Tier 1 capital to risk-weighted assets	13.3	13.9	14.2	13.4	13.7	13.6	12.6	13.2	11.6	12.3	12.6	13.4	...	11.6	...	...	...
Capital (net worth) in percent of assets	7.5	7.9	7.9	7.4	7.8	7.9	7.5	7.3	7.2	7.2	7.6	7.1	...	8.3	...	...	...
Sectoral distribution of credit to the economy																	
Agriculture and fishing	3.1	1.1	0.3	4.3	2.8	2.1	1.3	3.8	4.0	2.2	2.8	3.6	2.8	3.4	1.5	4.1	4.4
Minining sector	3.8	3.6	3.2	2.6	2.6	2.3	2.5	2.2	1.9	2.4	2.0	2.1	2.3	2.1	2.7	3.3	2.8
Manufacturing	12.5	13.4	12.6	12.1	12.8	13.2	12.4	13.2	13.5	13.9	13.1	13.6	14.1	15.0	14.5	14.5	16.4
Electricity, gas, and water	12.7	9.5	10.5	9.6	8.9	8.6	8.3	7.5	7.6	7.8	7.0	6.8	6.4	6.1	5.2	5.2	5.3
Building and construction	4.9	6.3	6.4	7.0	6.6	7.9	6.9	6.8	6.5	7.4	6.7	6.9	6.8	6.9	7.3	6.6	7.3
Wholesale and retail trade, hotels and restaurants	43.5	45.8	46.8	45.5	48.6	43.5	44.3	43.2	43.2	42.1	43.7	41.6	43.5	41.9	44.2	42.6	40.6
Transportation, warehouses, communications	8.3	8.9	9.7	8.8	7.7	10.6	11.1	9.6	9.3	10.3	10.7	11.9	10.7	11.9	11.2	11.8	11.6
Insurance, real estate, and services for enterprises	7.4	6.6	5.9	6.3	6.3	7.7	7.9	7.8	7.5	8.3	8.2	7.7	7.1	7.2	7.5	6.4	5.9
Collectives and social services	3.7	4.6	4.5	3.7	3.8	4.1	3.8	4.1	4.5	4.4	4.7	4.6	4.9	4.7	4.9	4.8	4.7
Other activities	0.2	0.2	0.2	0.2	0.1	1.2	1.5	2.0	1.9	1.3	1.2	1.1	1.5	0.8	0.93	0.79	1.0
Asset quality																	
Non-performing loans to total loans	17.2	16.4	17.2	16.1	16.5	15.8	16.2	16.4	16.6	17.3	17.6	18.2	16.8	16.4	16.6	13.5	12.2
Non-performing loans to total loans (net of provisioning)	6.7	6.0	7.2	6.3	6.5	6.1	6.5	7.7	7.9	8.2	8.6	8.9	7.4	7.5	8.1	7.2	6.9
Provisions to gross non-performing loans	65.5	67.3	62.6	65.0	64.5	65.4	64.3	70.1	56.9	57.0	55.8	56.0	60.3	58.8	55.7	50.5	46.1
Non-performing loans net of provisions to Tier I capital	49.2	41.8	49.1	46.3	46.4	44.2	48.9	60.9	64.4	65.9	67.1	72.8	...	49.4	...	...	...
Provisions to gross loans	11.3	11.0	10.7	10.4	10.6	10.3	10.4	11.5	9.4	9.8	9.8	10.2	11.2	10.7	10.2	6.8	5.7
Earnings and profitability																	
Return on assets (ROA)	...	...	...	1.1	...	...	...	1.1	...	...	...	1.0	...	...	...	1.6	...
Return on equity (ROE)	...	...	...	14.9	...	...	...	14.8	...	...	...	14.6	...	...	...	...	...
Liquidity																	
Liquid assets to total assets	49.0	51.0	50.0	51.7	49.1	49.9	49.4	50.0	51.7	51.5	49.8	45.6	68.5	62.0	64.2	63.8	62.3
Liquid assets to short term liabilities	92.6	96.1	92.1	87.9	88.6	88.2	88.8	86.2	69.2	69.0	69.6	82.6	102.5	95.6	96.6	98.4	101.3
Ratio of deposits to assets					64.3	63.9	63.4	58.4	59.5	60.9	61.5	59.4	59.4	61.1	63.1	60.2	60.9
Ratio of loans to deposits	85.4	83.5	83.4	86.7	83.6	84.7	85.8	95.8	97.3	95.4	97.3	99.6	103.5	99.4	98.1	95.8	96.9
Memorandum items[1]																	
Deposit rate	...	...	...	1.8	...	...	...	2.2	...	...	...	2.7	...	...	...	2.5	...
Lending rate	...	...	...	7.8	...	...	...	7.5	...	...	...	8.0	...	...	...	7.7	...

Source: BCEAO

[1] Average

[2] New prudential framework (Basel II/III)

[3] Preliminary estimates

Table 6a. Mali: Consolidated Fiscal Transactions of the Government, 2017–23

(Billions of CFAF)

	2017	2018	2019			2020		2021	2022	2023
	Estimates		Initial Budget	Proposed Suppl. Budget	Prog.	Preliminary Budget	Prog.	Projections		
Revenue and grants	1789.7	1475.9	2012.0	2313.8	2264.3	2169.4	2169.4	2318.0	2540.0	2744.
Total revenue	1645.6	1358.8	1811.2	2079.8	2030.3	1948.4	1948.4	2117.3	2311.9	2510.
Budgetary revenue	1480.1	1181.6	1684.6	1683.0	1633.5	1816.2	1816.1	1975.8	2160.5	2348.
Tax revenue	1353.7	1125.8	1595.9	1529.8	1480.3	1722.9	1722.8	1873.2	2047.5	2224.
Direct taxes	419.4	340.0	557.3	454.0	446.9	525.5	525.5	579.0	633.5	693.
Indirect taxes	934.3	785.8	1038.7	1075.8	1033.4	1197.4	1197.3	1294.2	1414.0	1531.
VAT	523.5	415.2	611.4	616.7	584.5	677.8	677.8	737.6	807.0	875.
Excises on petroleum products	84.7	87.8	99.6	60.3	74.4	84.6	84.6	89.2	95.5	101.
Import duties	180.1	149.7	201.6	211.8	163.6	188.4	188.4	202.7	219.5	236.
Other indirect taxes	235.2	198.0	198.5	259.4	283.4	324.1	324.1	347.7	380.8	412.
Tax refund	-89.2	-64.7	-72.4	-72.4	-72.4	-77.6	-77.6	-83.0	-88.8	-95.
Nontax revenue	126.4	55.8	88.7	153.2	153.2	93.3	93.3	102.6	113.0	123.
Special funds and annexed budgets	165.5	177.3	126.6	396.8	396.8	132.2	132.2	141.4	151.4	162.
Grants	144.1	117.1	200.8	234.0	234.0	221.0	221.0	200.8	228.0	234.
Projects grants	81.4	68.4	136.1	146.8	146.8	155.6	155.6	131.5	153.8	156.
Budgetary support	62.7	48.7	64.7	87.1	87.1	65.4	65.4	69.3	74.2	78.
Of which: General	48.6	42.5	56.6	76.4	76.4	56.6	56.6	60.2	64.0	68.
Of which: Sectoral	14.2	6.1	8.1	10.7	10.7	8.8	8.8	9.1	10.2	10.
Total expenditure and net lending (payment orders basis)	2045.0	1925.5	2323.7	2571.3	2571.3	2501.7	2501.7	2667.9	2914.5	3145.
Budgetary expenditure	1889.5	1755.2	2206.8	2184.1	2184.1	2379.1	2379.0	2526.5	2763.1	2983.
Current expenditure	1105.0	1140.5	1300.3	1358.3	1358.3	1430.2	1430.1	1526.6	1641.5	1763.
Wages and salaries	432.6	471.1	595.6	595.6	595.6	633.8	633.8	677.9	725.7	776.
Goods and services	297.6	272.4	319.8	319.8	319.8	358.3	358.3	383.2	410.2	439.
Transfers and subsidies	300.5	313.0	283.8	341.8	341.8	317.8	317.8	339.9	363.9	389.
Interest	74.4	84.0	101.1	101.1	101.1	120.2	120.2	125.7	141.7	158.
Capital expenditure	784.5	614.7	906.5	825.8	825.8	948.9	948.9	999.9	1121.6	1220.
Externally financed	253.1	146.7	327.5	246.8	246.8	358.8	358.8	348.5	386.6	404.
Domestically financed	531.4	468.0	579.0	579.0	579.0	590.1	590.1	651.4	735.0	815.
Special funds and annexed budgets	165.5	177.3	126.6	396.8	396.8	132.2	132.2	141.4	151.4	162.
Net lending	-10.0	-6.9	-9.6	-9.6	-9.6	-9.6	-9.6	0.0	0.0	0.
Overall fiscal balance (excl. grants)	-399.4	-566.7	-512.5	-491.5	-541.0	-553.3	-553.3	-550.6	-602.6	-635.
Overall fiscal balance (incl. grants)	-255.3	-449.6	-311.7	-257.5	-307.0	-332.3	-332.3	-349.9	-374.6	-400.
Variation of arrears	-5.2	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	0.0	0.0	0.
Of which: Domestic	*-5.2*	*-10.0*	*-10.0*	*-10.0*	*-10.0*	*-10.0*	*-10.0*	*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.*
Adjustment to cash basis	28.1	91.4	14.2	-60.8	-60.8	-7.0	-7.0	9.0	9.8	10.
Overall balance (cash basis, incl. grants)	-232.4	-368.2	-307.5	-328.3	-377.8	-349.3	-349.3	-340.8	-364.8	-390.
Financing	232.4	368.2	307.5	328.3	377.8	349.3	349.3	340.8	364.8	390.
External financing (net)	154.9	44.0	129.2	254.4	254.4	109.9	109.9	148.6	154.7	157.
Loans	206.3	97.3	209.9	335.1	335.1	223.1	223.1	238.6	255.4	273.
Project loans	156.5	74.0	183.3	89.3	89.3	194.4	194.4	207.9	222.6	238.
Budgetary loans	49.8	23.3	26.6	245.8	245.8	28.7	28.7	30.7	32.9	35.
Amortization	-69.6	-72.3	-98.5	-98.5	-98.5	-122.2	-122.2	-99.0	-100.7	-115.
Debt relief	18.2	19.0	17.8	17.8	17.8	9.0	9.0	9.0	0.0	0.
Variation of External Arrears (Principal)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.
Domestic financing (net)	77.6	324.2	178.3	73.9	123.5	239.4	239.4	192.2	210.0	232.
Banking system	161.2	184.1	137.3	41.8	86.9	259.4	259.4	192.2	210.0	232.
Central bank	57.0	41.5	-13.5	5.0	5.0	19.8	19.8	19.7	18.4	-21.
Of which: IMF (net)	*9.1*	*58.2*	*-13.5*	*5.0*	*5.0*	*19.8*	*19.8*	*19.7*	*18.4*	*-21.*
Commercial banks	29.1	211.2	150.8	36.8	81.9	239.6	239.6	172.6	191.7	254.
Adjustment[1]	-60.0	68.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.
Privatization receipts	-10.2	-8.4	30.0	30.0	30.0	-20.0	-20.0	0.0	0.0	0.
Other financing	-73.5	148.6	11.0	2.1	6.6	0.0	0.0	0.0	0.0	0.
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.
Memorandum items:										
Nominal GDP	8928	9538	10221	10199	10199	10905	10905	11663	12486	1336

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.

Table 6b. Mali: Consolidated Fiscal Transactions of the Government, 2017–23

(Percent of GDP)

	2017	2018	2019			2020		2021	2022	2023
	Estimates		Initial Budget	Proposed Suppl. Budget	Prog.	Preliminary Budget	Prog.	Projections		
Revenue and grants	20.0	15.5	19.7	22.7	22.2	19.9	19.9	19.9	20.3	20.5
Total revenue	18.4	14.2	17.7	20.4	19.9	17.9	17.9	18.2	18.5	18.8
Budgetary revenue	16.6	12.4	16.5	16.5	15.9	16.7	16.5	16.8	17.2	17.4
Tax revenue	15.2	11.8	15.6	15.0	14.5	15.8	15.8	16.1	16.4	16.6
Direct taxes	4.7	3.6	5.5	4.5	4.4	4.8	4.8	5.0	5.1	5.2
Indirect taxes	10.5	8.2	10.2	10.5	10.1	11.0	11.0	11.1	11.3	11.5
VAT	5.9	4.4	6.0	6.0	5.7	6.2	6.2	6.3	6.5	6.6
Excises on petroleum products	0.9	0.9	1.0	0.6	0.7	0.8	0.8	0.8	0.8	0.8
Import duties	2.0	1.6	2.0	2.1	1.6	1.7	1.7	1.7	1.8	1.8
Other indirect taxes	2.6	2.1	1.9	2.5	2.8	3.0	3.0	3.0	3.0	3.1
Tax refund	-1.0	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
Nontax revenue	1.4	0.6	0.9	1.5	1.4	0.9	0.7	0.7	0.8	0.8
Special funds and annexed budgets	1.9	1.9	1.2	3.9	3.9	1.2	1.2	1.2	1.2	1.2
Grants	1.6	1.2	2.0	2.3	2.3	2.0	2.0	1.7	1.8	1.8
Projects grants	0.9	0.7	1.3	1.4	1.4	1.4	1.4	1.1	1.2	1.2
Budgetary support	0.7	0.5	0.6	0.9	0.9	0.6	0.6	0.6	0.6	0.6
Of which: General	0.5	0.4	0.6	0.7	0.7	0.5	0.5	0.5	0.5	0.5
Of which: Sectoral	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total expenditure and net lending (payment orders basis)	22.9	20.2	22.7	25.2	25.2	22.9	22.9	22.9	23.3	23.5
Budgetary expenditure	21.2	18.4	21.6	21.4	21.4	21.8	21.8	21.7	22.1	22.3
Current expenditure	12.4	12.0	12.7	13.3	13.3	13.1	13.1	13.1	13.1	13.2
Wages and salaries	4.8	4.9	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Goods and services	3.3	2.9	3.1	3.1	3.1	3.3	3.3	3.3	3.3	3.3
Transfers and subsidies	3.4	3.3	2.8	3.4	3.4	2.9	2.9	2.9	2.9	2.9
Interest	0.8	0.9	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.2
Capital expenditure	8.8	6.4	8.9	8.1	8.1	8.7	8.7	8.6	9.0	9.1
Externally financed	2.8	1.5	3.2	2.4	2.4	3.3	3.3	3.0	3.1	3.0
Domestically financed	6.0	4.9	5.7	5.7	5.7	5.4	5.4	5.6	5.9	6.1
Special funds and annexed budgets	1.9	1.9	1.2	3.9	3.9	1.2	1.2	1.2	1.2	1.2
Net lending	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0
Overall fiscal balance (excl. grants)	-4.5	-5.9	-5.0	-4.8	-5.3	-5.1	-5.1	-4.7	-4.8	-4.8
Overall fiscal balance (incl. grants)	-2.9	-4.7	-3.0	-2.5	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Variation of arrears	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0
Of which: Domestic	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	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
Adjustment to cash basis	0.3	1.0	0.1	-0.6	-0.6	-0.1	-0.1	0.1	0.1	0.1
Overall balance (cash basis, incl. grants)	-2.6	-3.9	-3.0	-3.2	-3.7	-3.2	-3.2	-2.9	-2.9	-2.9
Financing	2.6	3.9	3.0	3.2	3.7	3.2	3.2	2.9	2.9	2.9
External financing (net)	1.7	0.5	1.3	2.5	2.5	1.0	1.0	1.3	1.2	1.2
Loans	2.3	1.0	2.1	3.3	3.3	2.0	2.0	2.0	2.0	2.0
Project loans	1.8	0.8	1.8	0.9	0.9	1.8	1.8	1.8	1.8	1.8
Budgetary loans	0.6	0.2	0.3	2.4	2.4	0.3	0.3	0.3	0.3	0.3
Amortization	-0.8	-0.8	-1.0	-1.0	-1.0	-1.1	-1.1	-0.8	-0.8	-0.9
Debt relief	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.0
Variation of External Arrears (Principal)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing (net)	0.9	3.4	1.7	0.7	1.2	2.2	2.2	1.6	1.7	1.7
Banking system	1.8	1.9	1.3	0.4	0.9	2.4	2.4	1.6	1.7	1.7
Central bank	0.6	0.4	-0.1	0.0	0.0	0.2	0.2	0.2	0.1	-0.2
Of which: IMF (net)	0.1	0.6	-0.1	0.0	0.0	0.2	0.2	0.2	0.1	-0.2
Commercial banks	0.3	2.2	1.5	0.4	0.8	2.2	2.2	1.5	1.5	1.9
Adjustment[1]	-0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts	-0.1	-0.1	0.3	0.3	0.3	-0.2	-0.2	0.0	0.0	0.0
Other financing	-0.8	1.6	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Nominal GDP (in billions of CFAF)	8928	9538	10221	10199	10199	10905	10905	11663	12486	13360

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.

Table 6c. Mali: Central Government Consolidated Financial Operations, 2019
(Billions of CFAF)

	Mar.	Jun.	Sep.	Dec.
	Est.	Proj.	Proj.	Proj.
Revenue and grants	512.6	950.6	1498.0	2264.3
Total revenue	488.7	874.1	1355.9	2030.3
Budgetary revenue	386.1	698.0	1087.8	1633.5
Tax revenue	369.4	647.1	994.3	1480.3
Direct taxes	102.3	188.5	296.1	446.9
Indirect taxes	267.1	458.7	698.2	1033.4
VAT	137.9	249.5	389.1	584.5
Excises on petroleum products	19.9	33.5	50.6	74.4
Import duties	46.8	76.0	112.5	163.6
Other indirect taxes	73.5	126.0	191.6	283.4
Tax refund	-11.0	-26.4	-45.5	-72.4
Nontax revenue	15.4	46.3	84.8	138.8
Capital revenue	1.3	4.6	8.7	14.4
Special funds and annexed budgets	102.6	176.2	268.1	396.8
Grants	23.9	76.4	142.1	234.0
Projects grants	20.4	52.0	91.5	146.8
Budgetary support	3.5	24.4	50.5	87.1
Total expenditure and net lending (payment orders basis)	420.6	958.3	1630.4	2571.3
Budgetary expenditure	319.7	785.8	1368.4	2184.1
Current expenditure	244.6	523.0	871.1	1358.3
Wages and salaries	120.1	239.0	387.6	595.6
Goods and services	51.3	118.4	202.3	319.8
Transfers and subsidies	56.2	127.6	216.9	341.8
Interest	17.0	38.0	64.3	101.1
Capital expenditure	75.0	262.7	497.4	825.8
Externally financed	48.2	97.9	159.9	246.8
Domestically financed	26.8	164.9	337.4	579.0
Special funds and annexed budgets	102.6	176.1	268.1	396.8
Net lending	-1.7	-3.6	-6.1	-9.6
Overall fiscal balance (payment orders basis, incl. grants)	92.1	-25.8	-173.1	-307.0
Variation of arrears	0.0	-2.5	-5.6	-10.0
Adjustment to cash basis	-73.4	-70.3	-66.3	-60.8
Overall balance (cash basis, incl. grants)	18.7	-98.5	-245.1	-377.8
Financing	-3.5	98.5	245.1	377.8
External financing (net)	12.7	73.1	148.7	254.4
Loans	27.5	104.4	200.5	335.1
Project loans	27.5	43.0	62.3	89.3
Budgetary loans	0.0	61.4	138.2	245.8
Amortization	-14.8	-35.7	-61.9	-98.5
Debt relief	0.0	4.5	10.0	17.8
Variation of External Arrears (Principal)	0.0	0.0	0.0	0.0
Domestic financing (net)	-16.2	25.4	96.4	123.5
Banking system	22.1	45.0	92.6	86.9
Central bank	-2.9	-0.9	1.5	5.0
Commercial banks	25.0	45.9	91.1	81.9
Adjustment[1]	0.0	0.0	0.0	0.0
Privatization receipts	0.0	7.5	16.9	30.0
Other domestic financing	-38.3	-27.1	-13.0	6.6
Financing gap	-15.2	0.0	0.0	0.0

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.

Table 7. Mali: External Financing Requirements, 2018–2023
(CFAF billion)

	2018	2019	2020	2021	2022	2023
	Est.	Projections				
Financing need	**-591**	**-1076**	**-1149**	**-1222**	**-1304**	**-1377**
Current account balance (excl. official transfers)	-780	-1021	-1141	-1275	-1318	-1371
IMF transactions based on existing drawing, net	65	-11	-12	-12	-14	-21
Private capital and financial flows	197	55	126	164	128	131
Amortization of public loans (excl. IMF)	-72	-99	-122	-99	-101	-116
Financing	**598**	**1060**	**1117**	**1190**	**1272**	**1377**
Official loans	97	335	223	239	255	273
Project loans	74	89	194	208	223	238
Budgetary loans	23	246	29	31	33	35
Official transfers	557	663	642	625	654	665
Project grants	136	210	204	183	209	216
Budget grants	43	87	65	69	74	78
Other[1]	379	367	373	372	371	371
Portfolio investment public, net	116	42	45	48	51	55
NFA central bank (excl. IMF)	-172	19	207	279	311	384
Residual Gap	7	-16	-32	-32	-32	0
IMF ECF-Financing based on prospective drawing		16	32	32	32	0

Sources: Malian authorities; IMF staff estimates and projections

[1]Financing by the international community for imports of security services in relation to the foreign military intervention in the country.

Table 8. Mali: Proposed Schedule of Disbursements Under Three-year ECF Arrangement, 2019–22

Amount	In percent of quota[1]	Availability date	Conditions for disbursement[2]
SDR 20 million	10.7	August 20, 2019	Executive Board Approval of a new arrangement under the Extended Credit Facility.
SDR 20 million	10.7	December 15, 2019	Observance of continuous and end-September 2019 performance criteria, and completion of the first review under the arrangement.
SDR 20 million	10.7	June 15, 2020	Observance of continuous and end-December 2019 performance criteria, and completion of the second review under the arrangement.
SDR 20 million	10.7	December 15, 2020	Observance of continuous and end-June 2020 performance criteria, and completion of the third review under the arrangement.
SDR 20 million	10.7	June 15, 2021	Observance of continuous and end-December 2020 performance criteria, and completion of the fourth review under the arrangement.
SDR 20 million	10.7	December 15, 2021	Observance of continuous and end-June 2021 performance criteria, and completion of the fifth review under the arrangement.
SDR 19.95 million	10.7	June 15, 2022	Observance of continuous and end-December 2021 performance criteria, and completion of the sixth review under the arrangement.
SDR 139.95 million	75.0	Total amount of the arrangement	

Sources: IMF staff estimates and projections.

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

[2] In addition to the generally applicable conditions under the Extended Credit Facility.

Table 9. Mali: Indicators of Capacity to Repay the Fund, 2019–33[1]

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Fund obligations based on existing credit															
Principal	6.9	15.2	15.4	17.0	26.9	36.1	34.1	31.0	25.3	12.7	0.0	0.0	0.0	0.0	0.0
Charges and 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	0.0
Fund obligations based on existing and prospective credit 2/															
Principal	6.9	15.2	15.4	17.0	26.9	36.1	44.1	49.0	51.3	40.7	28.0	18.0	10.0	2.0	0.0
Charges and 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	0.0
Total obligations based on existing and prospective credit															
In millions of SDRs	6.9	15.2	15.4	17.0	26.9	36.1	44.1	49.0	51.3	40.7	28.0	18.0	10.0	2.0	0.0
In billions of CFA francs	5.5	12.1	12.3	13.6	33.6	45.1	55.1	61.3	64.1	50.8	35.0	22.5	12.5	2.5	0.0
In percent of government revenue	0.3	0.6	0.6	0.6	1.3	1.7	1.9	1.9	1.9	1.4	0.9	0.5	0.3	0.0	0.0
In percent of exports of goods and services	0.2	0.5	0.5	0.6	1.3	1.7	2.0	2.2	2.2	1.7	1.1	0.7	0.4	0.1	0.0
In percent of debt service	2.8	5.0	5.5	5.6	12.3	14.5	16.2	16.2	15.3	11.1	7.1	4.3	2.2	0.4	0.0
In percent of GDP	0.1	0.1	0.1	0.1	0.3	0.3	0.4	0.4	0.4	0.3	0.2	0.1	0.1	0.0	0.0
In percent of quota	3.7	8.1	8.3	9.1	14.4	19.4	23.6	26.3	27.5	21.8	15.0	9.6	5.4	1.1	0.0
Outstanding Fund credit 1/															
In millions of SDRs	253.7	278.5	303.1	306.1	279.2	243.1	199.0	149.9	98.6	58.0	30.0	12.0	2.0	0.0	0.0
In billions of CFA francs	203.3	222.4	242.2	244.5	223.4	194.5	159.2	120.0	78.9	46.4	24.0	9.6	1.6	0.0	0.0
In percent of government revenue	10.0	11.4	11.4	10.6	8.9	7.2	5.4	3.8	2.3	1.2	0.6	0.2	0.0	0.0	0.0
In percent of exports of goods and services	8.7	9.4	10.3	10.1	8.9	7.4	5.8	4.2	2.7	1.5	0.8	0.3	0.0	0.0	0.0
In percent of debt service	101.9	91.8	107.8	100.8	81.6	62.6	46.9	31.7	18.8	10.2	4.9	1.8	0.3	0.0	0.0
In percent of GDP	2.0	2.0	2.1	2.0	1.7	1.4	1.0	0.7	0.5	0.2	0.1	0.0	0.0	0.0	0.0
In percent of quota 3/	136.0	149.2	162.4	164.0	149.6	130.3	106.6	80.3	52.9	31.1	16.1	6.4	1.1	0.0	0.0
Disbursements and Repurchases	26.2	24.8	24.6	3.0	-26.9	-36.1	-44.1	-49.0	-51.3	-40.7	-28.0	-18.0	-10.0	-2.0	0.0
Disbursements	40.0	40.0	40.0	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	13.8	15.2	15.4	17.0	26.9	36.1	44.1	49.0	51.3	40.7	28.0	18.0	10.0	2.0	0.0
Memorandum items:															
Nominal GDP	10,199.0	10,905.2	11,663.2	12,486.0	13,360.2	14,295.5	15,296.3	16,367.2	17,513.1	18,739.1	20,051.1	21,454.8	22,956.9	24,564.0	26,283.8
Exports of goods and services	2,329.1	2,362.9	2,347.6	2,427.1	2,515.6	2,617.5	2,726.0	2,835.7	2,949.1	3,066.8	3,188.7	3,315.8	3,448.7	3,587.9	3,734.0
Government revenue	2,030.3	1,948.4	2,117.3	2,311.9	2,510.0	2,717.1	2,939.8	3,178.3	3,435.9	3,715.6	4,019.1	4,358.8	4,728.1	5,129.4	5,565.8
Debt service	199.6	242.4	224.6	242.5	273.9	310.8	339.3	378.5	419.5	456.8	492.3	526.8	563.6	603.1	645.3
Quota (SDR millions)	186.6	186.6	186.6	186.6	186.6	186.6	186.6	186.6	186.6	186.6	186.6	186.6	186.6	186.6	186.6

Sources: IMF staff estimates and projections.

1 Total debt service includes IMF repurchases and repayments.
2 Includes future disbursements proposed in Table 6.
3 Using the new quota under the 14th General Review of Quotas (SDR 186.6 million).

Annex I. External Sector Assessment for Mali

The current account deficit narrowed significantly in 2018 due to a large increase in gold exports. However, the current account deficit is expected to moderately widen in 2019 and the medium term driven by investments in public infrastructure and a slowdown in exports. The external sector assessment indicates that Mali's external position was broadly consistent with fundamentals and desirable policy settings in 2018. Medium-term improvements in structural competitiveness are essential to enable Mali to diversify its exports away from gold and maintain external stability.

1. Mali is a fragile country with a persistent current account deficit that averaged 7.6 percent of GDP over the last decade. This reflects primarily persistent trade deficits due weak exports growth and investment related imports. The deficit has been mainly financed by inflows of foreign aid and foreign direct investment (the latter mostly in the gold and telecommunications sectors) (Table 1).

2. The current account (CA) deficit narrowed in 2018 but is projected to widen over the medium term. Preliminary estimates indicate the deficit declined from 7.3 percent of GDP in 2017 to 3.8 percent of GDP (Table 1). This improvement was mainly driven by a large increase in gold exports by 18.1 percent in 2018. However, given the narrow exports base and the prospect for declining gold exports, the CA deficit is projected to widen in 2019 to 5.6 percent of GDP and to further widen to 7 percent of GDP over the medium term (Mali's long-term average). The CA deficit was financed mostly by FDI, which reached 3 percent of GDP in 2018 and is expected to decline to 2.5 percent of GDP in 2019 and remain stable around 1.9 percent of GDP during 2020–24, reflecting decreasing mining activities.

3. The export base remains narrow, with 71.2 percent of exports originating in the mining sector.

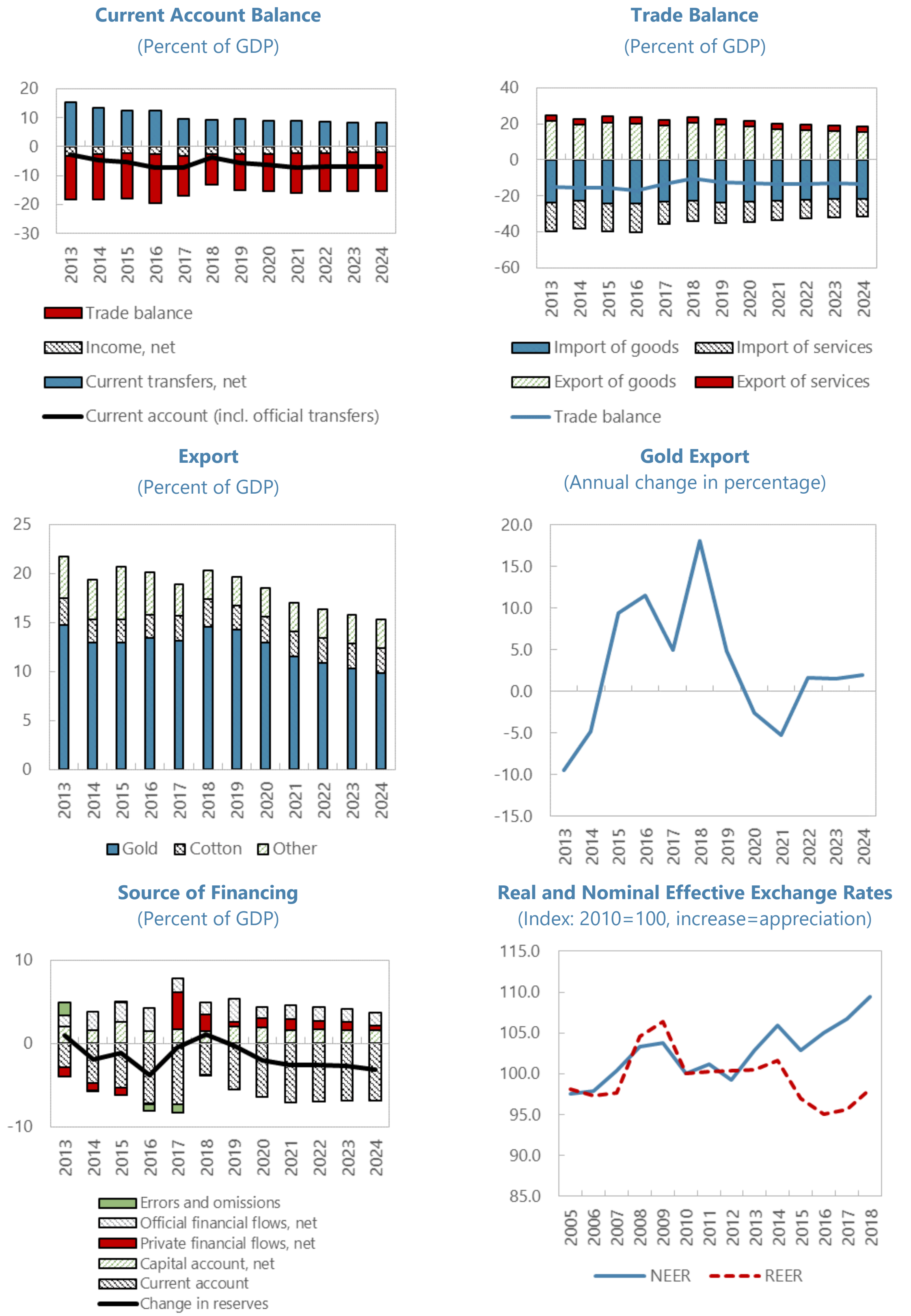
Table 1. Mali: Balance of Payments Selected Items, 2010–18

(percent of GDP)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Current account balance	**-10.7**	**-5.1**	**-2.2**	**-2.9**	**-4.7**	**-5.3**	**-7.2**	**-7.3**	**-3.8**
Current account balance (ex official grants and remittances)	-17.3	-10.8	-8.5	-9.6	-10.8	-11.7	-13.4	-13.0	-9.3
Official grants	0.6	0.5	0.4	0.9	0.7	0.9	1.2	0.8	0.6
Private remittances	5.9	5.3	5.9	5.8	5.5	5.5	4.9	4.9	4.9
Capital and financial account	**7.9**	**6.5**	**2.3**	**3.4**	**5.2**	**5.5**	**8.1**	**7.2**	**3.9**
FDI	3.7	4.3	3.1	2.3	1.0	1.5	1.9	3.6	3.0
Official loans	6.7	4.2	0.5	3.6	2.6	4.9	2.8	3.2	1.6
Other	-2.6	-1.9	-1.3	-2.5	1.7	-0.9	3.4	0.4	-0.7
Change in reserves	**-0.8**	**1.3**	**0.5**	**0.9**	**2.3**	**1.2**	**3.6**	**-0.8**	**-1.3**

Source: BCEAO and IMF staff calculations

Figure 1. Mali: External Sector Developments



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

4. Assessment of external position. Model-based assessments are based on the IMF's External Balance Assessment (EBA)-Lite Methodology using the CA model and the REER model. The assessment does not indicate any significant misalignment of the real effective exchange rate (REER) for Mali in 2018, indicating a small magnitude of reel exchange rate undervaluation – less than 10 percent. Mali's external position is broadly consistent with fundamentals and desirable policy settings (Table 2). The CA model estimates a current account norm, or value, consistent with fundamentals and desirable policies and determines the exchange rate adjustment needed to eliminate the gap between the current account norm and the actual current account balance. The REER model estimates the equilibrium real exchange rate based on the product of economic fundamentals and coefficients from a cross-country panel regression. In addition to fundamentals, the CA and REER norms of both models are determined based on desirable policy settings. Mali's real effective exchange rate (REER) appreciated by 2.6 percent in 2018, partially reflecting the appreciation of the Euro (Figure 1).

- **The CA model** suggests that the real exchange rate was undervalued by 4 percent[1] in 2018, compared to an estimated overvaluation of 10 percent in 2017, reflecting the major improvement in the current account in 2018. The model estimates the cyclically-adjusted CA-norm at -4.4 percent of GDP based on 1996–2018 historical data on fundamentals and policy factors, against an actual CA of -3.6 percent of GDP in 2018.

- **The REER model** indicates a small undervaluation of 9.9 percent in 2018, compared to an undervaluation of 10.3 percent in 2017.

Table 2. Summary of EBA-lite Findings

	CA Norm[1, 2]	Actual CA[1]	CA Gap	REER Gap
	(Percent of GDP)			(Percent)
CA Approach	-4.4	-3.6	0.8	-4.0
REER Approach	n.a.	n.a.	n.a.	-9.9

[1] Values are cyclically adjusted.

[2] Multilaterally consistent cyclically adjusted CA norm.

[1] A range is provided to underscore that there is uncertainty around the point estimate of CA and REER gaps.

Annex II. Capacity Building Framework Strategy

This note presents the understanding reached between the Mali country team and the Malian authorities on the capacity development strategy and expected objectives in support of the macroeconomic policy priorities for the period ahead. The note defines a set of milestones and outcomes related to the technical assistance (TA) program, including actions to be undertaken by the authorities to achieve the agreed goals.

A. Policy Priorities

Mali is a country in a fragile situation, facing important security issues. There are weaknesses in administrative and institutional capacity. Within this context, the overarching policy priorities for Mali remain: (i) conducting prudent macroeconomic policies and maintaining fiscal discipline so as to preserve debt sustainability and avoid accumulation of payments arrears; (ii) increase domestic revenue by improving the efficiency of the tax administration as well as by enlarging the tax base to provide a stable stream of resources to finance public goods and services, accommodate growing needs for security and peace consolidation, and over time substitute for declining donor support; and (iii) address weaknesses in the banking sector to reduce risks to financial stability. Mali also need to strengthen its real and external sector statistics to better inform policy making and private sector decisions.

B. Past Technical Assistance and Capacity Building

Mali is a high recipient of technical assistance from the Fund. It has an overall good implementation record and TA has made a positive contribution to capacity building. Recent TA support focused on (i) revenue administration; (ii) public financial management; (iii) improving fiscal accounting and reporting; (iv) tax and non-tax revenue policy; (vii) real and external sector statistics; and (viii) cash and debt management and financial markets. In many cases, encouraging progress has been made toward achieving TA objectives. Progress has been more difficult in modernizing tax administration and improving its quality, an area where advances have been hampered by issues related to human resource management and the system of incentives for tax and customs inspectors.

C. TA Priorities Going Forward

In support of the policy priorities, TA will focus more on developing capacities in human resource management in all areas, but especially in revenue (tax and customs) administration. This should include revamping the employment framework (recruitment, promotion, and training), and reforming the salary structures, and the incentive systems. TA will also aim at enhancing the authorities' capacity in public finance and debt management. Support to improve real and external sector statistics will also be expanded. The proposed strategy for IMF TA during FY2020 and beyond is as follows:

Revenue Administration (2019–20)

- Objective: Achieve more effective and efficient mobilization of domestic resources by: (i) increasing tax compliance and broadening the tax base; (ii) increasing the coverage and effectiveness of tax audits while reducing discretionary tax exemptions; (iii) improving HR management and reforming the system of incentives for tax and customs inspectors.
- Outcomes: (i) Filing compliance is better enforced, and audits are risk-based and their coverage is extended; (ii) customs risk management is operational and valuation capacity is strengthened; (iii) tax exemptions are significantly reduced; (iv) reform of the system of incentives starts in 2019; (v) Tax-to-GDP ratio increases to 15.8 percent of GDP by 2020.
- Milestones: (i) Further improve the effectiveness of tax audits and extend their coverage (2019–20); (ii) implement information exchange on VAT between tax administration and customs (2019); (iii) improve management of customs documentations by reducing the number of T1s validated but not manifested and manifests not cleared (2019); (iv) ensure that manifests are received electronically (2019).
- Input: HQ-led mission in FY17 (August 2016) to look at HR management at DGI/DGD and conduct study of the system of incentives; HQ-led mission in FY19 (November 2018 and January 2019) to look at the performance of tax administrations and customs following the 2018 shortfall in revenue collection; AFRITAC West TA missions in tax administration.
- Assumptions: (i) Improved customer services to facilitate taxpayer voluntary compliance; (ii) improved audit functions; (iii) strong commitment to implementing potentially difficult reforms (e.g., reform of the incentive system), and (iv) favor the emergence of firms out of informality.

Public Financial Management (2019–20)

- Objective: (i) Improving cash management and finalizing the establishment of the Treasury Single Account (TSA); (ii) strengthening budget processes (encompassing budget preparation, monitoring, and medium-term budget frameworks); (iii) strengthening the legal framework governing PPPs; (iv) improving investment projects planning, budgeting and execution; (v) improving transparency and fiscal reporting by independent public agencies (Établissements Publics et Administratifs-EPA); (vi) strengthening data management and the capacity to make debt service projections and debt-sustainability analysis (DSA); (vii) training on DSA and on issuance of

	government securities; and (viii) assisting in the implementation of the decentralization in a way that protects fiscal stability and expenditure efficiency and quality.
• Outcomes:	(i) Improved financial reporting and improved cash management (2019–20); (ii) full transition towards the TSA following the signed agreement by heads of eleven banks (out of fourteen in Mali) on funneling cash to the TSA and issuing daily statements for real-time banking reconciliation (2019-20); (iii) improved debt management with a view to accessing financial markets outside the region; (iv) revised PP Law.
• Milestones:	(i) TSA with Core Treasury System implemented.
• Input:	HQ-led TA mission (March 2019) on cash management through extending the coverage of the TSA and strengthening the accuracy of cash planning; PIMA mission (Spring 2017); support from the long-term resident advisor on treasury operations; AFRITAC West support on 2001 GFSM implementation.
• Assumptions:	(i) continued political support to PFM reforms; (ii) further enhancement of governance practices;
External Sector, National Accounts and Prices (2019–20)	
• Objective:	(i) Produce more frequent and timely indicators of economic activity, and more comprehensive price statistics; (ii)I Improve quality of external sector statistics.
• Outcomes:	Improve economic policy making and inform private sector decisions.
• Milestones:	(i) Quarterly national accounts to be developed and published, and *SNA 2008 implemented* (2019–20). (ii) Re-basement of national account is implemented (2019-20).
• Input:	AFRITAC mission to provide TA on developing quarterly national accounts and a producer price index, as well as on external sector statistics.
• Assumptions:	(i) Human and financial resources are available; (ii) there is a good collaboration between national agencies involved in statistics; (iii) necessary surveys for quarterly statistics and re-basement of the national accounts are conducted.

D. Risks and Mitigation Measures

The implementation of the technical assistance program is subject to various risks. The table above summarizes these risks and lays out the measures to monitor and mitigate their impact during the TA implementation. This will be a live TA management tool that will be updated periodically as the TA program evolves. The authorities have committed to do their part in terms of supplying the necessary human and budgetary resources to absorb future TA and follow up on TA recommendations.

Risk	***Probability***	***Impact***	***Mitigation Measures***
1. Persistent delicate and fluid security situation			
The situation in the northern regions remains fragile as evidenced by several instances of attacks on military personnel and kidnappings of humanitarian workers. A deterioration of security conditions could hinder timely delivery of TA in the field and reduce the authorities' focus on the key CD priorities.	***High***	***Medium***	These risks are well understood by the government. Improved domestic revenue mobilization will help the government better respond to the needs of its population. The ongoing support for stability and security in Mali through MINUSMA, UN agencies in Mali, as well as the Sahel Program, also help mitigate security risks. Also, the gradual implementation of decentralization will help consolidate the peace process and re-establish Mali's national integrity. If security conditions deteriorate, TA missions and hands-on training could take place outside Mali.
2. Weakening political commitment to reforms			
Weak institutional and human resources capacity could cause delays or hamper its implementation.	***Medium***	***High***	The Mali government is aware of the need to raise additional revenue and has embarked on initiatives to improve the system of tax administration

			with the continued support of the Fund and other development partners. The Fund will also provide TA geared toward improving human-resource management, a constraint that the authorities are interested in addressing.
3. Implementation capacity constraints			
Weak institutional and human resources capacity could cause delays or hamper TA implementation.	***Medium***	***High***	While by regional standards Mali's institutional and technical capacity may be considered adequate, the limited number of technical staff in several core ministries may hinder progress. Hands-on training and support from short/long-term experts would help improve implementation capacity.
4. Financing risk			
Financing can be one factor that prevents proper implementation of TA recommendations and outcomes. For example, TA recommendations that require the purchase of equipment and/or the hiring of staff may be delayed if the necessary equipment and staff could not be procured and hired for budgetary reasons.	***Medium***	***High***	The authorities are improving their capacity to assess TA-related costs, and are committed to include such costs in their annual budgets. They will discuss with donors when additional suport may be needed

E. Authorities' Commitments

The Malian authorities are determined to continue to build capacity for a successful implementation of the Fund-supported program. They have reached understandings with the Fund on a comprehensive capacity building strategy in the context of the Capacity Building

Framework (CBF) pilot project. They are committed to successfully implement this CBF and complementary TA from other donors by securing the necessary political support, staffing, and other resources. In doing so, they plan to provide adequate financial and human resources to sectors identified as priority in the capacity building program, as well as budget resources to implement TA recommendations with financial implications. The authorities will strengthen the units tasked with monitoring the implementation of reforms by providing these units with the resources to manage the overall capacity building program. They also intend to make greater efforts to ensure that sectoral capacity building plans are duly discussed with individuals and units responsible for the implementation of the recommendations.

Annex III. Economic Impact of the Fragile Security Situation in Mali[1]

1. **Mali's current deep political and security crisis dates back to 2012**. Following the collapse of Libya, armed Tuareg separatists in the North, aided by Jihadist groups, occupied vast sections of northern Mali. A military coup d'état ensued in March 2012. Fragile control over the northern regions was restored in 2013 and the government of President Keita signed a peace agreement with a coalition of rebel groups in June 2015. Implementation of the agreement remains challenging.

2. **The 2012 security crisis has had long-lasting economic and humanitarian impacts**. While the economy recovered from the 2012 contraction with real GDP growth averaging 5 percent per year over 2013-18, staff estimates suggest that the current Malian GDP could have been about 20 percent higher in the absence of conflict (Figure 1).[2] On the humanitarian side, the continued violence[3] has led to the displacement of up to three-quarters of a million people to the South and neighboring countries in recent years. Moreover, the availability and quality of basic social services (education, health, water and sanitation, etc.) in the Center and North have been drastically reduced.

3. **Security conditions remain extremely fragile in Mali** while unrest has spread to neighboring countries, notably Burkina Faso. As shown in Figure 2 below, the sharp increase in frequency of terrorism incidences in the five G-5 Sahel countries is particularly notable in Mali and Burkina Faso. In Mali, the Center and the North are mostly beyond the control of government force, which inhibits the government's ability to deliver services to underdeveloped regions to address inequalities that have fueled the conflict. After the most recent interethnic massacres, the government is attempting to reallocate funds within the budget to security, food security, health, and education for the Center and the North.

4. **Security spending has significantly increased**. International and regional efforts have been launched in response to jihadism and insecurity threats, including through the MINUSMA peacekeeping force[4], the Barkhane force (the joint Malian-French counter-insurgency operation in the North), and the G-5 Sahel regional organization. However, Mali has also increased military and security spending sharply in recent years (Figure 1), thereby reducing the scope for other priority spending.

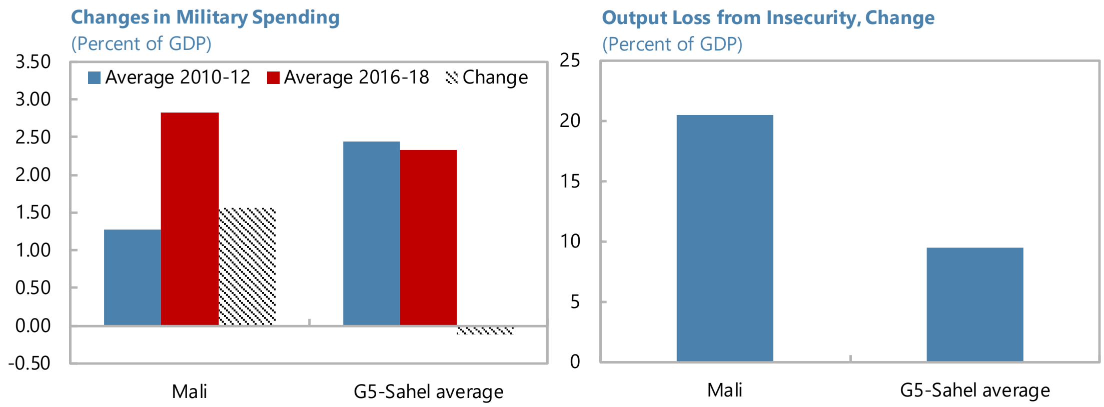
[1] Draws on IMF Country Report No.18/141, especially Box 1.

[2] See Ch. 2 ("The Economic Cost of Conflict") of REO: Sub-Saharan Africa, April 2019.

[3] In the first half of 2019, close to 600 persons, mostly women, children, and the elderly, have been killed in interethnic violence in the Center of the country.

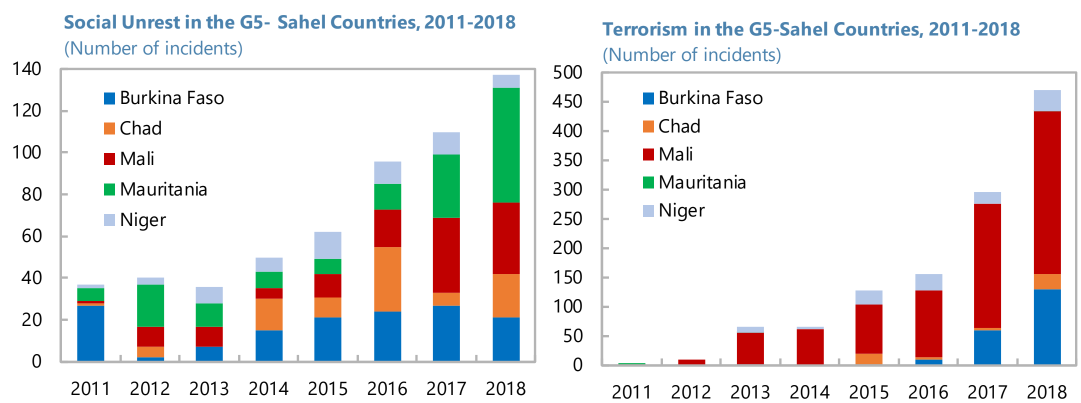
[4] MINUSMA is the UN's largest peacekeeping operation.

Figure 1. Economic Impact of Insecurity



Sources: Stockholm International Peace Research Institute Military Expenditure database; IMF, WEO; and IMF staff estimates.

Figure 2. Security Incidents in the Sahel



Sources: Control Risk; and IMF staff estimates.

Mali—Three-Year Arrangement Under the Extended Credit Facility

Attached hereto is a letter dated August 09, 2019 (the "Letter") from the Prime Minister and the Minister of Economy and Finance of Mali, with its attached Memorandum of Economic and Financial Policies (the "MEFP") and Technical Memorandum of Understanding (the "TMU"), requesting from the International Monetary Fund, as Trustee of the Poverty Reduction and Growth Trust (the "Trustee"), a three-year arrangement under the Extended Credit Facility ("ECF"), and setting forth:

a) the objectives and policies of the program that the authorities of Mali intend to pursue during the three-year period of the arrangement;
b) the objectives, policies and measures that the authorities of Mali intend to pursue during the first year of the arrangement; and
c) understandings of Mali with the Trustee regarding reviews that will be made of progress in realizing the objectives of the program and of the policies and measures that the authorities of Mali will pursue during the second and third years of the arrangement.

To support these objectives and policies, the Trustee grants the requested three-year arrangement in accordance with the following provisions, and subject to the provisions applying to assistance under the Poverty Reduction and Growth Trust (the "PRG Trust") including in particular Section II, paragraph 1(b)(4) of the PRG Trust instrument annexed to Decision No. 8759-(87/176) ESAF, as amended.

1. (a) For a period of three years from the date of approval of this arrangement, Mali will have the right to obtain disbursements from the Trustee in a total amount equivalent to SDR 139.95 million, subject to the availability of resources in the PRG Trust.

   (b) Disbursements under this arrangement shall not exceed the equivalent of SDR 60 million during the first 12 months of the arrangement, and the equivalent of SDR 100 million during the first 24 months of the arrangement.

2. During the period of the arrangement:

   a. the first disbursement, in an amount equivalent to SDR 20 million, will be available upon approval of the arrangement, at the request of Mali;

   b. the second disbursement, in an amount equivalent to SDR 20 million, will be available on or after December 15, 2019 at the request of Mali and subject to paragraphs 4 and 5 below;

   c. the third disbursement, in an amount equivalent to SDR 20 million, will be available on or after June 15, 2020, at the request of Mali and subject to paragraphs 4 and 5 below;

   d. the fourth disbursement, in an amount equivalent to SDR 20 million, will be available on or after December 15, 2020, at the request of Mali and subject to paragraphs 4 and 5 below.

3. The right of Mali to request further disbursements during the second and third years of this arrangement shall be subject to such phasing and conditions as shall be determined in the context of reviews under the ECF arrangement for Mali.

4. Mali will not request:

   A. The second, third, or fourth disbursements under this arrangement specified in paragraphs 2(b), 2(c), and 2(d) above:

      a. if the Managing Director of the Trustee finds that, with respect to the second disbursement, the data as of September 30, 2019, with respect to the third disbursement, the data as of December 31, 2019, and with respect to the fourth disbursement, the data as of June 30, 2020 indicate that:

         i. the ceiling on the net domestic financing of the government;
         ii. the ceiling on the overall fiscal deficit; or
         iii. the floor on net tax revenue,

      as set out in Table 1 of the MEFP, and further specified in the TMU, was not observed; or

      b. until the Trustee has determined that, with respect to the second disbursement, the first program review, with respect to the third disbursement, the second program review, and with respect to the fourth disbursement, the third program review referred to in paragraph 38 of the MEFP has been completed.

5. Mali will not request a disbursement under this arrangement if at any time during the period of this arrangement:

      a. the ceiling on the accumulation of external payments arrears;
      b. the ceiling on the accumulation of domestic payments arrears; or
      c. the ceiling on new external debt contracted or guaranteed by the government,

      as set out in Table 1 of the MEFP, and as further specified in the TMU, is not observed, or

      d. Mali:
         i. imposes or intensifies restrictions on the making of payments and transfers for current international transactions, or
         ii. introduces or modifies multiple currency practices, or
         iii. concludes bilateral payments agreements that are inconsistent with Article VIII, or

iv. imposes or intensifies import restrictions for balance of payments reasons.

6. When Mali is prevented from requesting disbursements under this arrangement because of paragraphs 4 and 5 above, such disbursements may be made available only after consultation has taken place between the Trustee and Mali and understandings have been reached regarding the circumstances in which Mali may request the disbursements.

7. In accordance with Paragraph 10 of the Letter, Mali will provide the Trustee with such information as the Trustee requests in connection with the progress of Mali in implementing the policies and reaching the objectives of the program supported by this arrangement.

8. During the period of this arrangement, Mali shall remain in close consultation with the Trustee. In accordance with Paragraph 9 of the Letter, Mali shall consult with the Trustee on the adoption of any measures that may be appropriate at the initiative of the government or whenever the Managing Director of the Trustee requests such a consultation. Moreover, after the period of this arrangement and while Mali has outstanding financial obligations to the Trustee arising from loan disbursements under this arrangement, Mali will consult with the Trustee from time to time, at the initiative of the government or whenever the Managing Director of the Trustee requests consultation on Mali's economic and financial policies. These consultations may include correspondence and visits of officials of the Trustee to Mali or of representatives of Mali to the Trustee.

Appendix I. Letter of Intent

Bamako, August 9, 2019

Mr. David Lipton,
Acting Managing Director,
International Monetary Fund, (IMF)
Washington, D.C., 20431

Dear Mr. Lipton:

Mali faces an unprecedented security crisis since 2012. The Government is devoting significant resources to achieve peace and contain terrorism and insurgency. In spite of the challenging security conditions, Mali's economic expansion continued in 2018. Activity remained fairly strong, inflation low, and the current account deficit narrowed sharply. However, revenue performance deteriorated sharply in 2018, across all tax types and collection agencies. Notably, the tax revenue-to-GDP ratio fell from 15.2 percent in 2017 to 11.8 percent, which reduced the scope for spending, especially for investment, and led to an overall fiscal deficit of 4.7 percent of GDP and an increase in the budgetary float to well-above normal levels.

The deterioration of the security situation and the impact of higher international fuel prices contributed in part to the revenue shortfall. However, the Government recognizes the need for major improvements in revenue administration and tax compliance. We are determined to return tax revenue collections to the planned trajectory by 2020. We aim to achieve this objective by closing about two-thirds of the gap in 2019 and the remaining third in 2020.

In the context of the new ECF-supported program, the Government has already undertaken various actions to improve the performance of tax administration and customs, including completing an audit of their results in 2018 (prior action). Tax revenue collections during the first half of the year indicate that these actions are yielding significant positive results.

But we recognize that more needs to be done. The Government has submitted to the National Assembly a supplementary budget for 2019 that complies with the performance criteria of the ECF-supported program. Our intention is to broadly respect the WAEMU ceiling on the overall fiscal deficit of 3 percent of GDP, while safeguarding priority social and investment expenditures, including those called for by our efforts to improve the security situation in the Center and North of the country. The Government is also acting to reduce the country's gender gap, including the women's empowerment program for shea butter production.

The Government is taking urgent action to restructure and reform the country electricity company, *Energie du Mali (EDM-SA)*, as part of our efforts to strengthen the business environment in support of private sector development. We are working closely on these reforms with the World Bank and the IMF. The key pillars of the strategy are to change the electricity supply mix (away from fuels to lower cost imports), improve the operations of EDM-SA, and strengthen its balance sheet.

The Government is acutely aware of the need to further improve governance and battle corruption. Measures to improve revenue performance and the transparency and efficiency of spending operations are a part of our efforts to this end. We envisage additional measures in this area following the governance diagnostic to be undertaken by the IMF in early 2020.

We are turning to our international partners for support as we implement these far-reaching reforms. We, therefore, request that the Fund support our policy program through a new three-year arrangement under the Extended Credit Facility (ECF) for the period 2019–2022 in the amount of SDR 139.95 million (75 percent of quota). The previous arrangement expired in December 2018.

The Memorandum of Economic and Financial Policies (MEFP) attached presents the policies that the Government intends to carry out in the context of the requested ECF arrangement. The program aims to preserve macroeconomic stability, including debt sustainability, and consolidate the foundations for accelerated, sustainable, and inclusive growth and job creation, consistent with our new development strategy, *Cadre Stratégique pour la Relance Économique et le Développement Durable 2019-23 (CREDD)*, adopted in May 2019.

The Government believes that the measures presented in the MEFP will serve to achieve the economic and social objectives of its program. Nevertheless, we remain committed to taking any further measures that may prove necessary to this end. The Government will consult with the IMF prior to the adoption of any such measures, and in advance of revisions to the policies contained in the MEFP, in accordance with applicable IMF policies.

The Government will also communicate to the IMF any information concerning implementation of the agreed measures and program execution, as specified in the attached Technical Memorandum of Understanding (TMU), or as the IMF may request.

As in the past, the Government authorizes the IMF to publish this letter, the attachments hereto, and the related IMF staff report upon approval by the IMF Executive Board.

Sincerely,

/s/
Dr. Boubou Cissé
Prime Minister, Head of Government,
Minister of Economy and Finance

Attachments: Memorandum of Economic and Financial Policies.
Technical Memorandum of Understanding.

Attachment I. Memorandum of Economic and Financial Policies

1. **The principal aim of the new program supported by the Extended Credit Facility (ECF) is to preserve macroeconomic stability** through a credible fiscal policy and to strengthen the foundations for sustained and inclusive growth in line with the objectives outlined in the Strategic Framework for Economic Recovery and Sustainable Development (CREDD) for 2019-2023. In order to achieve this, the government is planning to: (i) improve the effectiveness of tax and customs administration; (ii) contain the overall budget deficit, while protecting priority expenditures and improving the efficiency and execution of public spending; (iii) pursue a sustainable debt policy; (iv) strengthen the financial position of the Malian energy company (EDM); (v) improve the business climate and economic diversification; and (vi) promote good governance.

A. Economic Developments in 2018 and Outlook for 2019

2. **The economic fundamentals remained robust in 2018.** Real GDP growth is estimated at 4.7 percent (compared to 5.4 percent in 2017) and inflation remained moderate. The overall balance of payments position was on the positive side due to a substantial reduction in the trade deficit (-6.7 percent of GDP compared to -9.1 percent of GDP in 2017), which benefited from a significant increase in gold exports and an overall decline in imports. In contrast, the budget execution was tainted by a sharp drop in tax revenues (only 11.8 percent of GDP compared to 15.2 percent of GDP in 2017), mainly due to a poor performance of the tax administration and customs. As a consequence, current and capital expenditures were reduced to offset the impact on the fiscal deficit (on a commitment basis), which nevertheless reached 4.7 percent of GDP (compared to 2.9 percent in 2017). Furthermore, there was an increase in the budgetary float.

3. **For 2019, real GDP is projected to grow at 5 percent and inflation should remain moderate.** The higher projected growth in GDP is driven by the recovery of the tertiary sector (projected at 5.1 percent in 2019 compared to 4.5 percent in 2018) and the construction sector (projected at 8.1 percent in 2019 compared to zero percent in 2018), which indicates a return to the previous growth trajectory. Budget execution is expected to be marked by higher tax revenue mobilization. The strengthening and implementation of operational measures, as well as efforts under way within the tax administration and customs, should allow for a full recovery of tax and customs revenues by 2020. The overall balance of payments position is expected to deteriorate as a result of a worsening of the current account, owing in particular to an increase in imports. The increase in budget support from the World Bank ($250 million) and the Abu Dhabi Fund for Development ($250 million) in 2019 should provide opportunities for the restructuring of: (i) domestic debt, thereby improving the debt portfolio profile; and (ii) short-term commercial bank debt of EDM-SA, thus facilitating a comprehensive reform of the energy sector.

B. More Effective Tax and Customs Policies and Administration

Administrative Measures

4. One of the government's top priorities is to address the underperformance of the tax administration and customs. The sharp decline in revenues in 2018 highlighted weaknesses and bottlenecks in the collection of direct and indirect taxes. The government is committed to perform an in-depth analysis into the causes that led to the revenue shortfall. With the help of IMF technical assistance, the authorities have launched an internal audit of the tax administration and customs, which will be concluded by August 15, 2019. Based on the results of the audit and on recommendations from previous IMF technical assistance missions, the government intends to finalize a detailed action plan to be launched in 2019.

General Directorate of Taxes (DGI)

5. The government is committed to the implementation of the following major reforms:

- **Internal audits** in response to the 2018 revenue shortfall. The government will be performing mass auditing of all of the businesses that have signed up for flat-rate tax declarations, in particular with regard to the processing of wages (taxes on wages and salaries, or ITS). It also intends to establish extended auditing of all businesses operating at a loss or those that have declared lower corporate taxes in spite of an increase in their turnover. It will also launch a vast auditing campaign of businesses identified at "risk" based on their financial statements, drawing on all of the information available from customs, the Budget, the Treasury, the National Institute of Social Welfare (INPS), and the General Directorate of Public Procurement and Public Service Contracts (DGMP-DSP).

- **Improved monitoring**. Going forward, the government plans to strengthen the monitoring of tax declarations with regard to the processing of wages (ITS) and VAT and to perform targeted audits of businesses affected by identified risks. Particular attention will also be payed to cross-checking wages and social contributions information from INPS, the performance of management indicators, the recovery of failing businesses, monitoring of VAT deductions according to Annex 1.1 (including efforts to strengthen legislation), and close monitoring of installment payments of corporate taxes and the tax on business profits (IBIC) by all entities.

- **Improved audits**. Detailed and targeted audits will be performed on tax declarations with a credit or zero balance, flat-rate declarations for ITS and wage taxes, and personnel placement firms. The government is committed to increasing the proportion of targeted audits for VAT and ITS. It will also ensure that the officials performing the verifications adopt the detailed verification procedure (Article 562 of the Tax Procedure Handbook of the General Tax Code), which is best suited to the handling of frequent cases of failure to comply with tax discipline. For cases involving regressive tax declarations, a thorough audit of the accounting will be performed, in particular where mining companies and industrial entities are concerned.

- **Collection and settlement of tax arrears**. The government plans to establish a central structure for the management of collection actions consisting of a special unit responsible for the collection of tax arrears from distressed taxpayers. This will also include the implementation of rigorous collection methods with the support of enforcement agents, in particular seizure sale, seizure of property by customs, and the establishment of various timetables for payment guarantees, and the creation of tracking units within all revenue structures. The government also intends to provide for the widespread use of the collection module available as part of the Standard Integrated Government Tax Administration System (SIGTAS) software by the end of 2019 with the aim of improving the monitoring of outstanding balances.

- **Information systems and data quality**. The government plans to streamline and upgrade the taxpayer database by deactivating inactive or dormant Tax Identification Numbers (TINs) and tax accounts, and by making the SIGTAS system the only reference source for the tax population accessible by all of the administrations under the Ministry of Economy and Finance. The government also plans to promote the regular use of the verification, in dispute, and tracking of exemptions modules in SIGTAS and to automatically generate the main performance indicators.

- **Remote electronic procedures**. The government is committed to providing for the widespread use of electronic procedures (online filing and online payments) for all businesses subject to VAT. While online filing is already available to taxpayers, specifications for the operational implementation of online payments will be established by December 31, 2019.

- **Strengthening of tax discipline**. The government plans to step up its efforts to finalize the new plan to strengthen tax discipline, with implementation scheduled by the end of 2019. This plan will be supported by indicators drawn automatically from SIGTAS and it will be focused on strengthening the management of taxpayer records and management of the default rate related to tax obligations. The promotion of tax compliance will also be part of this plan. It will include actions aimed at making significant improvements in the quality of taxpayer services, among other things.

- **Tax administration- customs cooperation**. The government is committed to finalizing by June 30, 2019, the formal and expanded framework for collaboration among the General Directorate of Taxation (DGI), the General Directorate of Customs (DGD), the Treasury, the DGMP-DSP, the General Directorate of Trade, Consumption, and Competition (DGCCC), the General Directorate of the Budget (DGB), the INPS, and the Support Unit for Computerization of Tax and Financial Services (CAISFF), which will facilitate data sharing. This will make it possible to streamline the use of TINs and to revitalize the actions of the mixed tax-customs brigade through the quantitative and qualitative strengthening of staff and more decisive implementation of controls. The operational launching of this framework is planned for June 30, 2019, at the latest, and a detailed report on the use of information and data collected within the context of this collaboration will be made available by November 30, 2019.

6. The government intends to carry out reforms of the DGI that are necessary for its modernization and for the strengthening of its performance. This effort will be focused on the following key areas:

- **Human resources management**. It is committed to adapting staff to the new organization of the DGI, streamlining and clarifying the individual and collective personnel objectives, and increasing the number of portfolio managers by around 30 percent per year over three years.

- **Improvement of the incentive system**. The government intends to develop the incentive system based on performance evaluations of structures and personnel according to quantitative and qualitative criteria, such as the quality of services provided to users, productivity, effectiveness, and efficiency.

- **Results-based management**. The government is also committed to promoting results-based management and to implementing participatory management based on delegation (hierarchical control) and the strengthening of internal control (quality control).

- **Research activity**. The government intends to restructure the research unit with the aim of enhancing and evaluating the information collected.

- **Operationalization of new structures**. Tax centers for medium-sized businesses (CIMEs) will be established in Bamako by June 2020 within the context of the revision of the organic framework of the DGI (already sent to the National Assembly) and the operationalization of the Joint Arbitration Commission for Tax Disputes by the end of 2019.

General Directorate of Customs (DGD)

7. The government is planning to strengthen the organizational and functional structure of the customs, and also to rectify deficient procedures. With this aim, it intends to implement an action plan, the principal measures of which are as follows:

- **Organizational and functional structure**. The government intends to complete the review of decrees establishing the organization and functional procedures of the DGD (2012-146/P-RM) and defining the organic framework of the DGD (2012-148/P-RM), allowing for a reduction in the fragmentation and duplication of activities among departments and for the recruitment of personnel specialized in planning, information technology, and auditing. The adoption of new decrees is planned for the end of 2019 with operationalization expected in the first quarter of 2020.

- **Strengthening the monitoring of commitments** through a systematic cessation of the issuing of duties and levies at the end of the calendar month and cessation of collections after a period of five (5) business days from the cessation of issues.

- **Consolidation of the processing of direct collections** by restricting the use of the procedure to a number of goods exclusively listed in the regulation. Special authorization by the General Director of Customs in this regard should be made on an exceptional basis. Direct collections will be authorized only by the Airport Office, the Office of Exemptions and Malians Abroad (BEMEX), the Office of Petroleum Products (BPP), and the Office of Economic Regimes (BRE). The monitoring of direct collections by office and by product will be performed on a quarterly basis.

- **The automation of procedures for the control of suspensive regimes** is scheduled for December 31, 2019.

- **The electronic acceptance of air waybills (AWB)** in the Automated System for Customs Data (ASYCUDA) WORLD is scheduled for December 31, 2019.

- **Strengthening of customs controls based on risk assessment**. The government plans to implement a risk-based approach to customs control for cargo and exemption requests. Operationalization will be carried out in several phases, with the full implementation slated for December 31, 2019.

- **Deployment of automated risk management in all of the operational departments** and recruitment of technical personal for the Information and Risk Analysis Division (DRAR).

- **Making the physical inspections of goods, the drafting of inspection certificates, and the entry of data in the dispute management application mandatory**. The government is also committed to strengthening the transit procedures with a view to eliminating inconsistencies and combating fraud.

- **Implementation of the provisions of the new Import Inspection Program (PVI)** by making the Technical Assessment Center (CET) operational before September 30, 2019, and by expanding the training activities already under way to include all of the DGD personnel, with an emphasis on the training of a critical mass of inspectors.

- **Revision of the current mechanism for combating fraud, in particular with regard to smuggling**, by re-evaluating the current grid of the customs territory through the continued deployment of remote sites (as of January 2019 four sites are operational). The training of officers in the field will be strengthened, as well as the partnership with other security forces, including the army.

- **Evaluate the list of customs duties in order to align to the common external tariff (CET) of the West African Economic and Monetary Union (WAEMU)**. The outcome of the assessment is expected by August 31, 2019, and the corrections, if necessary, will be made before September 30, 2019.

Fiscal Policy Measures

8. The government intends to abolish the VAT withholding practice as soon as possible. In order to do this, it will carry out transitional measures such as the launching of a public information campaign aimed at taxpayers who are subject to the VAT, the validation of information among businesses that withhold the VAT, and the establishment of monitoring measures at businesses that do not file their VAT returns and statements of the recovery of amounts owed.

9. The government is committed to improve fuel tax revenues by implementing a more systematic application of the automatic mechanism for setting fuel prices at the pump within the margin of 3 percent. In the event of particularly steep increases in international fuel prices, the government will put in place compensatory measures to reduce the impact on total revenues, including spending cuts, with the exception of priority spending (education and health). The government recognizes the need for an overall strategy for the energy sector that re-examines fuel margins and streamline tax exemptions, including those granted to mining companies in order to improve the mobilization of fuel-based revenues.

10. New mining code. The government intends to take into consideration the recommendations of IMF experts regarding the mining sector. In particular, the new mining code, which is at the final stage of design, will make it possible to streamline the exemptions while clearly indicating their beneficiaries. Specifically, it will make it possible to limit tax advantages to those suppliers whose activities are directly related to mining.

11. The government intends to take new measures to expand the tax base:

- **Property taxation**. The government plans to develop property taxation by introducing a new tax on developed and undeveloped land, which would replace the current property tax by 2021. In addition, it is committed to making significant improvements in the recording of property and real estate titles in the database of the Information System for Property and Real Estate Titles (SITFI) that is currently being developed by the National Property Directorate (DND). This database will be accessible by DGI staff.

- **Mobile banking services**. The government expects to make the payment of certain taxes through mobile banking services available by the end of 2020 with a view to simplifying the procedures for taxpayers and encouraging tax compliance. This could make it possible to add potential taxpayers from the informal sector to the tax base.

- **Nongovernmental associations and organizations**. The government plans to revise certain provisions of the General Tax Code with a view to taxing the income of so-called "non-profit" associations and non-governmental organizations that provide services or perform work under the same conditions as for-profit businesses.

C. Control the Overall Budget Balance while Protecting Priority Spending and Improving the Management of Expenditures

12. The government will submit to the National Assembly a supplementary budget law for the year 2019 that meets the performance criteria and the level of spending defined in the macroeconomic framework linked to the new three-year arrangement under the ECF. This supplemental budget law will be submitted to the Parliament no later than August 15, 2019 and will be adopted no later than December 31, 2019. In the event of an increase in budget resources above the level established in the macroeconomic framework, expenditures may be increased to the extent of these new resources, with priority given to capital expenditures.

13. The government will submit to the National Assembly a 2020 budget law that meets the performance criteria linked to the new three-year arrangement under the ECF. This budget law will be adopted no later than December 31, 2019, or in accordance with Article 57 of Law No. 2013–28.

14. The government intends to clear all arrears from 2018 during 2019. It is also committed to no longer exceeding the ceiling for pending bills and not resorting to an accumulation of payment arrears.

15. The government is committed to maintaining its original targets in terms of investment and priority expenditures, in particular in the education and health sectors. It will ensure that an emergency budget plan and prioritization of expenditure items accompanies the supplemental budget law for 2019 and the 2020 budget law in order to guarantee compliance with the WAEMU convergence criteria.

16. Regulatory measures. The government plans to pursue regulatory measures in the event of underperformance in revenue collection. To this end, it will take steps to freeze and/or cancel budget appropriations in accordance with Article 29 of the 2019 budget law, while preserving the social and priority expenditures, in particular investments. In the event of overperformance in revenue collection, the government is committed to consulting with the IMF on the utilization of the resources available.

17. The government plans to streamline budget transfers and grants. It will seek to improve transparency and visibility over the medium term, including through efforts to improve predictability for all of the recipients of budget transfers and grants, in particular in the agricultural sector.

18. The government intends to strengthen the selection and implementation of investment projects, in particular by following the recommendations of the 2017 Public Investment Management Assessment (PIMA), so as to maximize fiscal efficiency and the impact on the real economy, the business environment, and on potential output growth. This also means an improvement in the systematic assessment of projects ex ante, the regular technical review of project assessments, and strengthening of the legal framework governing public private partnerships (PPPs) with the aim of mitigating the risk of accumulation of contingent liabilities by the government. In addition, on the basis of existing studies, the government is committed to preparing a market price list of standard costs for transportation infrastructure, public works, and agricultural irrigation facilities.

19. The government is committed to improving the forecasting and management of liquidity, as well as revenue forecasting, by developing commitment plans, in cooperation with technical assistance from the IMF, for the planning of expenditures, while better integrating disbursement of donors' funds and broadening the scope of the Treasury Single Account (TSA).

20. The Treasury is planning to implement the features of the WAEMU Automated Transfer and Settlement System (STAR) and Automated Interbank Clearing System (SICA) in a

module dedicated to the Integrated Application of Government Accounting (AICE2) for the purpose of completing the mechanism for the implementation of the Treasury Single Account. The Treasury signed a bilateral agreement with the 14 commercial banks in Mali on March 14, 2019, with the aim of operationalizing the mechanism for bringing government's accounts in commercial banks in line with the TSA held at the Central Bank of West African States (BCEAO). These features will make it possible to modernize the cash management process and bolster the functions for the payment of expenditures and the collection of revenues received by check, and they will go hand in hand with the implementation of the online payment of taxes and levies in Mali, which is being carried out jointly by the DGI and the National Directorate of the Treasury and Government Accounting (DNTCP). Full implementation is expected by the end of March 2020.

D. Conducting a Sustainable Debt Policy

21. Debt sustainability. The government will continue to conduct a debt policy that is consistent with maintaining debt sustainability.

22. External borrowing contracted or guaranteed by the government. For 2019, the government is committed to not exceeding the ceiling for external borrowing contracted or guaranteed by the government, which is equal to CFAF 329 billion in present value terms.

23. Reducing rollover risk. The government is planning to make use of the World Bank's Policy-Based Guarantees (PBG) financial instrument within the 2019 International Development Association (IDA) framework to restructure part of the government's debt portfolio. In addition to reducing the portfolio rollover risk, the average maturity will be extended, and the average interest rate should be lower.

E. Strengthening the Financial Position of the EDM-SA

24. Financial viability. The government is committed to implement the restructuring and reorganization plan supported by the World Bank. Execution of this plan should enable EDM-SA to regain financial viability by 2021.

25. Restructuring of the financial debt portfolio, of which the short-term debt vis-à-vis local commercial banks is estimated at around CFAF 100 billion as of June 30, 2019. The government plans to assist EDM in restructuring its short-term debt, in particular vis-à-vis Malian commercial banks.

- **Renegotiation of terms**. It intends to enter into discussions with the commercial banks on renegotiating the terms of bank debt with short-term maturity and on the refinancing conditions.

- **Refinancing**. It is committed to assisting EDM-SA in gaining access to loans under more advantageous terms than those available in the local market. This assistance will be backed by a performance contract between the government and EDM-SA with the aim of limiting the risk of moral hazard and ensuring the viability of the financial operation over time. The performance contract will spell out the terms, conditions, and reciprocal commitments for the government's assistance in the financial recovery of EDM-SA, in particular the takeover and renegotiation of the bank debt, as well as a gradual reduction in the implicit subsidy for petroleum products, the EDM-SA cash plan, and priority investments. The performance contract will be finalized no later than November 30, 2019.

26. The government is committed to a gradual elimination of subsidies provided to EDM-SA over the medium term within the context of the implementation of the restructuring and reorganization plan, supported by the World Bank. It is also committed to maintaining a social tariff to protect the most vulnerable segments of the population and to gradually aligning tariffs to the real cost of service for medium-voltage consumers.

F. Strengthening the Business Environment

27. Public-private partnerships. The government intends to improve the investment framework and to enhance the attractiveness of foreign direct investment by improving PPPs.

- **Revision of the law on PPPs**. The government is committed to revise the current PPP law, in consultation with IMF staff, following the adoption by the WAEMU Council of Ministers on June 21, 2019 of the strategy for the management of PPPs and the methods for the implementation of the strategy for the management of PPPs within the WAEMU. The revised PPP law is expected to be adopted in 2021.

- **Strengthening the implementation of the revised PPP framework**. The Project to Support the Competitiveness of the Malian Economy (PACEM) will provide assistance in the implementation of the revised law on PPPs in Mali through activities to support the operationalization of the PPP Unit and to support the implementation of PPP activities.

28. Non-operating fixed assets. The government plans to provide assistance to the financial system in the process of removing non-operating assets from banks' balance sheets with the aim of ensuring compliance with the prudential policy in effect within the Union. Within this context, it could consider the establishment of a system of shares in the form of transferable securities that do not give the bearer, in this case banks, the right to vote or to a stake in the capital of the property company that would be created.

29. Development of the mobile banking. The government plans to capitalize on the rapid development of mobile banking in Mali to offer administrative services, such as the payment of certain taxes. This will make it possible to enhance access to basic banking services for segments of the population that have been excluded from the banking system, to reduce the risk of fraud, to shrink the informal sector, and to promote the development of payment systems, especially for small and medium-sized businesses.

30. Reducing gender inequality. The government plans to boost its efforts aimed at reducing gender inequality. In particular, it intends to enhance women's income and economic autonomy in the shea butter sector. This would allow for the creation and formal organization of 400 women's cooperatives, as well as capacity building in cooperative and financial management for 50,000 beneficiaries.

G. Promoting Good Governance

31. Public financial management. The government is committed to strengthening efforts aimed at ensuring integrity and transparency in public financial management within the context of the implementation of the Public Finance Reform Plan (PREM) for 2017 2021. Self-assessments based on the methodology set forth in the 2016 Public Expenditure and Financial Accountability (PEFA) framework will also be performed every two years by the Public Financial Management Self-Assessment team established for this purpose pursuant to decision No. 2018-0065/MEF-SG.

32. Public-private partnerships. In the context of revising the PPP law, the government plans to establish an incentive system for the performance of projects and to strengthen the institutional framework, allowing for the assessment and management of fiscal risks associated with PPPs.

33. Prevention and suppression of illicit enrichment (Law No. 2014-015).

- **Review of the anti-corruption penal framework.** The government is committed to speeding up the legal work on the review of the Penal Code and the law on the Prevention and Suppression of Illicit Enrichment (Law no 2014-015) with the aim of taking the necessary corrective measures to criminalize acts of corruption in line with the UNCAC and address difficulties in the application of the law and deficiencies arising from or identified in the implementation of the law. To this end, it will ensure that the Commission for the Identification and Correction of Difficulties and Deficiencies of Law No. 2014-015 of May 27, 2014, on the Prevention and Suppression of Illicit Enrichment submits its final report no later than December 31, 2019.

- **Strengthening the asset declaration regime**. The government is committed to ensuring the declaration of assets of the incompressible subjects[1] as well as their regular updating within the established legal deadline. Ministers will ensure that subjects under their purview file their asset declarations and/or update them within the required deadline. Subject to the confidentiality of the declarations, the number of declarations filed will be reported to the Prime Minister. Public information campaigns and announcements will be arranged to ensure better compliance with the asset declaration process.

34. Promoting coordination among verification, inspection, and control bodies. In order to conduct a more effective campaign against corruption, the government is committed to aligning the actions of control, verification, and inspection bodies. In this connection, it is committed to creating

[1] List of senior officials who are clearly identified in Law No. 2014-015 as being obliged to declare their assets.

a permanent consultative framework among the various bodies and the Ministry of Justice, which will include meetings every six months, and which will allow them to be informed of the judicial consequences of disclosures on a quarterly basis.

35. The government is committed to improving the administration and dispensing of justice with regard to economic and financial offenses.

- I**t is committed to introducing direct referrals to the General Prosecutor** by verification bodies (including general oversight by staff and the Office of the Inspector General), as well as control and inspection bodies, and systematization of referral of cases by the prosecutors to investigative magistrates, in the code of criminal procedure by the end of 2020.

- **It intends to create a specialized economic and financial prosecution service** with national jurisdiction at the level of the Bamako Court of Appeals.

36. Diagnostic mission. The government takes note of the IMF mission planned for 2020 for the purpose of performing a detailed diagnostic analysis of governance problems, including in the public finance sector and in the area of anti-money laundering and combating the financing of terrorism (AML/CFT). As customary, it anticipates the publication of a final report and acknowledge that this exercise will help sequence and prioritize measures in this area of the program.

H. Improving Statistical Data

37. Rebasing of national accounts, quarterly national accounts, and short-term indicators. The government is committed to completing the work necessary for changing the base year of national accounts by the end of 2019 for the first current year of 2020. In addition, it will begin the dissemination of quarterly accounts at the end of 2019 and new short-term indicators will be introduced no later than the end of the first quarter of 2020.

I. Program Monitoring

38. The first, second, and third reviews will be based on end-September 2019, end-December 2019, and end-June 2020 performance criteria and indicative targets (Table 1) and prior actions and structural benchmarks (Table 2). The performance criteria and indicative targets are defined in the Technical Memorandum of Understanding (TMU), which also specifies the nature and frequency of the information and data to be provided for program monitoring.

Table 1. Mali: Performance Criteria and Indicative Target for 2019–20[1]
(in CFAF billions)

	2019		2020
	September	December	June
Performance criteria			
Ceiling on net domestic financing[2]	96	123	127
Ceiling on external payments arrears[3]	0	0	0
Ceiling on domestic payments arrears[3]	0	0	0
Ceiling on new external debt contracted or guaranteed by the government[3 4 5]	329	329	444
Ceiling on the overall fiscal deficit (commitment basis)[6]	173	307	162
Floor on net tax revenue[7]	954	1480	658
Indicative target			
Floor on priority social spending	313	506	270
Memorandum items:			
Budget support loans	138	246	11
Budget support grants	51	87	26
Net change in budgetary float (– = reduction)	-66	-61	-3
Payment of tax refunds	-46	-72	-31
Net change in arrears (– = reduction)	-6	-10	-4
Proceeds from policy-based guarantee with the World Bank	0	0	0
Of which: Domestic debt refinancing	0	0	0
Of which: Special transfers to EDM-SA	0	0	0

Sources: Malian authorities; and IMF staff projections.

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

[2] This performance criterion is subject to adjustment for budget support loans, net change in budgetary float, payment of tax refunds, net change in arrears, and domestic debt refinancing. Moreover, the ceiling on net domestic financing will be lowered by the full amount of any proceeds from a policy based guarantee operation with the World Bank less any amount used as a special transfer to EDM (up to a maximum of CFAF 138 billion).

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

[4] In PV terms, cumulative from the start of the program. This performance criterion is subject to an upward adjustment by the full amount (PV terms) of any policy based guaranteed operation with the World Bank.

[5] This criterion is an indicative target for June 2020. It will become a performance criterion for the first review.

[6] This performance criterion is subject to adjustment for budget support and payment of tax refunds. Moreover, it will be adjusted upward for any special transfer to EDM (up to a maximum of CFAF 138 billion).

[7] The floor on net tax revenue will be adjusted downward (upward) to the extent that tax refunds exceed (fall short of) the projected amount.

Table 2. Mali: Prior Actions and Structural Benchmarks for 2019

Measures	Macroeconomic Justification	Implementation Deadline
Prior Actions		
Complete the internal audit of the tax and customs administrations	Increase revenues and promote good governance	
Submit to the National Assembly a supplemental budget law for 2019 which complies with the performance criteria and the level of expenditures established in the macroeconomic framework arising from the ECF arrangement.	Ensure that the budget execution is based on a realistic macroeconomic framework	
Structural Benchmarks		
Reduce by 60 percent the number of transit documents (T1) that have not been validated and/or registered in the DGD's ASYCUDA system. The baseline is the number of T1 documents not validated and/or registered as of December 31, 2018.	Increase revenues and promote good governance	September 30, 2019
Finalize the specifications for the implementation of online payment of taxes and levies.	Increase revenues and promote good governance	October 31, 2019
Finalize the drafting of the performance contract between the government and EDM-SA with the aim of defining the terms, conditions, and reciprocal commitments for the government's assistance in the financial recovery of EDM-SA, in particular the takeover and renegotiation of the bank debt, as well as a gradual reduction in the implicit subsidy for petroleum products, the EDM-SA cash plan, and priority investments.	Improve the financial stability of EDM-SA, to improve spending quality and create fiscal space	November 30, 2019
Approval by the Parliament of a 2020 budget law that complies with program parameters arising from the ECF arrangement.	Ensure that the budget execution is based on a realistic macroeconomic framework	December 31, 2019
Finalize and operationalize the formal framework for collaboration and information-sharing among the DGI, the DGD, the Treasury, the DGB, the DGMP-DSP, the DGCC, the INPS, and the CAISFF.	Increase revenues and promote good governance	December 31, 2019
Introduce the electronic acceptance of air waybills (AWB) in ASYCUDA WORLD and eliminate non-electronic acceptance.	Increase revenues and promote good governance	December 31, 2019
Introduce the automation of procedures for the control of suspensive regimes.	Increase revenues and promote good governance	December 31, 2019

Table 3. Mali: Summary of the External Borrowing Program[1]
(in CFAF billions)

	2019	
	Nominal	PV
Debt financing sources	**563**	**329**
Concessional debt of which[2]	376	199
Multilateral debt	284	145
Of which: World Bank	*220*	*118*
Bilateral debt	92	54
Nonconcessional debt[3]	187	130
Uses of borrowed funds	**563**	**329**
Budgetary assistance	252	146
Infrastructure (roads, bridges, etc.)	25	10
Energy	164	98
Agriculture	27	11
Social (education, health)	66	40
Telecommunication	29	24
Various	0	0

Source: Malian authorities; IMF staff estimates

[1] Indicative objective for new borrowing arranged or guaranteed

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

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

Attachment II. Technical Memorandum of Understanding

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

DEFINITION OF GOVERNMENT

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

PERFORMANCE CRITERIA

3. Except as noted, the following financial targets will serve as performance criteria at end-September 2019 and end-December 2019. All quantitative targets for end-June 2020 (MEFP, Table 1) are indicative.

A. Ceiling on Net Domestic Financing

4. **Net domestic financing of government**, as defined in paragraph 2, is defined as the sum of (i) the change in the net position (difference between the government's claims and debts) vis-à-vis the central bank and the commercial banks and (ii) financing of the government through the issuance (net of redemptions) of securities to individuals or legal entities outside the banking system or to nonresident banks domiciled in the West African Economic and Monetary Union (WAEMU).

Adjusters

5. The ceilings on net domestic financing of government will be adjusted upward if **external budget support** falls short of program projections (MEFP, Table 1) up to a maximum of CFAF 45 billion. External budget support is defined as grants, loans, and debt relief operations (excluding project grants and loans, sectoral budget support, IMF resources, and HIPC debt relief, but including general budget support).

6. The ceiling on net domestic financing of government will be adjusted upward (downward) if the **net reduction in the budgetary float (*instances de paiement*)** is higher (lower) than program amounts (MEFP, Table 1) as recorded in the TOFE.

7. The ceiling on net domestic financing will be adjusted upward (downward) for the **payment of VAT credits, other tax refunds, and audited arrears from previous fiscal years,** which exceed

(fall short of) program amounts (MEFP, Table 1).

8. Lastly, the ceiling on net domestic financing of government will be lowered by the full amount of the **domestic debt reduction** associated with the policy-based guarantee (PBG) operation planned on the basis of the World Bank's development policy operation (DPO) (MEFP, Table 1).

B. Ceiling on Accumulation of Government External Payments Arrears

9. **External payment arrears** are defined as external debt obligations of the government that have not been paid when due in accordance with the relevant contractual terms (taking into account any contractual grace periods). Under the program, the government agrees not to accumulate external payment arrears on its debt, except arrears arising from external payment obligations being renegotiated with creditors, including bilateral non-Paris Club creditors. Non-accumulation of new external arrears by the government is a performance criterion to be observed continuously. 'External' is defined by the residency of the creditor.

C. Ceiling on Accumulation of Government Domestic Payment Arrears

10. **Domestic payment arrears** are defined as undisputed overdue payment obligations for which the payment date exceeds 90 days, unless terms and conditions for settlement specify a longer grace period; arrears on the debt service refer to debt service obligations for which the payment date exceeds 30 days. Under the program, the government agrees not to accumulate new domestic payment arrears. Non-accumulation of new domestic payment arrears by the government is a continuous performance criterion. 'Domestic' is defined by the residency of the creditor.

D. Ceiling on the External Debt Contracted or Guaranteed by the Government

11. **Definition of the debt**. The definition of debt is set out in IMF Executive Board Decision No. 15688-(14/107), Point 8, as published on the IMF website. The term "debt" will be understood to mean all current, i.e. not contingent, liabilities, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take various forms; the primary ones being as follows:

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

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

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

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

12. **Guaranteed debt**. A government debt guarantee means an explicit legal obligation to service a debt in the event of nonpayment by the borrower (through payment in cash or in kind)

13. **Concessional debt and present value of debt**. A debt is considered concessional if it includes a grant element of at least 35 percent.[2,3] The present value of the debt is calculated on the date on which it is contracted by discounting the future stream of payments of debt service due on this debt using a discount rate of five percent.

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

15. **External debt performance criterion**. The ceiling on the contracting or guaranteeing of new external debt (MEFP, Table 1) applies to present value of all new external debt.

16. **Special provision.** The performance criterion shall not apply to import-related, short-term external loans (with maturities of less than one year).

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

Adjuster

18. The ceiling on **contracting or guaranteeing new external debt** (in PV terms) will be raised

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

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

by the present value of the external loans contracted on the basis of the policy-based operation (PBG) based on the World Bank's development policy operation (DPO) (MEFP, Table 1).

E. Ceiling on the Overall Fiscal Deficit

19. The **overall fiscal deficit (commitment basis)** is the difference between total budgetary resources and total spending and net lending as recorded in the TOFE.

Adjuster

20. The ceiling on the **overall fiscal deficit (commitment basis)** will be adjusted upward to the extent that **budget support grants** fall short of program projections (MEFP, Table 1) up to a maximum of CFAF 45 billion.

F. Floor on Net Tax Revenue

21. The government's **net tax revenue** is defined as the revenue appearing in the TOFE and includes all tax revenue in the national budget, after deducting the tax refunds generated during the year, in particular VAT credits.

Adjuster

22. The floor on net tax revenue will be adjusted downward (upward) to the extent that tax refunds exceed (fall short of) the projected amount (MEFP, Table1).

INDICATIVE TARGET

23. The following serves as an indicative target at end-September 2019 and end-December 2019.

G. Floor on Priority Social Spending

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

STRUCTURAL BENCHMARKS

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

ADDITIONAL INFORMATION FOR PROGRAM MONITORING

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

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

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

Summary of Reporting Requirements (concluded)

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

MALI

August 12, 2019

REQUEST FOR A THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS

Approved by
Annalisa Fedelino and Maria Gonzalez (IMF) and Marcello Estevão (IDA)

Prepared jointly by the staffs of the International Monetary Fund (IMF) and the International Development Association (IDA)

Mali Joint Bank-Fund Staff Debt Sustainability Analysis	
Risk of external debt distress:	Moderate
Overall risk of debt distress	Moderate
Granularity in risk rating	With some space to absorb shocks
Application of judgement	Yes; a customized scenario was used to take account of security challenges and large development needs

Mali remains at moderate risk of external debt distress. This rating is unchanged from the previous analysis and consistent with the May 2018 Staff Report (IMF Country Report/18/141). All the projected external debt burden indicators remain below their thresholds under the baseline. However, the ratio of the external debt service to exports exceeds its threshold in the case of an extreme shock to exports under a customized scenario that incorporates 2 percentage points of GDP larger fiscal deficits over 2019 to 2023 than the baseline.[1]

The baseline scenario assumes improved fiscal policies and achievement of the WAEMU fiscal deficit convergence criteria by 2019. As illustrated in the customized scenario, continued shortfall in domestic revenue mobilization and a deterioration in security conditions would result in a weakened fiscal position and increase the likelihood of debt distress. Mali's main challenge continues to be ensuring macroeconomic stability while protecting social and investment spending and providing for growing security spending and large development needs. To maintain debt at moderate risk rating, it is essential that the authorities continue their efforts to mobilize domestic revenue and implement reforms. Debt management capacity should be strengthened while deepening structural reforms to diversify the exports base.

[1] This DSA was jointly prepared by IMF and World Bank staff under the new debt sustainability framework (DSF) for low-income countries (LICs), implemented since July 2018. The debt-carrying capacity is classified using the country-specific composite indicator (CI) composed of three macroeconomic indicators and the World Bank's Country Policy and Institutional Assessment (CPIA). Mali's capacity is assessed as "medium" using the CI based on the April 2019 WEO and the 2017 CPIA data.

BACKGROUND

A. Public Debt Coverage

1. Mali's public debt covers external and domestic obligations of the central government. Information on state-owned enterprises (SOEs) debt is generally not available, and only the liabilities of the national state-owned electricity company EDM (the main SOE), estimated at CFAF 319 billion (3.1 percent of GDP) at end-June 2018, are included in the baseline. Contingent liabilities estimated at CFAF 150 billion (1.5 percent of GDP) from EDM have already been assumed by the central government as a result of EDM's financial difficulties. State and local government entities do not borrow directly on their own. While liabilities of other public sector entities, including SOEs and other guaranteed debts, are not included in the baseline due to data constraints, a contingent liability test is performed to capture potential fiscal risk posed by these entities (Text Table 1). Staff will continue discussions with the authorities to broaden the coverage of public debt to include guarantees and SOE debt. The component of the contingent liability shock related to SOEs that are not accounted for in the public sector coverage is calibrated at 2 percent of GDP (the default setting) (Text Table 1). Public Private Partnerships (PPPs) capital stock for Mali is estimated at 3.7 percent of GDP, implying a calibrated 1.3 percent of GDP (0.35*3.7) for the PPP component of the contingent liability stress test. External debt is defined on a currency-denominated basis.

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	
7	Central bank (borrowed on behalf of the government)	
8	Non-guaranteed SOE debt	

Text Table 1. Coverage of Public Debt and Size of Contingent Liability Shock

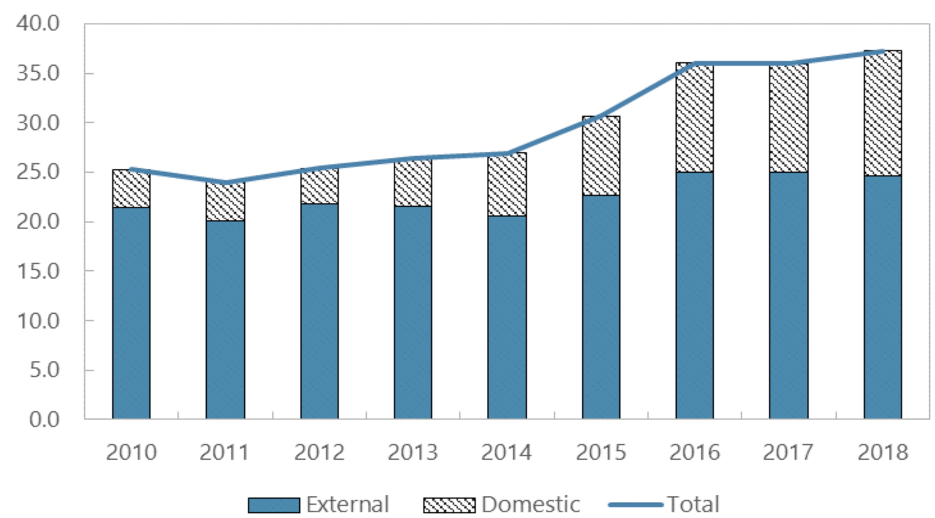
1	The country's coverage of public debt	The central government			
		Default		Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0	percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	2.0	
4	PPP	35	percent of PPP stock	1.3	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)			8.3	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

B. Background on Debt

2. At end-2018, Mali's stock of public debt amounted to CFAF 3,555 billion (37.3 percent of GDP), composed mostly of external debt on concessional terms (Text Figure 1 and Text Table 2). External debt amounted to CFAF 2,346 billion, of which CFAF 1,886 billion is due to multilateral creditors and CFAF 460 billion to bilateral creditors. However, domestic debt is rapidly building up, increasing from a low base of 6.3 percent of GDP in 2014 to 12.7 percent of GDP in 2018, mostly in treasury bills and bonds issued on the WAEMU regional market (Text Table 3).

Text Figure 1. Mali: Central Government Debt 2010–18
(in percent of GDP)



Sources: Malian authorities; IMF Staff estimates.

3. **The authorities are planning to use a part of the IDA allocation in 2019 to reprofile domestic debt and reduce rollover risk**. The government is planning a debt management operation that will entail borrowing a syndicated loan from international banks guaranteed by the World Bank using part of the 2019 IDA allocation. The authorities view this operation as a precursor for eventually accessing international financial markets and issuing a Eurobond. They intend to use part of the proceed of this operation (up to US$500 million under the Policy-Based Guarantee financial instrument, PBG) to support EDM, reducing its short-term exposure towards the banking sector, and to reduce rollover risk by replacing part of domestic and regional debt with external loans. However, as its timing and size are not yet confirmed, this operation has not been included in the baseline for the new program. Adjusters to performance criteria have been included should the operation materialize before end-2019.

Text Table 2. Mali: External Debt Stock at Year-End, 2010–18
(billions of CFAF)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total	1,134	1,229	1,382	1,445	1,463	1,754	2,081	2,228	2,347
(percent of GDP)	21.4	20.1	21.8	22.1	20.6	22.6	25.1	24.9	24.6
Multilateral	896	1,006	1,105	1,160	1,181	1,384	1,634	1,799	1,886
IMF [1]	72	101	101	83	72	80	105	114	179
World Bank/IDA	414	494	578	586	597	728	823	908	947
African Development Bank	158	257	247	229					
Islamic Development Bank	114	124	118	111	92	116	141	118	99
Others	139	30	62	151	419	460	565	660	662
Official Bilateral	236	222	276	284	282	370	447	429	460
Paris Club official debt	10	13	13	10	8	41	41	40	44
Non-Paris Club official debt	226	209	263	275	273	329	406	389	417
Other Creditors	3	2	2	1	1	0	0	0	0

Sources: Malian authorities; and IMF staff estimates.

[1] Includes August 2009 SDR allocation.

Text Table 3. Mali: Public Domestic Debt Stock at Year-End, 2014–18
(billions of CFAF)

	2014	2015	2016	2017	2018
Total	445	622	913	983	1,209
(percent of GDP)	6.3	8.0	11.0	11.0	12.7
T-Bill	336	243	236	88	186
Bonds	70	348	673	894	1,023
Commercial Banks	12	3	3	1	0
Arrears (suppliers)	28	28	0	0	0

Sources: Malian authorities, IMF Staff estimates.

UNDERLYING MACROECONOMIC ASSUMPTIONS AND COUNTRY CLASSIFICATION

A. Background on Macroeconomic Forecasts

4. This DSA is consistent with the macroeconomic framework underlying the Staff Report prepared for the 2019 request for the ECF-Supported Program (Box 1).

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

	2016	2017	2018	2019	2020	2021	2022	2023	Long term [1]
				Projections					
Real GDP growth									
Current DSA	5.8	5.4	4.7	5.0	5.0	4.9	4.9	4.8	4.8
Previous DSA	5.8	5.3	5.0	4.7	4.7	4.7	4.7	4.7	4.7
GDP Deflator in US dollar (percent)									
Current DSA	1.1	4.0	6.8	-1.5	2.9	2.5	2.7	2.5	2.1
Previous DSA	1.2	3.6	11.3	2.5	3.0	2.7	2.0	2.2	2.1
Overall fiscal balance (including grants, percent of GDP)									
Current DSA	-3.9	-2.9	-4.7	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Previous DSA	-3.9	-2.9	-3.3	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Export of goods and services growth (percent)									
Current DSA	4.3	3.8	18.8	0.1	2.5	-0.1	4.1	4.1	4.1
Previous DSA	4.3	8.0	14.4	-0.3	5.2	5.0	4.7	5.0	5.3
Import of goods and services growth (percent)									
Current DSA	9.0	-2.4	6.0	6.9	6.3	4.7	4.8	4.9	5.5
Previous DSA	9.0	5.4	14.2	3.6	5.0	5.4	5.7	-7.5	5.1
Current account deficit (including grants, percent of GDP)									
Current DSA	-7.2	-8.1	-3.8	-5.6	-6.4	-7.1	-7.0	-6.9	-6.1
Previous DSA	-7.2	-6.0	-6.5	-6.3	-6.1	-6.0	-6.3	-6.4	-6.5
Official aid [2] (percent of GDP)									
Current DSA	3.4	3.9	2.2	4.2	3.2	2.8	2.9	2.7	2.1
Previous DSA	3.4	3.9	3.4	3.8	4.2	4.4	4.6	4.4	4.5

Sources: Malian authorities; and IMF Staff estimates and projections.
[1] Defined as the last 15 years of the projection period. For the current DSA, the long term covers the 2023-37 period. For the previous DSA, it covered 2022-36.
[2] Defined as the sum of concessional grants and loans.

5. Macroeconomic conditions have been updated since the previous 2018 DSA (Text Table 4). In the short term, the main changes in assumptions relate to fiscal balance, trade and external support (Text Table 5). In the medium and long terms, key macroeconomic assumptions are in line with the previous DSA.

Box 1. Baseline Macroeconomic Assumptions

- *Real GDP growth*. The economic outlook, while presenting some encouraging elements, is subject to important downside risks. In 2019, real output growth is projected at 5.0 percent and remains near potential growth (4.8 percent) over the medium term (Text Table 4). Downside risks relate to the possible deterioration in security situation, potential terms of trade shocks (to the price of gold, cotton, and fuels), and adverse weather conditions. A specific risk arises from a continued shortfall in domestically-financed public investment because of a failure to mobilize sufficient domestic revenues. This outlook is broadly similar to the projected growth path in the previous DSA.
- *Fiscal policy*. In 2018, fiscal revenue sharply declined by 4.2 percentage points of GDP, leading to a widening of the overall deficit to 4.7 percent of GDP (from 2.9 percent of GDP in 2017). This poor performance was explained by a combination of weakened compliance and enforcement in the run-up to presidential elections, worsened security conditions, and higher international fuel prices. The authorities partially offset the revenue shortfall by cutting domestically-financed capital spending (by 1.8 percent of GDP), as well as current spending (by 1.2 percent of GDP). Staff expect revenue to recover by 2020 with a frontloading of 75 percent of the recovery in 2019. This path would help the authorities achieve an overall fiscal balance of 3 percent of GDP already in 2019, in line with the WAEMU convergence criterion.
- *External sector*. The current account deficit is projected at 5.6 percent of GDP in 2019 (6.5 in the previous DSA) from 3.8 percent of GDP in 2018, driven by imports for mining and infrastructure investment and a slowdown in gold exports. Thereafter, the current account deficit is projected to further widen to 7.1 percent of GDP in 2020 as terms of trade deteriorate, and then gradually narrow to stabilize at about 6.9 percent by 2023. This stabilization in the external position would be driven partly by supportive macroeconomic policies, gradual increase in exports (including food, cotton, and other minerals), and lower long-run oil prices. These factors should help to offset the expected steady decline in export earnings from gold.[1] As in the previous DSA, the current account deficit continues to be financed mainly through FDI, public sector borrowing, and official grants.
- *Financing mix*. External borrowing is expected to increase to 3.5 percent of GDP in 2019 from 2.2 percent of GDP in 2018, reflecting the large increase in the 2019 World Bank's budget support (from US$60 million to US$250 million). The 2019 baseline also includes the disbursement of a near-concessional loan of US$250 million from Abu Dhabi for balance of payments purposes. The authorities initially intended to use the policy-based guarantee instrument of the World Bank to contract syndicated loans in the international market for about US$500 million on commercial terms. However, there remains considerable uncertainty about the timing and size of this operation and it has not been included in the baseline for the new program. Over the medium term, gross financing needs will continue to be financed by external multilateral sources and bonds issued in the regional bond market (UEMOA-Titres).

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

Text Table 5. External Financing Assumptions, 2019–30
(in percent of GDP)

	2019	2020	2021	2022	2023	2024-2029	2024	2025	2026	2027	2028	2029	2030
Total external	**5.8**	**4.4**	**4.0**	**4.1**	**3.8**	**3.7**	**3.4**	**3.3**	**3.2**	**3.2**	**3.2**	**3.1**	**3.1**
Grants	**2.3**	**2.0**	**1.7**	**1.8**	**1.8**	**1.6**	**1.3**	**1.3**	**1.3**	**1.3**	**1.2**	**1.2**	**1.2**
Projects	1.3	0.9	0.9	1.0	0.9	0.8	0.9	0.9	0.8	0.8	0.8	0.7	0.7
Budget support	1.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
External loans	**3.5**	**2.3**	**2.3**	**2.3**	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**	**2.1**
Concessional loan of which [1]	**1.9**	**1.2**	**1.1**	**1.0**	**1.0**	**0.8**	**0.9**	**0.8**	**0.8**	**0.8**	**0.7**	**0.7**	**0.7**
Multilateral of which	1.5	0.9	0.8	0.8	0.7	0.6	0.6	0.6	0.5	0.5	0.5	0.4	0.4
World Bank	1.1	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2
Bilateral	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2
Nonconcessional loan [2]	**1.6**	**1.2**	**1.2**	**1.3**	**1.1**	**1.2**	**1.2**	**1.2**	**1.2**	**1.3**	**1.3**	**1.4**	**1.4**
Of which: IMF financing	0.2	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Malian authorities and staff estimates.
[1] Debt in which the grant element exceeds 35 percent.
[2] Debt comprising a grant element that is positive but is less than 35 percent.

6. The realism tools show that projections are broadly in line with historical and peers' experiences (Figure 6)

- **Forecast errors**. Projections of the drivers of external debt are in line with past debt dynamics, when unexpected changes in debt were mainly driven by unexpected changes in the current account and FDI. On average, primary deficit was the main contributor of total public debt.

- **Fiscal adjustment**. The fiscal adjustment path is in line with peer country experiences but with a lower impact on medium-term GDP growth than suggested by fiscal multipliers. The primary sector and gold production, which are weakly related to the fiscal stance, account for about 40 percent of real GDP growth. Moreover, the fiscal consolidation in 2020 is mainly driven by an increase in revenue (smaller fiscal multiplier) rather than a decrease in public expenditure (higher fiscal multiplier).[2]

- **Investment-growth**. The contribution of government capital stock to growth is similar to that observed in the previous DSA.

B. Country Classification and Determination of Scenario Stress Tests

7. Mali is assessed as having a medium debt carrying capacity. Based on the April 2019 WEO macroeconomic framework and updated World Bank's CPIA measures, Mali's composite indicator score lies between 2.69 and 3.05, in line with the assessment of medium debt carrying capacity applied in the May 2018 DSA.

[2] See the Sub-Saharan Africa Fiscal Adjustment and Economic Diversification, Regional Economic Outlook, IMF, October 2017 for more details on fiscal multipliers in Sub-Saharan African countries.

Applicable Thresholds

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	180
GDP	40
Debt service in % of	
Exports	15
Revenue	18

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	55

Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.389	1.30	43%
Real growth rate (in percent)	2.719	5.361	0.15	5%
Import coverage of reserves (in percent)	4.052	39.075	1.58	53%
Import coverage of reserves^2 (in percent)	-3.990	15.269	-0.61	-20%
Remittances (in percent)	2.022	4.649	0.09	3%
World economic growth (in percent)	13.520	3.559	0.48	16%
CI Score			3.00	100%
CI rating			**Medium**	

Debt Carrying Capacity	**Medium**		
Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Medium	Medium 3.00	Medium 3.01	Medium 2.99

Note: Until the April 2019 WEO vintage is released, the two previous vintages ago classification and corresponding score are based solely on the CPIA per the previous framework.

C. External DSA

8. **The risk of external debt distress for Mali remains moderate with some space to absorb shocks**. All debt indicators remain below their corresponding indicative thresholds under the baseline scenario and stress tests, indicating space to absorb shocks; however, in a customized alternative scenario in which the fiscal deficit is 2 percentage points of GDP per year higher than in the baseline during 2020-23, the debt service to export ratio breaches the threshold (Figure 4).

9. Mali's external debt ratios remain low under the baseline scenario. Under the baseline scenario, the ratio for the PV of external public debt to GDP is projected to remain between 14 and 17 percent of GDP, well below the indicative threshold of 40 percent throughout the projection period (Figure 1, Table 1). The PV of the external debt-to-exports is also projected to remain broadly stable between 73.0 percent and 118.0 percent, comfortably below the 180 percent threshold. Debt service indicators are all below their corresponding thresholds. Including the PBG and reprofiling operation would not change the risk rating. The standardized stress tests show a negative impact on the trajectory of debt indicators, yet no threshold is breached.

10. However, security challenges and large development needs justify considering a customized scenario with higher deficits which underscores the vulnerability of Mali's external debt to external shocks (Figure 4). This scenario would reflect additional security-related expenditures that may be required if the conflict intensifies and the large investment spending projected in the authorities' CREDD. The deficit would remain above the WAEMU's convergence criterion of 3 percent of GDP by 2 percentage points of GDP for the next four years and financed on commercial terms.[3] Debt ratios significantly would increase compared to the baseline, leading to a breach of the debt service-to-exports ratio under an export shock (the most extreme).

11. Mali's external debt sustainability is highly sensitive to an export growth shock, a reduction in current transfers and FDI and exchange rate depreciations, along with changes in borrowing terms. Under a bound test with a temporary reduction in export growth[4] in 2020–21, the debt service-to-exports ratio significantly increases under the baseline scenario and would breach its threshold under the customized scenario in 2026-27 (Figure 4). Similarly, a bound test with lower FDI and current transfers[5] in 2020–21 would drive the PV of the debt-to-exports ratio toward the threshold.

12. Going forward, macroeconomic stability is crucial to maintaining external debt sustainability. In particular, it is essential that the authorities continue their efforts to mobilize domestic revenue and implement reforms to diversify the exports base. The full implementation of the 2015 peace agreement is also critical to macroeconomic stability and debt sustainability.

D. Public DSA

13. The inclusion of domestic debt does not alter the assessment of Mali's debt sustainability. Given the small size of Mali's domestic debt and the planned domestic debt reprofiling operation, the public debt sustainability analysis closely mirrors the external debt sustainability analysis under both the baseline and alternative scenarios (Figures 4 and 5). The PV of public sector debt-to-GDP ratio stays between 30.6 and 34.4 percent of GDP during the entire projection period under the baseline scenario but increases to 39.1 percent of GDP in 2023 under the alternative scenario of higher deficits financed at less

[3] The average grant element is 0.85 percent with an unified discount rate of 5 percent.

[4] Nominal export growth (in USD) set to its historical average minus one standard deviation, or the baseline projection minus one standard deviation, whichever is lower, in the second and third years of the projection period.

[5] Current transfers-to-GDP and FDI-to-GDP ratios set to their historical average minus one standard deviation, or baseline projection minus one standard deviation, whichever is lower, in the second and third years of the projection period.

favorable terms. That said, the recent rapid growth of domestic debt stock needs to be monitored closely to maintain debt sustainability and financial stability going forward.

E. Conclusion

14. Mali's risk of external debt distress and overall risk of debt distress remain moderate. As in the previous DSA, while Mali's public debt remains low, debt sustainability is sensitive to external shocks. All debt indicators remain below their corresponding indicative thresholds under the baseline scenario and stress tests. However, an export shock a customized scenario of higher deficits financed at unfavorable terms shows a breach of the debt service-to-exports threshold. The customized scenario reflects additional security-related expenditures that may be required if the conflict intensifies. Mali's debt sustainability is also highly sensitive to a tightening of financing terms, to an exports shock given the export concentration in gold and cotton, and to a reduction in current transfers and FDI. In addition, non-resident holdings of securities issued in the regional securities market can pose additional risks that are not currently captured in the external DSA, although the scale of such holdings is unclear. Mali needs to maintain prudent macroeconomic policies, strengthen the effectiveness of public investment, debt management and continue to meet its external financing needs with grants and concessional loans, wherever possible. In addition, projects should deliver high returns; and structural reforms to improve the investment climate and export diversification should continue, in view of an expected decline in gold's exports over the medium term.

F. Authorities' Views

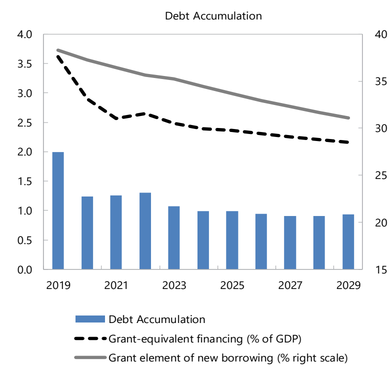
15. The authorities concurred with the results of the DSA. They agree on the need to tackle the country's debt sustainability challenges. They commit to seeking grants and concessional financing, avoiding as much as possible non-concessional borrowing.

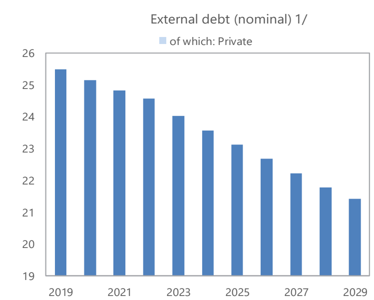
Table 1. Mali: External Debt Sustainability Framework, Baseline Scenario, 2016–39

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
External debt (nominal) 1/	**25.1**	**24.9**	**24.6**	**25.5**	**25.1**	**24.8**	**24.6**	**24.0**	**23.6**	**21.4**	**16.8**	**22.3**	**23.5**
of which: public and publicly guaranteed (PPG)	**25.1**	**24.9**	**24.6**	**25.5**	**25.1**	**24.8**	**24.6**	**24.0**	**23.6**	**21.4**	**16.8**	**22.3**	**23.5**
Change in external debt	2.4	-0.1	-0.3	0.9	-0.4	-0.3	-0.3	-0.5	-0.5	-0.4	-2.3		
Identified net debt-creating flows	**3.9**	**1.5**	**-1.9**	**1.9**	**2.9**	**3.9**	**4.0**	**3.9**	**3.9**	**3.0**	**1.9**	**1.7**	**3.4**
Non-interest current account deficit	**7.0**	**7.0**	**3.5**	**5.3**	**6.2**	**6.9**	**6.8**	**6.7**	**6.6**	**5.7**	**4.4**	**5.9**	**6.3**
Deficit in balance of goods and services	16.9	13.7	10.5	12.3	12.9	13.6	13.3	13.2	13.2	12.8	13.4	**12.6**	**13.0**
Exports	23.5	22.2	23.6	22.8	21.7	20.1	19.4	18.8	18.3	15.9	12.1		
Imports	40.3	35.9	34.1	35.2	34.6	33.7	32.8	32.0	31.5	28.7	25.5		
Net current transfers (negative = inflow)	-12.3	-9.7	-9.4	-9.4	-9.0	-8.8	-8.5	-8.4	-8.4	-8.4	-6.0	**-9.9**	**-8.6**
of which: official	-7.4	-4.8	-4.4	-4.4	-4.0	-3.8	-3.6	-3.4	-3.4	-3.3	-0.9		
Other current account flows (negative = net inflow)	2.4	3.0	2.4	2.4	2.2	2.1	2.0	1.9	1.7	1.2	-3.1	**3.2**	**1.8**
Net FDI (negative = inflow)	**-1.9**	**-3.6**	**-3.0**	**-2.5**	**-2.4**	**-2.1**	**-1.9**	**-1.9**	**-1.9**	**-1.9**	**-1.9**	**-3.2**	**-2.0**
Endogenous debt dynamics 2/	**-1.2**	**-1.9**	**-2.4**	**-1.0**	**-0.9**	**-0.9**	**-0.9**	**-0.9**	**-0.8**	**-0.7**	**-0.6**		
Contribution from nominal interest rate	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3		
Contribution from real GDP growth	-1.2	-1.2	-1.0	-1.2	-1.2	-1.1	-1.1	-1.1	-1.1	-1.0	-0.9		
Contribution from price and exchange rate changes	-0.2	-1.0	-1.6	...	...	...	...	...	...	...	...		
Residual 3/	**-1.5**	**-1.6**	**1.5**	**-1.0**	**-3.2**	**-4.2**	**-4.2**	**-4.4**	**-4.3**	**-3.4**	**-4.2**	**-1.1**	**-3.7**
of which: exceptional financing	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**15.3**	**16.7**	**16.6**	**16.6**	**16.6**	**16.4**	**16.3**	**15.4**	**13.1**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**64.6**	**73.0**	**76.5**	**82.3**	**85.3**	**87.3**	**88.9**	**97.1**	**108.5**		
PPG debt service-to-exports ratio	**4.6**	**4.7**	**4.0**	**4.1**	**5.1**	**5.4**	**5.4**	**5.9**	**6.5**	**8.0**	**10.9**		
PPG debt service-to-revenue ratio	**7.0**	**6.3**	**7.7**	**5.9**	**6.6**	**6.4**	**6.0**	**6.3**	**6.7**	**6.7**	**...**		
Gross external financing need (Million of U.S. dollars)	868.1	690.6	254.2	675.4	948.3	1219.7	1312.0	1401.9	1510.6	1801.7	2665.5		
Key macroeconomic assumptions													
Real GDP growth (in percent)	5.8	5.4	4.7	5.0	5.0	4.9	4.9	4.8	4.8	4.8	4.8	**4.4**	**4.9**
GDP deflator in US dollar terms (change in percent)	1.1	4.0	6.8	-1.5	2.9	2.5	2.7	2.5	2.1	2.1	2.1	**1.6**	**2.0**
Effective interest rate (percent) 4/	1.3	1.1	1.0	0.9	1.0	1.0	1.0	1.1	1.1	1.3	1.6	**0.4**	**1.1**
Growth of exports of G&S (US dollar terms, in percent)	4.3	3.8	18.8	0.1	2.5	-0.1	4.1	4.1	4.0	4.0	4.1	**5.3**	**3.2**
Growth of imports of G&S (US dollar terms, in percent)	9.0	-2.4	6.0	6.9	6.3	4.7	4.8	4.9	5.5	5.0	5.9	**4.6**	**5.3**
Grant element of new public sector borrowing (in percent)	...	...	...	38.3	37.3	36.5	35.7	35.2	34.4	31.1	#DIV/0!	**...**	**34.5**
Government revenues (excluding grants, in percent of GDP)	15.5	16.6	12.4	16.0	16.7	16.9	17.3	17.6	17.8	18.8	0.0	**13.8**	**17.7**
Aid flows (in Million of US dollars) 5/	223.6	248.1	210.8	747.2	613.8	584.3	639.4	657.7	672.2	807.4	0.0		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	3.6	2.9	2.6	2.6	2.5	2.4	2.2	...	**...**	**2.5**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	62.9	66.4	63.5	64.1	65.1	64.0	60.4	...	**...**	**63.2**
Nominal GDP (Million of US dollars)	14,016	15,368	17,179	17,780	19,217	20,669	22,270	23,927	25,602	35,910	70,647		
Nominal dollar GDP growth	6.9	9.6	11.8	3.5	8.1	7.6	7.7	7.4	7.0	7.0	7.0	**6.1**	**6.9**
Memorandum items:													
PV of external debt 7/	...	...	15.3	16.7	16.6	16.6	16.6	16.4	16.3	15.4	13.1		
In percent of exports	...	...	64.6	73.0	76.5	82.3	85.3	87.3	88.9	97.1	108.5		
Total external debt service-to-exports ratio	4.6	4.7	4.0	4.1	5.1	5.4	5.4	5.9	6.5	8.0	10.9		
PV of PPG external debt (in Million of US dollars)			2621.0	2963.3	3183.4	3424.2	3693.4	3931.4	4168.2	5547.3	9244.0		
(PVt-PVt-1)/GDPt-1 (in percent)				2.0	1.2	1.3	1.3	1.1	1.0	0.9	-0.7		
Non-interest current account deficit that stabilizes debt ratio	4.6	7.1	3.9	4.5	6.6	7.2	7.0	7.2	7.1	6.0	6.6		

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	No





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

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

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

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

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

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

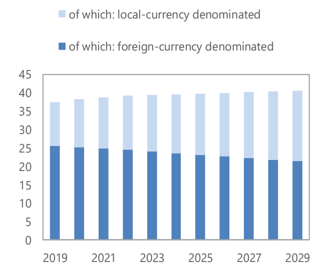
Table 2. Mali: Public Sector Debt Sustainability Framework, Baseline Scenario, 2016–2039

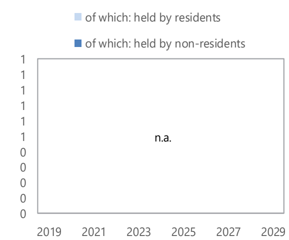
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
Public sector debt 1/	36.0	36.0	37.3	37.4	38.2	38.7	39.2	39.3	39.6	40.6	43.6	29.0	39.4
of which: external debt	25.1	24.9	24.6	25.5	25.1	24.8	24.6	24.0	23.6	21.4	16.8	22.3	23.5
Change in public sector debt	5.4	-0.1	1.3	0.1	0.8	0.5	0.5	0.1	0.2	0.2	-1.0		
Identified debt-creating flows	2.8	-2.0	3.4	0.1	0.6	0.4	0.3	0.3	0.4	0.4	-1.0	0.8	0.4
Primary deficit	3.4	2.1	3.9	2.1	2.0	1.9	1.9	1.8	1.8	1.5	0.0	2.3	1.8
Revenue and grants	17.1	18.2	13.6	18.3	18.7	18.7	19.1	19.3	19.5	20.4	0.0	16.0	19.4
of which: grants	1.6	1.6	1.2	2.3	2.0	1.7	1.8	1.8	1.7	1.5	0.0		
Primary (noninterest) expenditure	20.4	20.3	17.5	20.4	20.7	20.6	21.0	21.1	21.2	21.9	0.0	18.3	21.2
Automatic debt dynamics	-0.7	-4.3	-0.6	-1.8	-1.6	-1.6	-1.5	-1.5	-1.3	-1.2	-1.0		
Contribution from interest rate/growth differential	-1.4	-1.7	-1.5	-1.5	-1.5	-1.4	-1.4	-1.4	-1.3	-1.2	-1.0		
of which: contribution from average real interest rate	0.3	0.2	0.1	0.3	0.3	0.4	0.4	0.4	0.5	0.6	1.0		
of which: contribution from real GDP growth	-1.7	-1.9	-1.6	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8	-2.0		
Contribution from real exchange rate depreciation	0.6	-2.6	1.0	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.2	0.1	0.1	-0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0	-0.4	0.0
Privatization receipts (negative)	0.2	0.1	0.1	-0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	2.5	2.0	-2.1	-0.2	0.1	0.0	0.0	-0.3	-0.2	-0.1	0.0	0.9	-0.1
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	28.5	28.5	29.6	30.4	31.2	31.7	32.2	34.6	39.9		
PV of public debt-to-revenue and grants ratio	...	...	209.4	155.4	158.2	162.8	162.9	163.9	165.4	169.9	...		
Debt service-to-revenue and grants ratio 3/	32.8	35.1	37.6	26.5	22.9	30.1	30.5	33.3	34.9	39.5	...		
Gross financing need 4/	9.2	8.6	9.1	6.7	6.5	7.5	7.7	8.3	8.6	9.6	10.7		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	5.8	5.4	4.7	5.0	5.0	4.9	4.9	4.8	4.8	4.8	4.8	4.4	4.9
Average nominal interest rate on external debt (in percent)	1.3	1.2	1.0	0.9	1.0	1.0	1.0	1.1	1.1	1.3	1.6	0.4	1.1
Average real interest rate on domestic debt (in percent)	3.4	3.1	3.3	3.9	5.0	4.9	4.8	4.7	4.7	4.7	4.7	2.5	4.7
Real exchange rate depreciation (in percent, + indicates depreciation)	2.9	-11.0	4.2	...	...	...	...	...	...	...	...	0.2	...
Inflation rate (GDP deflator, in percent)	1.4	1.9	2.1	1.8	1.8	2.0	2.1	2.1	2.1	2.1	2.1	3.7	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	16.1	4.9	-9.8	22.4	6.5	4.2	7.0	5.6	5.3	5.5	-100.0	6.2	7.1
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-2.0	2.2	2.6	2.0	1.2	1.4	1.4	1.7	1.5	1.3	1.0	0.9	1.5
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government . Definition of external debt is Currency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

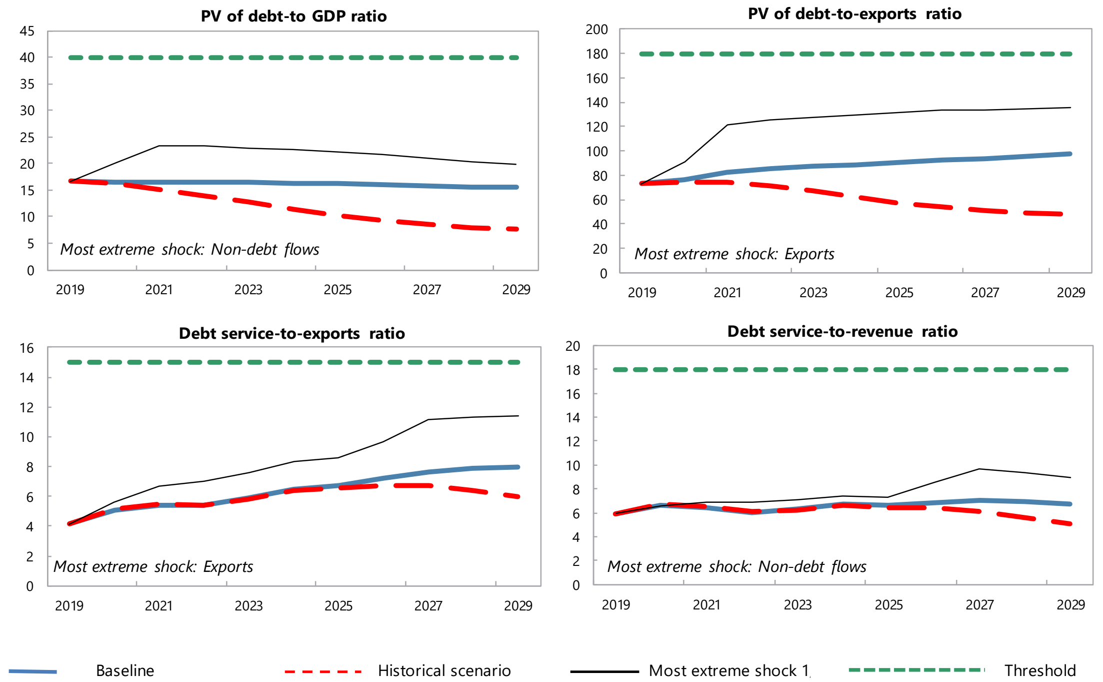
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Figure 1. Mali: Indicators of Public and Publicly Guaranteed External Debt Under Alternatives Scenarios, 2019–29



Customization of Default Settings	Size	Interactions
Tailored Stress		
Combined CL	No	
Natural disaster	n.a.	n.a.
Commodity price	No	No
Market financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

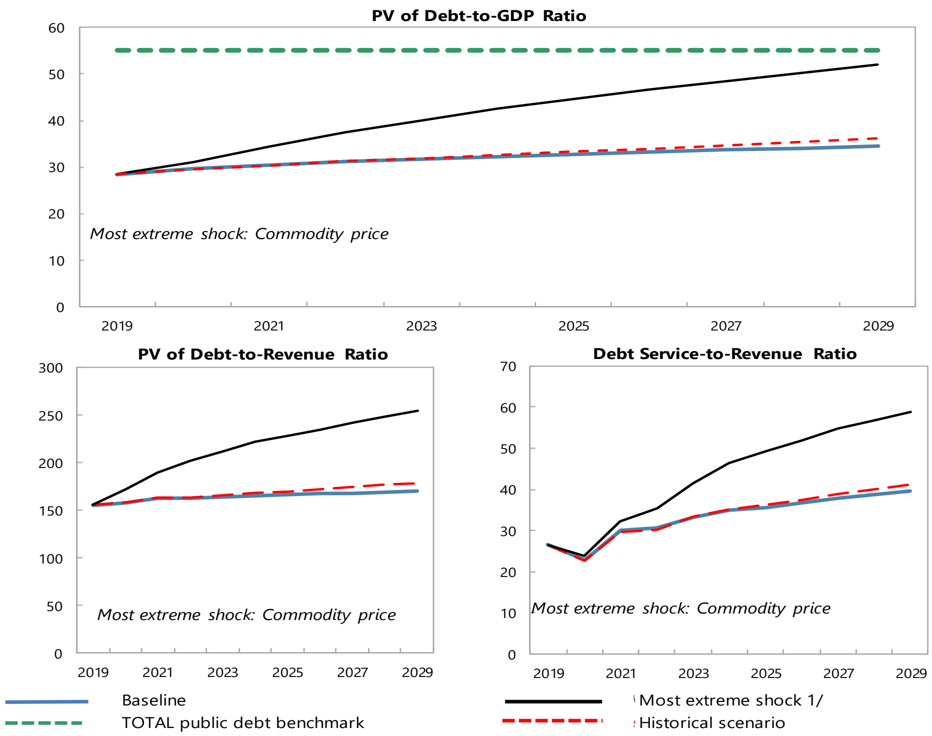
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.5%	1.5%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	5	5

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 2. Mali: Indicators of Public Debt Under Alternative Scenarios, 2019–29



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	28%	28%
Domestic medium and long-term	65%	65%
Domestic short-term	7%	7%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.5%	1.5%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.8%	4.8%
Avg. maturity (incl. grace period)	4	4
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	4.5%	4.5%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2019–2029

(In percent)

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of debt-to GDP ratio											
Baseline	19	19	18	18	17	17	16	16	16	15	15
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	19	18	18	17	16	16	15	15	15	14	14
B. Bound Tests											
B1. Real GDP growth	19	19	20	20	19	18	18	17	17	17	16
B2. Primary balance	19	19	19	19	18	18	18	17	17	16	16
B3. Exports	19	20	22	22	21	21	20	19	19	18	18
B4. Other flows 3/	19	22	25	25	24	23	23	22	21	20	19
B5. Depreciation	19	23	18	18	18	17	17	16	16	16	16
B6. Combination of B1-B5	19	23	24	23	22	22	21	21	20	19	19
C. Tailored Tests											
C1. Combined contingent liabilities	19	20	20	20	20	20	19	19	19	19	18
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	19	19	19	19	18	18	17	16	16	15	15
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	85	88	90	90	89	89	88	87	85	84	84
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	85	86	86	85	84	83	81	80	80	80	80
B. Bound Tests											
B1. Real GDP growth	85	88	90	90	89	89	88	87	85	84	84
B2. Primary balance	85	89	93	94	93	94	93	92	91	91	90
B3. Exports	85	103	130	129	128	128	126	124	121	119	117
B4. Other flows 3/	85	106	125	124	123	123	121	118	115	112	109
B5. Depreciation	85	88	72	72	72	71	70	69	69	70	70
B6. Combination of B1-B5	85	107	106	115	114	114	112	110	108	105	104
C. Tailored Tests											
C1. Combined contingent liabilities	85	96	99	100	102	103	103	103	103	103	103
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	85	93	97	97	95	94	91	89	87	85	84
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	4	6	6	7	8	8	8	8	8	8	8
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	4	6	6	7	8	8	8	8	8	8	8
B. Bound Tests											
B1. Real GDP growth	4	6	6	7	8	8	8	8	8	8	8
B2. Primary balance	4	6	6	7	8	8	8	8	9	9	8
B3. Exports	4	6	7	9	10	10	10	11	12	12	11
B4. Other flows 3/	4	6	6	8	8	9	9	10	11	11	11
B5. Depreciation	4	6	6	7	7	7	7	8	7	7	7
B6. Combination of B1-B5	4	6	7	8	9	9	9	10	10	10	10
C. Tailored Tests											
C1. Combined contingent liabilities	4	6	6	7	8	8	8	8	9	9	9
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	4	6	6	8	8	8	8	8	9	9	8
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	6	7	7	8	8	8	8	8	8	7	7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	6	7	7	8	8	8	8	8	8	7	7
B. Bound Tests											
B1. Real GDP growth	6	7	7	9	9	9	8	8	8	8	8
B2. Primary balance	6	7	7	8	8	8	8	8	8	8	7
B3. Exports	6	7	7	8	8	9	8	9	9	9	8
B4. Other flows 3/	6	7	7	9	9	9	8	9	10	10	9
B5. Depreciation	6	9	8	9	9	9	9	9	8	8	7
B6. Combination of B1-B5	6	7	8	9	9	9	9	10	10	9	9
C. Tailored Tests											
C1. Combined contingent liabilities	6	7	7	8	8	8	8	8	8	8	7
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	6	7	7	8	8	8	8	8	8	8	7
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 4. Mali: Sensitivity Analysis for Key Indicators of Public Debt, 2019–2029

	Projections 1/										
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
	PV of Debt-to-GDP Ratio										
Baseline	30	31	32	33	33	33	34	34	35	35	35
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	30	31	32	33	33	34	35	35	36	37	37
B. Bound Tests											
B1. Real GDP growth	30	33	37	39	41	43	45	46	48	50	51
B2. Primary balance	30	33	35	35	36	36	36	36	37	37	37
B3. Exports	30	33	36	36	36	37	37	37	37	37	38
B4. Other flows 3/	30	35	39	39	40	40	40	40	40	40	40
B5. Depreciation	30	35	34	33	32	31	30	29	29	28	27
B6. Combination of B1-B5	30	31	33	32	33	33	33	33	34	34	35
C. Tailored Tests											
C1. Combined contingent liabilities	30	39	39	40	40	40	40	41	41	41	41
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	30	33	36	39	41	44	46	48	49	51	53
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
	PV of Debt-to-Revenue Ratio										
Baseline	167	165	166	165	165	165	165	165	165	165	165
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	167	165	166	167	167	169	170	172	173	175	176
B. Bound Tests											
B1. Real GDP growth	167	175	190	197	203	210	216	223	228	234	239
B2. Primary balance	167	172	179	178	177	177	177	176	176	175	175
B3. Exports	167	172	184	183	182	181	181	180	179	177	176
B4. Other flows 3/	167	185	202	200	198	197	196	194	191	188	186
B5. Depreciation	167	186	176	168	161	155	149	143	137	132	127
B6. Combination of B1-B5	167	166	169	165	164	163	163	162	162	162	162
C. Tailored Tests											
C1. Combined contingent liabilities	167	205	204	202	199	198	197	196	195	193	192
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	167	179	192	204	212	219	225	230	236	241	247
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Debt Service-to-Revenue Ratio										
Baseline	27	23	29	31	34	35	36	38	39	40	40
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	27	23	29	31	34	36	37	38	40	41	42
B. Bound Tests											
B1. Real GDP growth	27	24	32	35	40	44	47	50	53	55	57
B2. Primary balance	27	23	30	34	37	39	40	40	41	42	43
B3. Exports	27	23	29	31	34	36	37	38	40	41	41
B4. Other flows 3/	27	23	30	32	35	36	37	39	41	42	42
B5. Depreciation	27	23	29	31	33	34	35	37	38	38	38
B6. Combination of B1-B5	27	23	29	31	34	36	37	37	38	39	40
C. Tailored Tests											
C1. Combined contingent liabilities	27	23	34	41	44	47	43	45	46	46	45
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	27	24	31	36	42	46	50	52	55	57	59
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

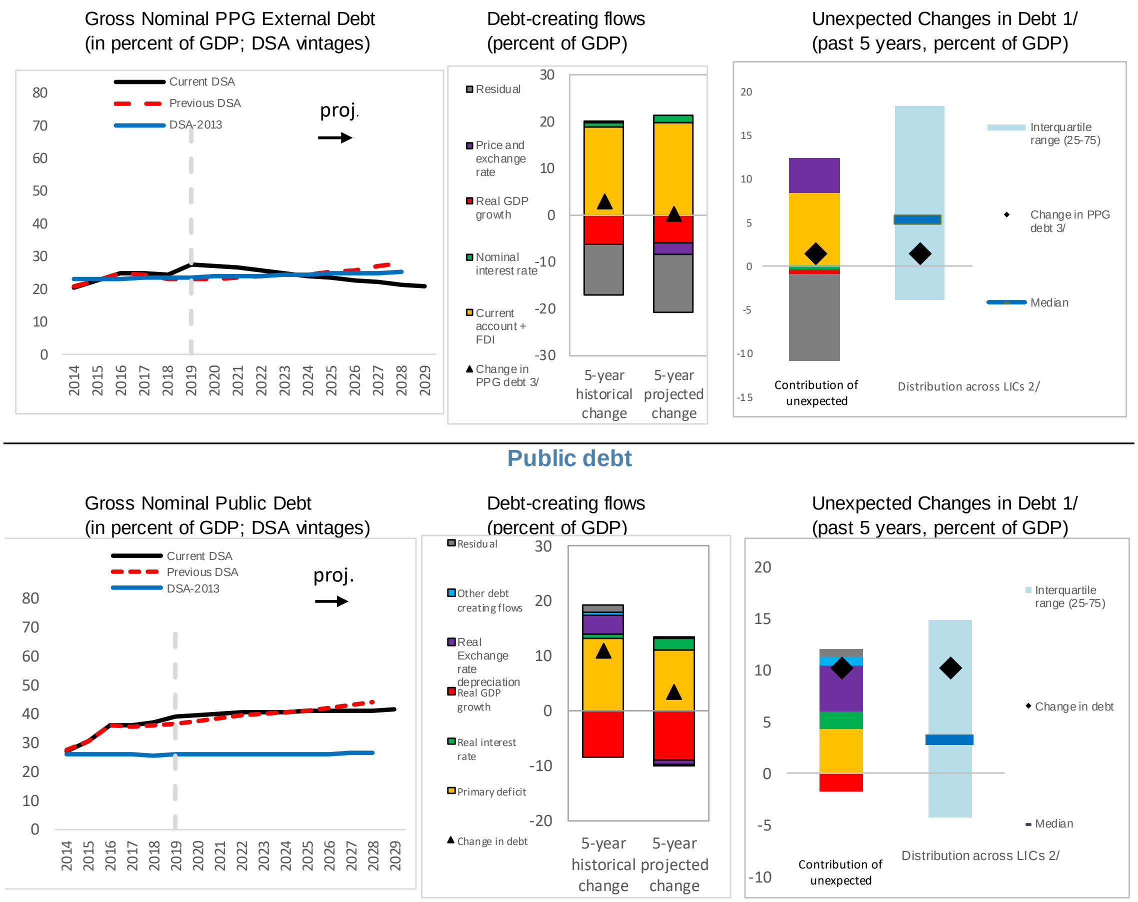
Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

Figure 3. Mali: Drivers of Debt Dynamics – Baseline Scenario



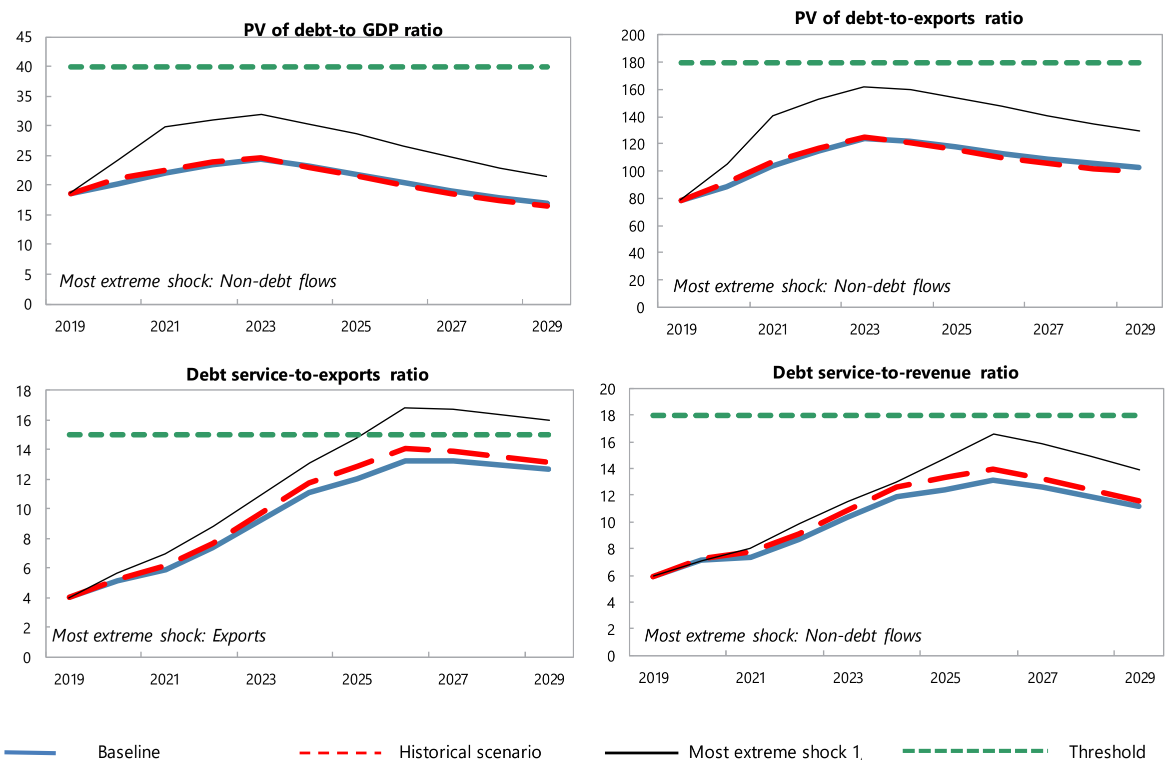
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Sources: Country authorities and staff estimates and projections.

Figure 4. Mali: Indicators of Public and Publicly Guaranteed External Debt Under Customized Scenarios, 2019–2029



Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL	No	
Natural disaster	n.a.	n.a.
Commodity price	No	No
Market financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

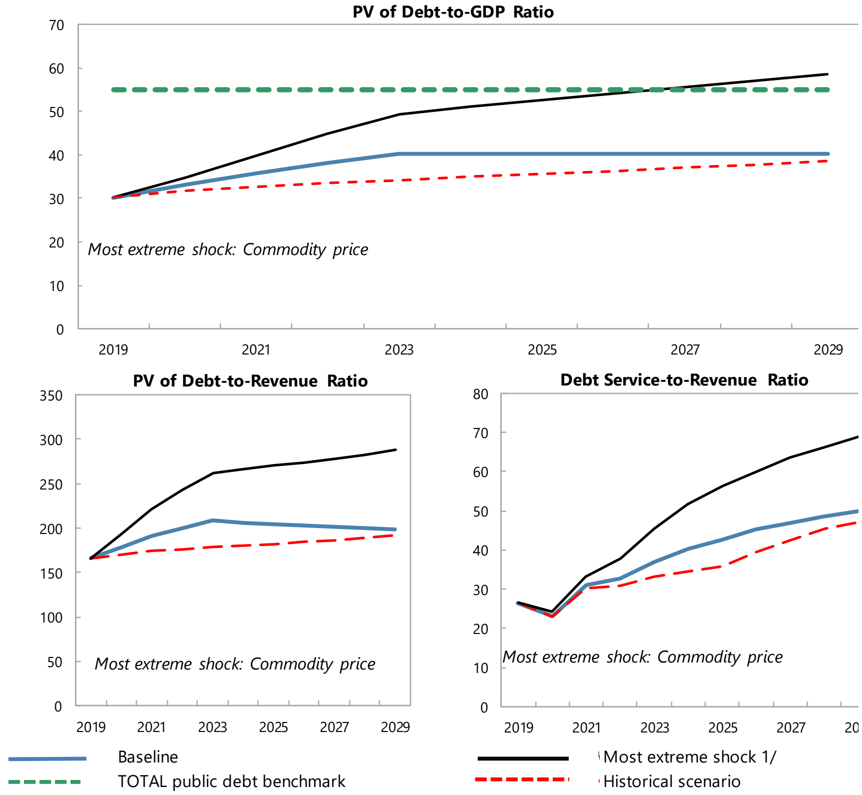
Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	2.3%	2.3%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	20	20
Avg. grace period	4	4

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 5. Mali: Indicators of Public Debt Under Customized Scenarios, 2019–2029



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	33%	33%
Domestic medium and long-term	61%	61%
Domestic short-term	7%	7%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.3%	2.3%
Avg. maturity (incl. grace period)	20	20
Avg. grace period	4	4
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.7%	4.7%
Avg. maturity (incl. grace period)	4	4
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	4.4%	4.4%

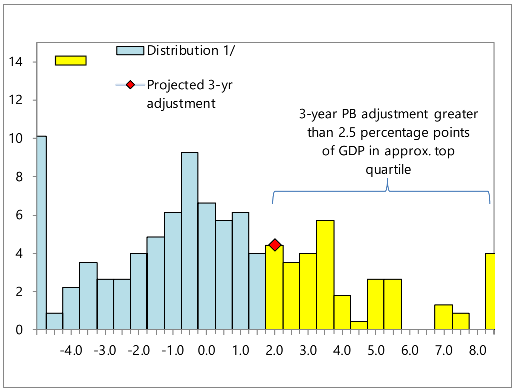
* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

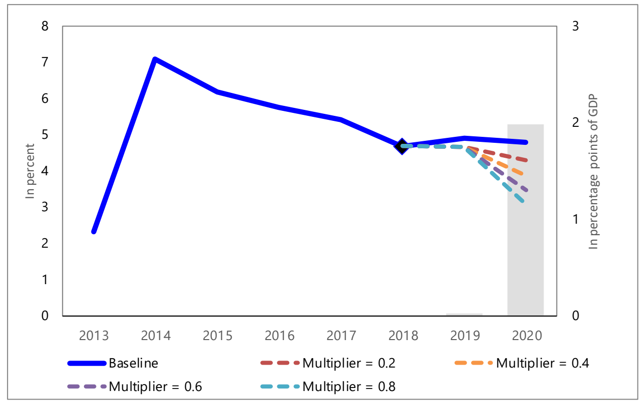
Figure 6. Mali: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



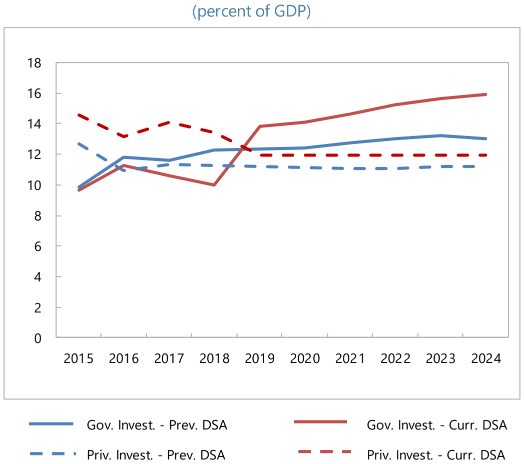
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/

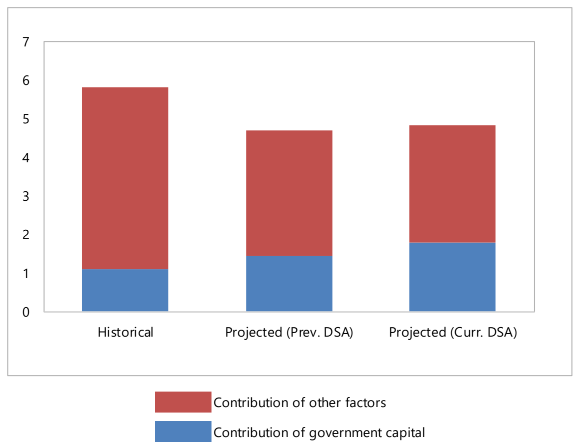


1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



Contribution to Real GDP growth
(percent, 5-year average)



Sources: Country authorities and staff estimates and projections.

Figure 7. Mali: Qualification of the Moderate Risk Category. 2019–2029 1/

Sources: Country authorities; and staff estimates and projections.

1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

Statement by Mr. Mohamed-Lemine Raghani and Mr. Oumar Diakite on Mali Executive Board Meeting
August 28, 2019

Our Malian authorities would like to thank the Executive Board, Management and staff for their continued support to Mali's development efforts. Under the previous Extended Credit Facility (ECF)-supported program which expired in December 2018, notable progress has been made in strengthening Mali's macroeconomic framework. The steadfast implementation of the Fund-supported arrangement contributed significantly to achieving the country's economic and social objectives despite the daunting challenges of insecurity and the impact of exogenous shocks.

To sustain the progress achieved and meet large development needs while coping with the significant spending required to maintain peace and fight against terrorism, the authorities are requesting a new ECF arrangement. This would help Mali preserve fiscal and debt sustainability, mobilize much-needed international assistance while supporting the implementation of far-reaching reforms in the framework of the new development strategy (*Cadre Stratégique pour la Relance Economique et le Développement Durable*) covering the period 2019-23.

Economic developments in 2018 and outlook for 2019

Economic activity remained buoyant in 2018 with real GDP growth estimated at 4.7 percent (compared to 5.4 percent in 2017) and inflation stayed low at below 2 percent. The overall balance of payments position was positive, thanks to the important reduction in the trade balance deficit (-6.7 percent of GDP down from -9.1 percent of GDP in 2017), reflecting the significant increase in gold exports and the overall decline in imports. Budget execution was marked by a sharp decline in tax revenue which fell from 15.2 percent of GDP in 2017 to 11.8 percent of GDP due mainly to the weak performance of the tax and customs administrations. The overall fiscal deficit (on a commitment basis) stood at 4.7 percent of GDP against 2.9 percent of GDP in 2017. These fiscal developments led to an increase in the budgetary float.

In 2019, real GDP growth is projected at 5 percent and inflation should remain moderate. The increase in GDP growth will be driven mainly by the upturnin the tertiary and the construction sectors. Tax revenues are expected to increase as a result of the implementation of strong operational measures by the tax and customs administrations, with revenue mobilization normalizing by 2020. The overall balance of payments is expected to deteriorate due notably to an increase in imports resulting from the strengthening of economic activity.

Mali, as a member of the West African Economic and Monetary Union (WAEMU), has access to the pooled foreign exchange reserves of the regional central bank (BCEAO) which continue to serve the economy well.

Policies and Reforms under the new ECF Arrangement

The new ECF arrangement aims to preserve macroeconomic stability, including debt sustainability, and consolidate the foundation for higher, broad-based and sustainable growth that bolsters jobs creation and poverty reduction. To this end, the authorities intend to enhance the effectiveness of fiscal policy and administration, control the overall fiscal balance while protecting priority expenditures, enhance the efficiency and execution of public spending, and pursue a sustainable debt policy. Furthermore, bold measures will be taken to improve the financial situation of the state-owned electricity company EDM and the business environment. Additional efforts will be made to advance economic diversification and promote good governance.

Fiscal Policy

The authorities remain determined to conduct a sustainable fiscal policy while preserving priority spending and strengthening revenue mobilization by improving the effectiveness of fiscal policy and administration. They are also committed to meet WAEMU's convergence criterion of 3 percent of GDP for the overall fiscal deficit, while preserving priority social and capital spending in line with the program objectives. The 2019 supplementary budget law submitted to the National Assembly on August 1, 2019, and the draft 2020 budget law will aim at achieving these objectives.

On the revenue side, the authorities are mindful of the need to address the causes of the shortfall in fiscal revenues experienced in 2018. In this regard, they have finalized the audit on revenue underperformance in 2018 which was a prior action. Corrective measures are underway to better the performance of the tax and customs administrations and additional steps will be taken in the framework of the 2019 action plan which will be completed based on the results of the various audits.

In the tax administration, efforts to tackle revenue underperformance will focus notably on upscaling the audit of all enterprises which have applied for the flat-rate tax declarations, and those concerned by the main risks identified by the Ministry of Finance. To this end, a coordinated and effective exchange of information mechanism will be established between the various administrative entities involved. Moreover, enhanced monitoring of tax declarations and strengthened controls will be conducted. The creation of a central unit to monitor tax collection and enhance recovery of tax arrears is also contemplated. In addition, the digital procedures for tax filing and payments will be promoted. At the same time, efforts to implement a results-based management framework, ameliorate human resources management together with incentive schemes will be further stepped-up.

The customs administration is the other strategic entity targeted by the authorities to strengthen revenue mobilization. They will implement an action plan focused on reinforcing its organizational structure, digitalizing procedures and strengthening controls based on risk assessment. Furthermore, current mechanisms to fight against fraud and smuggling will be reassessed to make them more effective. Training of customs officers as well as reinforcing collaboration with other security forces will be bolstered.

Regarding tax policy, measures will be taken to abolish the VAT withholding practice as soon as possible and enhance fiscal revenue on petroleum products through a more systematic implementation of the automatic fuel price adjustment mechanism. Based on the recommendations of the Fund's technical assistance, the mining code will be revised to streamline and make exemptions more effective. Considering the need to broaden the tax base, the Government will also take additional measures including to reform property taxation, bolster payment for some taxes through mobile banking services, notably for the informal sector, and revise certain aspects of the tax code to include nonprofit organizations.

On the expenditure side, the government is determined to preserve priority social and capital spending, in particular in the education and health sectors. In this regard, the 2019 supplementary budget and the draft 2020 budget provide adequate resources to meet this commitment while ensuring compliance with the regional convergence criteria. Should revenues fall below the targeted level, budget execution will continue to release spending allocations based on revenue performance in relation to program objectives. Streamlining budgetary transfers and subsidies by improving their transparency and predictability is also envisaged.

Based on the recommendations of the 2017 public investment management assessment (PIMA), the authorities will continue enhancing the efficiency of public investment through rigorous project selection and implementation. With the view to maximizing fiscal efficiency and projects' impacts on the economy, the ex-ante appraisal process will be systematically upgraded. Moreover, efforts to reinforce the legal framework for public-private partnerships will be intensified to mitigate fiscal risks and improve the quality of public investment.

With technical assistance from the Fund, the authorities will continue to consolidate the cash position of the government. They will strengthen cash management, notably by better integrating the disbursements of donors in the forecasts and expand the coverage of the Single Treasury Account (TSA). They intend to make headways in completing the implementation of the TSA by operationalizing the IT systems to facilitate the transfer of public accounts from commercial banks. Moreover, these improvements in IT systems will help modernize cash management and promote digitalization of tax payments.

Recognizing the impact of domestic arrears on the financial sector and economic activity, the authorities plan to clear in 2019 all the arrears accumulated in 2018. Going forward, they are determined not to accumulate new domestic arrears.

As regards debt policy, the government remains committed to preserve debt sustainability. To this end, it will continue to limit external debt and guarantees within the ceiling agreed under the program. It will also address the refinancing risk associated with short term financing instruments used in the regional market and is working to reprofile the domestic debt through a longer term commercial loan with assistance from the World Bank.

Structural reforms

Pursuing the implementation of structural reforms to ameliorate living standards and bolster jobs creation, especially for the youth, remains a key priority. Under the program, bold reforms aimed at improving the business environment, promoting good governance and strengthening the financial situation of EDM will be pursued.

Regarding EDM, efforts will continue to bring the company to cost-recovery, ensure that it is able to meet its financial obligations and provide reliable electricity. With the support of the World Bank, the government will implement the restructuring plan which aims at stabilizing the financial situation of the company by 2021. This plan encompasses the restructuring of the company's debt owed to banks and refinancing on more favorable terms. These actions should help the government to gradually reduce subsidies to EDM in the medium term. EDM will gradually align medium-voltage tariffs to the real cost of production while protecting the most vulnerable segments of the population through a social tariff for electricity.

The authorities are committed to further improve the business environment by addressing the major constraints to private sector development. They intend to enhance the investment framework to attract FDI and strengthen public-private partnerships (PPPs) to minimize fiscal risks. In this regard, the directives of the regional law on PPPs will be transposed into national Law by 2021 in consultation with the Fund. The PPP unit will be operationalized under the program to support the competitiveness of the Malian economy (Programme d'Appui à la Competitivité de l'Economie Malienne).

Financial sector

Promoting the stability and inclusion of the financial sector remains a high priority. In this vein, the weaknesses of the financial sector will be addressed and the process of removing non-operating fixed assets from banks' balance sheets will be supported to comply with regional prudential norms. The use of mobile banking to expand access to financial services by unbanked populations will be promoted, as well as the provision of administrative services and payment of taxes. Efforts will be stepped up to reduce gender disparities including through income generating projects for women which will create 400 cooperatives and train 50,000 beneficiaries in financial and project management.

Governance

The commitment to further foster transparency in public financial management and tackle corruption remains strong. Further progress will be made on asset declarations of civil servants notably by stepping up the revision of the Law on illicit enrichment, to make it more effective and inclusive. The authorities will ensure the enforcement of the Law by the Ministries and other administrative institutions. The coordination between anti-corruption agencies will be strengthened to enable them to carry out their mandates effectively. The Government will consider additional actions to reinforce governance and fight corruption following the Fund's diagnostic mission expected in early 2020.

Conclusion

Despite the challenging security environment, Mali continues its economic expansion and is making notable progress to maintain macroeconomic stability, and improve public financial management and the business environment to foster sustainable and inclusive growth. Our Malian authorities remain committed to pursuing sound policies and far - reaching reforms with the support of the Fund and their development partners. In this endeavor, they seek Directors' favorable consideration for a three-year arrangement under the ECF.