INTERNATIONAL MONETARY FUND

IMF Country Report No. 23/209

MALI

June 2023

2023 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; STAFF SUPPLEMENT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR MALI

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2023 Article IV consultation with Mali, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its May 25, 2023, consideration of the staff report that concluded the Article IV consultation with Mali.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on May 25, 2023, following discussions that ended on March 17, 2023, with the officials of Mali on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 9, 2023.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for Mali.

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

Selected Issues

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.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

IMF Executive Board Concludes 2023 Article IV Consultation with Mali

FOR IMMEDIATE RELEASE

Washington, DC – May 25, 2023: The Executive Board of the International Monetary Fund (IMF) concluded the 2023 Article IV consultation[1] with Mali and endorsed the staff appraisal.

Mali's economy has been hit by multiple shocks since 2020 but remained resilient in 2022 amid high inflation. Real GDP growth increased from 3.1 percent in 2021 to 3.7 percent in 2022, despite elevated security and socio-political challenges, regional sanctions in the first half of 2022 and a high incidence of food insecurity. Growth is projected to rebound to over 5 percent in 2023 and 2024, assuming strong agricultural and gold output. However, the economic outlook is subject to significant downside risks. They include a worsening security situation, potential election delays, volatile international commodity prices, tighter global financial conditions, and climate risks. Headline inflation reached 10 percent in 2022, reflecting energy and food price shocks due to Russia's war in Ukraine and regional sanctions, but is projected to come down to 5 percent in 2023 and to 2 percent in 2024 as global energy and food prices decline.

The government's fiscal deficit—at just under 5 percent of GDP in 2022—reflects a rapid increase in security spending, public wages, and the interest bill, which are crowding out growth-friendly spending including those on the social safety net and capital investment. Mali is facing a tightening in financing conditions. This stems from the lack of external budget support—halted after two coups d'état in 2020 and 2021 and unlikely to resume until after elections are held in 2024—and higher global interest rates. The tightening of financing conditions across the regional market poses additional financing risks.

Mali's current account deficit improved slightly in 2022, down to 6.9 percent of GDP from 7.5 percent in 2021, on account of higher gold exports and lower capital goods imports. In the medium term, the current account deficit will fall to below 4 percent due to strong gold and agricultural exports.

At the conclusion of the Executive Board's discussion, Mr. Kenji Okamura, Deputy Managing Director, and Acting Chair, made the following statement:

"Executive Directors agreed with the thrust of the staff appraisal. They noted that Mali had been hit by multiple shocks in the past three years, as well as an embargo in the first half of 2022. These have had negative impacts, including on poverty and food insecurity. Nonetheless, Mali's economy proved relatively resilient in 2022, owing in part to sound policies. Looking ahead, significant challenges remain, with a marked rise in Mali's public debt amid tighter financing conditions and downside risks to the outlook. Directors stressed that fiscal adjustment and steadfast implementation of governance and other reforms are critical to improve confidence, boost economic growth, and reduce poverty. Directors underscored the importance of capacity development assistance, as well as steps to reengage with

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

international partners, to support the reform agenda. Further and prompt engagement with the Fund, including through the Food Shock Window, could also be beneficial.

“Directors encouraged the authorities to pursue an ambitious fiscal consolidation to reduce the deficit in the near term and bring it below 3 percent of GDP by 2025, while protecting growth-enhancing capital spending. They recommended greater domestic revenue mobilization, containing the rapidly rising public sector wage bill, and enhancing the efficiency and management of public spending. Improving the financial performance and transparency of state-owned enterprises is also crucial. With the rise in poverty and food insecurity in Mali, Directors highlighted the importance of protecting the most vulnerable. They recommended reprioritizing social spending, strengthening the social safety net, and scaling up targeted measures while phasing out untargeted subsidies.

“Directors emphasized the importance of creating the conditions for sustainable long-term growth. They noted the need to address governance weaknesses and corruption including by strengthening the asset declaration regime and improving transparency in public procurement and the mining industry. They also encouraged the authorities to improve the business environment, strengthen the AML/CFT framework, and reform the education and health systems to also improve gender outcomes. Building resilience to climate change will also be important.”

Mali: Selected Economic and Financial Indicators, 2021–26

	2021	2022	2023	2024	2025	2026
		Prelim	Est.	Projections		
National income and prices	(Annual percentage change)					
Real GDP	3.1	3.7	5.0	5.1	5.3	5.1
Consumer price inflation (average)	3.8	10.0	5.0	2.8	2.0	2.0
Money and credit						
Credit to the government	32.3	77.7	44.9	21.3	8.1	3.3
Credit to the economy	15.9	14.9	8.1	8.0	7.4	7.2
Broad money (M2)	17.0	11.7	8.1	8.0	7.4	7.2
Central government finance and public debt	(Percent of GDP)					
Revenue	20.8	19.4	19.9	20.0	20.2	20.4
Total expenditure and net lending	26.3	24.6	25.3	25.2	25.4	25.0
Overall balance (accrual basis)	-4.8	-4.8	-4.8	-4.3	-3.6	-3.0
Public debt[1]	50.4	52.5	53.8	54.6	55.1	55.2
External public debt	28.3	27.3	25.6	24.3	24.0	23.9
Domestic public debt[2]	22.0	25.2	28.2	30.4	31.1	31.3
Debt service	5.5	6.5	9.9	10.2	12.4	13.2
External sector						
Current account balance	-7.5	-6.9	-6.1	-5.5	-3.4	-3.7
Terms of trade (deterioration -)	-9.4	-22.0	23.4	1.5	3.4	-0.4
Real effective exchange rate (depreciation-)	1.0	…	…	…	…	…

Sources: Ministry of Economy and Finance; and IMF staff estimates and projections.
[1] Public debt refers to general government debt
[2] Includes BCEAO statutory advances, government bonds, treasury bills, and other debts. From 2021 onwards includes SDR allocation in the amount of 1.3 percent of GDP on-lent from the BCEAO.

INTERNATIONAL MONETARY FUND

MALI

STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION

May 9, 2023

KEY ISSUES

Context. Mali has been hit by several large shocks in the past three years, including two coups d'état, the COVID-19 pandemic, acute security challenges and a cost-of-living crisis triggered by Russia's invasion of Ukraine. A strict embargo in the first half of 2022 by regional partners restricted the government and private sector's international economic transactions. Despite that embargo, GDP growth was estimated to be 3.7 percent in 2022. Inflation peaked at almost 15 percent in mid-2022—resulting in an increase in extreme poverty and heightened food insecurity—but has since decelerated, with inflation in March 2023 at 7.5 percent. The BCEAO regional central bank raised its policy rate to 3 percent in February 2023, a 100-basis point cumulative increase since June 2022.

Outlook and risks. GDP growth is expected to be around 5 percent in 2023, predicated on a strong recovery in the agricultural sector and high gold export revenues. Inflation is also expected to continue its downward trend to 5 percent in 2023. The risks to the outlook are tilted to the downside. Mali faces acute security risks and any further escalation in violence would weigh on the outlook. The tightening of financing conditions across the regional market poses liquidity risk that could turn into solvency problems amid lack of international budget support. Climate change has increased the likelihood of natural disasters which would particularly affect the agricultural sector, a main driver of growth.

Summary of Article IV Discussions. Discussions focused on the need to reduce the fiscal deficit in the near term to ease funding needs amid the extremely tight financing environment and to ensure debt sustainability. Staff proposed that the fiscal consolidation could be achieved through a combination of greater revenue mobilization, curbing the public wage bill, other expenditure rationalization, and improving spending efficiency, including in SOEs. Staff also recommended to preserve growth-enhancing capital spending and reforms to the social safety net to protect the most vulnerable and tackle rising food insecurity and extreme poverty. To unlock Mali's growth potential, structural reforms were considered in the areas of governance—fighting corruption and improving transparency—health, education, and addressing climate change. Discussions on the Country Engagement Strategy conveyed the Fund's priority in supporting the authorities to address Mali's sources of fragility and growth challenges.

Approved By
Montfort Mlachila (AFR) and Boileau Loko (SPR)

Discussions were held virtually between March 6 and March 17, 2023. The report was prepared by a team comprising Wenjie Chen (head), Peter Kovacs, Luc Tucker, Nico Valckx (all AFR), Youssouf Kiendrebeogo (FAD), Jakree Koosakul (SPR), Ahmed Zorome (Resident Representative) and Bakary Traore (local economist). Montfort Mlachila (AFR) and Facinet Sylla (OED) also joined the concluding meeting. The team met with the Minister of Finance Mr. Alousséni Sanou and the Acting Director of the BCEAO in Bamako Mr. Barema Bocoum, as well as ministers, directors and staff from other ministries and government agencies. The team also met with development partners and industry bodies from the private sector.

CONTENTS

ANNEXES

CONTEXT

1. Mali is among the poorest and most fragile countries in the world and faces a myriad of developmental challenges. Mali has endured political instability and conflict for decades and has faced both structural fragility—the inability to generate sufficient growth— and fragility to stress—a breakdown in economic/political systems in response to negative shocks. With an average income per capita of US$2.20 per day, it is one of the 20 poorest countries in the world. Mali has one of the highest population growth rates as well as elevated rates of illiteracy and unemployment, especially among the youth. The informal sector plays a major role in the national economy. Over the years, corruption has been a drag on growth, and combatting misappropriation of funds has been difficult (see Annex I on the Country Engagement Strategy (CES)).

2. Currently, Mali finds itself with strained international relations. Following the announcement of a five-year delay in transition to democratic rule after two coups d'état (August 2020 and May 2021), regional partners imposed a strict embargo in the first half of 2022, on top of Mali's suspension from ECOWAS and the African Union's decision-making bodies (see Annex II). The withdrawal of French antiterrorism forces and tensions between the UN MINUSMA peacekeeping mission and Mali's military further reduced international support for the government.

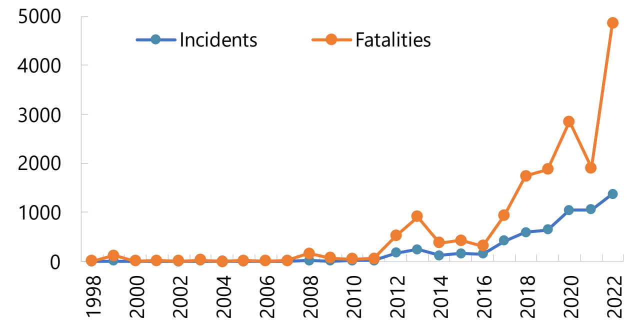
3. While plans for a political transition are still in place, the socio-political climate remains volatile. Elections are planned for February 2024, but official financial support from the international community is on hold until democratic rule is restored. A constitutional referendum—a key step towards the presidential elections—originally planned for March 2023 was postponed, raising questions about the broader timetable. Socio-political tensions remain high and demands for higher wages, payment of arrears, and better education opportunities led to strikes in 2022 (see Annex II), while violence and internal displacements have spread further during 2022.

RECENT ECONOMIC DEVELOPMENTS

A. Growth Has Been Resilient but Challenges Remain

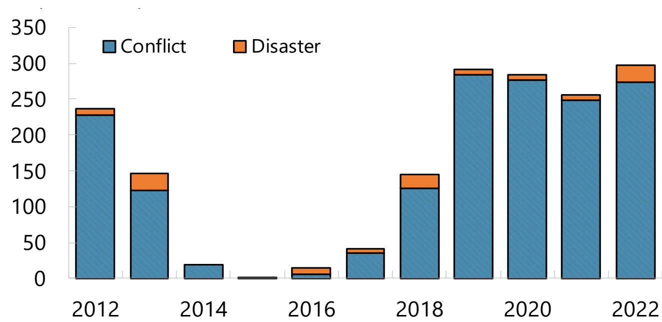
4. Since the conclusion of the second and third ECF reviews in February 2021, Mali has been hit by large domestic and international shocks. Despite these challenges, GDP grew by 3.1 percent in 2021 and by 3.7 percent in 2022. Like other countries in sub-Saharan Africa, 2021 saw a rebound in growth for Mali after the onset of the COVID-19 pandemic a year earlier. However, Mali faced strong headwinds in 2022 from the embargo and a disruption of fertilizer imports (see Annex III) while heightened violence and insecurity added to economic disruptions. Poor weather and a parasite infection negatively affected cotton output, a major export and vital source of income for around a quarter of the population. The government's efforts in pursuit of new trade routes and in increasing the revenue intake while providing food and fuel subsidies to support incomes likely averted a more pronounced slowdown. Gold production was higher than previously projected, which also helped to support GDP growth.

Mali: Attacks and Fatalities
(Annual Data)



Source: ACLED

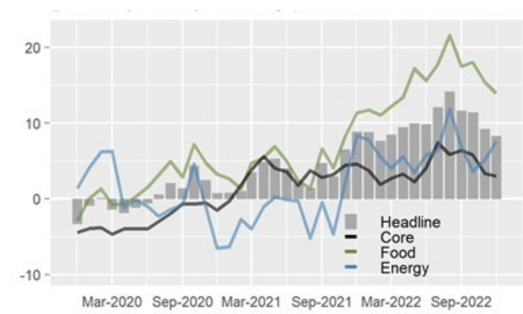
Mali: Number of New Displaced Population by Cause
(Thousand)



Source: IDMC, IMF Staff Calculations

5. **Inflation averaged 10 percent in 2022, up from 3.8 percent in 2021 because of the surge in global food and fuel prices triggered by the war in Ukraine and exacerbated by regional sanctions.** This contributed to a rise in extreme poverty, from 42 percent in 2019 to an estimated 50.3 percent in 2022, reversing the downward trend from the past decade. It also led to heightened food insecurity, with more than 15 percent of the population estimated to be either severely food insecure (761,000 people) or at risk of becoming severely food insecure if no assistance is provided (2.9 million) in early 2023.

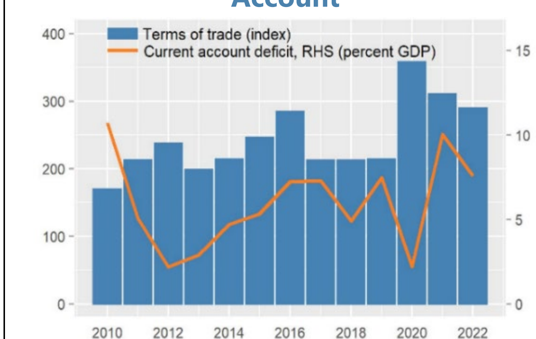
Mali: Consumer Price Inflation and Its Components
(Percent, year-on-year change)



Source: INSTAT; IMF Staff calculations and projections.

6. **The external position of Mali in 2021 was moderately weaker than the level consistent with medium-term fundamentals and desirable policies.**[1] The current account deficit widened from around 2 percent of GDP in 2020, to 7.5 percent of GDP in 2021, on account of lower gold exports, higher capital goods imports, and higher government expenditures. The external position assessment under the Fund's EBA-lite methodology suggests that the current account deficit in 2021 is about 1.7 percent of GDP larger than can be explained by fundamentals. This requires an 8 percent exchange rate depreciation to close the gap (see Annex IV). The precise result should be

Mali: Terms of Trade and Current Account

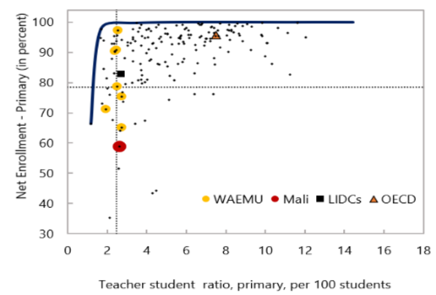


Source: World Economic Outlook; IMF Staff calculations.

[1] The external sector assessment is based on 2021 data, given the preliminary nature of data for 2022.

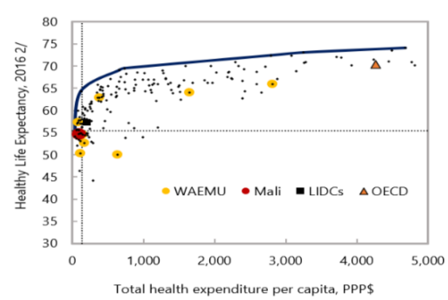
treated with caution, however, given that gold accounts for 80 percent of Mali's total exports and is not sensitive to exchange rate changes. Preliminary data for 2022 suggest an improvement in the external position, with the deficit declining to 6.9 percent, owing to higher gold exports and lower capital goods imports (due to sanctions). At the same time, the 2022 sanctions combined with the tightening of financial conditions in the global and regional markets led to a sharp drop in portfolio flows. This resulted in a sizable financing gap that was filled by reserves at the currency union level. At the end of 2022, the level of monetary union-wide reserves stood at the equivalent of around 4.5 months' worth of imports, at the lower end of the Fund adequacy metric.[2]

Mali: Teachers and Outcome, primary, Latest Value Available



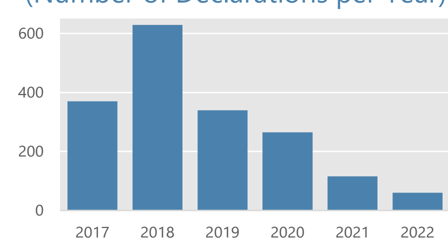
7. Access to education and health remains insufficient, and the social safety net has struggled to address the needs of the most vulnerable. Mali's educational attainments lag behind those in other WAEMU countries and LIDCs. The life expectancy rate in Mali relative to health expenditures per capita scores marginally better than a few other WAEMU countries, but worse than the LIDC average. As regards the social safety net, emergency cash transfers have been implemented in recent years in response to the pandemic. However, despite some progress in the registration of beneficiaries into the Unified Social Register—Mali's main social protection system— only around 40 percent of intended beneficiaries have been paid as of the end of 2022 due to a lack of funding. Low levels of education attainment and the inadequacy to support the most vulnerable are main underlying causes of Mali's structural fragility (see Annex I on CES).

Mali: Health Efficiency Frontier, Latest Value Available (0-5,000 PPP$)



8. There has been some progress in the implementation of governance reforms, although some areas are still lagging. The authorities made important commitments related to the strengthening of the rule of law under the 2019-2022 ECF program. This includes transparency commitments, and the introduction of commitment plans in all ministries. However, support for governance reforms has been more difficult to

Mali: Submitted Asset Declarations
(Number of Declarations per Year)



Source: Office Central de Lutte contre l'Enrichissement Illicite (OCLEI)

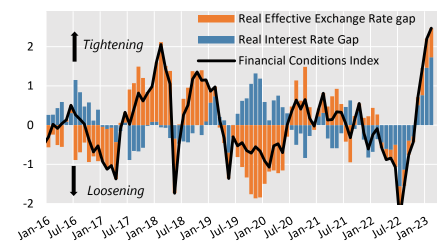
[2] For an assessment of the union-wide external position, see 2022 Staff Report on Common Policies for member countries of West African Economic and Monetary Union.

mobilize. Asset declarations, for example—a key measure of governance reforms to improve transparency—have been declining since 2018 (Annex V).

9. Climate risks—a key driver of fragility— have intensified while funding for climate adaptation is scarce. Over recent decades, average temperatures have risen in Mali and climate-related natural disasters have occurred more frequently. A high share of the population relies on agriculture, including many of the poorest households, so these shocks have a major impact on their livelihoods. Climate change is estimated to have a particularly large negative impact on agricultural productivity in Mali, and variability in the water supply could create further stress for the agricultural sector (see SIP on climate risks and food insecurity). While the authorities have created a climate agency to address these challenges, they face difficulties with international accreditation which is required to be eligible to receive funds from international partners.

B. Financing Conditions Have Tightened

Mali: Financial Conditions Index
(Index weights 50/50)



Source: BCEAO, IMF Staff Calculations
Note: Real interest rate and REER gaps are relative to long-term trend.

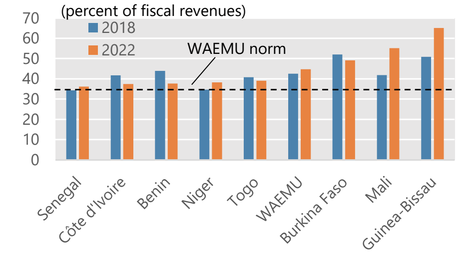
10. The normalization of monetary policy and the significant reduction in official development assistance has tightened financing conditions considerably. In response to inflation and global monetary policy tightening, the BCEAO raised WAEMU's policy rate to 3 percent in February 2023, a 100bp increase since June 2022. This raised borrowing costs in the banking system and regional debt markets. Financing conditions have been further tightened by the BCEAO's restoration of liquidity provision under variable rate and fixed allotment in February 2023. Furthermore, difficulties in issuing Eurobonds in a risk-off environment since spring 2022 forced the largest countries in the WAEMU to seek financing in regional markets, putting further strain on liquidity. Consequently, there was a drop in uptake of Mali's bond placements in the first quarter of 2023—with an average coverage ratio of about 70 percent—and a shortfall of almost 50 percent relative to the original issuance calendar. This comes amid a broader decrease in regional bond market demand in early 2023, with auctions across many WAEMU countries significantly undersubscribed or cancelled.

11. The fiscal deficit was 4.8 percent of GDP in 2022, unchanged from 2021. Tax revenues were just over 13 percent of GDP, compared with 15 percent in 2021. This largely reflects the sharp fall in VAT and import duty receipts because of the trade sanctions. However, total expenditure as a share of GDP also declined in 2022 by a similar amount, mainly due to lower domestic and externally financed capital spending. Mali's fiscal deficit remained broadly in line with the revised targets under the 2019-2022 ECF arrangement as measures were introduced in 2022 to broaden the tax base and improve compliance[3] (see Annex V).

12. The public wage bill has grown significantly. Between 2018 and 2022, the wage bill has grown by 13 percentage points, to 55 percent of fiscal revenues, far above the 35-percent WAEMU norm—the largest increase across the WAEMU. A social conference was organized in October 2022 to create a strategy for public sector pay, with the outcomes of that conference yet to be published.

Mali and WAEMU: Public Sector Wages

(Percent of Fiscal Revenue)



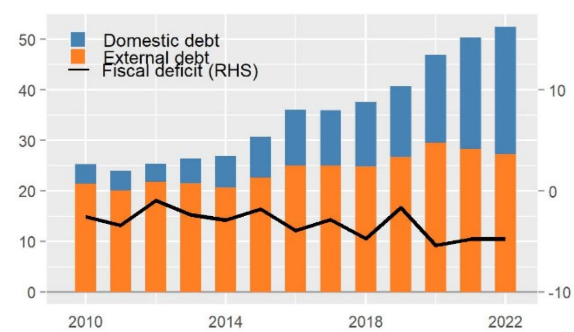
Source: WEO, IMF Staff computations

13. Public debt rose to 52.5 percent of GDP in 2022, from 50.4 percent in 2021. Debt as a share of GDP increased in 2022, mainly due to the depreciation of the euro, the late registration of 2020 debt, and on-lending by the WAEMU central bank (BCEAO) of the 2021 general SDR allocation.

Mali: Fiscal Developments

Total Public Debt and Fiscal Deficit

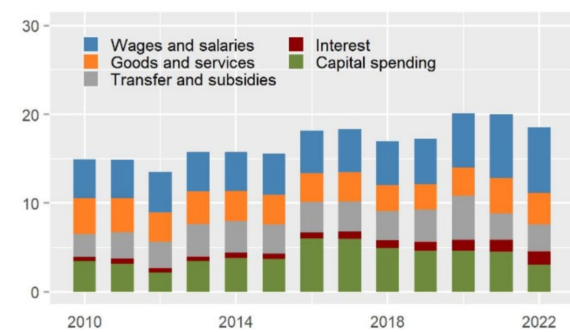
(Percent of GDP)



Source: Malian Authorities, IMF Staff calculations

Government Spending

Percent of GDP)



Source: Mali Ministry of Finance, IMF Staff calculations

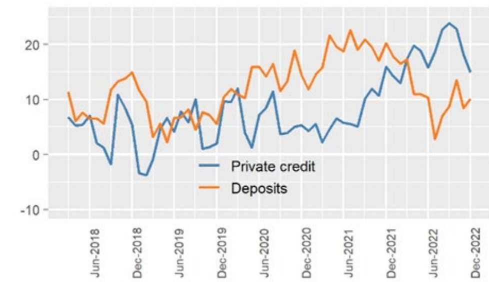
14. The sanctions in the first half of 2022 led to a buildup of payment arrears to external creditors and regional bondholders, but the authorities made significant efforts to repay once sanctions were lifted. The strict embargo imposed in early 2022 removed the government's access to the treasury single account at the BCEAO and cut off Mali from financial and payment markets. This forced the government to default on all external bond payments and accumulate public debt arrears of around 3 percent of GDP, of which about 0.5 percentage points were to external creditors. There were no arrears to the Fund and the government made significant efforts to repay those arrears to external creditors and regional bondholders once sanctions were lifted in July 2022. This

[3]These include the introduction of an electronic tax declaration for large companies subject to VAT, a digital invoicing system, a new tax on exports of gold and other mining products not covered by the Mining Code, a minimum transport tax on two-wheeled and related vehicles, new and increases of existing excise taxes on select consumer products, the taxation of previously exempt agricultural equipment, and operationalization of monthly VAT credit refunds.

facilitated Mali's swift return to the regional bond market with large issuances soon after. However, some domestic arrears to suppliers are still outstanding although the authorities have indicated plans of repayment.

15. The banking system appeared stable throughout 2022, supported by regulatory forbearance by the central bank during the pandemic. Risk-weighted capital ratios remained high but declined slightly from 12.8 percent in 2021 to 12¼ percent in the first half of 2022. Credit growth has remained strong at around 20 percent. Deposit growth slowed significantly in the first half of 2022, likely reflecting a decline in savings due to ECOWAS sanctions but rebounded in the second half of 2022. Asset quality deteriorated slightly, with nonperforming loans (NPLs) rising from 9.8 percent in 2021 to 10.3 percent in the first half of 2022. Nonetheless, access to banking remains limited, as less than 30 percent of households have bank accounts. However, a broader definition of financial inclusion, including microfinance and e-money, covers 85 percent of the population in 2022.

Mali: Credit and Deposit Growth



Source: Malian Authorities, IMF Staff calculations

Authorities' Views

16. The authorities broadly agreed with the above characterization of economic and macro-financial developments. They noted the high toll in the past years of various crises, including the pandemic, ECOWAS sanctions, and especially the cost of insecurity— ongoing for ten years—resulting in a 4 percent of GDP loss of revenues in 2022. In contrast with staff's assumptions, the authorities stated that there was no fertilizer shortage in 2022 due to the war in Ukraine, and hence no negative impact on crop yields.

17. While the authorities acknowledged recent financing difficulties, they stressed that it is widespread across WAEMU countries. They questioned the necessity of the BCEAO's liquidity and monetary tightening to combat what they considered mostly imported (and transitory) inflation shocks. They also expressed concerns around the timing of the tightening, which comes during the harvest season when liquidity needs are high. They referenced the successful return of Mali to the bond market after sanctions were lifted in the second half of 2022 and remained optimistic about Mali's market access and sought to expand investor participation in its auctions.

18. On the high public wage bill, the authorities saw it as necessary to maintain social peace. They hoped that the recent social conference would be the start of a constructive dialogue with social partners towards building a framework for the next five years to maintain a sustainable social pact. Moreover, as they see growth recovering, the ratio of public wage bill to fiscal revenue would automatically fall. Lastly, while the authorities did not proceed with public wage bill reforms, they noted that 90 percent of their commitments under the ECF program were fulfilled but sanctions hindered the full execution of the program.

OUTLOOK AND RISKS

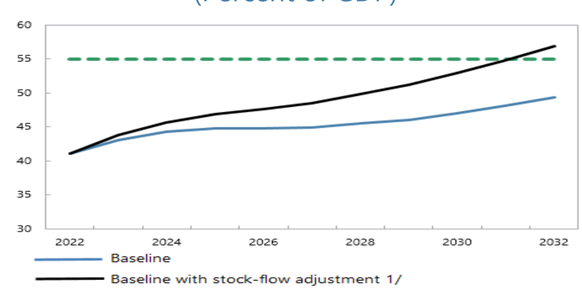
19. Growth is expected to recover and reach above 5 percent in 2023 and 2024.

- ***Critically, the forecast assumes a strong rebound in consumption and investment in 2023 from low levels of activity in 2022 due to the embargo and is predicated on elections taking place in 2024.*** This rebound would not be unusual given Mali's historical resilience to economic shocks (see Annex I). At the sectoral level, agriculture is expected to achieve high growth targets—in the absence of adverse weather events or fertilizer shocks. In the baseline, the February 2024 presidential elections are expected to decrease political uncertainty and spur domestic activities but prompt a resumption of IFI budget support only in 2025.
- ***An expected increase in gold export revenues also underpins Mali's economic recovery in 2023 and 2024.*** Higher production and an increase in global gold prices is expected to improve the trade balance, as gold exports account for 80 percent of export revenues.
- ***In addition, new gold discoveries in 2022 and new lithium mine projects are expected to lead to higher mining output in coming years.*** The latter is expected to start production by 2024/25, spurred by reforms in the registration and permitting process.

20. Inflation is projected to continue to decline to 5 percent in 2023 and to fall below 3 percent in 2024. The decline in global energy and food commodity prices are expected to be passed through to domestic prices. Subdued core inflation will also help bring headline inflation to below the BCEAO's 3-percent inflation target by mid-2024.

21. Based on the authorities' latest policy plans, the fiscal deficit remains at 4.8 percent of GDP in 2023 in the baseline projection and is then expected to fall back from 2024 onwards. That 2023 projection assumes that new revenue measures introduced in the 2022 budget annex will be sustained. It also assumes that public sector wages keep rising as a share of GDP, accounting for just over 55 percent of tax revenues, far above the WAEMU target of 35 percent. However, capital spending is forecast to remain subdued as a share of GDP in 2023. Over the medium term, the return of external grants boosts total revenues, while the implementation of revenue-raising measures imply that tax receipts are also expected to increase slightly as a share of GDP. Total spending is broadly unchanged as a share of GDP over the forecast period, with the public sector wage bill is falling back as a share of GDP and capital spending recovering. Based on the latest policy plans set out by the authorities, the fiscal deficit is expected to fall back to 3 percent of GDP by 2026.

Mali: PV of Public Debt to GDP Ratio with Stock-Flow Adjustment
(Percent of GDP)



1/ We add 0.7 percent of GDP to government expenditure each year to reflect unaccounted increases in debt levels (stock-flow adjustments)

Source: Country authorities; and staff estimates and projections

22. Public debt-to-GDP is expected to rise to around 56 percent of GDP in 2028, with a moderate risk of debt distress. Mali's debt is assessed to remain sustainable over the medium-term, on account of expected growth rebound and gradual fiscal consolidation. The direction and pace of debt accumulation are worrisome, however, especially since debt servicing costs are crowding out more socially desirable spending. This baseline projection also assumes that stock-flow adjustments—the difference between the change in government debt and the fiscal deficit—are zero throughout the forecast period (consistent with the treatment in peer countries). However, if stock-flow adjustments are similar to recent years, the projected path for the fiscal deficit would imply a rising and unsustainable path for public debt over the medium term (see SIP on debt dynamics). An alternative scenario where external debt is classified as quasi-residence-based[4] also indicates persistent breaches of thresholds for debt distress during the forecast horizon, highlighting potential vulnerabilities on the external debt front (see Debt Sustainability Analysis).

23. The current account deficit is projected to gradually narrow to 3.4 percent by 2025, broadly aligning with fundamentals over the medium term. External imbalances are expected to ease as commodity prices and the one-off factors behind the import surge reverse and as the fiscal position gradually returns to the WAEMU target. Current projections of elevated gold prices and lower oil prices are favorable to Mali's external account.

24. Risks to the outlook are tilted predominantly to the downside (see Annex VI).

- ***Geo-politically, Mali faces acute security risks.*** Delays in the elections scheduled for February 2024 could incite unrest and cause economic disruptions, including by further pushing back the planned resumption of IFIs' budget support. At the same time, adverse developments linked to the war in Ukraine could lead to another increase in food and fuel prices, inciting social unrest amid an already fragile socio-political situation.
- ***Further tightening in global financial conditions could cause a credit crunch in Mali.*** A global risk-off event could further increase the cost of funding on the WAEMU sovereign bond market and lead to higher funding costs for Malian banks, forcing them to raise rates and cut credit, resulting in higher NPLs.
- ***Mali is also highly vulnerable to climate change.*** Potential disruption in the agricultural sector linked to local climate conditions, including from desertification, could lead to widespread crop failures and worsen the poverty and food security situation.
- ***On the other hand, higher global commodity prices and increased demand could present upside risks to the outlook.*** Higher commodity prices—especially buoyed by China's reopening—coupled with higher global demand for energy transition metals and prospects of new mining operations in Mali could all support stronger-than-envisaged growth.

25. The risks of a financing crisis are looming large. Mali's financing needs have soared in recent years due to the high public wage bill, rapid increases in security spending and higher

[4] In this scenario, two thirds of government securities are classified as external debt.

interest payments. Mali could face liquidity and ultimately solvency issues in the near term, for example, if issuances continue to be undersubscribed or cancelled. Any additional shock, including those outlined above pertaining to election delays, the war in Ukraine or funding costs, could trigger a financing crisis and potentially lead to social instability, with adverse effects on growth, fiscal deficits and debt sustainability (see Annex VII for a potential downside scenario).

Mali: Key Economic Indicators, 2019–28

(Percent of GDP unless otherwise indicated)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
				Prelim.	Est.	Projections				
Real GDP growth (percentage change)	4.8	-1.2	3.1	3.7	5.0	5.1	5.3	5.1	5.0	5.0
Consumer price inflation (percentage change)[1]	-3.0	0.5	3.8	10.0	5.0	2.8	2.0	2.0	2.0	2.0
Public debt[2]	40.7	46.9	50.4	52.5	53.8	54.6	55.1	55.2	55.5	56.1
Overall fiscal balance[2]	-1.7	-5.4	-4.8	-4.8	-4.8	-4.3	-3.6	-3.0	-3.0	-3.0
Tax revenue	14.8	14.2	15.0	13.3	13.7	13.8	13.9	14.2	14.4	14.7
Other revenues	4.8	5.1	5.8	6.1	6.2	6.2	6.2	6.2	6.3	6.3
Grants	1.9	1.2	0.7	0.4	0.7	0.9	1.6	1.6	1.6	1.6
Expenditure	23.1	25.9	26.3	24.6	25.3	25.2	25.4	25.0	25.3	25.5
Current account	-7.5	-2.2	-7.5	-6.9	-6.1	-5.5	-3.4	-3.7	-4.0	-4.4
Exports	21.3	27.2	24.6	26.5	26.8	25.6	26.5	25.7	25.0	24.2
Imports	-25.0	-24.4	-26.1	-28.1	-27.6	-26.5	-26.1	-25.7	-25.4	-25.2
Overall balance of payments	2.6	4.4	-0.5	-3.9	-0.1	-0.1	2.8	2.6	2.7	1.8

[1] Calculated based on annual average prices.
[2] Central government.
Sources: Malian authorities; and IMF staff estimates and projections.

Authorities' Views

26. The authorities broadly agreed with staff's assessment of Mali's economic outlook and risks. They expected a resumption of budget support in 2025 and emphasized Mali's comparative advantage in agriculture. They also counted on strong mining and tertiary sector performance, while acknowledging security risks as a major challenge to the outlook and to fiscal performance. The authorities acknowledged the tighter global and regional financing conditions in early 2023, the associated financing risks, and the scheduled presidential elections in 2024 which may create additional spending needs. However, they remained sanguine about Mali's macro-financial prospects in view of a declining trend in deficit financing needs and their ability to address financing shortfalls.

27. The authorities agreed with the broad conclusions of the external sector analysis, although medium-term projections differed. This is mainly due to different assumptions on the path of gold prices, with staff more bullish on the mining sector, on account of both larger industrial and artisanal production in the years ahead. The BCEAO's commodity price forecasts were also slightly less optimistic than staff's, resulting in lower primary sector exports.

POLICY DISCUSSIONS

Policy discussions focused on both acute fiscal challenges and medium-term reform needs. The discussions on near-term policies focused primarily on addressing fiscal challenges amid tighter financing constraints. Over the medium term, policies to protect the most vulnerable by strengthening the social safety net and applying structural reforms to unlock Mali's growth potential were particularly encouraged.

A. Addressing Acute Fiscal Challenges

28. Reducing the fiscal deficit in the near-term is becoming more urgent amid tighter financing constraints. While staff acknowledged the challenges in managing the fiscal deficit amid multiple shocks hitting the economy since 2020, the significant and growing share of government revenues allocated to military spending, public wages, and interest payments is worrisome. In order to ease financing pressures and ensure debt sustainability, it will be important to adopt growth-friendly adjustments that reduce the fiscal deficit.

29. Staff advocated a more ambitious consolidation path where the fiscal deficit would be reduced more rapidly over the forecast period. Returning to the 3-percent deficit ceiling by 2025 would signal the authorities' commitment to fiscal prudence and bolster the regional market's confidence in Mali's sovereign debt sustainability. A slower consolidation could cause financing shortfalls should downside risks materialize.

30. Strengthening domestic revenues will be key to improving the fiscal outlook. While the authorities have already undertaken several tax revenue measures, in the short term, there is still substantial room for increasing tax revenues. These include the elimination of various tax exemptions[5] and a return to automatic fuel pricing. To the extent possible, exemptions should be replaced with direct transfers targeted at the most vulnerable households (see below). Possible areas for further revenue mobilization in the medium term include taxation of income from government debt instruments (where exemptions are highly progressive), finalization of property taxation reforms, and implementing new ways to streamline taxation.[6]

31. On the expenditure side, containing the wage bill is the most important step towards controlling public spending. Staff recommended avoiding further ad-hoc wage increases, rationalizing bonuses and allowances, and adjusting public wage growth using some alternative

[5] These include an increase in excise duties initially planned for 2022, elimination of large VAT and customs exemptions on basic goods (good for 3.6 percent of GDP in 2022) in compliance with the WAEMU directive (including reversal of pandemic-related exemptions), removal of "one-off"/exceptional exemptions in times of (the COVID) crisis to comply with the 2017 Tax Exemptions Act, and elimination of VAT and customs duty exemptions on non-donor financed public procurement.

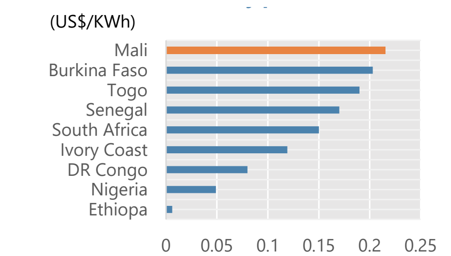
[6] Authorities should aim at strengthening the revenue and customs administration (including further work on digitalization and interconnecting tax, customs, and treasury IT systems), building a new strategic reform plan for tax administration, and creating a medium-size taxpayers office.

benchmarks (see SIP on public sector wage bill). Achieving longer-term reforms will require working with social partners on a social stability pact and staff encouraged the authorities to follow up on the results of the social conference, including publishing the main themes of discussion and future plans.

32. Improving efficiency and management of public spending also remains critical. This follows from the 2018 Public Investment Management Assessment report, showing a 43 percent efficiency gap for public investment spending in Mali, versus 27 percent in the rest of the world, as discussed in the 2018 Article IV report. Possible measures include better screening of major infrastructure projects, strengthening cash management and commitment controls, reform of the treasury single account, and improving controls on execution and payments.

33. Addresing fiscal weaknesses and risks linked to State-Owned Enterprises would alleviate spending pressures. Of special concern is the financial situation of the energy provider EDM, which accumulated operational losses in the past five years. Improving oversight and reporting would go a long way to strengthening EDM's management. Other areas of concern include excessive production costs stemming from an overreliance on fossil fuels, tariffs that fail to cover costs, payment delays by major (public sector) clients and arrears to its suppliers, and over indebtedness. A performance management plan has been established in collaboration with the World Bank, and staff recommended implementing it thoroughly. More transparency is needed to inform wider fiscal risk assessments.

Mali: Household Electricity Prices



Source: World Energy Council

Authorities' Views

34. The authorities emphasized that despite facing major fiscal challenges over recent years, Mali's fiscal deficit has trended downward since 2020. The authorities expected the fiscal deficit to remain broadly unchanged in 2023 but agreed that further efforts should be made to lower the fiscal deficit over the medium term. With the economy still recovering, they preferred a consolidation path that would bring the deficit below the WAEMU 3 percent limit by 2026, a year later than recommended by staff. They agreed on the importance of increasing revenues and were committed to implementing existing policies and working with staff on future reforms. They also shared that they have contingency plans such as pursuing more bilateral financing arrangements in the event that the low uptake for sovereign debt issuances continues, while the BCEAO insisted on continued support for Mali should liquidity needs arise.

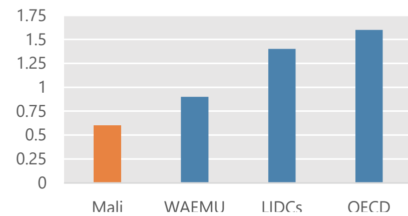
35. The authorities differed from staff in their views on growth-friendly spending measures. They justified the recent increases in the public wage bill as a human capital investment. Furthermore, they defended the reduction in domestic capital investment as they are anticipating more foreign direct investment. While the authorities acknowledged the importance of managing

SOEs in a sustainable way, they stressed the importance of the energy sector for the growth of the economy. They pointed to the highly unusual context for recent difficulties facing EDM, in particular, with fuel prices having been especially volatile.

B. Protecting the Most Vulnerable

36. Reprioritizing social spending and strengthening the social safety net would help the most vulnerable and mitigate the rise in food insecurity, while addressing key sources of fragility. While the capacity to provide basic services remains low, a reprioritization in social spending and a strengthening of social safety nets would help tackle rising food insecurity and extreme poverty. Rising food and energy prices have led the government to provide more subsidies—notably for fuel—and customs exemptions. These transfers are generally untargeted and do not benefit the most vulnerable and are very costly.

Mali: Social Spending
(Percent of GDP)



Source: IMF Staff computations

37. Phasing out untargeted subsidies while scaling up more targeted measures for the most vulnerable would be most effective. The savings from the introduction of an automatic fuel pricing mechanism could be redirected for targeted transfers to the poor, as fuel subsidies (1.2 percent of GDP in 2022) typically favor higher-income households. Staff advised the authorities to focus on strengthening the targeted cash transfer programs (including expediting identification and registration of beneficiaries and rethinking delivery tools), and to un-block the payment of targeted cash transfers following the pandemic.

Authorities' Views

38. The authorities agreed on the need to reduce poverty and food insecurity and stressed the importance of social spending for protecting those most in need. The authorities remained committed to the poverty reduction strategy set out in their strategic development report over the period 2019-2023, although they acknowledged that poverty has actually risen due to the multiple shocks hitting the economy since 2020. The authorities also set out their strategy for tackling food insecurity, which included both a long-term component for overcoming hunger and ensuring food security, as well as a cyclical component for implementing emergency interventions. They viewed recent transfers as necessary and preferable to more targeted measures, which in their view would have risked excluding some parts of society.

C. Unlocking Mali's Growth Potential

39. Strengthening governance and stepping up the fight against corruption remains key to boosting GDP growth in Mali. The Fund's Governance Diagnostic mission conducted in early 2021 assessed progress made, identified key weaknesses, and prepared a comprehensive list of measures to guide immediate and future reforms. These include a strengthening of the asset declaration regime, fortifying the mandates of anti-corruption investigations by judicial and prosecution bodies, improving transparency in public procurement and the mining industry, and the publication of beneficial ownership information of companies awarded government contracts (see SIP on Governance Diagnostic).

40. Improving the business environment could also create more favorable conditions for private investment and sustainable growth. Political certainty including a lower risk of future sanctions would encourage domestic and foreign investment. Any decrease in the government's financing needs would also reduce the risk of crowding out private sector credit provision. Mali could further improve the business environment by strengthening the judicial system, building resilience and sustainability into the energy sector and broadening the tax base to encompass a wider range of firms.

41. Reforms to the education and health systems could create skilled jobs and close gender gaps. Creating opportunities for meaningful vocational training for young entrants into the labor market can have a major positive macroeconomic impact. Increased labor participation of women and improving gender equity in access to education and health services can contribute to raising GDP per capita and addressing demographic pressures. Staff welcomed successive governments' efforts to empower women in post-conflict governance processes and enhance their representation in public fora (see SIP on fragility, demographics and gender).

42. Building resilience to climate change is key to preserving Mali's comparative advantage in agriculture. Adapting to climate change will require policy assistance, for example building resilient infrastructure as well as implementing sustainable irrigation for agriculture. Climate-related finance can be used to fund those projects, although this may be challenging to achieve in the current environment, with strained international relations and tightening financial conditions across the region.

Authorities' Views

43. The authorities expressed their commitment to fighting corruption and improving health and education outcomes. They support the staff findings around the functioning of the audit bureau and the anti-corruption office, and noted the importance of publishing beneficial ownership information of companies awarded government contracts. They acknowledged a downward trend in asset declarations since 2018 and planned workshops to validate the list of officials that are subject to the requirement. The authorities agreed that the sanctions had added to uncertainty for businesses and created barriers to trade. They noted how Mali's young population coupled with its geographic characteristics meant that the country had significant potential for future growth.

44. The authorities also agreed with staff on the importance of climate change. They recognized the significant impact on the most vulnerable members of society and welcomed opportunities for climate-related financing, but noted constraints linked to problems around accreditation for Mali's climate agency, language barriers and high administration charges which make it very costly to go through multilateral providers. They supported climate-related taxes which would help to mitigate future risks, for example, by dissuading governments from adding to air pollution.

D. Supporting Policy Recommendations from the WAEMU Consultation

45. WAEMU countries' fiscal and financial sector policies should be consistent with monetary policy at the area-wide level. Fiscal policy should support monetary policy to lower inflation and protect reserves. Monetary policy alone cannot combat emerging second-round effects from a sharp rise in food inflation and the risk of a de-anchoring of inflation expectations. Furthermore, financial supervision needs to remain vigilant, given possible adverse effects from higher interest rates and other risks, including the large and growing bank-sovereign nexus in Mali.

Authorities' Views

46. Mali's authorities acknowledged these challenges but believed that the BCEAO could do more to support member states given the difficult economic situation. With higher inflation thought to be partly the result of external factors, the authorities did not agree with the timing nor the scale of the recent tightening in regional monetary policy and the change in liquidity provision procedures to banks.

OTHER ISSUES

47. A lack of transparency, notably in the gold mining sector, together with weaknesses in oversight of regulated entities and other deficiencies in the AML/CFT framework, create significant risks of money laundering and terrorism financing. As of March 2023, Mali remains on the Financial Action Task Force (FATF) gray list of countries under increased monitoring. Progress to address recommendations included in Mali's Action Plan agreed with the FATF has been constrained by the military coups, the COVID-19 pandemic, sanctions, limited resources and weak institutional capacity. Discussions with the authorities have confirmed that recommendations are being gradually implemented despite the constraints. Reviews of progress by the FATF are expected in May and September 2023.

48. Capacity development remains critical in supporting the authorities' reform efforts. A strategy has been developed and discussions on needs continue (see Annex VIII) including on the ways to address absorption capacity constraints. Priority areas remain domestic revenue mobilization, PFM, data quality and the implementation of measures related to anti-money laundering (AML) and countering the financing of terrorism (CFT).

49. Data provision is broadly adequate for surveillance. With Fund support, the statistics institute (INSTAT) has rebased the 2015-2019 national accounts series using the SNA 2008 methodology, with preliminary 2020-2024 series expected to be available by June 2023 and historical series by end 2023. Staff urged the authorities to continue their efforts on strengthening and expanding the fiscal reporting coverage of extra-budgetary entities and harmonize debt recording between debt and treasury departments.

50. Capacity to repay. Mali has credit outstanding to the Fund of SDR 388.4 million (208 percent of quota). Risks to Mali's capacity to repay are mitigated by its track record of timely repayments and access to pooled regional reserves.

51. Safeguards assessment. The BCEAO implemented all recommendations provided in the 2018 safeguards assessment, which found it had broadly appropriate governance arrangements and a robust control environment (see Informational Annex). An update of the assessment is currently in progress.

STAFF APPRAISAL

52. Mali's economy has been relatively resilient despite being hit by multiple shocks since 2020. Economic growth was estimated at 3.7 percent in 2022, despite the acute security challenges, the effects of sanctions and the war in Ukraine. Increased gold output, an accommodative fiscal stance, and concerted government efforts helped avert a bigger slowdown.

53. Staff's preliminary forecast sees a rebound in growth to above 5 percent in 2023 and 2024 and a softening of inflationary pressures. While this rebound would be consistent with Mali's historical resilience to economic shocks, it assumes higher agricultural and gold output and is also predicated on elections taking place in 2024, prompting a resumption of external budget support and foreign investment. Inflation is expected to come down to 5 percent in 2023 and then fall below 3 percent in 2024 as supply shocks subside. On the back of elevated gold prices and lower energy prices in the medium term, the current account deficit is expected to narrow from 6.9 percent of GDP in 2022 to 3.5 percent of GD by 2025, broadly in line with fundamentals.

54. Mali's economy faces substantial downside risks. A worsening in the security situation would weigh heavily on the outlook. Any delay to the elections scheduled for February 2024 would also pose a risk. Mali is also highly vulnerable to climate change, which could disrupt agricultural production, a main source of income and sustenance for the majority of the population. The risk of a financing crisis is substantial, following the deterioration in the external financing environment, the tightening in the BCEAO's bank refinancing conditions and lower subscription rates for Mali's government debt issuances.

55. To deal with tighter financing constraints, a more ambitious fiscal consolidation and faster convergence towards WAEMU's 3-percent fiscal deficit ceiling are needed. Staff highlighted several key avenues that can be pursued to reduce the deficit in a growth-friendly way, including the strengthening of domestic revenue mobilization, controlling expenditures including public wages, improving spending efficiency, and improving SOE performance. Capacity development through technical assistance remains critical, and the Fund remains actively engaged with Malian authorities on all these fronts. An accelerated timeframe towards fiscal deficit convergence could also serve to signal fiscal discipline and boost market confidence. It would also help the coordination between fiscal and monetary policy at the regional level.

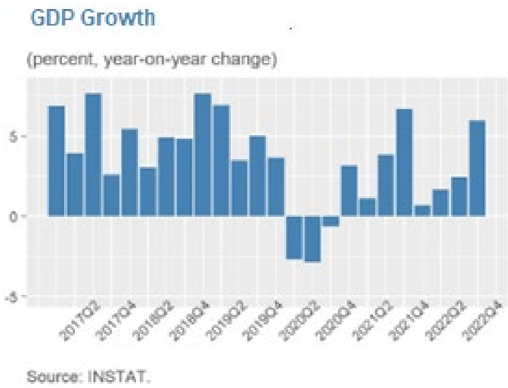
56. Reform of the social safety net system including more targeted measures towards the most vulnerable households will help address poverty and inequality. Some subsidies, such as fuel subsidies and customs exemptions, are untargeted and do not benefit those most in need of assistance. Instead, staff recommended to improve and expand the existing social safety system while scaling up targeted measures via the Unified Social Register that could help toward that goal, and also strengthening controls on execution and payments.

57. Over the medium term, structural reforms will be key to unlock Mali's growth potential and reduce long-standing fragilities on governance, education and health, gender bias and climate change. While Mali has made progress in improving its business environment, efforts should continue to fight corruption and improve transparency, including in the gold mining sector, and address AML/CFT deficiencies (in line with Mali's Action Plan agreed with the FATF). Better education outcomes, greater gender equity and stronger vocational training can address labor shortages and boost participation, while better health outcomes can boost life expectancy and reduce demographic pressures, raising standards of living. To remain an agricultural powerhouse, fighting climate change requires enhanced policy assistance and access to climate funds, which may be challenging given Mali's limited capacity.

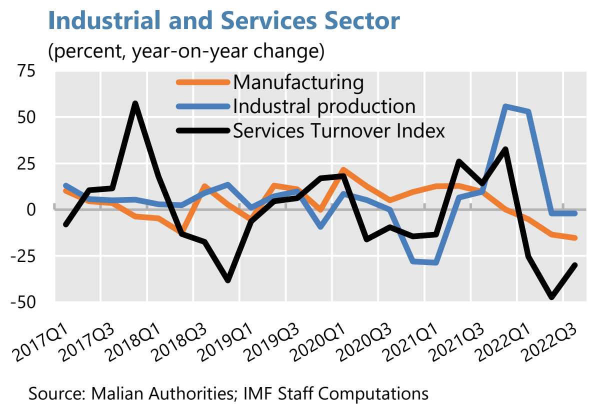
58. Staff recommends that the next Article IV consultation for Mali be held on the 12-month cycle.

Figure 1. Mali: High-Frequency Indicators

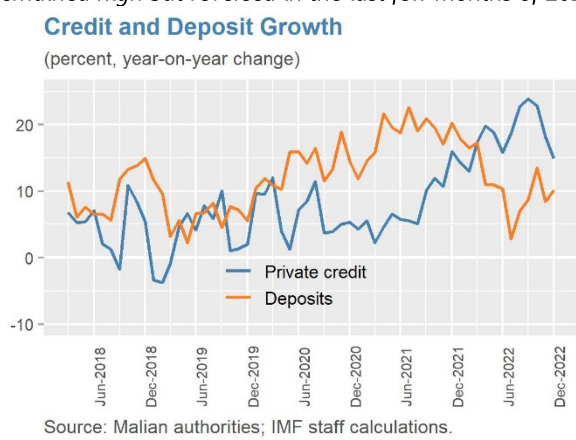
GDP growth picked up in H2 2022 after a significant slowdown during H1 due to sanctions …



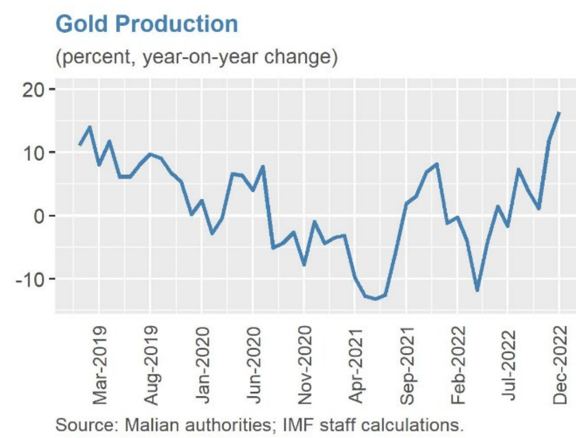
… when both industrial and service sector growth collapsed.



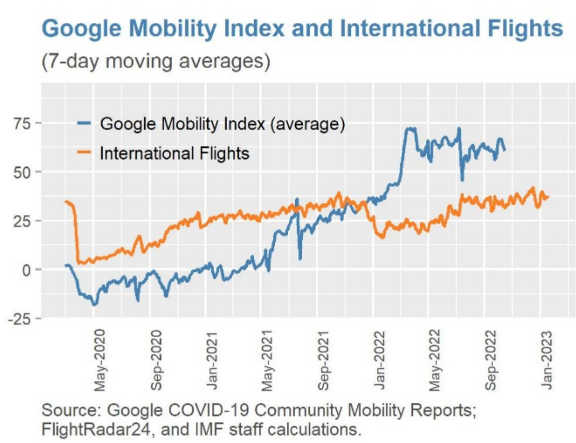
Deposit growth slowed in early 2022, while credit growth remained high but reversed in the last few months of 2022.



Meanwhile, gold production has rebounded since mid-2022.



Mobility and travel continued to recover…



… while tax revenues have recovered since their fall in 2022 Q1, except domestic VAT.

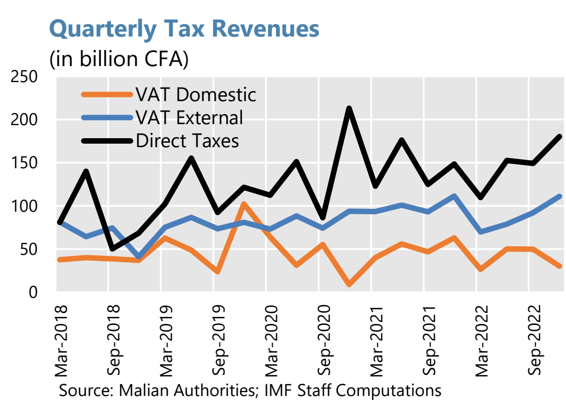
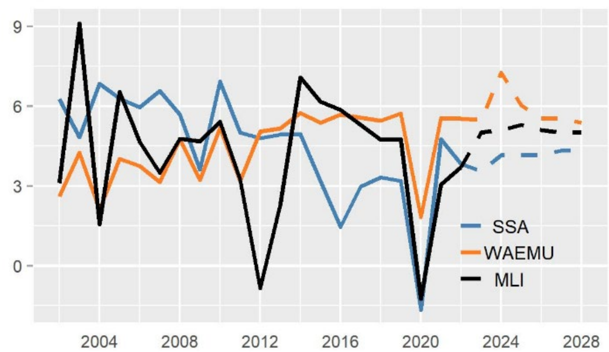


Figure 2. Mali: Real Sector Developments

The pandemic, coups in 2020-21, and sanctions in 2022 have kept Mali's GDP growth below the WAEMU average...

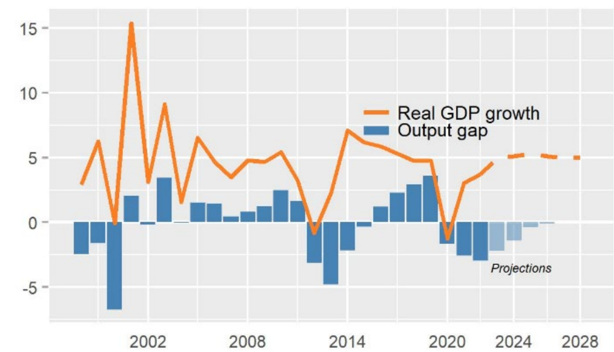
GDP Growth in SSA
(percent)



Source: World Economic Outlook; IMF staff calculations.

... but the expected recovery in 2023 should bring output closer to its potential level.

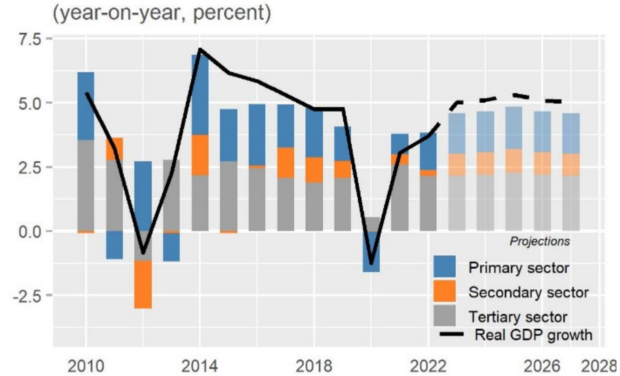
Output Gap
(percent of potential GDP)



Source: IMF staff calculations.

The recovery in the near term will be largely driven by a strong rebound in the services and agricultural sectors...

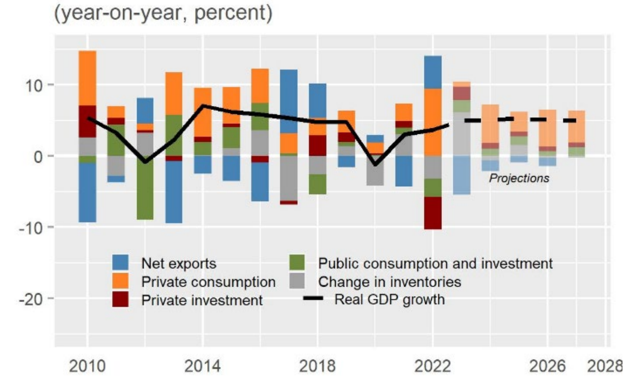
Contributions to Growth: Supply Side
(year-on-year, percent)



Source: IMF staff calculations.

...while on the demand side, stronger private investment and consumption are expected to support the recovery.

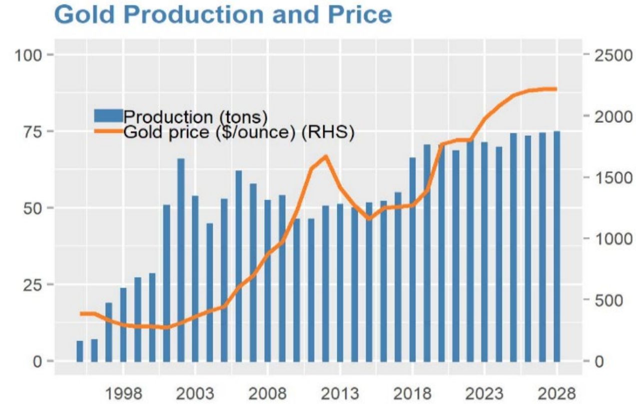
Contributions to Growth: Demand Side
(year-on-year, percent)



Source: IMF staff calculations.

Gold production, supported by elevated global gold prices, will continue to increase over the medium-term.

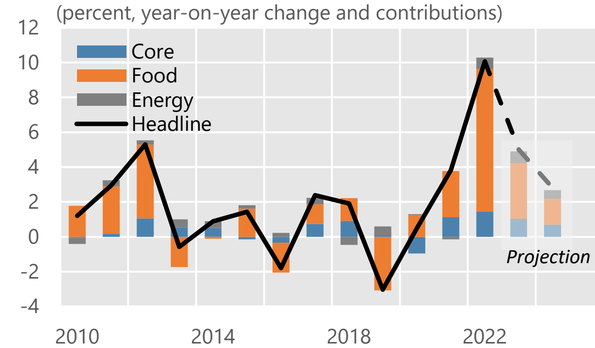
Gold Production and Price



Source: Malian authorities; IMF staff calculations.

Inflation accelerated in 2022, mainly driven by increasing food prices but has come down in the second half of 2022.

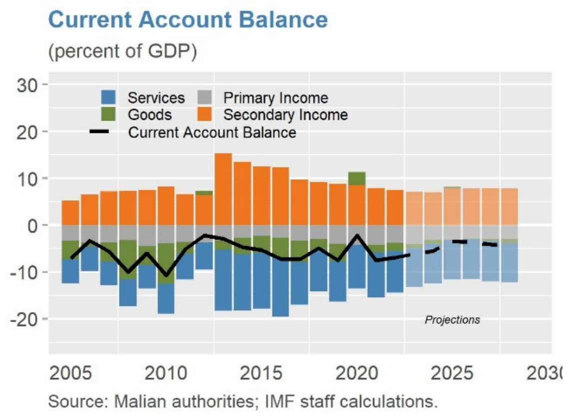
Consumer Price Inflation and its Components
(percent, year-on-year change and contributions)



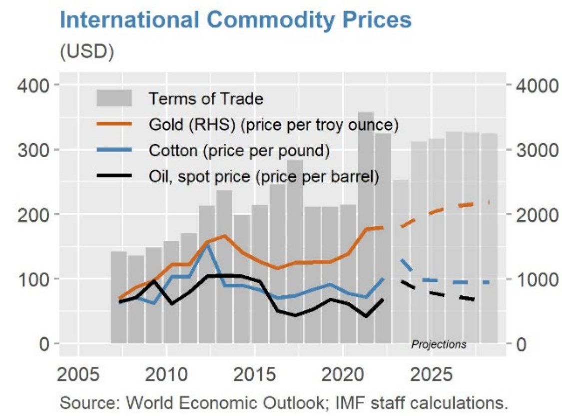
Source: INSTAT; IMF staff computations and projectons

Figure 3. Mali: External Sector Developments

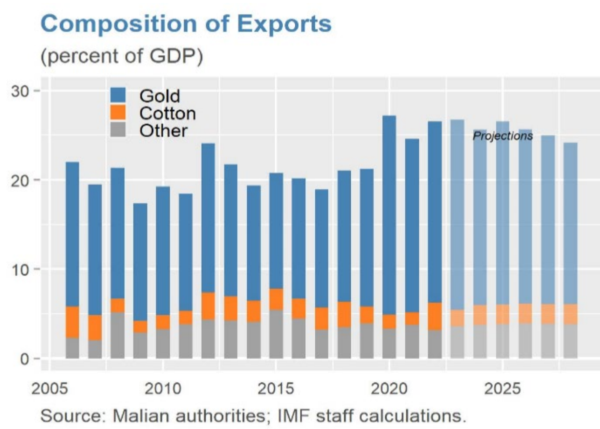
The current account deficit has narrowed relative to 2021 despite commodity price shocks…



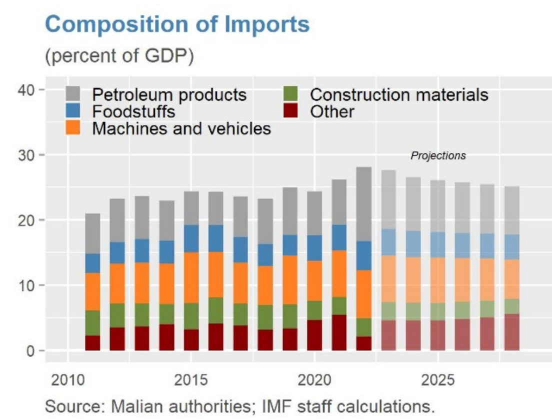
… and will settle at around 4.5 percent of GDP over the medium-term.



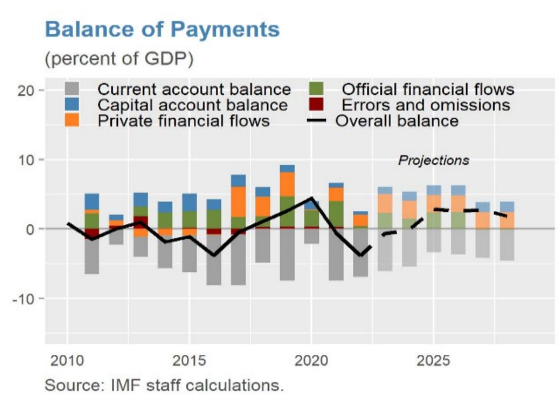
Gold is expected to remain Mali's key export commodity.



Imports remained elevated in 2022 due to higher fuel and food import prices linked to Russia's war in Ukraine.



The overall balance of payments is negative in 2022, as official aid dried up, but is expected to improve over the medium term.



Following a deprecation in early 2022 along with the euro (to which the CFAF is pegged), the NEER and REER appreciated slightly in the second half of 2022.

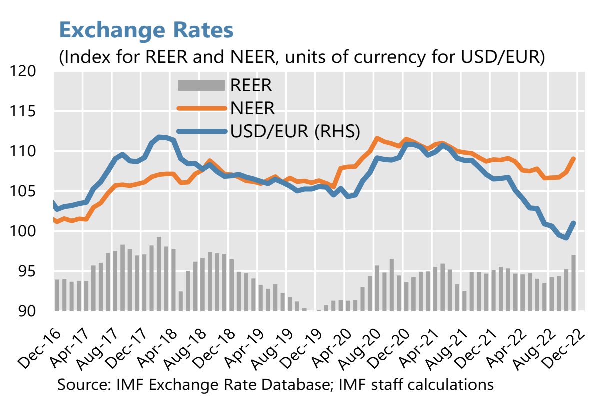
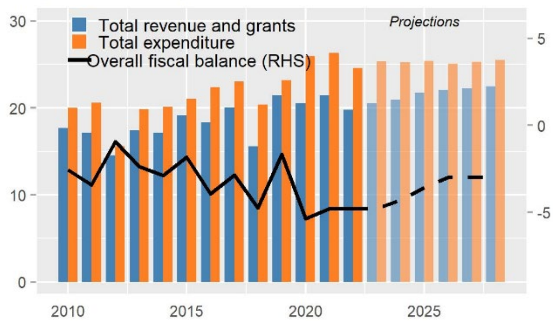


Figure 4. Mali: Fiscal Developments

The fiscal deficit is expected to gradually return to the WAEMU ceiling of 3 percent of GDP by 2026, an adjustment that should be supported by revenue mobilization.

Fiscal Balance

(percent of GDP)

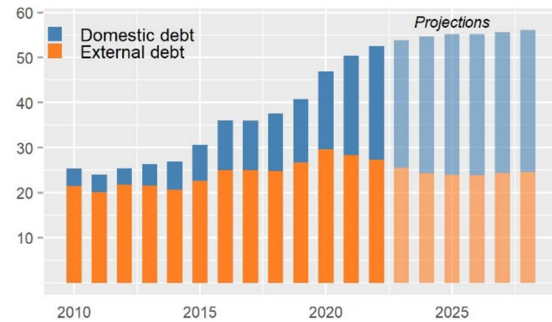


Source: Mali Ministry of Finance; IMF staff calculations.

If the fiscal adjustment is carried through, public debt is projected to stabilize over the medium term.

Total Public Debt

(percent of GDP)

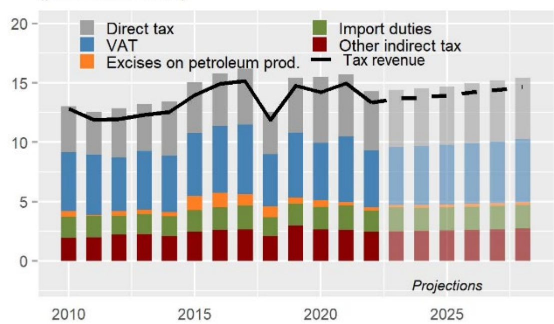


Source: Malian authorities; IMF staff calculations.

The tax-to-GDP ratio is estimated to have fallen by almost 2 percentage points of GDP in 2022 following the sanctions, but is expected to recover somewhat in 2023…

Tax Revenue

(percent of GDP)

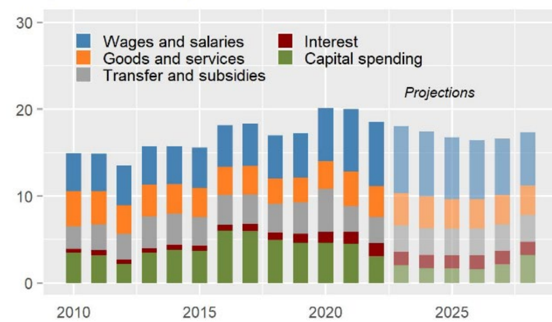


Source: Mali Ministry of Finance; IMF staff calculations.

…and the spending ratio is also estimated to have fallen by a similar amount, despite the higher public sector wage bill.

Government Spending

(percent of GDP)

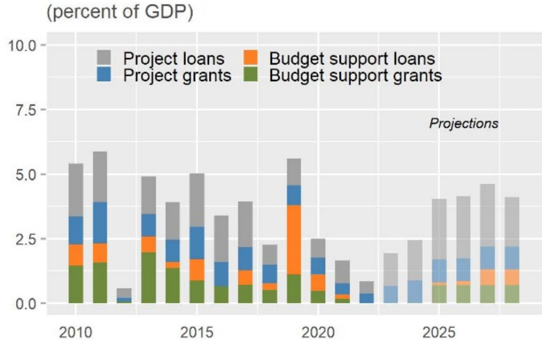


Source: Mali Ministry of Finance; IMF staff calculations.

External budget support collapsed in 2021-22 following the socio-political turmoil, ….

External Public Grants and Loans

(percent of GDP)

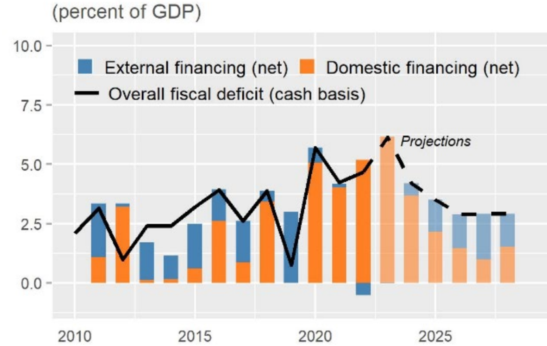


Source: Mali Ministry of Finance; IMF staff calculations.

… and the authorities are increasingly relying on expensive domestic markets to finance the budget needs.

Financing

(percent of GDP)



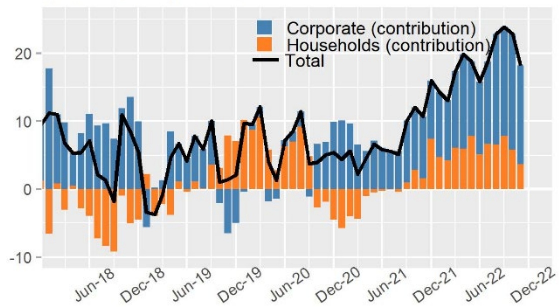
Source: Mali Ministry of Finance; IMF staff calculations.

Figure 5. Mali: Monetary and Financial Sector Developments

Private credit expanded rapidly post-pandemic for both households and corporates, but have slightly fallen lately…

Credit Growth

(year-on-year, percent)

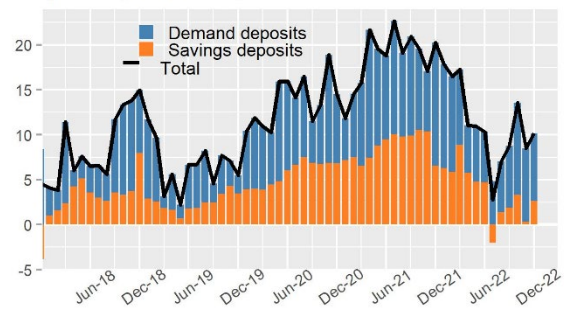


Source: BCEAO; IMF staff calculations.

…while deposit growth dropped in early 2022 due to sanctions, it has resumed since mid-2022.

Deposit Growth

(year-on-year, percent)

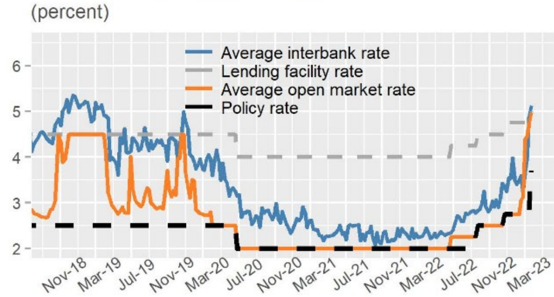


Source: BCEAO; IMF staff calculations.

This comes as the BCEAO (regional central bank) has increased policy rates by 100 bps since June 2022…

BCEAO: Monetary Policy Rates

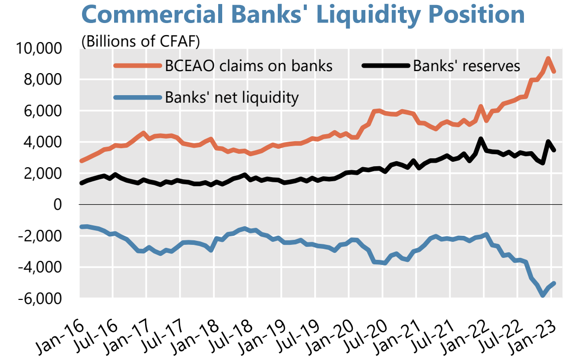
(percent)



Source: BCEAO; IMF staff calculations.
Note: In April 2020, BCEAO moved from auctions with fixed amount-variable rate to a fixed rate-variable amount mechanism.

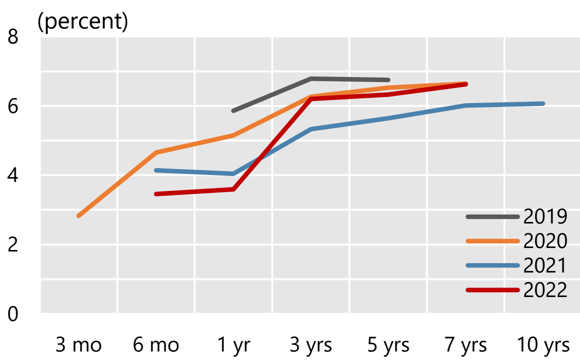
…as banks increased their reliance on central bank financing.

Commercial Banks' Liquidity Position



At the same time, sovereign bond yields on the regional financial market increased for medium and longer-term issuances.

Yield Curves

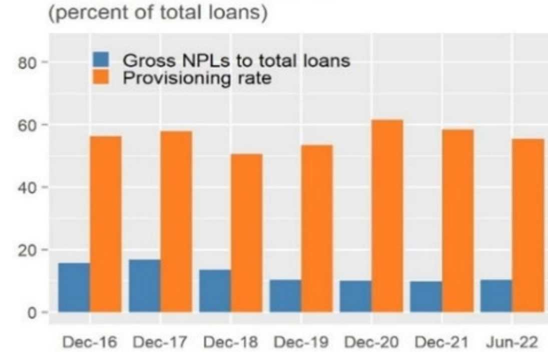


Source: Agence UMOA -Titres ; IMF Staff Computations

On the regulatory side, temporary forbearance on loan classification has kept banks' asset quality broadly stable.

Non-Performing Loans

(percent of total loans)



Source: BCEAO.

Table 1. Mali: Selected Economic and Financial Indicators, 2019–28

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
				Prelim	Est.	Projections				
National income and prices				(Annual percentage change)						
Real GDP	4.8	-1.2	3.1	3.7	5.0	5.1	5.3	5.1	5.0	5.0
GDP deflator	1.9	1.4	4.9	4.9	3.0	2.8	2.0	2.0	2.0	2.0
Consumer price inflation (average)	-3.0	0.5	3.8	10.0	5.0	2.8	2.0	2.0	2.0	2.0
Consumer price inflation (end of period)	-3.3	0.7	8.8	8.1	3.0	2.0	2.0	2.0	2.0	2.0
Money and credit										
Credit to the government	-36.6	70.3	32.3	77.7	44.9	21.3	8.1	3.3	0.1	3.2
Credit to the economy	2.2	5.3	15.9	14.9	8.1	8.0	7.4	7.2	7.1	7.1
Broad money (M2)	9.0	22.2	17.0	11.7	8.1	8.0	7.4	7.2	7.1	7.1
Central government finance and public debt				(Percent of GDP, unless otherwise indicated)						
Revenue, o/w	19.6	19.3	20.8	19.4	19.9	20.0	20.2	20.4	20.7	20.9
Tax revenue	14.8	14.2	15.0	13.3	13.7	13.8	13.9	14.2	14.4	14.7
Grants	1.9	1.2	0.7	0.4	0.7	0.9	1.6	1.6	1.6	1.6
Total expenditure and net lending	23.1	25.9	26.3	24.6	25.3	25.2	25.4	25.0	25.3	25.5
Overall balance (accrual basis)	-1.7	-5.4	-4.8	-4.8	-4.8	-4.3	-3.6	-3.0	-3.0	-3.0
Overall balance (cash basis)	-0.8	-5.7	-4.2	-4.7	-6.1	-4.2	-3.5	-2.9	-2.9	-2.9
Public debt[1]	40.7	46.9	50.4	52.5	53.8	54.6	55.1	55.2	55.5	56.1
External public debt	26.7	29.5	28.3	27.3	25.6	24.3	24.0	23.9	24.4	24.6
Domestic public debt[2]	14.1	17.4	22.0	25.2	28.2	30.4	31.1	31.3	31.2	31.6
Debt service	5.1	6.3	5.5	6.5	9.9	10.2	12.4	13.2	13.7	14.3
External sector										
Current account balance, including official transfers	-7.5	-2.2	-7.5	-6.9	-6.1	-5.5	-3.4	-3.7	-4.0	-4.4
Current account balance, excluding official transfers	-11.8	-5.9	-10.6	-9.7	-8.7	-7.9	-6.5	-6.8	-7.2	-7.6
Exports of goods and services	25.7	29.4	27.2	28.6	29.0	27.7	28.7	27.7	26.8	26.0
Imports of goods and services	38.0	36.0	38.4	39.1	38.2	37.1	36.8	36.3	35.8	35.2
Overall balance of payments	3.0	4.4	-0.5	-3.9	-0.1	-0.1	2.8	2.6	2.7	1.8
Terms of trade (deterioration -)	1.2	66.9	-9.4	-22.0	23.4	1.5	3.4	-0.4	-0.5	-1.0
Real effective exchange rate (depreciation -)	-4.0	0.4	1.0	…	…	…	…	…	…	…
Memorandum items:										
Nominal GDP (CFAF billions)	10,125	10,140	10,964	11,932	12,905	13,943	14,975	16,054	17,194	18,414
Nominal GDP (US$ billions)	17.3	17.6	19.8	19.2	20.9	22.4	23.8	25.1	26.5	27.8
Public debt (CFAF billions)	4,123	4,759	5,521	6,266	6,943	7,615	8,254	8,862	9,551	10,335
US$ exchange rate (average)	586	575	554	622	…	…	…	…	…	…
US$ exchange rate (end of period)	590	539	580	619	…	…	…	…	…	…
Gold Price (US$/fine ounce London fix)	1,392	1,770	1,800	1,802	1,977	2,081	2,166	2,206	2,218	2,218
Cotton price (CFAF/kg)	956	866	1,175	1,697	1,221	1,207	1,193	1,209	1,228	1,253
Petroleum price (crude spot)(US$/bbl)	61	42	69	96	73	69	67	65	64	63

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

[1] Public debt refers to general government debt

[2] Includes BCEAO statutory advances, government bonds, treasury bills, and other debts. From 2021 onwards includes SDR allocation in the amount of 1.3 percent of GDP on-lent from the BCEAO.

Table 2a. Mali: Consolidated Fiscal Transactions of the Government, 2019–28
(Billions of CFAF)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
				Prelim.	Est.	Projections				
Revenue and grants	2,173	2,080	2,355	2,361	2,648	2,913	3,257	3,536	3,827	4,143
Total revenue	1,982	1,958	2,281	2,318	2,564	2,790	3,021	3,282	3,555	3,852
Budgetary revenue	1,571	1,510	1,737	1,687	1,871	2,041	2,216	2,420	2,631	2,863
Tax revenue[1]	1,496	1,442	1,641	1,591	1,763	1,923	2,089	2,280	2,480	2,698
Direct taxes	472	563	573	595	621	680	739	811	882	960
Indirect taxes	1,024	879	1,069	996	1,142	1,243	1,350	1,469	1,597	1,738
VAT	551	489	605	572	629	689	750	819	894	975
Excises on petroleum products	53	55	29	36	27	33	37	39	42	45
Import duties	190	195	230	209	258	272	291	314	338	365
Other indirect taxes	300	267	285	295	322	353	384	420	458	500
Tax refund	-68	-128	-80	-116	-94	-103	-113	-123	-134	-146
Nontax revenue	75	68	96	96	108	118	127	140	151	165
Capital revenue	8	1	1	1	15	16	18	20	21	23
Special funds and annexed budgets	411	449	545	631	693	749	805	863	924	989
Grants	191	122	74	43	84	123	237	254	272	291
Projects grants	79	65	48	43	84	123	132	141	151	162
Budgetary support	112	49	18	0	0	0	105	112	121	129
Of which: General	104	36	17	0	0	0	105	112	120	129
Of which: Sectoral	8	13	1	0	0	0	0	0	0	0
Total expenditure and net lending[2]	2,344	2,625	2,881	2,932	3,267	3,513	3,797	4,018	4,342	4,696
Budgetary expenditure	1,939	2,183	2,342	2,306	2,579	2,770	2,998	3,161	3,425	3,712
Current expenditure	1,281	1,570	1,699	1,846	2,069	2,195	2,269	2,377	2,490	2,610
Wages and salaries	517	620	788	878	992	1,041	1,071	1,092	1,114	1,136
Goods and services	293	320	436	426	481	509	507	543	582	623
Transfers and subsidies	366	506	328	365	396	428	460	493	528	566
Interest	104	124	147	177	200	216	232	249	266	285
Capital expenditure	658	614	642	460	510	575	729	784	934	1,102
Externally financed	192	145	147	95	250	340	485	526	569	514
Domestically financed	466	468	495	365	260	235	244	258	365	588
Special funds and annexed budgets	411	449	545	631	693	749	805	863	924	989
Net lending	-6	-7	-5	-5	-5	-6	-6	-6	-6	-6
Overall balance (accrual basis)	-171	-545	-526	-571	-619	-600	-539	-482	-516	-552
Adjustment to cash basis	94	-33	62	13	-172	16	16	16	17	18
Overall balance (cash basis)	-76	-577	-464	-558	-791	-584	-524	-465	-499	-534
Financing	76	577	464	558	791	584	524	465	499	534
External financing (net)	304	63	19	-62	-3	69	199	229	327	255
Loans	376	140	113	56	166	217	368	410	521	462
Project loans	105	76	95	56	166	217	353	385	418	352
Budgetary loans	271	64	18	0	0	0	15	26	103	110
Amortization	-90	-88	-103	-127	-174	-147	-169	-181	-194	-207
Debt relief	18	11	9	9	5	0	0	0	0	0
Variation of External Arrears (Principal)	0	0	0	0	0	0	0	0	0	0
Domestic financing (net)	-227	515	440	619	794	514	324	236	171	279
Banking system	-189	302	308	589	606	416	191	84	2	86
Central bank	-218	225	250	57	150	-30	-46	-62	-62	-52
Of which: IMF (net)	*5*	*123*	*19*	*-12*	*-22*	*-30*	*-46*	*-62*	*-62*	*-52*
Commercial banks	30	12	-65	532	456	446	237	146	63	138
Adjustment[3]	0	65	123	0	0	0	0	0	0	0
Privatization receipts	-14	-7	-12	-4	-15	0	0	0	0	0
Other financing	-24	220	144	34	204	98	133	152	170	194
Financing gap	0	0	0	0	0	0	0	0	0	0
Memorandum items:										
Nominal GDP	10,125	10,140	10,964	11,932	12,905	13,943	14,975	16,054	17,194	18,414
Overall balance (accrual, excl. grants)	-362	-667	-600	-614	-703	-722	-776	-776	-776	-776

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

[1] Tax revenue and budget expenditure projections are based on the latest fiscal plans by the authorities.

[2] Accrual basis.

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

Table 2b. Mali: Consolidated Fiscal Transactions of the Government, 2019–28
(Percent of GDP)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
				Prelim.	Est.			Projections		
Revenue and grants	21.5	20.5	21.5	19.8	20.5	20.9	21.8	22.0	22.3	22.5
Total revenue	19.6	19.3	20.8	19.4	19.9	20.0	20.2	20.4	20.7	20.9
Budgetary revenue	15.5	14.9	15.8	14.1	14.5	14.6	14.8	15.1	15.3	15.5
Tax revenue[1]	14.8	14.2	15.0	13.3	13.7	13.8	13.9	14.2	14.4	14.7
Direct taxes	4.7	5.6	5.2	5.0	4.8	4.9	4.9	5.1	5.1	5.2
Indirect taxes	10.1	8.7	9.7	8.3	8.8	8.9	9.0	9.2	9.3	9.4
VAT	5.4	4.8	5.5	4.8	4.9	4.9	5.0	5.1	5.2	5.3
Excises on petroleum products	0.5	0.5	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Import duties	1.9	1.9	2.1	1.7	2.0	1.9	1.9	2.0	2.0	2.0
Other indirect taxes	3.0	2.6	2.6	2.5	2.5	2.5	2.6	2.6	2.7	2.7
Tax refund	-0.7	-1.3	-0.7	-1.0	-0.7	-0.7	-0.8	-0.8	-0.8	-0.8
Nontax revenue	0.7	0.7	0.9	0.8	0.8	0.8	0.8	0.9	0.9	0.9
Capital revenue	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Special funds and annexed budgets	4.1	4.4	5.0	5.3	5.4	5.4	5.4	5.4	5.4	5.4
Grants	1.9	1.2	0.7	0.4	0.7	0.9	1.6	1.6	1.6	1.6
Projects grants	0.8	0.6	0.4	0.4	0.7	0.9	0.9	0.9	0.9	0.9
Budgetary support	1.1	0.5	0.2	0.0	0.0	0.0	0.7	0.7	0.7	0.7
Of which: General	1.0	0.4	0.2	0.0	0.0	0.0	0.7	0.7	0.7	0.7
Of which: Sectoral	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending[2]	23.1	25.9	26.3	24.6	25.3	25.2	25.4	25.0	25.3	25.5
Budgetary expenditure	19.1	21.5	21.4	19.3	20.0	19.9	20.0	19.7	19.9	20.2
Current expenditure	12.6	15.5	15.5	15.5	16.0	15.7	15.2	14.8	14.5	14.2
Wages and salaries	5.1	6.1	7.2	7.4	7.7	7.5	7.1	6.8	6.5	6.2
Goods and services	2.9	3.2	4.0	3.6	3.7	3.7	3.4	3.4	3.4	3.4
Transfers and subsidies	3.6	5.0	3.0	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Interest	1.0	1.2	1.3	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Capital expenditure	6.5	6.1	5.9	3.9	4.0	4.1	4.9	4.9	5.4	6.0
Externally financed	1.9	1.4	1.3	0.8	1.9	2.4	3.2	3.3	3.3	2.8
Domestically financed	4.6	4.6	4.5	3.1	2.0	1.7	1.6	1.6	2.1	3.2
Special funds and annexed budgets	4.1	4.4	5.0	5.3	5.4	5.4	5.4	5.4	5.4	5.4
Net lending	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (accrual basis)	-1.7	-5.4	-4.8	-4.8	-4.8	-4.3	-3.6	-3.0	-3.0	-3.0
Adjustment to cash basis	0.9	-0.3	0.6	0.1	-1.3	0.1	0.1	0.1	0.1	0.1
Overall balance (cash basis)	-0.8	-5.7	-4.2	-4.7	-6.1	-4.2	-3.5	-2.9	-2.9	-2.9
Financing	0.8	5.7	4.2	4.7	6.1	4.2	3.5	2.9	2.9	2.9
External financing (net)	3.0	0.6	0.2	-0.5	0.0	0.5	1.3	1.4	1.9	1.4
Loans	3.7	1.4	1.0	0.5	1.3	1.6	2.5	2.6	3.0	2.5
Project loans	1.0	0.7	0.9	0.5	1.3	1.6	2.4	2.4	2.4	1.9
Budgetary loans	2.7	0.6	0.2	0.0	0.0	0.0	0.1	0.2	0.6	0.6
Amortization	-0.9	-0.9	-0.9	-1.1	-1.4	-1.1	-1.1	-1.1	-1.1	-1.1
Debt relief	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0	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)	-2.2	5.1	4.0	5.2	6.2	3.7	2.2	1.5	1.0	1.5
Banking system	-1.9	3.0	2.8	4.9	4.7	3.0	1.3	0.5	0.0	0.5
Central bank	-2.2	2.2	2.3	0.5	1.2	-0.2	-0.3	-0.4	-0.4	-0.3
Of which: IMF (net)	0.0	1.2	0.2	-0.1	-0.2	-0.2	-0.3	-0.4	-0.4	-0.3
Commercial banks	0.3	0.1	-0.6	4.5	3.5	3.2	1.6	0.9	0.4	0.7
Adjustment[3]	0.0	0.6	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts	-0.1	-0.1	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Other financing	-0.2	2.2	1.3	0.3	1.6	0.7	0.9	0.9	1.0	1.1
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 (CFAF billions)	10,125	10,140	10,964	11,932	12,905	13,943	14,975	16,054	17,194	18,414
Overall balance (accrual, excl. grants)	-3.6	-6.6	-5.5	-5.1	-5.5	-5.2	-5.2	-4.8	-4.5	-4.2

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

[1] Tax revenue and budget expenditure projections are based on the latest fiscal plans by the authorities.

[2] Accrual basis.

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

Table 3. Mali: Gross Fiscal Financing Needs, 2021–23

	2021			2022			2023		
	billion CFAF	million USD	percent of GDP	billion CFAF	million USD	percent of GDP	billion CFAF	million USD	percent of GDP
(1) GFNs = (2) + (3)	**1,035**	**1,868**	**9.4**	**1,199**	**1,927**	**10.1**	**1,414**	**2,291**	**11.0**
(2) Overall deficit (accrual basis)	526	949	4.8	571	917	4.8	619	1,004	4.8
Primary deficit (excl. grants)	446	804	4.1	437	702	3.7	503	816	3.9
Interest payment	147	265	1.3	177	284	1.5	200	324	1.5
Domestic	109	196	1.0	137	219	1.1	166	269	1.3
Foreign, o/w:	38	69	0.3	40	65	0.3	34	55	0.3
World Bank	5	9	0.0	9	15	0.1	9	14	0.1
(3) Amortization	509	919	4.6	629	1,010	5.3	795	1,288	6.2
Domestic	394	711	3.6	489	786	4.1	598	970	4.6
Foreign, o/w:	116	209	1.1	139	224	1.2	196	318	1.5
World Bank	19	34	0.2	22	36	0.2	23	38	0.2
IMF	12	22	0.1	12	20	0.1	22	36	0.2
(4) Financing = (5) + (6) + (7)	**1,036**	**1,869**	**9.4**	**1,199**	**1,927**	**10.1**	**1,414**	**2,291**	**11.0**
(5) Domestic	844	1,522	7.7	1,121	1,800	9.4	1,415	2,292	11.0
Bonds and t-bills	905	1,633	8.3	831	1,335	7.0	1,359	2,202	10.5
Bank net credit	49	88	0.4	383	615	3.2	172	278	1.3
Central Bank (net), o/w:	262	473	2.4	69	111	0.6	172	278	1.3
IMF on-lending	32	57	0.3	0	0	0.0	0	-	0.0
Other credit	141	255	1.3	0	0	0.0	0	-	0.0
SDR	141	255	1.3	0	0	0.0	0	-	0.0
Deposits (- use of deposits)	-89	-161	-0.8	-69	-111	-0.6	-172	-278	-1.3
Commercial banks (net)	-213	-385	-1.9	314	504	2.6	0	-	0.0
Credit	-27	-48	-0.2	0	0	0.0	0	-	0.0
Deposits (- use of deposits)	187	337	1.7	-314	-504	-2.6	0	-	0.0
(6) External	130	235	1.2	66	105	0.5	171	277	1.3
Project loans	95	172	0.9	56	91	0.5	166	269	1.3
Budget loans	18	33	0.2	0	0	0.0	0	-	0.0
Other	17	30	0.2	9	15	0.1	5	8	0.0
Debt relief	9	16	0.1	9	15	0.1	5	8	0.0
DSSI	8	14	0.1	0	0	0.0	0	-	0.0
(7) Change in float and arrears	62	112	0.6	13	21	0.1	-172	-278	-1.3
Float	62	112	0.6	13	21	0.1	-172	-278	-1.3
Arrears	0	0	0.0	0	0	0.0	0	-	0.0
Reduction	0	0	0.0	0	0	0.0	0	-	0.0
Accumulation	0	0	0.0	0	0	0.0	0	-	0.0
(8) Financing Gap = (1) - (4)	**0**	**0**	**0.0**	**0**	**0**	**0.0**	**0**	**0**	**0.0**
Memo:									
Nominal GDP	10,964	19,782		11,932	19,171		12,905	20,909	100.0
Overall deficit (accrual basis)	526	949	4.8	571	917	4.8	619	1,004	4.8
Overall deficit (cash basis)	464	837	4.2	558	896	4.7	0	0	0.0
Domestic financing (net)	450	812	4.1	631	1,015	5.3	816	1,323	6.3
External financing (net)	14	26	0.1	-74	-119	-0.6	-25	-41	-0.2
Cash adjustment	62	112	0.6	13	21	0.1	-172	-278	-1.3
Public debt	5,521	9,962	50.4	6,266	10,067	52.5	6,943	11,250	53.8
Debt service	656	1,184	6.0	806	1,294	7.3	995	1,612	7.7
Exchange rate (CFAF per USD)	554			622			617		4.8

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

Table 4a. Mali: Balance of Payments, 2019–28
(CFAF billion, unless otherwise indicated)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
				Prelim.	Est.	Projections				
Current account balance										
Excluding official transfers	-1197	-596	-1158	-1153	-1122	-1104	-981	-1097	-1242	-1404
Including official transfers	-755	-223	-821	-822	-789	-761	-506	-588	-696	-818
Trade balance	-374	286	-171	-192	-113	-125	63	-11	-76	-181
Exports, f.o.b.	2153	2755	2695	3164	3454	3571	3971	4120	4294	4452
Cotton fiber	192	162	157	363	239	307	332	358	387	420
Gold	1566	2258	2129	2423	2750	2741	3071	3133	3246	3334
Other	395	334	409	378	465	524	568	628	662	698
Imports, f.o.b.	-2527	-2469	-2866	-3356	-3566	-3696	-3908	-4131	-4370	-4633
Petroleum products	-740	-685	-753	-1362	-1166	-1152	-1195	-1243	-1297	-1363
Foodstuffs	-316	-394	-438	-534	-527	-548	-579	-617	-657	-700
Other	-1472	-1390	-1675	-1460	-1874	-1996	-2134	-2270	-2416	-2570
Services (net)	-867	-948	-1060	-1065	-1072	-1194	-1277	-1366	-1475	-1524
Credit	449	231	290	249	290	289	325	334	309	327
Debit	-1316	-1179	-1350	-1314	-1361	-1483	-1602	-1699	-1784	-1852
Freight and insurance	-466	-456	-611	-716	-761	-789	-834	-864	-914	-969
Income (net)	-407	-425	-462	-458	-523	-427	-456	-470	-506	-545
Interest due on public debt	-34	-33	-38	-41	-34	-37	-39	-42	-45	-48
Transfers (net)	893	865	871	893	918	985	1164	1259	1361	1432
Private transfers (net)	451	492	534	563	585	642	690	750	815	846
Official transfers (net)[1]	442	373	337	330	333	343	474	509	546	586
Budgetary grants	112	49	18	0	0	0	105	112	121	129
Capital and financial account	985	637	735	356	779	750	930	1000	1161	1158
Capital account (net)	114	126	77	65	136	186	207	228	253	280
Debt forgiveness	18	20	8	9	5	8	9	9	9	9
Project grants	89	78	49	37	82	120	129	138	148	159
Financial account	871	510	658	291	643	563	723	772	908	877
Private (net)	433	273	109	244	347	355	374	382	409	439
Direct investment (net)	503	308	324	303	403	418	449	482	516	552
Portfolio investment private (net)	0	5	-4	-4	-3	-2	-3	-3	-3	-3
Other private capital flows	-70	-40	-211	-55	-53	-62	-72	-97	-104	-111
Official (net)	438	237	407	47	296	209	349	390	499	439
Portfolio investment public (net)	152	186	397	118	304	139	150	161	172	184
Disbursements	376	140	113	56	166	217	368	410	521	462
Budgetary	271	64	18	0	0	0	15	26	103	110
Project related	105	76	95	56	166	217	353	385	418	352
Amortization due on public debt	-90	-88	-103	-127	-174	-147	-169	-181	-194	-207
Other investment (net)			142							
Incurrence of liabilities, SDR			142							
Errors and omissions	34	33	27	0	0	0	0	0	0	0
Overall balance	264	446	-60	-466	-11	-12	423	412	465	339
Financing	264	-446	60	466	86	12	-423	-412	-465	-339
Reserve assets[2]	-264	-446	60	466	86	12	-423	-412	-465	-339
Operations account			183	479	108	42	-377	-350	-403	-288
IMF based on existing drawing (net)	*5*	*123*	*19*	*-12*	*-22*	*-30*	*-46*	*-62*	*-62*	*-52*
SDR allocation			*-142*							
Financing gap	0	0	0	0	0	0	0	0	0	0
External trade				(Annual percentage change)						
Export volume index	4.0	-12.9	3.1	12.6	-0.1	-0.7	6.7	2.5	3.8	3.5
Import volume index	11.6	11.0	10.8	-12.4	20.0	4.0	5.0	4.7	4.7	4.6
Export unit value	3.9	47.0	-5.1	4.3	9.3	1.1	4.1	0.6	0.5	0.3
Import unit value	2.7	-11.9	4.7	33.6	-11.4	-0.3	0.7	1.0	1.1	1.3
Terms of trade	1.2	66.9	-9.4	-22.0	23.4	1.5	3.4	-0.4	-0.5	-1.0

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.

[2] Includes reserve position in the Fund

Table 4b. Mali: Balance of Payments, 2019–28
(Percent of GDP)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
				Prelim.	Est.	Projections				
Current account balance										
Excluding official transfers	-11.8	-5.9	-10.6	-9.7	-8.7	-7.9	-6.5	-6.8	-7.2	-7.6
Including official transfers	-7.5	-2.2	-7.5	-6.9	-6.1	-5.5	-3.4	-3.7	-4.0	-4.4
Trade balance	-3.7	2.8	-1.6	-1.6	-0.9	-0.9	0.4	-0.1	-0.4	-1.0
Exports, f.o.b.	21.3	27.2	24.6	26.5	26.8	25.6	26.5	25.7	25.0	24.2
Cotton fiber	1.9	1.6	1.4	3.0	1.9	2.2	2.2	2.2	2.2	2.3
Gold	15.5	22.3	19.4	20.3	21.3	19.7	20.5	19.5	18.9	18.1
Other	3.9	3.3	3.7	3.2	3.6	3.8	3.8	3.9	3.8	3.8
Imports, f.o.b.	-25.0	-24.4	-26.1	-28.1	-27.6	-26.5	-26.1	-25.7	-25.4	-25.2
Petroleum products	-7.3	-6.8	-6.9	-11.4	-9.0	-8.3	-8.0	-7.7	-7.5	-7.4
Foodstuffs	-3.1	-3.9	-4.0	-4.5	-4.1	-3.9	-3.9	-3.8	-3.8	-3.8
Other	-14.5	-13.7	-15.3	-12.2	-14.5	-14.3	-14.3	-14.1	-14.1	-14.0
Services (net)	-8.6	-9.4	-9.7	-8.9	-8.3	-8.6	-8.5	-8.5	-8.6	-8.3
Credit	4.4	2.3	2.6	2.1	2.2	2.1	2.2	2.1	1.8	1.8
Debit	-13.0	-11.6	-12.3	-11.0	-10.5	-10.6	-10.7	-10.6	-10.4	-10.1
Freight and insurance	-4.6	-4.5	-5.6	-6.0	-5.9	-5.7	-5.6	-5.4	-5.3	-5.3
Income (net)	-4.0	-4.2	-4.2	-3.8	-4.1	-3.1	-3.0	-2.9	-2.9	-3.0
Interest due on public debt	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Transfers (net)	8.8	8.5	7.9	7.5	7.1	7.1	7.8	7.8	7.9	7.8
Private transfers (net)	4.5	4.9	4.9	4.7	4.5	4.6	4.6	4.7	4.7	4.6
Official transfers (net)[1]	4.4	3.7	3.1	2.8	2.6	2.5	3.2	3.2	3.2	3.2
Budgetary grants	1.1	0.5	0.2	0.0	0.0	0.0	0.7	0.7	0.7	0.7
Capital and financial account	9.7	6.3	6.7	3.0	6.0	5.4	6.2	6.2	6.8	6.3
Capital account (net)	1.1	1.2	0.7	0.5	1.1	1.3	1.4	1.4	1.5	1.5
Debt forgiveness	0.2	0.2	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.0
Project grants	0.9	0.8	0.4	0.3	0.6	0.9	0.9	0.9	0.9	0.9
Financial account	8.6	5.0	6.0	2.4	5.0	4.0	4.8	4.8	5.3	4.8
Private (net)	4.3	2.7	1.0	2.0	2.7	2.5	2.5	2.4	2.4	2.4
Direct investment (net)	5.0	3.0	3.0	2.5	3.1	3.0	3.0	3.0	3.0	3.0
Portfolio investment private (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other private capital flows	-0.7	-0.4	-1.9	-0.5	-0.4	-0.4	-0.5	-0.6	-0.6	-0.6
Official (net)	4.3	2.3	3.7	0.4	2.3	1.5	2.3	2.4	2.9	2.4
Portfolio investment public (net)	1.5	1.8	3.6	1.0	2.4	1.0	1.0	1.0	1.0	1.0
Disbursements	3.7	1.4	1.0	0.5	1.3	1.6	2.5	2.6	3.0	2.5
Budgetary	2.7	0.6	0.2	0.0	0.0	0.0	0.1	0.2	0.6	0.6
Project related	1.0	0.7	0.9	0.5	1.3	1.6	2.4	2.4	2.4	1.9
Amortization due on public debt	-0.9	-0.9	-0.9	-1.1	-1.4	-1.1	-1.1	-1.1	-1.1	-1.1
Other investment (net)			1.3							
Incurrence of liabilities, SDR			1.3							
Errors and omissions	0.3	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	2.6	4.4	-0.5	-3.9	-0.1	-0.1	2.8	2.6	2.7	1.8
Financing	2.6	-4.4	0.5	3.9	0.7	0.1	-2.8	-2.6	-2.7	-1.8
Reserve assets [2]	-2.6	-4.4	0.5	3.9	0.7	0.1	-2.8	-2.6	-2.7	-1.8
Operations account			1.7	4.0	0.8	0.3	-2.5	-2.2	-2.3	-1.6
IMF based on existing drawing (net)	0.0	1.2	0.2	-0.1	-0.2	-0.2	-0.3	-0.4	-0.4	-0.3
SDR allocation			*-1.3*							
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External trade			(Annual percentage change)							
Export volume index	4.0	-12.9	3.1	12.6	-0.1	-0.7	6.7	2.5	3.8	3.5
Import volume index	11.6	11.0	10.8	-12.4	20.0	4.0	5.0	4.7	4.7	4.6
Export unit value	3.9	47.0	-5.1	4.3	9.3	1.1	4.1	0.6	0.5	0.3
Import unit value	2.7	-11.9	4.7	33.6	-11.4	-0.3	0.7	1.0	1.1	1.3
Terms of trade	1.2	66.9	-9.4	-22.0	23.4	1.5	3.4	-0.4	-0.5	-1.0

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.
[2] Includes reserve position in the Fund

Table 5. Mali: Monetary Survey, 2019–28

(CFAF billion, unless otherwise indicated)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
				Prelim	Est.	Projections				
Net Foreign Assets	578	1037	928	512	425	413	837	1248	1713	2053
BCEAO	289	490	482	12	-75	-87	337	748	1213	1553
Commercial Banks	290	547	446	500	500	500	500	500	500	500
Net Domestic Assets	2221	2461	3211	3704	4756	5185	5176	5198	5190	5341
Credit to the government (net)	337	573	758	1348	1953	2370	2561	2645	2647	2733
BCEAO	-89	136	386	443	592	563	516	454	393	341
Commercial banks, net	77	-53	-305	447	700	1048	1152	1147	1040	984
Other	348	490	677	457	661	759	892	1044	1214	1407
Credit to the economy	2480	2612	3028	3480	3764	4066	4367	4682	5014	5370
Other items (net)	-306	-414	-212	-735	-1027	-1117	-1618	-1996	-2337	-2628
Money supply (M2)	3000	3665	4289	4791	5181	5598	6013	6446	6904	7394
Currency outside banks	641	964	1043	1215	1314	1419	1524	1634	1750	1874
Bank deposits	2359	2701	3247	3576	3868	4179	4489	4812	5153	5519
Memorandum item:										
Base Money (M0)	992	1419	1613	1717	1825	1940	2055	2175	2302	2438
Contribution to growth of broad money										
Money supply (M2)	9.0	22.2	17.0	11.7	8.1	8.0	7.4	7.2	7.1	7.1
Net foreign assets	9.7	15.3	-3.0	-9.7	-1.8	-0.2	7.6	6.8	7.2	4.9
BCEAO	6.7	6.7	-0.2	-11.0	-1.8	-0.2	7.6	6.8	7.2	4.9
Commercial banks	3.0	8.6	-2.8	1.3	0.0	0.0	0.0	0.0	0.0	0.0
Net domestic assets	-0.8	8.0	20.5	11.5	22.0	8.3	-0.2	0.4	-0.1	2.2
Credit to the central government	-7.0	7.9	5.1	13.7	12.6	8.0	3.4	1.4	0.0	1.2
Credit to the economy	2.0	4.4	11.4	10.5	5.9	5.8	5.4	5.2	5.2	5.2
Other items net	2.7	-3.6	5.5	-12.2	-6.1	-1.7	-9.0	-6.3	-5.3	-4.2
Memorandum items:										
Money supply (M2)	9.0	22.2	17.0	11.7	8.1	8.0	7.4	7.2	7.1	7.1
Base money (M0)	17.4	43.0	13.6	6.5	6.2	6.3	5.9	5.8	5.8	5.9
Credit to the economy	2.2	5.3	15.9	14.9	8.1	8.0	7.4	7.2	7.1	7.1
Velocity (GDP/M2)	3.4	2.8	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Money Multiplier (M2/M0)	3.0	2.6	2.7	2.8	2.8	2.9	2.9	3.0	3.0	3.0
Currency outside banks / M2	21.4	26.3	24.3	25.4	25.4	25.4	25.4	25.4	25.4	25.4

Sources: BCEAO; and Fund staff estimates and projections.

Table 6. Mali: Financial Soundness Indicators for the Banking Sector, 2018–22

	2018 [1]		2019		2020		2021		2022
	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June
Solvency ratios									
Regulatory capital to risk weighted assets	12.7	13.2	13.5	13.9	13.6	13.5	14.0	13.6	13.0
Tier I capital to risk-weighted assets	11.1	12.1	12.6	13.0	12.8	12.6	13.0	13.2	12.3
Provisions to risk-weighted assets	10.2	5.8	4.8	5.1	5.1	5.6	5.1	5.0	4.8
Capital to total assets	7.6	9.0	9.0	8.9	8.6	8.0	8.8	8.4	8.8
Composition and quality of assets									
Total loans to total assets	55.0	53.8	55.8	54.9	52.2	50.4	49.8	50.6	53.8
Concentration: loans to 5 largest borrowers to capital[2]	86.9	67.7	82.3	91.2	91.0	94.3	101.5	96.7	90.9
Sectoral distribution of loans									
Agriculture	3.4	4.1	3.0	3.2	4.0	3.0	2.5	5.8	6.9
Extractive industries	2.1	3.3	2.5	2.3	2.5	2.4	2.1	2.8	3.1
Manufacturing	15.0	14.5	14.8	15.4	13.0	11.3	10.5	11.8	11.3
Electricity, water and gas	6.0	5.2	6.7	5.2	2.2	2.0	1.8	2.1	2.0
Construction	6.9	6.6	7.4	7.0	8.7	9.6	8.4	9.3	9.1
Retail and wholesale trade, restaurants and hotels	42.1	42.6	39.8	39.8	43.5	44.7	45.3	42.7	43.1
Transportation and communication	11.9	11.8	12.3	11.5	11.8	12.2	13.3	10.8	9.8
Insurance, real estate and services	7.3	6.4	8.3	9.2	9.7	10.3	11.6	11.4	11.1
Other services	5.5	5.6	5.1	6.4	4.5	4.5	4.5	3.5	3.7
Gross NPLs to total loans	16.8	13.5	11.8	10.4	10.2	10.0	9.5	9.8	10.3
Provisioning rate	59.8	50.5	46.7	53.5	57.5	61.6	63.2	59.0	55.7
Net NPLs to total loans	7.5	7.2	6.6	5.1	4.6	4.1	3.7	4.3	4.8
Net NPLs to capital	54.0	42.9	41.0	31.7	27.9	25.8	21.0	25.6	29.5
Earnings and profitability									
Average cost of borrowed funds	...	2.4	...	0.3	...	0.6	...	1.8	...
Average interest rate on loans	...	7.8	...	7.1	...	7.4	...	6.8	...
Average interest margin[3]	...	5.4	...	6.8	...	6.8	...	5.0	...
After-tax return on average assets (ROA)	...	1.4	...	1.1	...	1.1	...	1.3	...
After-tax return on average equity (ROE)	...	15.2	...	11.0	...	12.1	...	14.6	...
Noninterest expenses/net banking income	...	63.3	...	60.5	...	57.6	...	55.3	...
Salaries and wages/net banking income	...	29.9	...	27.0	...	28.6	...	26.8	...
Liquidity									
Liquid assets to total assets	33.5	32.3	33.4	32.8	30.8	28.1	28.1	27.5	30.3
Liquid assets to total deposits	54.7	53.7	54.9	53.6	49.8	44.1	41.9	40.3	44.7
Total loans to total deposits	99.8	96.0	97.1	95.0	89.9	84.4	79.0	79.0	84.1
Total deposits to total liabilities	61.2	60.1	60.8	61.2	61.8	63.6	67.1	68.1	67.8
Sight deposits to total liabilities[4]	35.6	34.9	35.4	36.0	36.5	37.0	38.9	38.8	38.6
Term deposits to total liabilities	25.7	25.1	25.4	25.2	25.2	26.7	28.1	29.3	29.2

Source: BCEAO.

[1] First year of data reporting in accordance with Basel II/III prudential standards and the new

[2] Indicators do not account for the additional provisions required by the WAEMU Banking Commission.

[3] Excluding tax on bank operations.

[4] Including saving accounts.

Annex I. Country Engagement Strategy

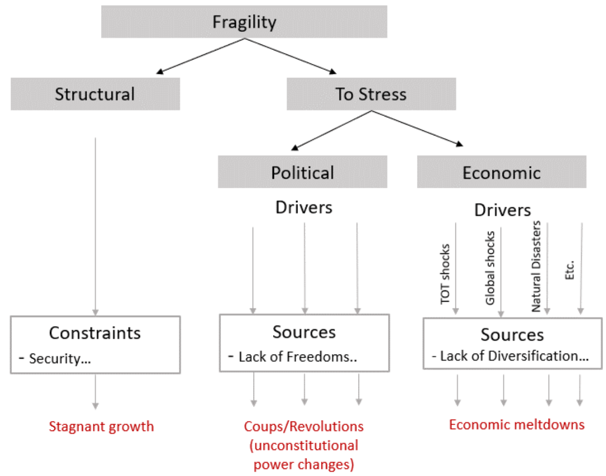
In line with IMF's Strategy for Fragile and Conflict Affected States, approved by the IMF Board in March 2022, this annex summarizes the Country Engagement Strategy (CES). As set out above, Mali is found to be both 'structurally fragile' (i.e., unable to generate adequate growth) and 'fragile to stress' in that there is a significant risk of a breakdown in the economic system or political order. This Annex proposes a theoretical framework, discusses the factors behind the two types of fragility, and sets out a proposed CES. The main policy priorities outlined in the CES center around the protection of the most vulnerable population that is the most exposed to the ramifications of fragility as well as on reducing constraints to growth that will help lift the country out of fragility. These policies are firmly aligned with those in the Staff Report and formed the basis of discussions with the authorities.

A. Background

1. Over the past several decades, Mali finds itself still grappling with various manifestations of fragility. Growth is structurally weak; poverty, inequality and food insecurity are looming large; the state has low capacity to provide basic services, including education, health, water, sanitary utilities, and social protection; basic infrastructure is lacking or is of poor quality; and corruption is seen as systemic. In addition, the country has been ravaged by a number of internal and external conflicts, displacing thousands. These factors—present in most fragile states—are interrelated and complex, and we organize the discussion of fragility around a simple conceptual framework (Box 1) where fragility is seen as a mathematical concept, drawing on and extending Taleb's definition. In this framework we distinguish between two types of state fragility: (i) **structural fragility** as an inability to capitalize on positive shocks which could lead to adequate long-term growth; and (ii) **fragility to stress** as a significant risk of breakdown in the economic system or political order when negative shocks occur. Clearly the drivers of these two types of fragility are complex and often closely related. The combined effects of these factors are estimated to have had a large effect on Mali's economy. Analysis by the World Bank suggests in the absence of fragility, conflict and violence, as well as the subsequent political instability and security, Mali's real GDP per capita could have been 12.6 percent higher than it was in 2019, for example.

Annex I. Box 1. Mali: Conceptual Framework for Fragility

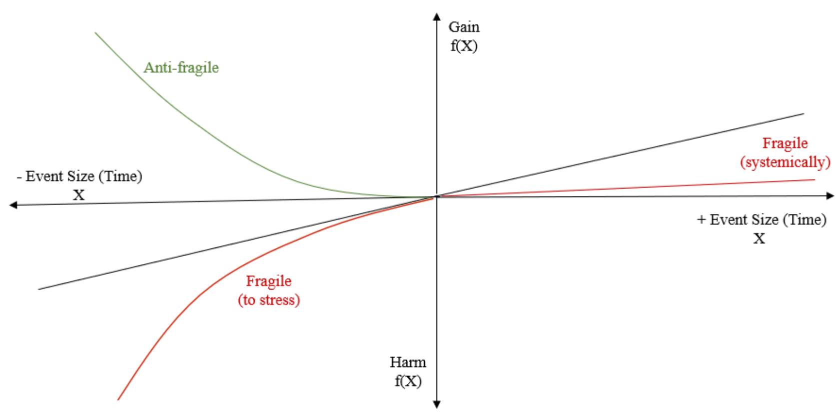
Fragility: Resulting Taxonomy



The conceptual framework used here is based on an extended concept of fragility by Nassim Taleb (2012, 2013a,b) that identifies fragility neutrally as a "mathematical idea," describing how systems respond to shocks.[1] In Taleb (2013), systems are fragile if they "break" under large stress, or in more technical terms if they have accelerating sensitivity to harmful stressors (or to time, as a stressor). This is illustrated in the figure below: the system's response to negative shocks plots as a concave curve (red line in the bottom left quadrant). Taleb's supra-linear sensitivity to negative shocks covers a large variety of social, economic and political responses, including economic collapses in response to shocks. In the political systems, one could think of such responses as revolutions, military coups or other irregular power transition. We will call this type of fragility **stress fragility**.

Teeing off from this concept of fragility, we extend Taleb's model to positive shocks to capture our view of fragility as inability of an economy to take off over time or to take advantage of positive shocks (such as terms of trade shocks or growth in the demand of their trade partners). Such a response (or lack thereof) is depicted as the red line in the top right quadrant. We call this type of fragility **structural fragility –** akin to a complex network of social, economic and political interactions where most nodes are weak and it is difficult to identify those nodes where the trouble lies.

Things that are hurt by adverse tail events and gain (or not) from positive tail events



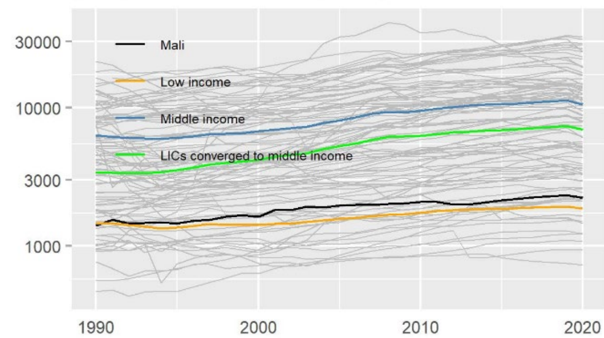
Source: Taleb (2013ab), authors.

The conceptual framework above also illustrates how we see the factors determining fragility. In the case of structural fragility (inability to grow over time), these are "constraints" to growth and good policy decision-making. In the case of fragility to stress, there are two factors to take into account: (i) stressors (or "drivers" of fragility) that destabilize the economic, social and political systems to the point of breaking them; and (ii) "sources" of fragility – factors whose presence makes countries' systems break under stressors while other countries are able to withstand the shocks. The chart below summarizes the taxonomy of fragility and of the factors behind fragility that we will use in this CES.

[1/] For a fuller discussion of this framework see "State Fragility: Towards a Robust Conceptual Framework", by A. Cebotari et al. (forthcoming).

B. Structural Fragility

Mali: GDP per Capita, 1990-2020
(PPP, constant 2017 International $)



Source: World Bank WDI, staff calculations
Note: GDP per capita in log scale

2. **Mali is structurally fragile—it has experienced continuous low growth since independence.** Its income per capita grew on average by 1.2 percent per year since 1980, not enough to substantially move Mali up the income scale and leaving Mali's income per capita among the lowest 20 countries in the world. Poverty is very high at around 42 percent of the population (i.e., over 8.5 million people living on less than $2.3 per day in 2020), and food insecurity is widespread: in early 2023, more than 15 percent of the population were estimated to be either facing severe food insecurity (761,000 people) or were at risk of doing so (2.9 million).[1]

3. **Structural fragility is shaped largely by constraints to growth and good policy decision-making and implementation.** The most relevant constraints are as follows:

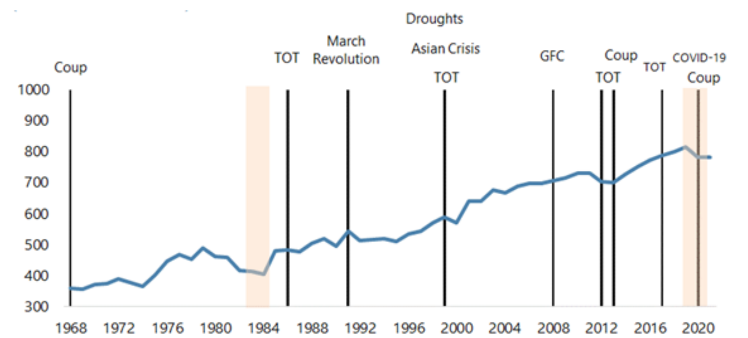
- ***Security constraints.*** The military coup in 2012 began as a rebellion in the north before escalating into a protracted security crisis reflecting ethnic, religious and political tensions. The violence since 2012 has killed and displaced thousands, with the northern and central regions most affected. This has drastically reduced the availability and quality of basic social services in those regions.
- ***The violence trap***. Mali faces significant political and social strife, constraining policy decisions. The high frequency of irregular power turnover raises economic and policy uncertainty, reduces incentives to invest, pay taxes or formalize business activities, and reduces the horizon of policymakers.
- ***Very low educational attainment***. Mali's population has on average 1.6 years of schooling, one of the lowest in the world. The lack of investment in education infrastructure is a major constraint, as well as high incidences of poverty, child labor and insecurity.
- ***Lack of trust in public institutions and weak rule of law.*** This resulted in an extractive state, with corruption, low tax collection and impunity to extract personal benefits.
- ***Low complexity and diversification.*** Gold mining and raw cotton account for about 80 percent of the country's total exports but only for about 12 percent of its GDP.
- ***Gender-based inequality is among the highest in the world.*** About 7 percent of women have some secondary education, and the legal environment and social norms limit their inheritance rights, physical integrity, and mobility—limiting female entrepreneurship and potential growth.

[1] Food Security Cluster (FCS), Résultats de L'analyse de L'insécurité Alimentaire et Nutritionnelle Aiguë, March 2023.

C. Fragility To Stress: Political More Than Economic

4. Despite low growth, Mali's economy has been relatively resilient to economic shocks, but its political system has been much more fragile. The country has consistently recovered to trend income per capita following a series of large economic and political shocks, without permanent output losses—likely due to low complexity and integration of its economy, the stabilizing effect of its gold export receipts and a long history of adaptability to shocks. Mali's political system, on the other hand, has proved very fragile to stress – as manifested in frequent breakdowns in the traditional political or constitutional order through coups d'état (eight coups since its independence in 1960, of which five were successful).

Mali: GDP per Capita, 1968–2020
(Constant 2015 USD)

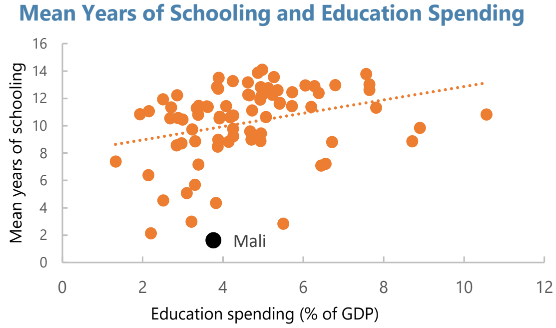


Source: World Bank WDI, staff calculations

Mali: Major Factors Acting as Constraints to Growth

Mali has a very low educational attainment

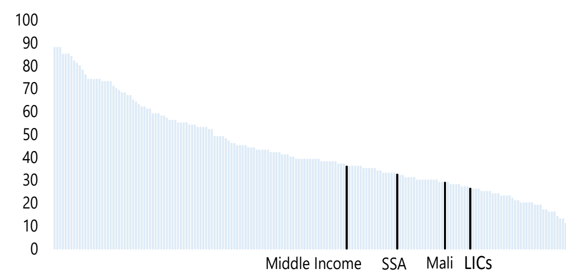
Mean Years of Schooling and Education Spending



Sources: World Bank World Development Indicators; Global Competitiveness Index.

Lack of trust in institutions resulted in large corruption

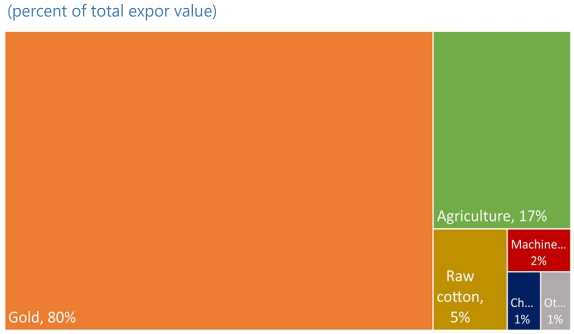
Corruption Perception Index around the World
(scale 0 -100; 100 equals the lowest level of perceived corruption)



Source: Transparency International, CPI Report, 2021, staff calculations

Low diversification limits economic development

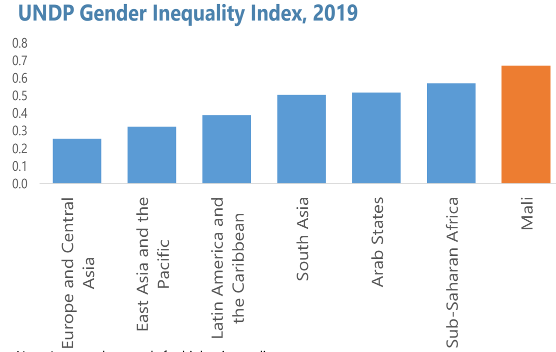
Mali: Export structure, 2019
(percent of total expor value)



Source: Atlas of Economic Complexity, staff calculations

Gender-based inequality is among the highest in the world

UNDP Gender Inequality Index, 2019

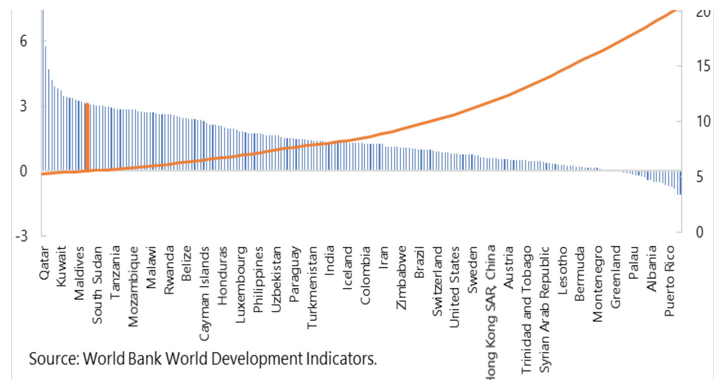


Note: Larger value stands for higher inequality.

5. The stressors that destabilize the economic and socio-political systems, i.e. drivers of fragility, include: (i) demographic pressures, with one of the fastest growing populations in the world (3 percent annually over the past twenty years) due to high fertility rates – which, combined with low education, high unemployment and stagnant incomes can feed social unrest and recruitment by jihadist fighters; (ii) a significant deterioration in economic conditions with the onset of the COVID-19 pandemic, the deterioration of the security situation since 2012 and sanctions; (iii) declines in public trust in the government following corruption scandals, mishandled elections and coups); (iv) climate change and exposure to severe droughts and floods, enhanced by high dependence on agriculture and limited mitigation and adaptation capacity; and (v) destabilization of Mali's international relations, including those with key Western development partners, after two recent coups.

Mali: Population and Population Growth Rate, 2000-2020

(Population in millions, rhs)



Source: World Bank World Development Indicators.

6. The main *sources* of fragility in Mali, i.e. the factors that will determine whether economic and political systems break down in the face of the above stressors, include:

- ***Financial difficulties of the state.*** Debt has increased to 53 percent of GDP in 2022 and its dynamics could be derailed to an unsustainable path by large shocks. The fiscal position is also stretched to the limit by the rapid increase in security spending, public wages and the interest bill—by now taking up a majority of tax revenues and crowding out social safety net and investment spending.
- ***Excessive political and economic centralization.*** The executive branch centralizes power at the presidential level to the detriment of the judiciary and parliament. Regional decentralization has not resulted in true devolution of powers and responsibilities, despite some reforms in the 1990s and as part of the 2015 Algiers peace agreement.

D. Engagement Strategy

7. Based on the above assessment, the Fund's engagement with Mali should prioritize reforms that address sources of fragility and constraints to growth, while minimizing destabilizing stressors if possible. This implies a focus on the following reforms:

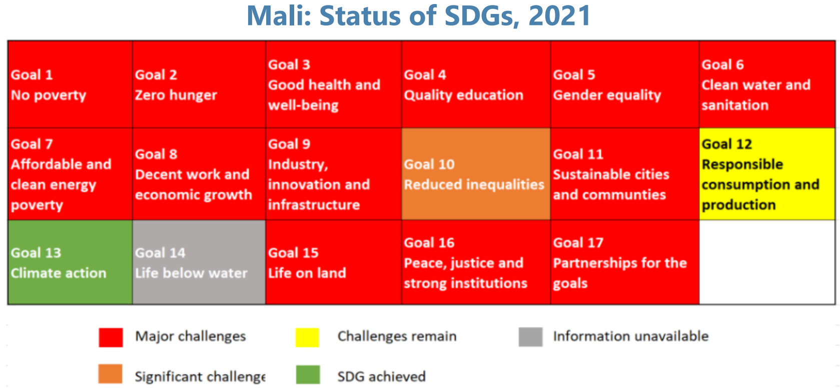
- ***Reducing fragilities associated with the fiscal position***, through a return to more sustainable deficit levels in the near term and ideally the introduction of a fiscal responsibility framework that addresses the multitude of gaps in fiscal management at once (management of deviations from targets, wage bill setting, fiscal risks, including from SOEs, transparency, etc.). These may not be feasible before the 2024 elections or without WAEMU coordination, hence the second-best option is to address gaps in fiscal management (especially for SOEs, public wage setting and commitment controls) separately. There may also be scope for public financial management reforms in the security sector. Furthermore, addressing fragility would be expected to increase growth and boost the economy's resilience to negative economic shocks, both of which will have a positive impact on the public finances.

- ***Strengthening protection of the most fragile segments of the population.***
- ***Removing constraints to good policy decision-making.*** This includes increasing transparency to help the public understand the costs and benefits of current policies and reforms, including in the mining sector. Increasing the information available to policymakers would also be beneficial, e.g. through digitalization of revenue and payment information.
- ***Removing constraints to growth.*** This includes addressing security issues, governance reforms, education and health system reforms (including meaningful vocational training for the waves of young entrants into the labor force), actions to help Mali harness a demographic dividend (from transitioning to lower fertility), labor market and business environment reforms, including through a reduction—once the fiscal position is strengthened—of the tax burden on formal labor (70 percent of wages).
- ***Mitigating stressors*** that destabilize the system, including ensuring robust and sustainable macroeconomic policies and climate adaptation policies.

8. Capacity development priorities will need to encompass broad areas of fiscal reform and governance (see Annex VIII). Focus areas will likely remain continued progress in revenue administration reforms; tax policy (especially streamlining of tax exemptions, while being mindful of the distributive impact); expenditure rationalization (wage policies and SOE management), fiscal transparency and governance (e.g., a Fiscal Transparency Assessment would be useful); public financial management (commitment controls and treasury single account), and statistics (fiscal, debt, real and external). In addition, improving governance frameworks, in line with recommendations from the Fund's 2021 governance diagnostic mission (see SIPs), could strengthen transparency and the rule of law without adding significant pressure to the country's administrative capacities.

9. Coordination with multilateral and bilateral partners will be critical. The World Bank and AfDB are key partners, active in infrastructure development and buttressing resilience to poverty. The European Union also plays an active role. Mali also has an active and influential civil society focusing on political, gender inclusion, cultural and other

Mali: Status of SDGs, 2021



Sources: Sachs et al. (2021): The Decade of Action for the Sustainable Development Goals. Sustainable Development Report 2021. Cambridge: Cambridge University Press issues. This should align with Mali's own development strategy—Strategic Framework for Economic Recovery and Sustainable Development (CREDD 2019-2023)—outlining a roadmap for the country's long-term development vision. This should help in making progress towards developmental goals under the African Union's development agenda, as well as with the UN's Sustainable Development Goals.

10. Post-coup developments in Mali have disrupted funding from international partners, but re-engagement will be key. A resumption of support from international development partners will be important to back the ongoing structural reform agenda, support the fiscal adjustment effort to ensure a more sustainable fiscal position, and help meet financing needs arising from the security situation so as to avoid cuts in developmental and social spending. Elections scheduled to take place in February 2024 will be an important determinant of whether that external support returns. Any future sanctions imposed on Mali would restrict international organizations' ability to engage with the authorities.

Annex II. Timeline of Key Political Developments, 2020-22

2020	
August-20	Military coup against President Ibrahim Boubacar KEITA (IBK), following a social uprising led by opposition parties and spearheaded by the M5-RFP movement.
September 10-27	A national forum ("*journées de concertation nationale*") was organized by the group of military officials who organized the coup. A law (called «Charte de la Transition») established the institutional rules of the Transition period, which was scheduled to last 18 months, following agreement with ECOWAS to organize a democratic presidential election to close the term.
September 21	Mr. Ba N'DAW (a former military officer) was officially installed by the Supreme Court as President of the Transition period, as well as Vice president Colonel Assimi GOITA (the current leader of the junta).
September 27	A new Prime Minister, Mr. Moctar OUANE, a former Minister of Foreign Affairs, was appointed and a new government established
2021	
May 24	Second military coup, and Colonel Assimi GOITA was installed as President of the Transition period.
May 30	ECOWAS suspend Mali's membership and demand a civil Prime Minister
September 20	The French Minister of Armed Forces, on her visit to Bamako, reaffirms the will of Paris to continue the fight against terrorism in Mali, but indicates that the Malian government's plan to use the protection of the Russian private paramilitary group Wagner would be incompatible with the continuation of Western support.
November 8	ECOWAS imposes sanctions on the leaders of the military coup in Mali for shifting the date for the presidential and legislative elections initially fixed for February 2022. The sanctions include assets freeze and travel bans on all members of the transitional authority as well as certain family members. In the resolution announcing the sanctions, ECOWAS also stated that it will consider additional sanctions in December if no progress is made by then.
December 13	The European Union adopted a series of sanctions against eight officials and three entities linked to the Russian private security company Wagner. The sanctions against the group's founder, Dmitri Outkine, include asset freezes and travel bans.
December 14	The French soldiers of Operation Barkhane left Timbuktu, after having evacuated their bases in Kidal, in October, and Tessalit, in November, to retreat to Gao, in accordance with the redeployment plan announced by Paris in June. The security of these cities is entrusted to the Malian Armed Forces and soldiers of the United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA).
December 23	In a joint communiqué, sixteen Western countries engaged in the anti-djihadist struggle in the Sahel – Belgium, Canada, Denmark, Estonia, France, Italy, Germany, Lithuania, Norway, the Netherlands, Portugal, the Czech Republic, Romania, the United Kingdom and Sweden – condemn "firmly the deployment of mercenaries in Mali" and accuse Russia "of providing material support for the deployment of the Wagner Group". Russia and Mali deny the accusations.
December	A National Conference attempts to extend the Transition period up to 5 years.

2022	
January 9	In a sharp escalation after months of diplomatic tensions, ECOWAS imposed harsher economic and financial sanctions on Mali. The move came after Mali's interim government proposed staying in power for up to five years before staging elections — despite international demands that it respects a promise to hold elections on February 27. Sanctions included closing land and aerial borders with neighboring ECOWAS countries, a trade embargo, freezing Mali's assets at the Central Bank of West African States and in commercial banks, and halting financial aid.
January 14	Malians demonstrate en masse after the transitional government calls for protests over sanctions. Malians took to the streets by the thousands, after the military the transitional government called for protests against stringent sanctions imposed by ECOWAS over delayed elections.
January 31	Tensions between Mali and former colonial power France hit a new low with expulsion of the French ambassador.
February 4	The European Union agrees to impose travel bans and asset freezes on five members of Mali's transitional government, making good on its promise to backup up ECOWAS sanctions with measures of its own. The measures, which have political support of all 27 EU governments, follow a raft of restrictions against Mali by the ECOWAS.
June 10	Mali's transitional government sets up body to create new constitution. The announcement was made in a presidential decree which stipulated that the commission would have two months to complete its job. The body will comprise a president, two rapporteurs and experts and will consult political parties, civil society groups, armed groups which have signed a peace accord with the government, religious and traditional leaders and trade unions, the decree said.
July 3	ECOWAS lifts economic sanctions on Mali. Following ECOWAS summit in Accra, the bloc decided to lift economic and financial sanctions imposed on Mali, after its military rulers proposed a 24-month transition to democracy and published a new electoral law. A referendum for a new constitution is scheduled for March 2023, as well as Presidential elections in February 2024. Borders with Mali reopened, and regional diplomats returned to Bamako. However, the heads of state decided to maintain individual sanctions, and the suspension of Mali from ECOWAS, until the return to constitutional rule. The individual sanctions targeted members of the ruling military government and the transitional council.
2023	
March 19	Postponement of constitutional referendum initially scheduled for March 19, 2023.

Annex III. Impact of ECOWAS Sanctions and the War in Ukraine

The sweeping trade and financial sanctions by ECOWAS against Mali in the first half of 2022 dampened economic activity, increased prices of many goods, and affected the management of fiscal accounts, forcing Mali to go into external debt arrears. Many of these effects were exacerbated by the rise in commodity prices, following Russia's war in Ukraine. Inflation surged and food insecurity increased from an already high level. However, agricultural production proved resilient, and Mali's economy rebounded in the second half of 2022.

A. The ECOWAS Sanctions (January-June 2022)

1. On January 9, 2022, ECOWAS heads of state imposed strict sanctions on Mali in response to transitional government plans to delay elections until 2026—much longer than the 18-month transition period promised in the wake of the August 2020 coup d'état. The sanctions included: (i) the suspension of commercial transactions with the rest of ECOWAS except for essential goods and medical products; (ii) the suspension of financial transactions with the rest of the region, including access to the money and capital markets; (iii) the freeze of public assets held at the BCEAO and regional commercial banks; (iv) the suspension of regional financial assistance; and (v) the withdrawal of ECOWAS ambassadors to Mali. On July 3, 2022, the ECOWAS heads of states lifted economic sanctions following the transitional government's announcement to hold elections in February 2024. Political sanctions remain in place, however, including Mali's suspension from the ECOWAS decision-making bodies.

2. Sanctions adversely affected economic activity, including trade and public sector budget execution and added to rising food and fuel prices.

- ***Trade***. Due to ECOWAS sanctions in the first half of 2022, trade with Mali was halted, except for basic necessities.[1] Estimates suggest that imports fell by 20 percent while exports declined by only 6 percent in the first half of 2022, given that most of the gold exports—Mali's major export commodity—are by air to non-ECOWAS countries. Trade with ECOWAS declined by over 30.6 percent for exports and 25.9 percent for imports during the same period. It is important to note that 70 percent of imported goods from ECOWAS are liquid fuels that were exempt from the sanctions.

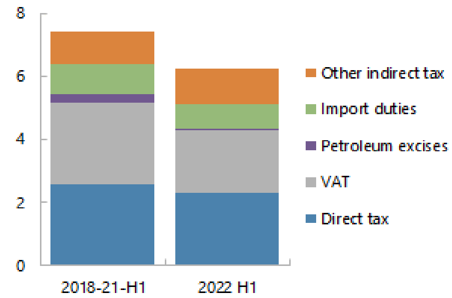
Mali: Imports and Exports Value
(Change in %, year-on-year)

Source: INSTAT, Staff Calculations.

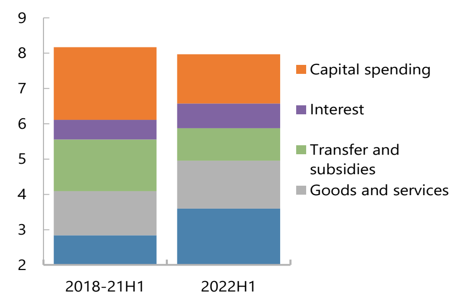
[1] In retaliation, Mali restricted the export of meat and livestock, for which it is a large regional supplier, contributing to meat price increases in neighboring countries.

- ***Government revenue and spending.*** ECOWAS sanctions during the first half of 2022 severely challenged budget execution. Revenue collections dropped by about 17 percent in the first half of 2022 relative to an average collection observed in the same quarters since 2018. All tax and non-tax revenues were affected, with the largest drop in indirect taxes. Tax revenue picked up during Q2 2022 due to an increase in domestic fuel prices (adjusted by the authorities at end-March) and the increase of trade traffic through alternative routes via Guinea and Mauritania. The authorities continued restricting spending based on available revenue by prioritizing wage payments, rents and scholarships, and security spending while reducing capital expenditures and delaying all non-priority spending.

Mali: Tax Revenue
(Percent of GDP)

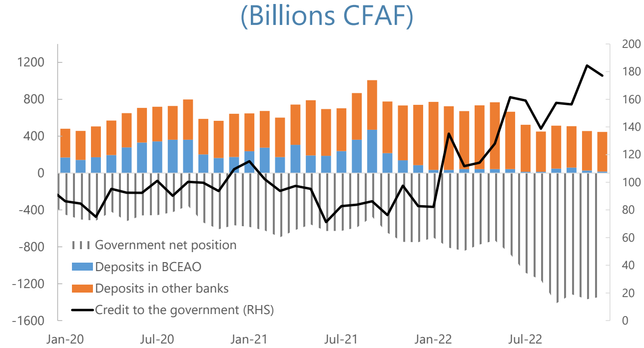


Mali: Government Spending
(Percent of GDP)



- ***Deficit and financing.*** Preliminary execution data point to a fiscal deficit of 2 percent of GDP in the first half of 2022, financed mainly by government deposits in the public banks and bank credit. Restricted spending helped keep the deficit below the 2022 semi-annual deficit target of 2½ percent of GDP. Despite the freeze in all transactions with the banking system, the government secured the cooperation of the public banks, where it was holding about 7 percent of GDP in deposits after it transferred almost all its holdings from the BCEAO just before the sanctions were imposed.

Mali: Central Government's Position in the Banking System
(Billions CFAF)



Source: BCEAO, staff calculations

- ***Public debt service.*** Due to the cut-off from their treasury single account at the BCEAO and from the financial and payments markets, the authorities were forced to default on all external bond payments at end-January 2022, including to regional bondholders, the World Bank and other external creditors.[2] By June 2022, the authorities accumulated debt arrears of about 3 percent of GDP, of which about 0.5 percent of GDP were to the external creditors and the rest to the regional and domestic bondholders as well as suppliers. The government made significant efforts to repay arrears to external creditors and regional

[2] The June 2022 ECF repayments amounting to SDR 3.1 million have been repaid. The repayments to the Fund were done automatically by debiting Mali's SDR holding account.

bondholders when sanctions were lifted. As a result, Mali was able to return to the regional bond market with large issuances and its long-term issuer outlook was revised from negative to stable in September. Domestic arrears, however, may still be an issue, although authorities have indicated plans of repayment.

B. Russia's War in Ukraine (February 2022-present)

3. Russia's war in Ukraine led to a surge in food, fertilizer, and crude oil prices in 2022 and to lower availability of supplies. Sanctions on Russian and Belorussian energy and fertilizer exports and the blockade of grain exports from Ukraine led to global supply concerns as countries had to simultaneously find alternative suppliers, causing a surge in oil, food and fertilizer prices (Figure A3.1 panel 1). Mali was heavily affected, as roughly one-third of Mali's wheat imports come from Russia and Ukraine, and one quarter of its fertilizers are from Russia and Belarus—leading to a significant drop in fertilizer and food imports, from close to 1 percent of GDP in 2020-21 to 0.5 percent (annualized) in 2022 (Figure A3.1 panel 2).

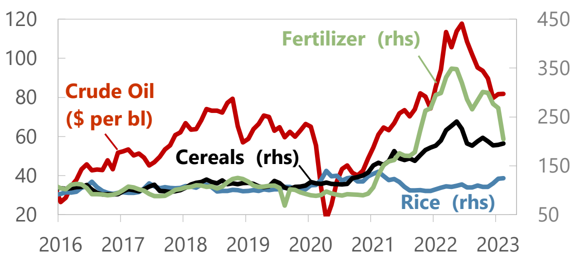
4. This came at a time when Mali was already suffering from rising food insecurity and increasing undernourishment. Mali is classified as a country with severe food insecurity. The prevalence of undernourishment has risen from a low of 3.1 percent of the population in 2018 to 9.8 percent in 2021 and is likely to have risen further in 2022 (Figure A3.1, panel 4). Between June and August 2022, about 1.8 million people (8 percent of the population) were estimated to be in 'crisis' according to the Integrated Food Security Phase Classification, including 156,000 in 'emergency,' due to worsening internal conflicts, weather shocks, reduced cereal production in 2021 and high food prices.

5. Restricted access to fertilizer did not have as large an impact as initially feared. Fertilizer shortages were expected to weigh heavily on Mali's agricultural output in 2022. However, the impact was mitigated by running down existing stocks of fertilizer. This was one reason why GDP growth proved more resilient than initially expected. Nevertheless, rising input prices may have an impact on the rebuilding of fertilizer stocks for the next planting season, which could affect growth in 2023.

Annex III. Figure 1. Mali: Food, Fuel and Fertilizer Vulnerabilities

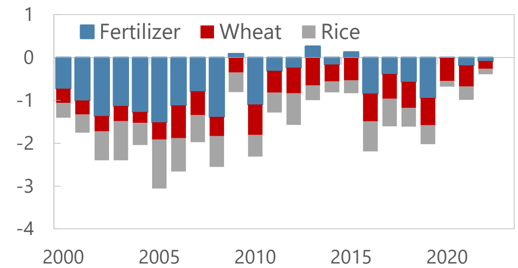
Global food, fertilizer and crude oil prices have risen substantially since 2020…

Global Commodity and Fertilizer Prices
(US$ per barrel and index, 2016=100)



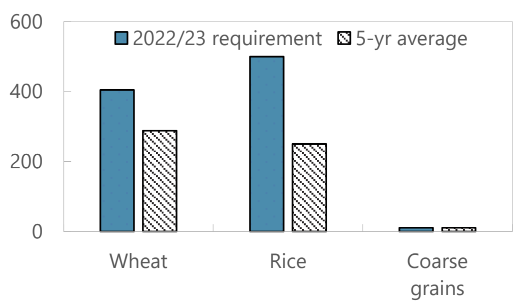
…and, together with ECOWAS sanctions, led to sharp drops in food and fertilizer imports in the first half of 2022.

Net Imports
(percent of GDP)



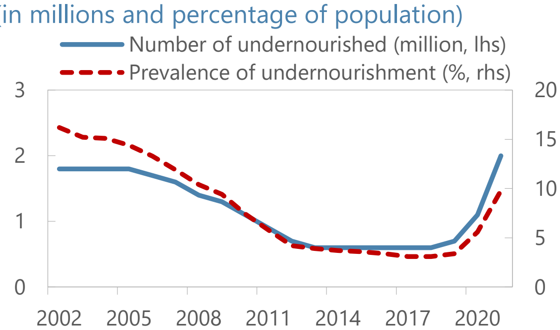
This comes amid heightened import needs for wheat and rice …

Import Requirements for Foods
(1,000 tons)



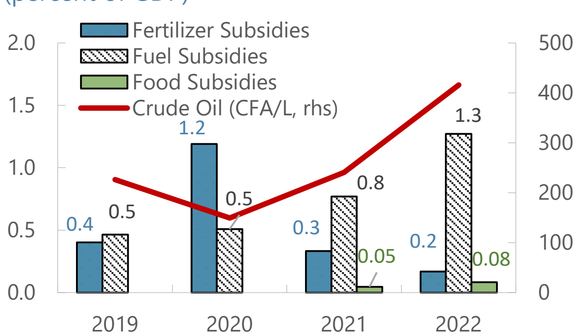
… to combat rising food insecurity, as undernourishment has been back on an upward trend.

Undernourishment
(in millions and percentage of population)



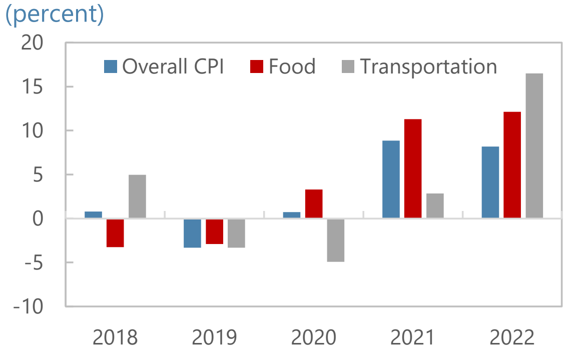
This has put pressure on the government to raise some subsidies…

Government Subsidies and Crude Oil Prices
(percent of GDP)



…as heightened food and oil prices added to inflationary pressures.

Headline, Food and Transportation Inflation
(percent)



Source: Mali Statistics Office, Mali Ministry of Finance, FAO, IMF Primary Commodity Price System; WEO, IMF Staff Computations

Note: ᵉ extrapolated value for 2022 based on data until July.

Annex IV. External Sector Assessment

Overall Assessment: *The external position of Mali in 2021 was moderately weaker than the level consistent with medium-term fundamentals and desirable policies. The 7.5 percent current account deficit can be attributed to a reduction in gold exports, an increase in capital goods imports, and higher government expenditures. Preliminary data for 2022 suggest an improvement in the current account, owing to higher gold exports and lower capital goods imports. However, the 2022 sanctions and the tightening of financial conditions in the global and regional markets have also led to a sharp decline in portfolio flows. This results in a sizable financing gap that is filled by drawdowns of pooled reserves at the WAEMU level. In the medium term, the current account deficit is projected to narrow to 3-4 percent of GDP, close to levels consistent with fundamentals. Models for assessing external sector sustainability indicate a significant misalignment of the exchange rate relative to the fundamental level (although staff does not consider the use of exchange rate models appropriate for Mali given the currency union context). The level of (monetary union-wide) reserves is borderline within the range suggested by the Fund's reserve adequacy metrics.*

Potential Policy Responses: *While these findings suggest that further policy action may not be needed, the baseline assumes that the authorities reduce the fiscal deficit to the WAEMU deficit ceiling and resolve security issues and political uncertainty to ensure growth in the mining sector and have adequate financing from the regional bond markets.*

Current Account

Background. Mali's current account deficit has been volatile in the past three years: it narrowed from 7.5 percent of GDP in 2019 to 2.2 percent in 2020 before widening back to 7.5 percent in 2021. Figure 1 shows the evolution of the current account deficit and its major components since 2016, where 2022 data remain preliminary. The narrowing of the deficit in 2020 was largely driven by a significant increase in gold price, which materially boosted gold exports. The deficit increased substantially in 2021 as the gold price declined and the lifting of the ECOWAS sanctions from 2020 resulted in higher capital goods imports, partly driven by higher government expenditures. Preliminary data for 2022 suggest a mild improvement in the current account, from -7.5 percent to -6.9 percent, as the prominent factors – goods exports and capital goods imports – driving the widening of the deficit in 2021, normalized. Note that the effects of these two favorable factors more than offset the significant increase in petroleum prices that resulted in much higher petroleum imports in 2022.

Assessment. The Fund's EBA-lite current account (CA) model suggests Mali's current account deficit is moderately larger than can be explained by fundamentals. Given the lifting of 2020 ECOWAS sanctions, staff assumes an additional temporary factor of -2 percentage points of GDP to account for the pent-up demand for capital goods imports in 2021. Despite this adjustment, EBA-lite estimates point to a CA gap of –1.7 percent of GDP (Table 1) and that a depreciation of 8 percent would be required to close the gap. This result is consistent with the assessment at the WAEMU currency union-wide level, which also finds an exchange rate overvaluation (albeit to a lesser extent, of around 2.9 percent, due to a smaller CA gap at the union level).[1] The precise result for Mali should be treated with caution, however, given that gold accounts for 80 percent of Mali's total exports and is not sensitive to exchange rate changes.

Staff expect the current account deficit will decline to around 3-4 percent in the medium term, based on a number of reasons:

- The elevated gold price projected over the medium-term will benefit gold export performance.
- The normalization of fuel prices projected over the medium term will significantly reduce the overall import bill.
- Lithium exports are expected to pick up over the medium term and offset somewhat the projected decline in gold production.
- Official grants, which have declined significantly in 2020-21, are projected to recover after elections are held in 2024.
- A gradual convergence to the WAEMU fiscal deficit target by 2026 (which would require an almost 2 percentage point of GDP adjustment relative to 2022) would also alleviate external sector pressure from lower imports and lower debt servicing costs by reducing the need for the authorities to seek expensive financing in the regional market.

Real Exchange Rate

Background: The CFAF depreciated by 2.2 percent in real effective terms over 2015 to 2022 despite nominal appreciation during the period, largely driven by an appreciation of the Euro. The stable real effective exchange rate reflects relatively low inflation in Mali compared with its trading partners.
Assessment: The fund's equilibrium exchange rate model finds a 11.3 percent undervaluation of the real exchange rate (Table 1). This result is consistent with the assessment at the WAEMU-wide level, which finds a 5.6 percent exchange rate undervaluation. Note, however, that for both cases, the results under the REER model are in contrast to the estimates obtained using the EBA-Lite CA model, which suggests an overvaluation. Since Mali is part of a currency union, the REER results may also reflect region-wide economic conditions, and therefore the results from the CA model, discussed in the previous section, may be more reliable.

Capital and Financial Accounts: Flows and Policy Measures

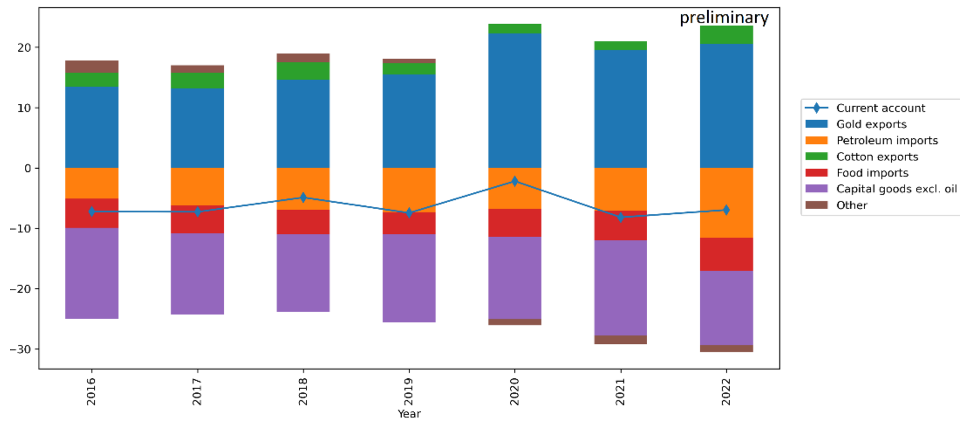
Background: In 2021, net capital inflows increased to 7.7 percent of GDP, from 3.7 percent of GDP in 2020, mostly driven by an increase in portfolio investment (1.7 percent of GDP).[2] The rebound in portfolio investment, consisting of official bonds financed from the regional market, follows the lifting of the 2020 ECOWAS sanctions related to the coup in that year, which hindered goods and capital flows. Mirroring the revival of the portfolio flows is an increase in imports of capital goods such as machines, vehicles, and construction materials in 2021, amounting to CFAF 144 billion. For 2022, preliminary data suggest a significant reduction in portfolio investment, on the back of the 2022 sanctions and amid the severe tightening of financial conditions in the global and regional markets. This resulted in a sizable financing gap that is assumed to be filled by withdrawals of pooled reserves at the WAEMU level. Due to the tightening of global financial conditions, the liquidity issue in the regional market is likely to persist in 2023.
Assessment: The current liquidity problem in the regional securities market could pose a risk to the sustainability of Mali's current account deficit by affecting the country's access to financing.

Any financing gap is currently assumed to be filled by the drawing down of pooled reserves at the WAEMU level. However, to the extent that other member states in the currency union also experience similar problems, the continued utilization of pooled reserves may become more challenging. Anticipating the tighter liquidity conditions in 2023, the Malian government should work actively on reducing the fiscal deficit as well as securing financing sources other than the regional market. External arrears, especially those to IFIs, resulting from the 2022 sanctions should be cleared in a timely manner. Resolving security issues and restoring fiscal discipline will all help to reduce political and policy uncertainties that will help rebuild investor confidence, which is key to attract financing.
FX Intervention and Reserves Level [3]
Background: The quantity of WAEMU pooled reserves was around CFAF 14 trillion at the end of 2021, having increased slightly from CFAF 11.7 trillion a year earlier. This is equivalent to 5.6 months of 2022 prospective imports, or 79.3 percent of the BCEAO's sight liabilities. As of December 2022, foreign reserves have fallen to CFAF 11.4 trillion according to preliminary data, roughly equivalent to 4.5 months of projected imports or 63.2 percent of the BCEAO's sight liabilities. **Assessment:** According to WAEMU's Staff Report on Common Policies for Member Countries, the level of reserves at end-2022 (4.5 months of imports) as well as the medium-term projection at end-2027 (4.6 months) are assessed as being adequate, although the numbers are notably at the lower end of the range
Authorities' Views
The authorities agreed with the broad conclusions of the external sector analysis. Significant differences were highlighted on the medium-term projections of the current account, with staff projecting a smaller deficit, mainly due to different assumptions on the path of gold prices. The authorities agreed to use updated assumptions for their medium-term projections. The authorities also acknowledged the current challenge posed by tighter liquidity conditions in the regional securities market. The BCEAO insisted on its commitment to lend continued support to all member countries should further liquidity need arise. In addition, the authorities are also working on alternative financing sources, including loan syndication and reliance on more bilateral sources. They also acknowledged fiscal consolidation as another solution to alleviate the pressure on the external sector.
[1] The assessment of the union-wide external position is discussed in the 2022 WAEMU Staff Report on Common Policies for Member Countries. [2] China's Ganfeng paid $130 million for a stake in a Malian lithium mine in 2021. [3] See Annex III in WAEMU's Staff Report on Common Policies for Member Countries (Series ID SM/23/23).

Annex IV. Figure 1. Mali: External Sector Developments

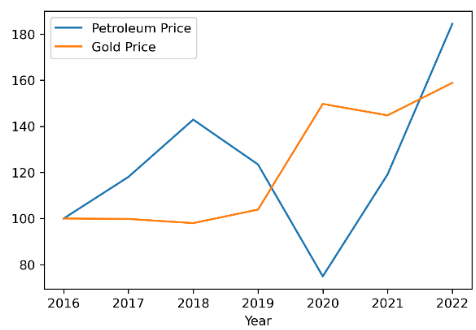
Mali's current account deficit has been volatile in the past three years and increased to 7.5 percent of GDP in 2021.

Current Account Deficit and Trade Flows of Major Goods
(percent of GDP)



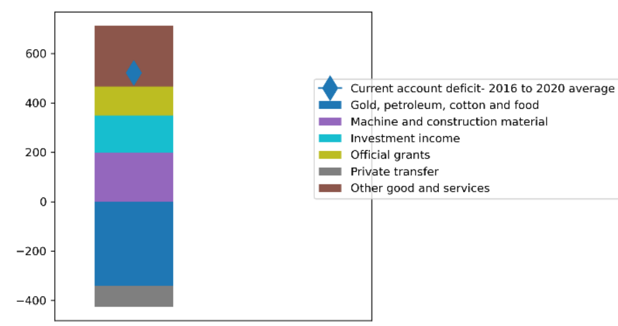
The last three years partly reflect gold and oil price shocks…

Gold and Petroleum Prices
(Index, 2016 = 100)



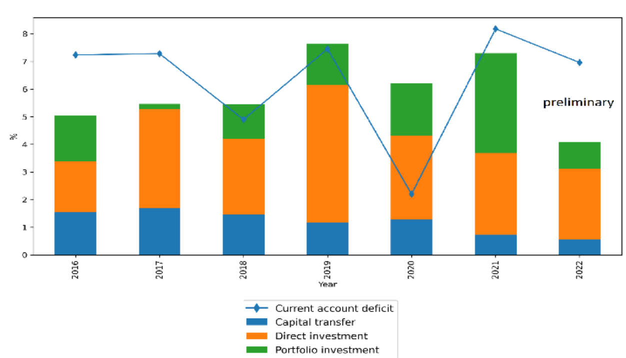
…which also appear to drive the current account in the medium term.

Current Account Deficit and Components
(2021, relative to 2016-2020 average, billion CFAF)



Official portfolio investment increased, before dropping significantly in 2022.

Current Account Deficit and Capital Account Flows
(percent of GDP)



Models suggest a wide gap relative to fundamentals.

Model Estimates for 2021
(percent of GDP)

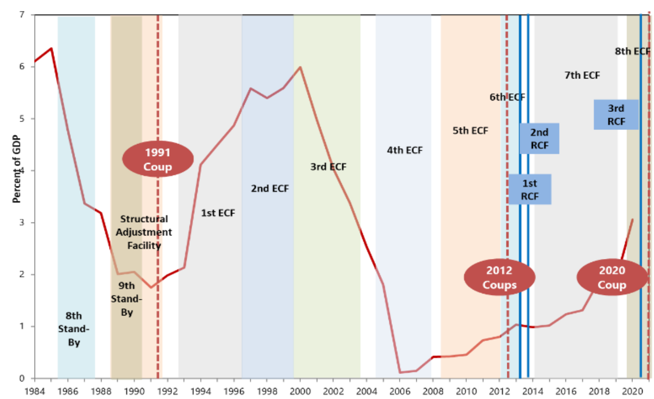
	CA model 1/	**REER model** 1/
	(in percent of GDP)	
CA-Actual	**-7.5**	
Cyclical contributions (from model) (-)	1.0	
COVID-19 adjustor (-) 2/	0.0	
Additional temporary/statistical factor	-2.0	
Natural disasters and conflicts (-)	0.5	
Adjusted CA	**-6.9**	
CA Norm (from model) 3/	**-5.2**	
Adjustments to the norm (-)	0.0	
Adjusted CA Norm	**-5.2**	
CA Gap	**-1.7**	**2.4**
o/w Relative policy gap	2.0	
Elasticity	-0.22	
REER Gap (in percent)	**8.0**	**-11.3**

1/ Based on the EBA-lite 3.0 methodology
2/ Additional cyclical adjustment to account for the temporary impact of the pandemic on tourism and remittances.
3/ Cyclically adjusted, including multilateral consistency adjustments.

Annex V. Fund Engagement and Performance Under the 2019–20 ECF

1. Mali has had a close engagement with the Fund since its independence in 1960, with 18 programs (chart). The underlying objective of these programs has been to help the authorities sustain economic and financial stability, strengthen public finance institutions, and support structural reforms (for example, electricity sector reform). These programs have been supported by modest financing—they averaged 0.6 percent of GDP since 2002, compared to an average size of similar programs (ECFs) of 2.1 percent of GDP across the Fund membership.

Mali: Fund Program Involvement and Credit Outstanding



A. Recent Fund Engagement

2. The Fund engagement during 2019-2022 was shaped by political crises and the COVID-19 pandemic.

- ***Extended Credit Facility (ECF).*** A three-year ECF (75 percent of quota) was approved in August 2019. The second and third reviews were completed on February 22, 2021, bringing total disbursements under the ECF arrangement to the equivalent of SDR 80 million (about US$110 million, or 0.6 percent of 2019 GDP). The ECF-supported reforms were interrupted by coups in August 2020 and May 2021, and by ECOWAS sanctions imposed in January 2022. The program expired in August 2022.
- ***Rapid Credit Facility*** *(RCF).* As part of the Fund's response to the COVID-19 pandemic the Board approved a disbursement under the RCF of around SDR 147 million (about US$200 million, or just over 1 percent of 2020 GDP) on April 30, 2020.
- ***Catastrophe Containment Relief Trust*** *(CCRT).* Mali benefited from all five tranches of debt service relief under the CCRT for a total of SDR 30 million (around US$40 million, 0.2 percent of 2020 GDP) covering the two-year period from April 14, 2020 to April 13, 2022.
- ***SDR allocation.*** Mali received just under SDR 180 million (around 1.3 percent of GDP) as a part of the 2021 general SDR allocation approved by the IMF Board of Governors to boost global liquidity. The regional WAEMU central bank (BCEAO) received the funds and on-lent them to the Malian government in CFAF, who used it to finance the fiscal deficit.

3. **The 2019-2022 ECF arrangement was initially designed to support the authorities' development strategy (CREDD) for strong and inclusive growth through job creation, economic diversification, and greater resilience.** The main policy focus in the short term was to increase revenue collection to allow for priority development spending and to reform the energy sector. Over the medium term, the ECF's key goals focused on: (i) expanding fiscal space for productive investment and priority social spending, while adhering to the WAEMU fiscal deficit convergence criteria; (ii) strengthening the business environment; (iii) improving governance and combatting corruption, and (iv) sustaining capacity development.

4. **The pandemic, irregular changes in government in 2020-21 and the sanctions in 2022 disrupted program engagement on several occasions and made the achievement of program objectives more difficult.** The first interruption came as a result of the COVID-19 pandemic and the difficulties in engagement while travel and other restrictions were put in place. The next rounds of disruptions came following the irregular changes in governments in August 2020 and May 2021, when the military that came to power formed transitional governments charged with delivering elections. In both cases, there was a period of uncertainty about government recognition, where developments were unfolding in a fluid manner and where the views of the international community had not been formed. Staff proceeded cautiously initially but continued low-key engagement on capacity development that had already been initiated. Subsequently, more engagement with the governments was resumed, including through capacity development in new areas of support. In between the two irregular changes in government, program discussions took place, and the Board concluded the second and third reviews of the ECF in February 2021. Finally, the ECOWAS sanctions interrupted program engagement for six months during January-July 2022 (almost until its expiration in August 2022), because of the forced accumulation of arrears to external creditors and the uncertainty around debt sustainability created by the sanctions under a baseline scenario of a freeze in government deposits.

5. **Despite the completion of the last (third) review in February 2021 and the political turmoil since, the authorities made a strong effort to maintain fiscal discipline and continued to make some progress on the structural front:**

- **All but one of the *fiscal performance criteria* were estimated to have been met for what would have been the fourth, fifth and sixth reviews of the program (covering end-2020 to end-2021).** Notably, the overall fiscal deficit narrowed to 4.8 percent of GDP in 2021, below the program's ceiling of 5½ percent, albeit due to slower investment execution.
- **On the *structural reform* front, the authorities completed half of the outstanding 14 structural benchmarks, including on the RCF-related transparency commitments, the introduction of commitment plans in all ministries, and extending e-filing and e-payment of taxes to all large enterprises.** Support for governance and wage bill policy reforms has been more difficult to mobilize in the context of the fragile political environment.

Annex V. Figure 1. Mali: Structural Benchmarks, 2019–22

Mali: Quantitative Performance Criteria and Indicative Targets, 2019-2022

	2019		2020		2021	
	Sept.*	Dec.*	Jun.*	Dec.	Jun.	Dec.
Performance criteria						
Ceiling on net domestic financing	Met	Met	Not Met	Met	Met	Not Met
Ceiling on new external government debt	Met	Met	Met	Met	Met	Met
Ceiling on the overall fiscal deficit (commitment basis)	Met	Met	Not Met	Met	Met	Met
Floor on net tax revenue	Met	Met	Not Met	Met	Met	Met
Continuous performance criteria						
Ceiling on external payments arrears (zero)	Met	Not Met	Not Met	Met	Met	Met
Ceiling on domestic payments arrears (zero)	Not Met	Not Met	Not Met	Met	…	…
Indicative target						
Floor on priority social and development spending	Not Met	Not Met	Met	Met	Met	Met
Ceiling on domestic payments arrears (zero)	…	…	…	…	Met	Missing data

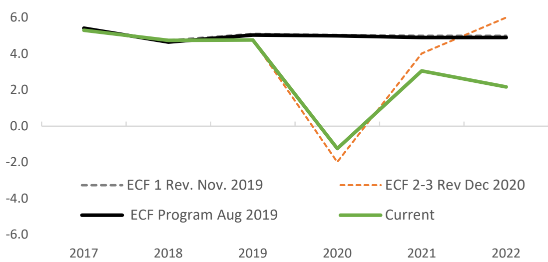
Sources: Malian authorities; and IMF staff calculations.
Symbols: "…" means not applicable ; Met; Not Met; Missing data.
* Complete reviews.

	Original Program Date	Final Program Date	Status / Comments
Fiscal Policy			
• All new tax exemptions or tax rate changes to be approved by parliament		*Continuous*	*Not met*
• Conduct a comprehensive review of tax expenditures		30-Jun-21	*Met*
• Undertake a comprehensive study of the wage-setting policies		30-Jun-21	*Not met*
Revenue Mobilization			
• Sign a contract with a reputable provider for color tracing of exempt fuels		31-Mar-21	*In progress as of August 2022 when ECF ended*
• Extend e-filing and e-payment of taxes to all large enterprises		30-Jun-21	*Met*
• Open access to e-payments platform to other banks		31-Dec-21	*In progress as of August 2022 when ECF ended*
• Introduce the electronic acceptance of air waybills in ASYCUDA WORLD and eliminate non-electronic acceptance	31-Dec-19	31-Dec-21	*Met*
Public Financial Management			
• A circular letter by MEF to require subsidized SOEs to bring their procurement rules in line with the procurement code, strengthen MEF control over procurement practices and strengthen reporting		28-Feb-21	*Met*
• Decision by the Cabinet of Ministers to setup and modalities of a unit for monitoring SOEs		30-Jun-21	*Met*
• Enable electronic payments through the interconnection of STAR module (Automated Transfer and Settlement System) and the WAEMU Interbank Clearing System (SICA), dedicated to the integrated application of public accounting (AICE2)	31-Mar-20	30-Jun-21	*In progress as of August 2022 when ECF ended*
• Implement automatic data sharing between the Treasury and the revenue collecting agencies		30-Sep-21	*In progress as of August 2022 when ECF ended*
• Introduce commitment plans in all ministries		31-Dec-21	*Met*
Governance			
• Provide for government approval of the revised draft Law on the Prevention and Suppression of Illicit Enrichment (Law No. 2014-015) to clarify and extend the scope of those subject to asset declaration	31-Mar-20	31-Mar-21	*In progress as of August 2022 when ECF ended*
• Publication of documentation on large public procurement projects related to COVID-19 and the names of the companies and their owners (beneficial owners) that were issued contracts		31-May-21	*In progress as of August 2022 when ECF ended*
• Publish results of the independent third party audit of COVID-19 related spending		30-Jul-21	*Met*

Annex V. Figure 2. Mali: Performance Under the 2019-2022 ECF-Supported Program

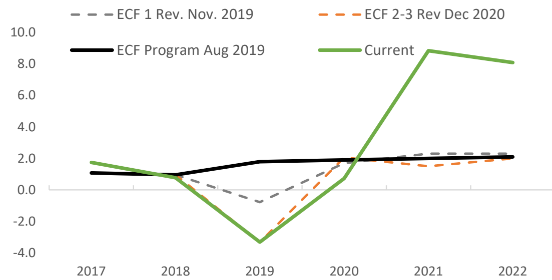
Despite a good start, economic growth was hit by the COVID-19 pandemic, political turmoil, ECOWAS sanctions and Russia's war in Ukraine …

Real GDP Growth
(percent)



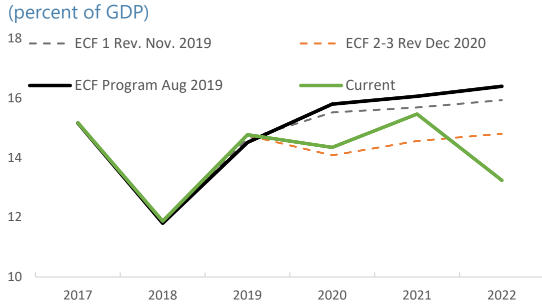
Inflation accelerated significantly, driven by higher food and energy prices as well as trade disruptions…

CPI Inflation
(end-of-period, percent)



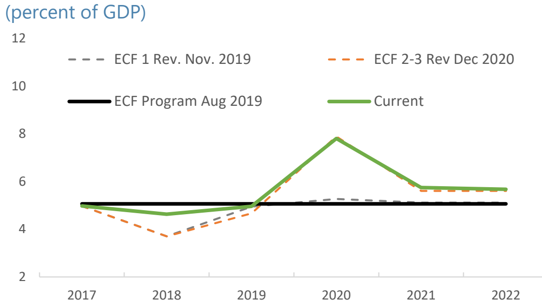
Economic recession and supportive tax measures resulted in lower tax revenues…

Tax Revenue
(percent of GDP)



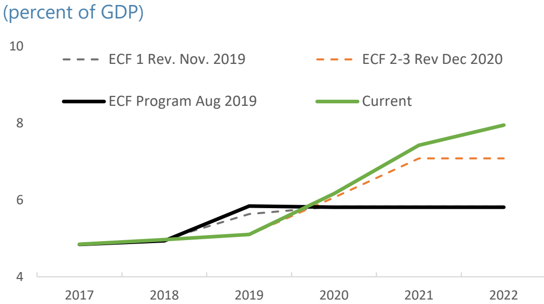
… while authorities scaled up social spending to support those most vulnerable

Priority Social Spending
(percent of GDP)



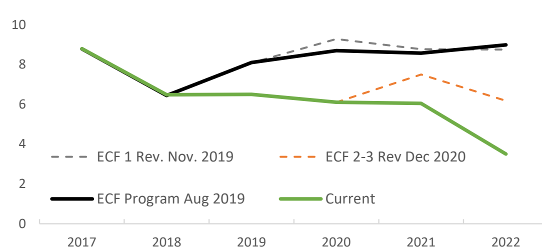
Higher spending included an increase in the wage bill to address the long-standing demands for higher wages among teachers and the unification of the wage bill for all civil servants.

Wage Bill
(percent of GDP)



Capital spending was reduced to meet the fiscal targets in the face of other pressures on the public finances.

Capital Expenditure
(percent of GDP)

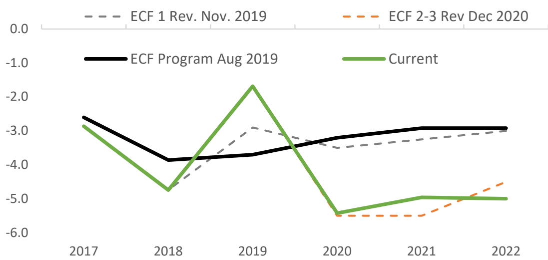


Source: Malian authorities, staff calculations and estimates

Annex V. Figure 3. Mali: Performance Under the 2019–2022 ECF-Supported Program (continued)

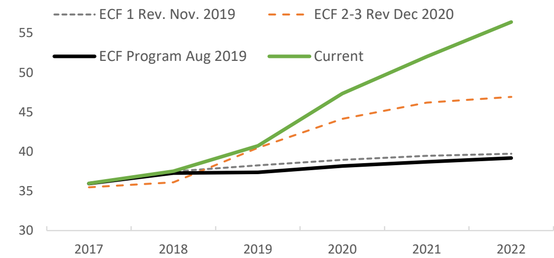
Lower tax revenues and higher spending have resulted in larger deficits…

Fiscal Balance
(percent of GDP)



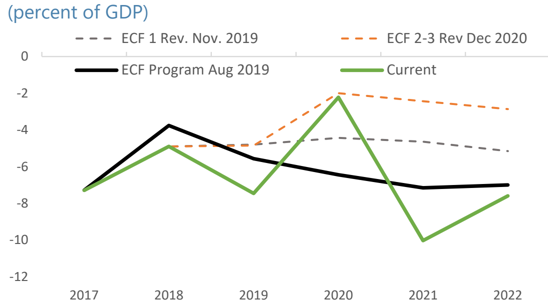
… and a higher public debt ratio

Public Debt
(percent of GDP)



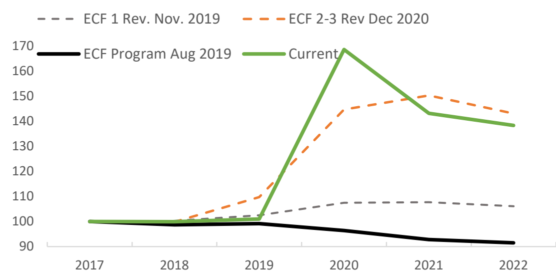
The current account has been more volatile …

Current Account
(percent of GDP)



…which partly reflects the high volatility in the terms of trade.

Terms of Trade
(index, 2017=100)



Source: Malian authorities, staff calculations and estimates

Annex VI. Risk Assessment Matrix

Source of Risk	Relative Likelihood	Expected Impact if Realized / Time Horizon	Policies to Mitigate Risks
		Global Risks / Conjunctural Shocks	
• **Intensification of regional conflict(s).** Escalation of Russia's war in Ukraine or other regional conflicts and resulting economic sanctions disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, refugee flows, FDI and financial flows, and payment systems.	**High**	**Medium** Further sanctions on Russia/Belorussia could lead to supply shortages for fertilizer but is likely to have less of an impact on agricultural imports. Higher commodity prices could raise consumer price inflation.	• Targeted social measures • Create fiscal space to scale up social spending • Continue structural reforms to diversify the economy and remove constraints to growth • Bolster trade links with alternative suppliers
• **Commodity price volatility.** A succession of supply disruptions (e.g., due to conflicts and export restrictions) and demand fluctuations (e.g., reflecting China reopening) causes recurrent commodity price volatility, external and fiscal pressures, and social and economic instability.	**Medium**	**High** The effect on Mali will depend on the size and direction of any changes in different commodity prices. Higher food and energy commodity prices could cause social and economic tensions by raising Mali's food and energy imports bill, for example. Any volatility would potentially raise uncertainty, which could weigh on capital investment.	• Create fiscal space to scale up social spending • Targeted social measures • Raise domestic food supply and request aid from international partners for food/energy needs • Review principles of the fiscal regime for mining taxation • Enhance resilience against commodity price shocks by updating revenue projections in multi-year fiscal framework
• **Monetary policy miscalibration.** Amid high economic uncertainty and volatility, major central banks slow monetary policy tightening or pivot to loosen monetary policy stance prematurely, de-anchoring inflation expectations and triggering a wage-price spiral in tight labor markets .	**Medium**	**Medium** Supply shocks could cause core and headline inflation to spike and lead to a further wage-price spiral, especially in the public sector. In addition, tighter global monetary policy could put downward pressure on gold prices, reduce gold production, investment and export revenues. Cotton prices may also fall in response to global recession.	• Create fiscal space for priority spending through revenue mobilization and gradual cuts in non-targeted subsidies, while protecting growth-enhancing capital spending as much as possible • Avoid real increases in the public sector wage bill • Longer term, diversify economy away from mining and the narrow agricultural base
• **Abrupt global slowdown or recession.** Global and idiosyncratic risk factors combine to cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and markets fragmentation. • **EMDEs:** A new bout of global financial tightening, possibly combined with volatile commodity prices, leads to spiking risk premia, debt distress, widening of external imbalances, fiscal pressures, and sudden stops.	**Medium**	**High** Mali will be negatively affected by lower gold and cotton prices, accounting for over 85 percent of its exports. A spike in risk premia on EMDE debt could lead to sovereign debt distress as the DSA already points to limited space to absorb shocks.	• Create fiscal buffers to absorb risk premia shocks • Enhance resilience against commodity price shocks by updating revenue projections in multi-year fiscal framework • Raise domestic food supply and request aid from international partners for food/energy needs

Source of Risk	Relative Likelihood	Expected Impact if Realized / Time Horizon	Policies to Mitigate Risks
Global Structural risks			
• **Extreme climate events.** Extreme climate events cause more severe than expected damage to infrastructure (especially in smaller vulnerable economies) and loss of human lives and livelihoods, amplifying supply chain disruptions and inflationary pressures, causing water and food shortages, and reducing growth.	**Medium**	**Medium** Extreme drought or rainfall could adversely affect food production and livelihoods, particularly given that a large share of Mali's agriculture is for self-sustenance.	• Build resilience to climate change in agriculture • Longer term, broaden the economic base and expand non-agricultural activities
Domestic/Regional Risks			
• **Significant deterioration of security situation.** An increase in terrorist attacks across the country and a rise in the internally displaced population.	**High**	**High** A deterioration in the security situation would be expected to lead to a rise in military spending, crowding out developmental priorities. Internal refugee flows would put emergency aid procedures under strain.	• Restore collaboration with international security forces and aid organizations • Adhere to 2015 decentralization agreement with shared responsibilities
• **Risks of socio-political instability.** Any delay in the return to democratic rule beyond February 2024 could lead to new ECOWAS sanctions. Non-adherence to the 2015 agreement for decentralization could spark regional tensions in the north and central regions.	**Medium/ High**	**High** New sanctions may constrain imports and freeze financial transactions, leading to heightened food insecurity and poverty.	• Adhere to agreed timetable for return to democratic rule • Adhere to 2015 decentralization agreement with shared responsibilities

The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path as of February 2023. The relative likelihood 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. The conjunctural shocks and global/domestic risks scenario highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain present over a longer horizon.

Annex VII. Alternative Economic Scenario

Mali's economic outlook faces considerable downside risks. A deterioration in the security situation and geopolitical tensions could culminate in the delay of the February 2024 elections, new international sanctions, and a failure of IFI budget support to resume in 2025. The materialization of these risks would negatively impact growth, lead to lower than planned government spending and investment, and adversely impact Mali's external position. Fiscal deficits would remain in a 5-6 percent range and the inability to access regional markets would result in a financing gap. Debt would also enter into unsustainable territory due to the presence of protracted debt arrears.

1. **The alternative scenario with materializing downside risks is broadly based on the characteristics of the 2022 economic and financial ECOWAS sanctions.** This scenario assumes delaying Presidential elections until 2025, which would trigger new international sanctions and ban access to external and regional financing markets (**Annex VII. Box 1**). The scenario assumptions include (i) border closures, (ii) the suspension of all trade and financial transactions except for essential consumer and medical goods, (iii) a freeze of all government assets at the WAEMU regional central bank and in all commercial banks, and (iv) suspension of all regional financial assistance. Sanctions would also trigger a halt in IFI engagement and financing, including deferring all project and budget support until after the elections.

Annex VII. Box 1. Mali: Adverse Scenario Assumptions

Real sector: Output Contraction and protracted recovery

- On the demand side, private consumption and investment will contract.
- On the supply side, there will be a deeper decline in the services and primary sectors.
- Inflation, especially food and energy, would pick up due to higher transportation barriers

Government accounts: Larger fiscal deficits, arrears and increase in public debt

- Lower tax revenues in 2024-25.
- No external budget or project support in 2024-25.
- Higher spending related to security.
- Delayed return to WAEMU deficit ceiling of 3 percent of GDP
- Public debt unsustainable due to external arrears

External position: Deterioration of 2024-25 current account balance

- Lower volume of cotton, gold, and other exports.
- Lower remittances.
- Lower volume of petroleum and other imports.

Banking sector: Deterioration in financial soundness

- Lower credit activity, liquidity pressures and increase in NPLs.

- ***In this downside scenario with protracted political transition, new economic and financial sanctions would weigh heavily on Mali's economy.*** External trade, inflows of remittances and foreign investment would all decline, also affecting domestic economic activity, including private consumption and investment, and in turn, further disrupt the performance in all sectors of the economy. Real GDP would grow by only 1.7 percent in 2024 instead of 5.1 percent and also in 2025, growth would remain below trend (Annex VII. Box 2). The current account would improve in a downside scenario due to import compression and because of the fall in incomes (and less import demand).

Annex VII. Box 2. Mali: Key Economic Indicators Under Alternative Scenarios, 2024–2025
(Percent of GDP)

		2024	2025
Real GDP	Adverse	1.7	3.5
	Baseline	*5.1*	*5.3*
Current account balance	Adverse	-4.8	-4.1
	Baseline	*-5.5*	*-3.4*
Government deficit	Adverse	-6.0	-5.0
	Baseline	*-4.3*	*-3.6*
Public debt	Adverse	59.0	60.3
	Baseline	*54.6*	*55.1*
Gross financing needs 1/	Adverse	14.3	14.7
	Baseline	*12.2*	*13.3*
Financing gap 2/	Adverse	-4.8	-4.8
	Baseline	*0.0*	*0.0*
External financing (net)	Adverse	-0.7	-0.7
	Baseline	*0.7*	*1.6*
Domestic financing (net)	Adverse	1.8	0.8
	Baseline	*3.5*	*1.9*

Source: IMF Staff Computations
1/ Gross financing needs are the sum of government deficit (accrual basis) and amortization, or the sum of domestic and external gross financing plus change in float and arrears 2/ Financing gap is the gap between domestic and external net financing and the overall government deficit (cash basis)

- **Mali would be cut off from access to regional and external financing.** Consequently, the authorities would face gross financing needs of more than 14 percent of GDP in 2024 and 2025, up from 12.2 and 13.3 percent in the baseline, and a net financing gap of 4.8 percent, up from zero in the baseline (Annex VII. Box 2). During the 2022 embargo, the financing sanctions also caused an inability to service regional and external debt due to frozen access to payment systems. Assuming a similar scope in financial sanctions, the authorities could accumulate about 6 percent of GDP in regional and external debt arrears.

- **The 2024-25 fiscal deficits would be higher than the baseline projection, making it unlikely to return to WAEMU's deficit ceiling of 3-percent by 2026.** Tax revenues would be hit harder through lower trade flows and taxpayer compliance and would likely see a dip of 2-3 percentage points.[1] Pressure on expenditures would increase to combat the economic fallout of the political turmoil—and due to increasing security concerns—as higher security spending and spending related to "buying social peace". The deficit could rise to 6 percent of GDP in 2024 and 5 percent in 2025, in absence of IFI project or budget support (Annex VII. Box 2). Fiscal policy would be reduced to liquidity management and much needed capital spending would be reduced to a minimum.
- **Public debt would become unsustainable** as there will be protracted domestic and external arrears, with debt-to-GDP reaching over 60 percent in 2025 (Annex VII. Box 2).

2. Should this adverse scenario materialize, fiscal policy would have to adapt to running basic government operations. To address the additional fiscal pressures from large revenue losses and growing spending needs amidst limited financing sources, the authorities would need to consider the following options:

- *On the expenditure side: additional prioritization of current spending may be considered, on a transparent basis and aiming to minimize the negative impact on long-term growth.* The authorities may also need to consider postponing new spending initiatives while support to vulnerable households would likely be reduced due to lack of financing for basic government operations.
- *On the revenue side:* while tax and customs administration reforms should continue, priority should be given to reforms that are more likely to close existing loopholes.
- *Structural reforms:* these would likely take a backseat, as the authorities would be in a "survival" mode. Efforts should focus on preventing reform reversals. Sanctions could prompt a backtracking of previous achievements due to cost-cutting or political reasons, including the expansion of the single treasury account or the use of digitalization tools to strengthen revenue and spending accountability and transparency.

3. The authorities would need to find alternative options to raise financing, including expanding the donor list. As financial needs under this scenario would be large, a prompt resumption in IFI financing would be critical. To ensure this, the authorities would have to swiftly come to an agreement on settlement of arrears, as a precondition.

[1] During the January-June 2022 sanctions regime, revenue dropped by 1 percentage points relative to projections.

Annex VIII. Capacity Development Strategy

1. **Capacity development priorities will need to be oriented towards maintaining macroeconomic stability** in a challenging context and with constrained external financing. The priorities can be classified into three main areas: (i) improving domestic revenue mobilization, (ii) improving efficiency of public expenditure, and (iii) improving quality of statistics. Addressing governance weaknesses also remains important in view of the Governance Diagnostic (see SIPs) and managing climate change risks should be part of Mali's medium-term CD priorities.

2. **Improving domestic revenue mobilization is essential for long-term fiscal sustainability** given the increasing financing needs and significant financing constraints. A long-standing program of technical assistance in this area should continue with support from the Revenue Mobilization Trust Fund:

- ***Developing revenue administration capacity* remains a priority that has the potential to bring significant benefits.** Some progress has been made in recent years by introducing e-filing and e-payment to large enterprises. Boosting digitalization further by extending opportunities for e-filling and e-payment and facilitating electronic receipts of customs declarations could be pursued. In addition to the large taxpayers' unit, a medium-size taxpayers' unit would allow the tax administration to customize services and enforcement and develop specific risk-based compliance strategies for this segment.
- ***Tax policy reforms.*** Tax expenditure continues to weigh heavily on revenues. An assessment of tax expenditures has been completed in 2021 and significant progress was achieved in measuring, reporting, and publishing tax expenditures. It will be important to build on this work and streamline tax expenditure, including VAT, income tax and customs duty exemptions. For the coherence of policy measures, developing a Medium-Term Revenue Strategy would be helpful for identifying future priorities and garnering political support.

3. **Improving the efficiency of public expenditure**. Progress has been made in recent years on expenditure and public financial management reform, despite the lack of continuity of IMF programs.

- ***Expenditure reforms.*** Given the growing share of the wage bill in the budget, the efficiency of public expenditure would be greatly enhanced by the reform of public wage policies. Should the authorities find the political will to begin reforms of the payroll, the Fund will stand ready to assist with a CD program and advise on the setting mechanism of public wages.
- ***Enhancing capacity to address weaknesses in public financial management.*** Cash management, with a focus on the treasury single account (TSA) has been one of the priorities in recent years. The sanctions imposed on Mali caused a setback for TSA reforms and the continuation will depend on the commitment of authorities. Strengthening commitment controls also remains a priority in order to control spending and prevent the accumulation of arrears. Building on the Public Investment Management Assessment (PIMA) prepared in 2021, public investment management could be improved, including appraisal, prioritization and

execution of projects. Finally, improving automatic data sharing between the Treasury and the revenue-collecting agencies would make the PFM system, especially budgeting, more efficient.

4. **Improving data quality for national accounts, fiscal and debt statistics.** Given the fragility of the country, there are still significant data availability and quality issues in national accounts and fiscal- and debt statistics, which complicates surveillance and program design.

- ***Improving real and external sectors statistics***. Continued technical assistance will be instrumental in rebasing national accounts, production of the quarterly national accounts data, and improving the methodology for the compilation of consumer price index statistics.
- ***Improving fiscal and debt statistics***. There are significant gaps in fiscal and debt statistics that hamper timely monitoring and correct reporting. These include debt flow-stock discrepancies, reliability and timely provision of external and domestic debt data, government position in the banking sector by level of government, classification and registration of public arrears and data on contingent liabilities.

5. **Among the priorities to improve financial integrity and governance, a key component is the improvement of measures related to Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT).** As of March 2023, Mali remains on the Financial Action Task Force (FATF) gray list of countries under increased monitoring. Addressing transparency and AML/CFT supervision in the mining sector would be especially urgent, given the sector's importance in the economy and its vulnerability to corruption and terrorism financing. Mali has demonstrated commitment to implementing the Action Plan agreed with the FATF, but authorities may need support in more complex areas of the Action Plan such as the preparation of a comprehensive risk assessment of money laundering/terrorism financing risks associated with legal persons, developing a risk-based approach to AML/CFT supervision and the implementation of UN terrorism financing sanctions. Removing the country from the gray list would be very beneficial for the improvement of the investment climate and business environment.

6. **Given the high exposure of Mali to climate change, an important medium-term priority would be to gradually build up capacity to manage the economic and fiscal fallout of climate shocks and develop climate adaptation and mitigation strategies**. This may include diagnostic tools such as the Climate-Public Investment Management Assessment or support debt management capacity in dealing with green debt instruments.

7. **Close cooperation with development partners and coordination of TA delivery across agencies** (World Bank, United Nations, African Development Bank, EU etc.) will be of utmost importance to avoid overlaps and deliver consistent advice without overburdening authorities.

INTERNATIONAL MONETARY FUND

MALI

May 9, 2023

STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By: Staff of the International Monetary Fund in Consultation with the World Bank

CONTENTS

RELATIONS WITH THE FUND

(As of February 28, 2023)

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

General Resources Account:

	SDR Million	%Quota
Quota	186.60	100.00
IMF's Holdings of Currency (Holdings Rate)	153.28	82.14
Reserve Tranche Position	33.33	17.86

SDR Department:

	SDR Million	%Quota
Net Cumulative Allocation	268.21	100.00
Holdings	272.03	101.42

Outstanding Purchases and Loans:

	SDR Million	%Quota
RCF Loans	147.67	79.14
ECF Arrangements	240.74	129.01

Latest Financial Commitments:

Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Aug 28, 2019	Aug 21, 2022	139.95	80.00
ECF	Dec 18, 2013	Dec 17, 2018	186.60	186.60
ECF	Dec 27, 2011	Jan 10, 2013	30.00	6.00

Outright Loans[1]:

Type	Date of Commitment	Date Drawn/Expired	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RCF	Apr 30, 2020	May 04, 2020	146.67	146.67
RCF	Jun 10, 2013	Jun 18, 2013	10.00	10.00
RCF	Jan 28, 2013	Feb 04, 2013	12.00	12.00

[1] Undrawn outright disbursements (RFI and RCF) expire automatically 60 days following the date of commitment, i.e. Board approval date.

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

	Forthcoming				
	2023	**2024**	**2025**	**2026**	**2027**
Principal	22.50	36.12	54.79	72.35	70.65
Charges/Interest	0.00	0.00	0.00	0.00	0.00
Total	22.50	36.12	54.79	72.36	70.66

Implementation of HIPC Initiative:

I. Commitment of HIPC assistance	**Original Framework**	**Enhanced Framework**	**Total**
Decision point date	Sep 1998	Sep 2000	
Assistance committed			
by all creditors (US$ Million)[3]	121	417	
Of which: IMF assistance (US$ million)	14	45.21	
(SDR equivalent in millions)	10.8	34.74	
Completion point date	Sep 2000	Mar 2003	
II. Disbursement of IMF assistance (SDR Million)			
Assistance disbursed to the member	10.8	34.74	45.54
Interim assistance	--	9.08	9.08
Completion point balance	10.8	25.66	36.46
Additional disbursement of interest income[4]	--	3.73	3.73
Total disbursements	**10.8**	**38.47**	**49.27**

Implementation of Multilateral Debt Relief Initiative (MDRI):

I. MDRI-eligible debt (SDR Million)[5]	75.07
Financed by: MDRI Trust	62.44
Remaining HIPC resources	12.63

II. Debt Relief by Facility (SDR Million)			
Delivery Date	**Eligible Debt**		
	GRA	**PRGT**	**Total**
January 2006	N/A	75.07	75.07

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

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

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

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

Implementation of Catastrophe Containment and Relief (CCR):

Date of Catastrophe	Board Decision Date	Amount Committed (SDR million)	Amount Disbursed (SDR million)
N/A	Apr 13, 2020	7.30	7.30
N/A	Oct 30, 2020	7.50	7.50
N/A	Apr 01, 2021	7.70	7.70
N/A	Oct 06, 2021	5.70	5.70
N/A	Dec 15, 2021	1.80	1.80

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

Decision point - point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decide on the amount of assistance to be committed.
Interim assistance - amount disbursed to a country during the period between decision and completion points, up to 20 percent annually and 60 percent in total of the assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances).
Completion point - point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 2 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

Safeguards Assessments:
The Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union (WAEMU). The latest assessment of the BCEAO was completed in 2018. The assessment found that the bank continued to have a robust control environment and broadly appropriate governance arrangements. Key recommendations from the previous assessment in 2013 have been implemented. The bank adopted International Financial Reporting Standards (IFRS) in 2015 and the selection criteria for the external auditors has been strengthened. The audited financial statements in the period since the last assessment have had unmodified (clean) audit opinions and are published on a timely basis. An update assessment of the BCEAO is currently in progress

Exchange Rate Arrangements:
Mali is a member of the West African Economic and Monetary Union (WAEMU). Effective January 1, 1999, the CFA franc was pegged to the Euro at a rate of CFAF 655.96 = EUR 1.

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

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

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

Article IV Consultations:

Mali's Article IV consultation cycle is governed by the provisions of the decision on consultation cycles, Decision No. 14747–(10/96) (9/28/2010), as amended. The Executive Board completed the last Article IV consultation (Country Report No. 18/141) on May 23, 2018.

TECHNICAL ASSISTANCE[6]

Purpose	Dates	Department
Improving data quality and frequency of balance of payment statistics	3 assistance missions between November-2018 and March 2022	Statistics
Debt management, including: - Debt recording, reporting and monitoring - Development of debt strategies - Debt Sustainability Analysis	11 assistance missions between February-2018 and February 2023	Monetary and Capital Markets
Governance assessment and follow-up of its recommendations	3 assistance mission between April-2021 and July 2022	Legal
Government Finance Statistics, Treasury and Accounting, including: - Improve the quality and coverage of Government Finance Statistics - Cash management and Treasury Single Account	12 assistance mission between April-2019 and February 2023	Fiscal Affairs
Macro-fiscal framework, Budget preparation and PFM: - Budget execution controls, commitment controls - Public investment management - Macro-fiscal forecast and identification of fiscal risks	24 assistance missions between February-2018 and February 2023	Fiscal Affairs
Improving the quality and frequency of national accounts	12 assistance missions between March-2018 and November 2022	Statistics
Revenue mobilization, including the improvement of revenue administration and tax- and customs policies.	25 assistance missions between April-2018 and February 2023	Fiscal Affairs
Tax policy	6 assistance missions between May 2018 and February 2023	Fiscal Affairs

Resident Representative

Mr. Ahmed Zorome has been the Fund Resident Representative in Bamako since October 2021.

[6] Since previous Article IV.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

- World Bank: https://www.worldbank.org/en/country/mali
- African Development Bank: https://www.afdb.org/en/countries/west-africa/mali
- Regional Technical Assistance Center for West Africa 1: https://www.afritacouest.org/ http://www.southafritac.org/

STATISTICAL ISSUES

Mali—Statistical Issues (As of February 28, 2023)
I. Assessment of Data Adequacy for Surveillance
General: Data provision has some shortcomings, but is broadly adequate for surveillance.
National Accounts: The National Institute of Statistics (*INSTAT*) released in August 2015 a new series of annual national accounts covering the period 1999-2013, in accordance with the *System of National Accounts 1993 (SNA93)* and adapted to certain characteristics specific to Mali. They are compiled on an annual basis. Quarterly national accounts have been implemented, with the support of AFRITAC West. Currently, a rebasing exercise is ongoing, aiming to overhaul and expand the coverage of value added. Full results, including historical series, are expected by end-2023.
Price Statistics: In concert with the other member countries of the West African Economic and Monetary Union (WAEMU), the INSTAT has been compiling and timely publishing a harmonized consumer price index (CPI) for Bamako on a monthly basis since early 1998. The harmonized CPI has been updated in 2010, with 2008 as the new reference year.
Government Finance Statistics: Broadly adequate. As part of the process of economic integration among the member countries of the WAEMU, the country has made significant progress in bringing its fiscal data in line with the common framework that has been developed with IMF technical assistance (the harmonized table of government financial operations – TOFE based on the *Government Finance Statistics Manual 1986*). However, further efforts are needed to improve the timeliness and coverage of the TOFE. Work is progressing with the assistance of STA, AFRITAC West and AFRISTAT to expand the coverage of the TOFE to public agencies and local governments, as well as to strengthen coverage of domestic financing items. Quarterly budget execution reports are posted on the Ministry of Finance website on a timely basis.
Monetary and Financial Statistics: WAEMU (BCEAO) MFS are broadly adequate and their institutional coverage is comprehensive. The dissemination of monthly monetary data from the BCEAO takes four to six weeks consistent with e-GDDS recommendations. Data are posted on the BCEAO website with a considerably longer lag. Accuracy is somewhat hampered by the use of 1990 sorting coefficients to estimate cross border amounts of banknotes among BCEAO countries, which in turn are used to estimate currency in circulation and to adjust the net foreign assets of each member country. Standardized Report Forms (in line with the *Monetary and Financial Statistical Manual*) are still not regularly used to report monetary data to the IMF.
Financial Sector Surveillance: Mali reports a basic set of financial soundness indicators on a quarterly basis, except for profitability indicators, which are provided on an annual basis.
External Sector Statistics: In December 1998, the responsibility for compiling and disseminating balance of payments statistics was formally assigned to the BCEAO by area-wide legislation adopted by the countries participating in the WAEMU. The BCEAO national agency finalizes the data toward mid-

November of the following year, and publishes immediately thereafter in the form of a brochure, which however are not sufficiently robust. In general, the external sector statistics in Mali exhibit serious deficiencies. Concepts and definitions used to compile the balance of payments statistics are in broad conformity with the guidelines presented in the fifth edition of the Balance of Payments Manual (BPM5). The adoption of BPM6 methodology was not required before 2013/2014, except for the recording of SDR allocations as debt liabilities. The Mali balance of payments metadata should also be updated. The BCEAO set up a sub-regional unit responsible for reconciling intra-WAEMU trade data, which is responsible for harmonizing the bilateral statistics of member states to eliminate asymmetries before these data on internal transactions in the Union are consolidated to prepare the WAEMU regional balance of payments. The corrections made are retroactive to national data and help to improve them. Balance of payments data remain weak in a number of key areas. Data on remittances, foreign direct investment, and portfolio flows are similarly weak. Several large in-kind projects are not captured in the balance of payments data properly. However, project aid that used to be classified as current transfers are now classified in the capital account. Data on international investment position is published in IFS and BOPSY up to 2007. A foreign private capital survey (FPC) from DFI called "PRC CPE" is underway as in all Franc Zone countries. However, foreign assets of the private non banking sector are not well covered in the financial accounts as the surveys of residents' foreign assets remain partial, and no use is made of an existing alternative source, e.g., BIS statistics. The April–May 2003 multi sector statistics mission found that the balance of payments compilation system is generally sound and encouraged the authorities to integrate banking settlement sources and disseminate the balance of payments within the recommended timeliness, as set by the GDDS. The first of these recommendations remains pending. Annual statistics on balance of payments are reported to STA on a regular basis, but with some delay. In May 2013, the BECAO published a new methodology guide for the elaboration of the balance of payments and the global external position for the WAEMU countries that is consistent with the sixth edition of the IMF BOP Manual. Mali BOP is currently presented according to this guide. Mali reports balance of payments and international investment position data according to the methodology of the sixth edition of the Balance of Payments and International Investment Position Statistics Manual (BPM6). The authorities have submitted 2013 balance of payments and IIP data for publication in the 2015 Balance of Payments Statistics Yearbook (BOPSY) and in the 2015 International Financial Statistics Yearbook (IFSY).

II. Data Standards and Quality	
Mali has been participating in the General Data Dissemination System (GDDS) (and its successor e-GDDS) since September 2001.	No data ROSC mission has been done in Mali.

Table 1. Mali: Common Indicators Required for Surveillance

	Date of latest observation	Date received	Frequency of data	Frequency of reporting	Frequency of publication
Exchange Rates	Current	Current	D	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	December 2022	March 2023	M	M	M
Reserve/Base Money	December 2022	March 2023	M	M	M
Broad Money	December 2022	March 2023	M	M	M
Central Bank Balance Sheet	December 2022	March 2023	M	M	M
Consolidated Balance Sheet of the Banking System	January 2023	March 2023	M	M	M
Interest Rates[2]	March 2023	April 2023	I	W	M
Consumer Price Index	March 2023	April 2023	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	December 2022	March 2023	M	Q	A
Stocks of Central Government and Central Government-Guaranteed Debt[4,5]	December 2022	March 2023	M	I	A
External Current Account Balance	2021	November 2022	A	A	A
Exports and Imports of Goods and Services	2021	November 2022	A	A	A
GDP/GNP	2022	March 2023	A, Q	A, Q	A, Q
Gross External Debt	December 2022	February 2023	A	A	A
International Investment Position[6]	2022	March 2023	A	A	A

[1]Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3]Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5]Including currency and maturity composition.

[6]Includes external gross financial asset and liability position vis-à-vis nonresidents.

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

INTERNATIONAL MONETARY FUND

MALI

STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS

May 9, 2023

Approved By
Montfort Mlachila and Boileau Yeyinou Loko (IMF) and Abebe Adugna and Manuela Francisco (IDA)

Prepared by the Staff of the International Monetary Fund and the International Development Association.

Mali: Joint Bank-Fund Staff Debt Sustainability Analysis	
Risk of external debt distress	*Moderate*
Overall risk of debt distress	*Moderate*
Granularity in the risk rating	*Limited space to absorb shocks*
Application of judgment	*Yes*

Mali's public debt remains at moderate risk of overall debt distress—unchanged from the 2021 debt sustainability analysis.[1] *However, vulnerabilities have increased. Public debt has increased rapidly over the past five years (by 14 percentage points to 50.4 percent of GDP in 2021) as well as relative to the 2021 DSA. Over the medium term, the public debt-to-GDP ratio is projected to reach around 60 percent. The mechanical risk rating of external debt distress is low. However, under a customized scenario where external debt is classified as quasi-residence-based, the two external debt service indicators persistently breach their thresholds for distress during the forecast horizon. Reflecting these breaches, judgment has been applied to the granularity of the risk rating to indicate limited space to absorb shocks. For overall debt, stress tests suggest that the present value (PV) of the public debt-to-GDP ratio exhibits a prolonged and substantial breach of its benchmark under a scenario of commodity price shocks. Furthermore, like other WAEMU countries, government spending not captured by the fiscal deficit has been contributing to the rise in Mali's public debt. A customized scenario with stock-flow adjustments, assuming that these 'below-the-line operations' continue (in line with historical averages), shows public debt rising above the threshold. To ensure debt sustainability in the future, stronger fiscal consolidation will be necessary. This includes limiting future borrowing to concessional terms to minimize interest costs, as well as resolving security and political issues. Finally, tighter financial conditions in the regional securities market pose significant risks to sustainability, requiring prudent cash management and clear and timely communication with creditors to carefully manage any liquidity shortfalls.*

[1] The DSA analysis reflects a debt carry capacity of Medium considering Mali's composite indicator index of 2.90, based on the IMF's October 2022 World Economic Outlook and the 2021 World Bank Country Policy and Institutional Assessment (CPIA).

PUBLIC DEBT COVERAGE

1. Mali's public debt covers the external and domestic obligations of the central government (Text Table 1 and 2). State and local government entities do not borrow directly on their own. A detailed breakdown of the debt of state-owned enterprises (SOE) is currently not available, but the liabilities are estimated to be large. Staff are therefore supporting authorities' efforts to broaden the coverage of public debt reporting to include the debt of SOEs and other public institutions.[2] Improvements in debt recording and reporting are critical. External debt is classified by currency denomination[3] due to data limitation, staff are not able to track the residency of holders of government securities. Rule of thumb estimates based on auction data suggests the amount of external debt as defined by creditor residency is likely to be significantly larger. The DSA model-based output about external debt sustainability should, therefore, be treated with more caution.

2. A contingent liability test with tailored magnitude of shocks is applied to reflect the potential impacts of additional liabilities (Text Table 2). The component of the contingent liability shock related to SOEs, which are not accounted for in the public sector coverage, is assumed to be 8 percent of GDP, 6 percentage points higher than the default setting. That reflects the possibility that some SOE liabilities could add to public debt. The known liabilities of the electricity company EDM amount to 5 percent of GDP, for example. The shock from the financial sector is set at the default level of 5 percent of GDP. According to the World Bank's Public Private Partnerships (PPP) database, the capital stock of PPPs in Mali is estimated to be 3.7 percent of GDP, so the PPP component of the contingent liability stress test is calibrated to be 1.3 percent of GDP. Total contingent liabilities are therefore assumed to be 14.3 percent of GDP for the purposes of the stress test.

Text Table 1. Mali: Coverage of Public Debt

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	X
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	

[2] Efforts have been made with the support from the IMF (AFRITAC mission on debt reporting) and the World Bank. Under the World Bank Sustainable Development Finance Policy (SDFP), the government has initiated regular reporting of the debt situation of selected SOEs with financial risks.

[3] The only exception is the borrowing from the West African Development Bank (BOAD), which is considered external debt despite being local-currency-denominated.

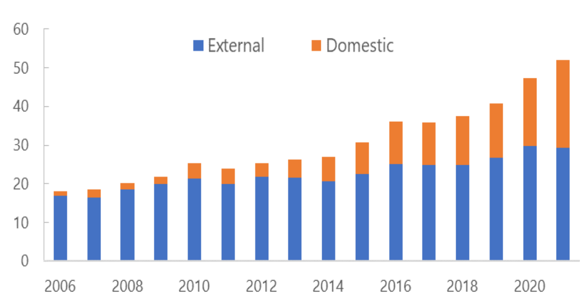
Text Table 2. Mali: Size of Contingent Liability Shock

1	**The country's coverage of public debt**	The central, state, and local governments		
		Default		**Used for the analysis**
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)	2	percent of GDP	8.0
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)			14.3

DEBT BACKGROUND

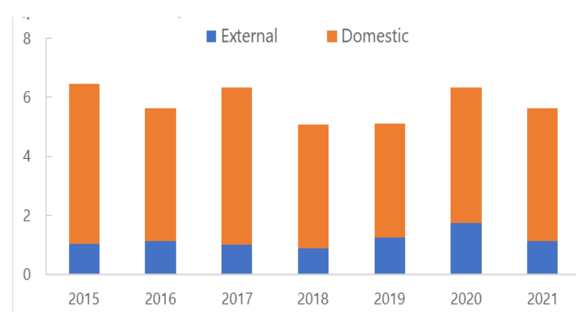
3. At end-2021, Mali's stock of public debt amounted to 50.4 percent of GDP, with sixty percent of public debt consisting of external debt (Text Figure 1 and Text Table 3). External debt amounted to CFAF 3,107 billion (28.3 percent of GDP), of which CFAF 2,371 billion (21.6 percent of GDP) was owed to multilateral creditors and CFAF 737 billion (6.7 percent of GDP) to bilateral creditors. The main external creditors— accounting for 90 percent of the external debt stock— included the IMF, World Bank, African Development Fund, West African Development Bank, Islamic Development Bank, as well as the governments of France (French Development Agency), China, India, and Abu Dhabi (Abu Dhabi Development Fund). Around 30 percent of Mali's external debt is denominated in euros, which is not exposed to exchange rate risk given the CFAF peg to the euro. External debt is generally on concessional terms, with an average weighted interest rate of 0.6 percent and maturity of more than 10 years. Public debt service as a percentage of GDP stood at around 6 percent in 2021, broadly stable since 2015 (Text Figure 2).

Text Figure 1. Mali: Public Debt Stock
(Percent of GDP)



Source: Malian authorities, IMF Staff Calculations

Text Figure 2. Mali: Public Debt Service
(Percent of GDP)



Source: Malian authorities, IMF Staff Calculations

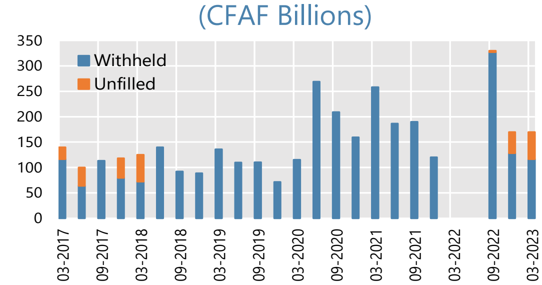
4. Domestic debt consists mostly of short- and medium-term treasury securities, predominantly held by banks domiciled in Mali or in the rest of the West African Economic and Monetary Union (WAEMU). Domestic debt has built up rapidly, increasing from a low base of 8.1 percent of GDP in 2015 to 22.1 percent of GDP in 2021. It consists mostly of treasury bills and bonds issued on the WAEMU regional market, but also includes syndicated loans with groups of regional banks that carry a premium of about 200 basis points over the securities issued in regional markets. The increasing share of domestic debt increases Mali's debt servicing costs due to its average effective interest rate of 6.1 percent, compared to 0.6 percent for external debt. Ninety percent of Mali's domestic debt stock consists of T-Bonds with a maturity of more than 1 year. In 2021, the SDR allocation was received by the regional central bank (BCEAO) and then on lent to WAEMU member countries in CFAF, which is recorded as domestic debt for the purpose of the DSA.

5. The government of Mali faced considerable liquidity pressures during 2022. Its gross financing needs in 2022 were around 10 percent of GDP, which it had to meet fully through regional markets and regional syndicated bonds given the drying up of most external financing in the aftermath of the socio-political turmoil. However:

- **The ECOWAS sanctions in the first half of 2022 cut Mali off from the regional securities market, and more broadly from the regional payments and financial system.** As a result, Mali was forced to accumulate sizable arrears. Once the sanctions were lifted in July 2022, Mali made substantial efforts to repay its arrears to major external and domestic creditors and regained access to the regional market.

- **Even after the sanctions were lifted in July 2022, it was difficult to meet the large annual financing needs in the span of the remaining six months. The outstanding amount of domestic arrears, especially to suppliers, remained sizable at the end of 2022, against the backdrop of significantly tightened financial conditions**. Following initial success, the regional market showed signs of saturation in early 2023. Several issuances of government debt were under-subscribed, and some were cancelled. Overall, Mali fulfilled around 80 percent of its revised annual issuance (65 percent of its gross financing needs) in 2022 through debt or syndicated loans. Going forward, preliminary data from April 2023 indicate outstanding domestic arrears have fallen somewhat, as the government has expressed its firm commitment to clear them.[4] Despite the sizable amount, they do not trigger an "in debt distress" rating, as the accumulation of arrears was a product of the sanctions in 2022.[5] In addition to the persistent effects of the 2022 sanctions, this accumulation is further affected by financing difficulty caused by significantly tightened financial conditions. Such tightening, which also applies to other WAEMU countries, is driven by several factors, namely: monetary policy tightening to combat high inflation throughout the WAEMU region (a policy rate increase to 3 percent in March 2023, a 100 bp rise since June 2022); withdrawals of COVID-related support by BCEAO; risk-off sentiments causing difficulties in Eurobond issuance and continued undersubscription in the

Text Figure 3. Mali: Withheld and Unfilled Bond Issuances
(CFAF Billions)



Source: UMOA Titres Mali, IMF Staff Computations
Note: Issuance does not include syndicated loans (Appel Public à l'Epargne)

[4] Staff's preliminary estimate suggests domestic arrears are in the range of around 1.5-3 percent of GDP. This estimate needs to be treated with caution as the data are not definitive and may be influenced by currently volatile financing conditions. The outstanding amount of external arrears is estimated to be very small, at around 0.1 to 0.2 percent of GDP.

[5] See '*Guidance Note on the Bank-Fund Debt Sustainability Framework for Low Income Countries*', paragraph 90.

WAEMU-wide regional securities market; and BCEAO's restoration of liquidity provision under new refinancing criteria (variable rate, fixed allotment), which makes it more difficult for Mali and regional banks to access central bank money.

Text Table 3. Mali: Debt Stock at Year-End, 2015-2021(Billions of CFAF)

	2015	2016	2017	2018	2019	2020	2021
Total	2,344.5	2,991.0	3,209.4	3,608.0	4,123.3	4,758.6	5,521.3
(percent of GDP)	30.3	36.0	36.0	38.1	40.7	46.9	50.4
External	1,754.0	2,081.3	2,227.5	2,349.4	2,698.9	2,995.2	3,107.0
Multilateral	1,384.0	1,633.7	1,798.9	1,889.1	2,061.1	2,313.6	2,370.5
IMF	79.7	104.9	113.9	181.6	190.3	297.1	331.2
World Bank	728.3	822.5	907.5	946.6	1,086.3	1,153.5	1,180.1
African Development Fund	252.9	342.6	387.3	397.9	409.8	437.3	451.1
West African Development Bank	65.8	65.5	122.0	108.4	121.7	150.8	142.1
Islamic Development Bank	115.6	141.3	117.8	99.3	97.9	130.5	123.0
Others	141.8	156.9	150.4	155.4	155.2	144.5	143.0
Official Bilateral	370.0	447.6	428.6	460.3	637.8	681.6	736.6
Paris Club	49.0	49.8	48.1	51.4	86.8	135.7	140.6
France	34.4	34.4	34.0	37.8	73.2	97.9	103.6
Korea	8.1	8.4	8.1	7.8	8.0	32.9	32.6
Austria	3.3	3.3	3.3	3.3	3.3	3.0	2.8
Belgium	3.2	3.7	2.8	2.5	2.3	1.9	1.7
Non-Paris Club	321.0	397.7	380.5	408.9	551.0	545.9	596.0
China	193.3	263.1	261.9	294.1	248.6	270.5	280.6
India	84.3	83.2	71.5	75.2	57.5	53.1	60.6
Abu Dhabi	-	-	-	-	165.1	150.2	162.2
Kuwait	21.7	31.9	30.4	25.5	26.9	31.4	33.7
Others	21.7	19.5	16.7	14.1	52.7	40.7	58.8
Domestic	590.5	909.7	981.9	1,258.6	1,424.4	1,763.3	2,414.3
T-bills	242.8	236.3	87.8	185.8	126.5	119.0	127.7
T-bonds	347.7	673.4	894.1	1,022.9	1,025.2	1,015.5	2,144.6
Syndicated Bonds	-	-	-	-	222.7	578.9	0.0
Sukuk Bonds	-	-	-	50.0	50.0	50.0	0.0

Sources: Malian authorities.

UNDERLYING MACROECONOMIC ASSUMPTIONS AND COUNTRY CLASSIFICATION

6. **The baseline scenario reflects the impact of the recent social and political turmoil in its near-term projections, while in the medium and long term, the key macroeconomic assumptions are broadly in line with the 2021 DSA** - notably, in terms of the growth path and the eventual convergence towards fiscal consolidation, while the current account projections are more positive in the medium term and official aid projections are on a lower path relative to that in the previous DSA. More specifically:

- **GDP is expected to rebound and stabilize in the medium term.** After COVID- and sanctions-induced slowdowns to an average of 1.8 percent in 2020-2022, GDP growth is expected to rebound to above 5 percent in 2023 and 2024, before settling at its estimated potential growth rate of 5 percent over the medium term. Several factors are assumed to drive this growth rebound, including higher mining output due to new discoveries of gold in 2022 and new lithium mine projects; favorable medium-term gold price projections; strong agricultural output barring weather and fertilizer shocks; and reduced political uncertainty after the assumed 2024 presidential elections, leading to higher domestic activities and a resumption in IFI budget support.

- **Fiscal policy has been loose but is expected to return to a path of consolidation over the medium term.** A combination of external and domestic shocks—including Russia's invasion of Ukraine and an ensuing cost-of-living crisis, the US dollar appreciation, significant deterioration in the security situation and a six-month ECOWAS embargo—have led to an increase in total debt in 2022. At the same time, while some measures have been undertaken to boost tax revenue, no major policy changes are currently envisaged to cut spending for 2023 (a pre-election year). The authorities plan to maintain fiscal deficits of close to 5 percent of GDP. Continued increases in financing needs (around 13 percent of GDP in 2023) amid limited support from the international community while facing rising high wage and interest bills will increase risks to liquidity and debt sustainability. Going forward, the authorities' multiyear budget envisages a gradual consolidation of the fiscal position during 2024-25. This consolidation is expected to arise mainly through revenue administration measures and the activation of delayed tax measures, introduced in 2022 to broaden the tax base and improve compliance, and assumed to remain in place going forward. These measures include the introduction of an electronic tax declaration for large companies subject to VAT, a digital invoicing system, a new tax on exports of gold and other mining products not covered by the Mining Code, a minimum transport tax on two-wheeled and related vehicles, new excise taxes and increases of existing ones on select consumer products, the taxation of previously exempt agricultural equipment, and operationalization of monthly VAT credit refunds. Under current policies, fiscal deficit is expected to reach WAEMU's 3-percent-of-GDP ceiling by 2026.
- **Gross financing needs are assumed to be met in large part by domestic issuances in the near term, while the share of external financing is expected to rise in the medium term.** Due to political uncertainly, external financing fell from over CFAF 120 billion in 2021 to around 66 billion in 2022, which was 6 percent of Mali's gross financing needs. Mali received no external budget support in 2022, so external financing entirely reflected project support. External budget support is not expected to return in 2023 and 2024, although some project support is expected to continue in those years, especially from the World Bank. In large part, this implies that gross financing needs are met mainly by domestic issuances. In the medium term, conditional on the 2024 election, external financing is projected to rise, accounting for over 20 percent of gross financing needs in 2027. This rise partly reflects the significant increase in IDA credit disbursements from the World Bank, under new IDA borrowing terms.[6] External funding is projected to fall back as a share of total financing thereafter, partly following the gradual decline in the expected IDA credit disbursements in the longer term as the economic and social conditions improve.
- **The current account deficit widened to 7.5 percent of GDP in 2021 but is expected to fall back to 6.9 percent of GDP in 2022 and to around 3-4 percent over the medium term.** External imbalances are expected to ease on the back of elevated gold price and normalized fuel prices projected over the medium term and as the one-off political factors reverse. In addition,

[6] As Mali is classified as an IDA-only country with a moderate risk of debt distress, it has access to concessional 50-year credits and Shorter-Maturity Loans (SMLs). The former has 50-year final maturity, a 10-year grace period, and zero interest or service charge; the latter (12 percent of the country allocation) a 12-year final maturity, a 6-year grace period, zero interest or service charge.

the gradual return of the fiscal position to WAEMU targets is also expected to alleviate pressures on the current account. The differences in the current account projections between the current and previous DSAs arise mainly from updated assumptions on the path of gold and fuel prices.

7. Realism tool comparisons show that projections are broadly in line with historical precedent and the experiences of comparable countries (Figures 3 and 4).[7]

- ***Debt dynamics.*** The dynamic of public debt as a percentage of GDP shows a more gradual increase in the near to medium term relative to the past five years, largely due to the projected growth rebound assumption (Figure 3). A sizable residual for the past debt increase is partly a result of the "stock-flow adjustments", a common phenomenon across WAEMU countries, whereby government spending not captured by the fiscal deficit contributes to debt accumulation. The higher growth assumption is also expected to drive the difference in the past and future changes in external debt as a percentage of GDP, although to a lesser extent. A sizable residual for the projected decline in external debt is partly a result of the expected decrease in the availability of external loans in the near term.
- ***Fiscal adjustment.*** The projected three-year change in the primary balance as a share of GDP (0.7 percentage points between 2022-24) lies below the 75th percentile of the distribution of approved Fund-supported programs for LICs since the 1990s, suggesting the adjustment in the primary fiscal balance is in line with the other countries' experiences (Figure 4).
- ***Public investment and growth.*** Although public investment as a share of GDP has been below the expected level under the 2021 DSA, partly because of political developments, it is projected to rise to a level consistent with the previous DSA's projection over the near term.

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

	2019	2020	2021	2022	2023	2024	2025	2026	Long term[1]
				Projections					
Real GDP Growth									
Current DSA	4.8	-1.2	3.1	3.7	5.0	5.1	5.3	5.1	5.0
Previous DSA	4.8	-2.0	4.0	6.0	5.0	5.0	5.0	5.0	5.0
GDP Deflator									
Current DSA	1.9	1.4	4.9	4.9	3.0	2.8	2.0	2.0	2.0
Previous DSA	-3.3	3.7	6.7	2.8	2.4	2.2	2.2	2.2	2.9
Overall fiscal balance (including grants, percent of GDP)									
Current DSA	-1.7	-5.4	-4.8	-4.8	-4.8	-4.3	-3.6	-3.0	-3.0
Previous DSA	-1.7	-5.5	-5.5	-4.5	-3.5	-3.0	-3.0	-3.0	-3.0
Export of goods and services (percent of GDP)									
Current DSA	25.7	29.4	27.2	28.6	29.0	27.7	28.7	27.7	19.9
Previous DSA	24.9	27.1	25.2	23.8	22.6	21.6	20.8	19.9	15.7
Import of goods and services (percent of GDP)									
Current DSA	38.0	36.0	38.4	39.1	38.2	37.1	36.8	36.3	33.1
Previous DSA	36.0	32.2	33.9	33.3	32.7	32.1	31.8	31.3	30.0
Current account (including grants, percent of GDP)									
Current DSA	-7.5	-2.2	-7.5	-6.9	-6.1	-5.5	-3.4	-3.7	-9.1
Previous DSA	-4.8	-2.0	-2.4	-2.9	-3.6	-4.5	-5.3	-5.9	-8.5
Official aid[2] (percent of GDP)									
Current DSA	5.6	2.6	1.7	0.8	1.9	2.4	4.0	4.1	3.7
Previous DSA	5.6	2.9	3.7	5.0	5.2	4.9	4.8	4.8	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 2027-41 period. The previous DSA

[2] Defined as the sum of concessional grants and loans.

[7] Realism tools help scrutinize baseline macroeconomic and debt projections, for example by comparing them to previous outturns or to cross-country experiences. These are used as a cross-check for the baseline projections to ensure that the assessment of debt sustainability is based on credible assumptions.

COUNTRY CLASSIFICATION AND DETERMINATION OF STRESS TESTS

8. **Mali's debt carrying capacity is assessed as 'medium.'** Based on the October 2022 WEO and World Bank's 2021 CPIA, Mali's composite indicator score is 2.90. Any score below 2.69 would be classified as 'low,' and any score above 3.05 would be 'high,' with the relevant thresholds used to assess the external debt risk rating. The assessment is broadly unchanged from the previous DSA.

9. **The debt sustainability analysis relies on six standardized stress tests.** It includes a tailored commodity price shock[8], a separate customized scenario using residency-based definition of external debt (details in paragraph 10), and another separate customized scenario with stock-flow adjustments for below the line fiscal operations (details in paragraph 11). It also uses a historical scenario as a robustness check for the baseline scenario. The standardized stress tests use the default settings. The historical scenario produces the path of debt with key macroeconomic variables in the baseline projection that are permanently replaced by their 10-year historical averages.

10. **The customized scenario for external debt sustainability analysis relies on residency-based definition of external debt.** Due to data limitations, staff adopt a currency-based definition of external debt in DSA in the baseline assessment, and government securities issued in the WAEMU regional market are treated as domestic debt. According to auction data, around two thirds of Mali government securities are bid by residence of other WAEMU members. Assuming the absence of secondary market trading, the 2022 present value of the CFAF-denominated government debt held by nonresidents is expected to be around 35 percent of GDP, while the PV of foreign-currency denominated debt only accounts for around 15 percent of GDP. To assess external debt sustainability under a residency-based definition, we construct a customized scenario when two thirds of government securities are classified as external debt.

11. **The customized scenario for public debt sustainability analysis takes into account "stock-flow adjustments", where below-the-line operations contribute to debt increases.** Across WAEMU countries, public debt has increased beyond those that can be explained by the overall fiscal deficits in recent years. These "stock-flow adjustments" (SFA) can be caused by several factors, including extra-budgetary funds, differences in accounting methods between the fiscal balance and public debt, valuation effects, government guarantees, or a materialization of contingent liabilities. SFAs have averaged 1.5 percent of GDP across the currency union, and about 0.7 percent of GDP in Mali.[9] Since such discrepancies between below and above the line fiscal accounts may be difficult to project going forward, staff approximates the possibility of such SFAs

---

[8] The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

[9] The estimate of this historical average is based on a data vintage at the time of conducting the assessment for this report. More updated data, used for the analysis in the Selected Issues Paper published alongside this report, suggest a higher number for Mali (0.9 percent). This suggests that the results related to stock-flow adjustments presented for this Report likely serve as lower bound of the true estimates.

continuing by assuming that the true overall deficits are 0.7 percent of GDP higher every year over the forecasting horizon.

Text Table 5. Mali: Debt Carrying Capacity and Thresholds

Country	Mali
Country Code	678

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 2.90	Medium 2.94	Medium 2.96

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	3.295	1.27	44%
Real growth rate (in percent)	2.719	3.973	0.11	4%
Import coverage of reserves (in percent)	4.052	44.277	1.79	62%
Import coverage of reserves^2 (in percent)	-3.990	19.604	-0.78	-27%
Remittances (in percent)	2.022	5.675	0.11	4%
World economic growth (in percent)	13.520	2.898	0.39	14%
CI Score			2.90	100%
CI rating			Medium	

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

New framework			
	Cut-off values		
Weak	CI <	2.69	
Medium	2.69	≤ CI ≤	3.05
Strong	CI >	3.05	

DEBT SUSTAINABILITY ANALYSIS

A. External Debt Sustainability

12. External debt is projected to fall gradually, with public and private debt both declining in the long run (Table 1). Under the baseline scenario, the public and publicly guaranteed (PPG) external debt-to-GDP ratio is expected to fall slightly in 2022 relative to the previous year. It then follows a downward trajectory to settle at 20 percent of GDP at the end of the projection period in 2042, as growth converges to its potential and reliance on domestic debt continues to be significant given the scarcity of concessional official loans.

13. The risk of external debt distress is moderate, with limited space to absorb shocks. All external debt indicators remain below their corresponding indicative thresholds under the baseline scenario and standardized stress tests (Figure 1). Under the baseline scenario, the PV of the external debt-to-GDP ratio is projected to decrease slowly from 16.7 percent to 14.5 percent in 2032, as the economy outgrows the supply of external concessional lending. This is well below the indicative threshold of 40 percent. The PV of the external debt-to-exports ratio follows a mild U-shaped pattern, eventually trending upward due to declining exports as a share of GDP in the medium to long term. Nevertheless, it remains comfortably below the 180 percent threshold. Indicators of debt servicing costs are all stable and below their corresponding threshold limits. Under standardized stress tests, which include the most extreme shock scenarios, the four indicators also remain comfortably below their respective thresholds. By contrast, in the customized scenario using residency-based definition of external debt, the expected paths of debt service-to-exports ratio and debt service-to-revenue ratio exceed their corresponding thresholds for a prolonged period from 2024 to 2032. Because of higher interest rates of government securities, the impact on debt service indicators is disproportionately strong. In addition, the present-value-of-debt-to-export indicator also breaches the threshold during the last year of the projection period. These breaches highlight the sensitivity of the debt sustainability assessment to the definition of the external debt. While the moderate risk tool shows there is substantial space to absorb shocks using currency-based definition of external debt (Figure 5), staff judge the actual space to absorb shocks to be limited because of the large share of government securities held by nonresidents.

B. Public Debt Sustainability

14. The public debt-to-GDP ratio is projected to rise to around 60 percent over the medium term. After a sizable increase in the fiscal deficit during the pandemic and periods of political turmoil, the expected fiscal consolidation means that the deficit is expected to gradually decrease to below the WAEMU ceiling of 3 percent of GDP. Even so, borrowing costs are expected to increase as global financial conditions tighten, and the overall public debt-to-GDP ratio is expected to rise to almost 60 percent of GDP by 2032 (Table 2). In 2022, public debt is expected to be around 6 percent of GDP higher than in the previous DSA projections from 2021. That is due to the late registration of 2020 debt in 2021, the accumulation of deposits at the regional central bank in 2021 following a large disbursement of a World Bank loan at end-2022, and the effect of the large US dollar appreciation vis-à-vis the euro during 2022. The external debt-to-GDP ratio is expected to decline over the medium term because of a relative scarcity of external concessional loans. This assumption is sensitive to several factors, however, including global economic conditions and investor confidence in Mali. The projected contributions of different debt-creating factors are broadly consistent with historical precedent.

15. The risk of public debt distress remains moderate. Under the baseline scenario, the PV of the public debt-to-GDP ratio is expected to be below the 55 percent indicative threshold throughout the projection period (Figure 2). By contrast, in the default adverse scenario of a commodity price shock, the PV of the public debt-to-GDP ratio would diverge to an increasing path and breach the 55 percent threshold in 2025.[10] In the historical scenario where macroeconomic variables in the baseline projection are permanently replaced by their 10-year historical averages, the PV of the public debt-to-GDP ratio would also diverge to an increasing path and breach the 55 percent threshold in 2031. Finally, in the customized scenario of stock-flow-adjustments, the public debt-to-GDP ratio is set on an upward trajectory and breaches the threshold by 2032. This result is not surprising, given that the public debt ratio in the baseline scenario is already on a slightly upward trajectory. Hence, it is vulnerable to any permanent shocks to the overall balance - even SFAs less than the historical 0.70 percentage points of GDP - are likely to set public debt on an unsustainable path.

C. Risk Rating and Vulnerabilities

16. Mali's risk of external and overall debt distress remains 'moderate.' Although the four external debt indicators remain comfortably below their respective thresholds under the baseline scenario and standardized stress tests, three indicators breach their thresholds under the customized scenario that uses a residency-based definition of external debt. Staff therefore estimate the risk of external debt distress to likely be significantly higher after accounting for government securities held by nonresidents, and judge the risk of external debt distress to be moderate. In the adverse scenario of a commodity price shock, the historical scenario, and the customized scenario of a permanent stock-flow adjustment, the projected path of the PV of the public debt-to-GDP ratio diverges and breaches marginally the 55 percent threshold in 2031 and 2032. This reflects reduced fiscal space due to the recent increase in the public debt-to-GDP ratio.

17. Domestic political instability and external financing conditions pose risks around debt financing. Mali's isolation from its traditional donors and the forced recourse to domestic markets to meet the financing needs carries significant financing risks for its fiscal position. Such risks are further tilted toward to the downside following the postponement of the constitutional referendum in March 2023, which increases political uncertainty regarding the promise of holding elections in 2024, and potential reintroduction of sanctions. Also contributing to these financing risks are the

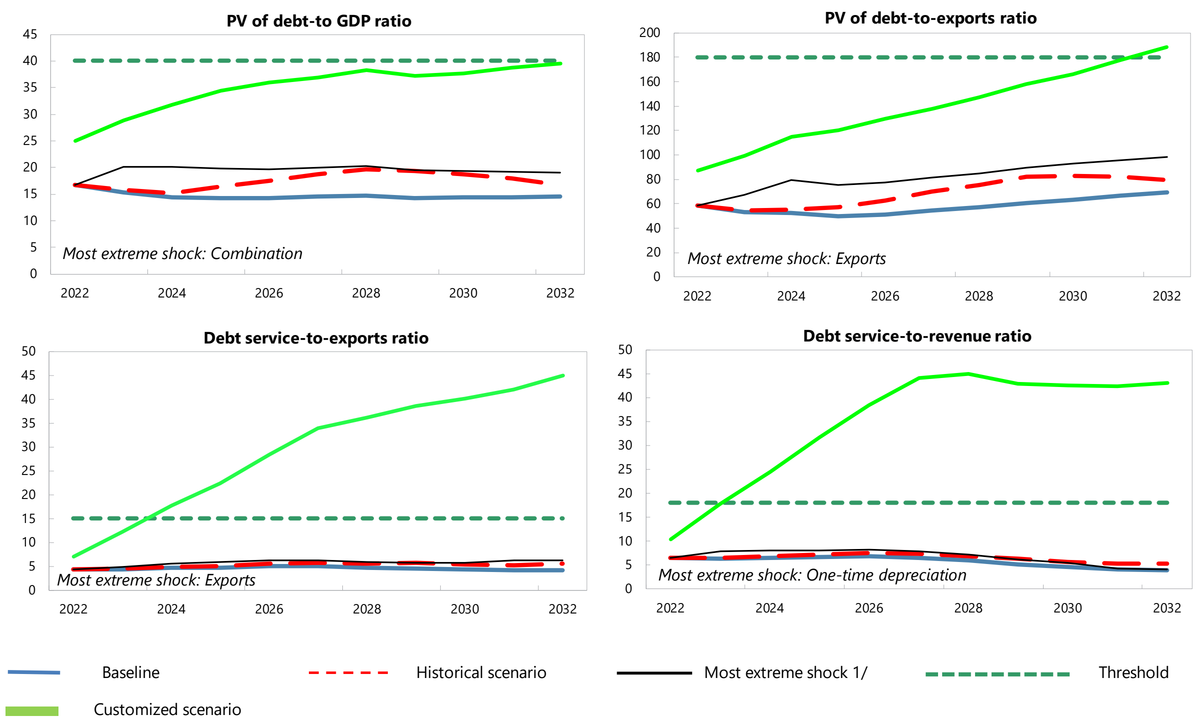
[10] The design of DSA stress test can overstate the persistency of commodity price shock by assuming zero elasticity of expenditure relative to GDP in the long run.

current tighter financial conditions in the regional securities market, which have curtailed Mali's access to finance and pose a significant risk to debt sustainability. These developments are especially worrisome given that under the most extreme scenario for overall public debt, the PV of public debt-to-revenue and debt service-to-revenue ratios rise to high levels, with the latter rising above 100 percent by 2031. This implies insufficient revenues to cover recurrent expenditures. To reduce risks to debt sustainability, resolving security and political issues and restoring fiscal discipline will be important for rebuilding investor confidence, which is key to attract financing. The current situations also call for prudent cashflow management and management of existing arrears. In this process, engagement with creditors to ensure clear communication and timely payments would be also crucial.

D. Authorities' Views

18. The authorities agreed with the general conclusions of the debt sustainability analysis. They underscored their commitment to maintaining a sustainable level of debt that does not exceed a moderate risk of debt distress. They acknowledged that while the debt stock had remained at a sustainable level, liquidity issues could pose a risk to debt sustainability, especially against the backdrop of a significant tightening of financing conditions in the regional securities markets. They have been engaging with creditors to carefully manage existing arrears and are considering strategies and financial instruments to manage the debt (adjusting maturity profile, issuance volumes, alternative markets, etc.) and reduce debt concentration in certain sectors and creditors.

Figure 1. Mali: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2022–32



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

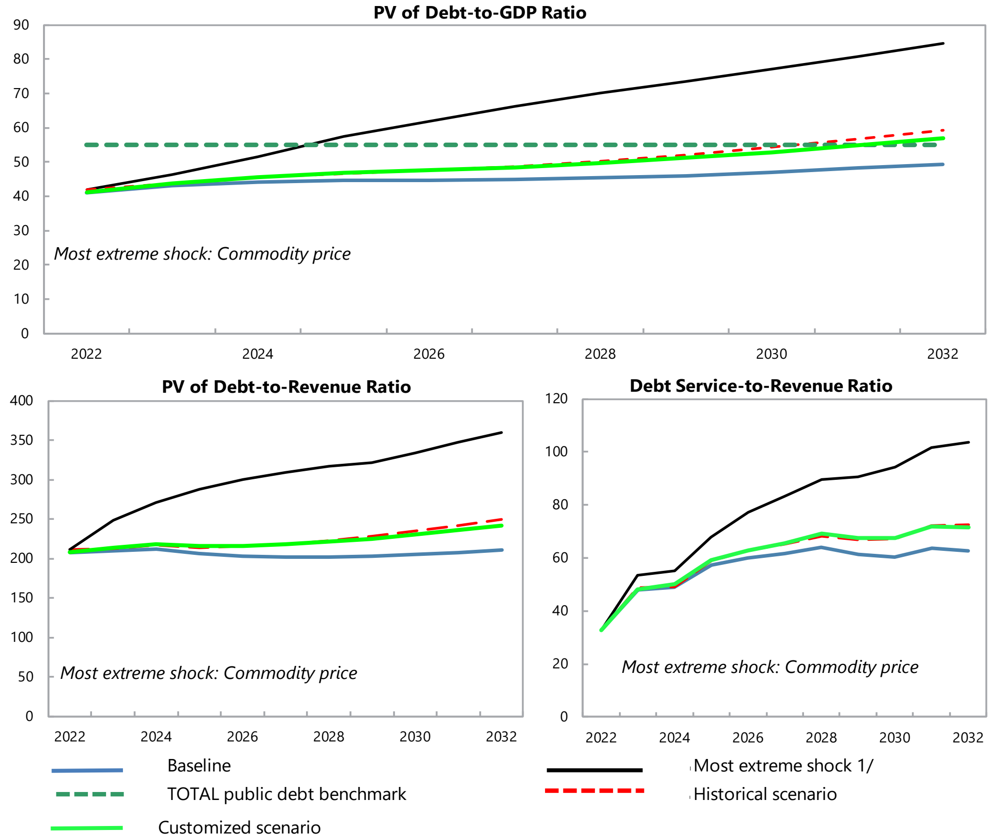
Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

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	1.2%	1.2%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	30	30
Avg. grace period	6	6

* 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 2032. 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.
Note: 1) The customized scenario is based on residency-based definition of external debt; and 2) the magnitude of shocks used for the commodity pirce shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Mali: Indicators of Public Debt Under Alternative Scenarios, 2022–32



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	14%	14%
Domestic medium and long-term	77%	77%
Domestic short-term	9%	9%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.2%	1.2%
Avg. maturity (incl. grace period)	30	30
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	6.2%	6.2%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	4.2%	4.2%

* 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.

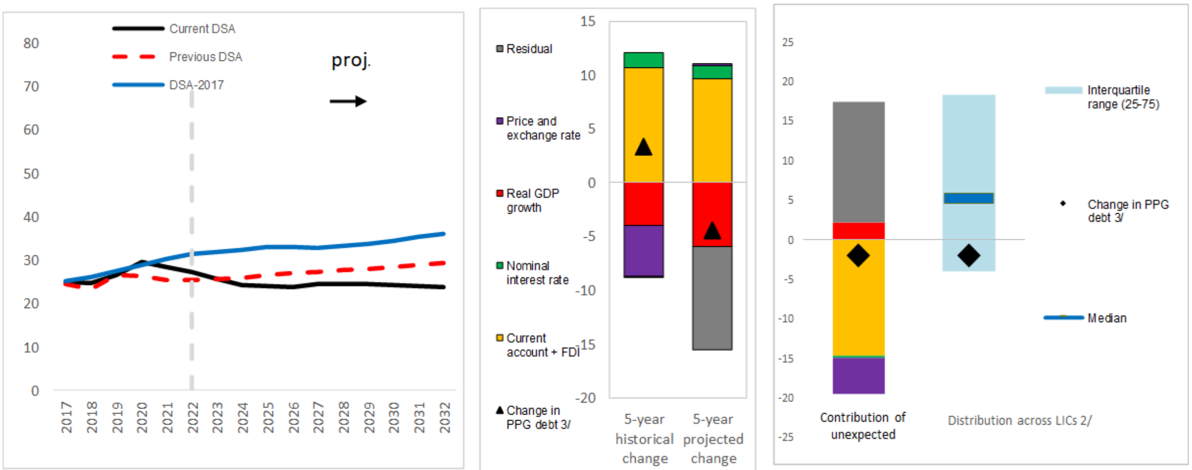
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. 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.

Note: The customized scenario is the stock-flow adjustment scenario.

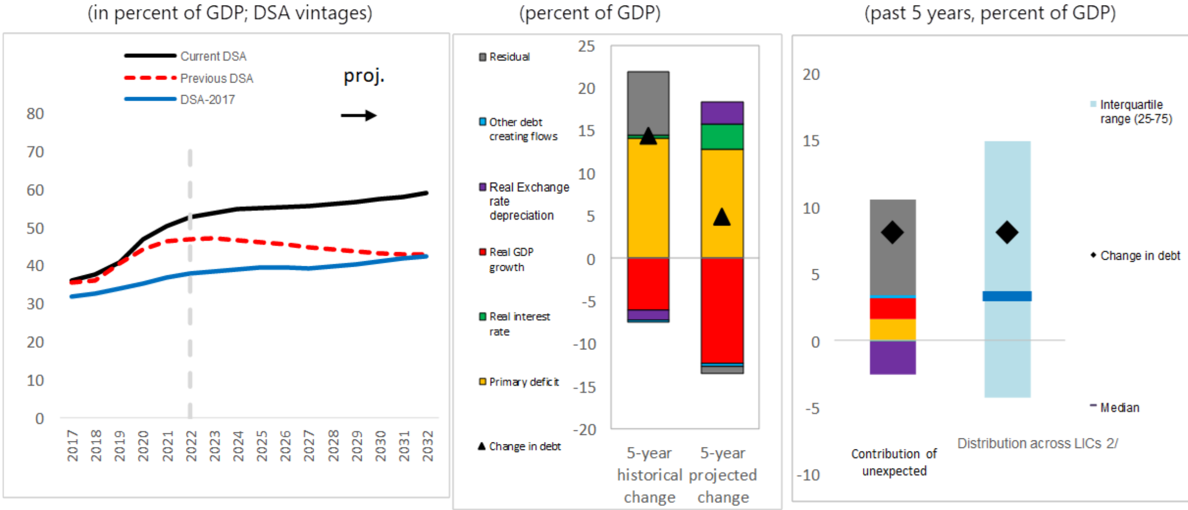
Figure 3. Mali: Drivers of Debt Dynamics—Baseline Scenario

Gross Nominal PPG External Debt (in percent of GDP; DSA vintages) | Debt-creating flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



Public Debt

Gross Nominal Public Debt (in percent of GDP; DSA vintages) | Debt-creating flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



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

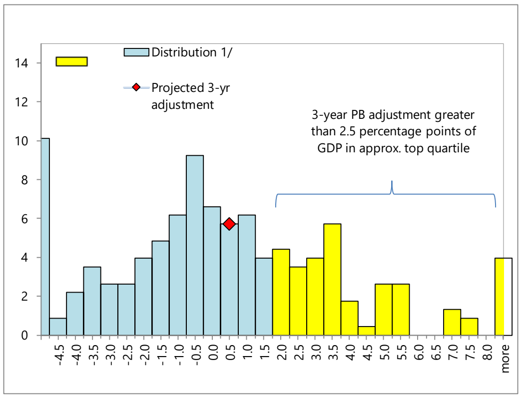
2/ Distribution across LICs for which LIC DSAs were produced.

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: Malian authorities and staff estimates and projections.

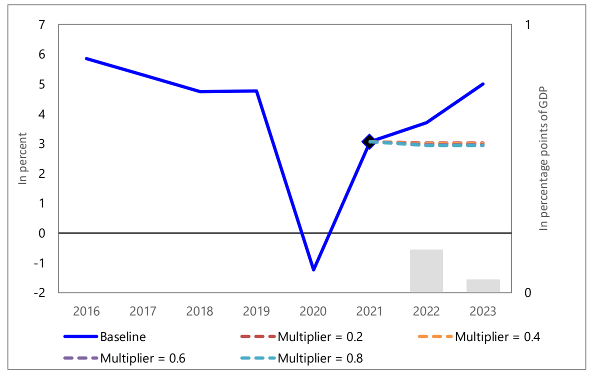
Figure 4. Mali: Realism Tools

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



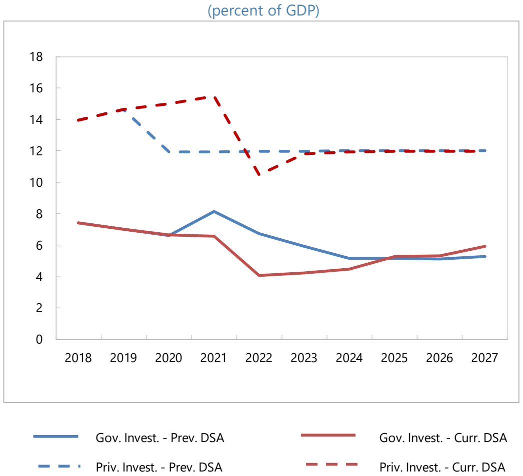
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/

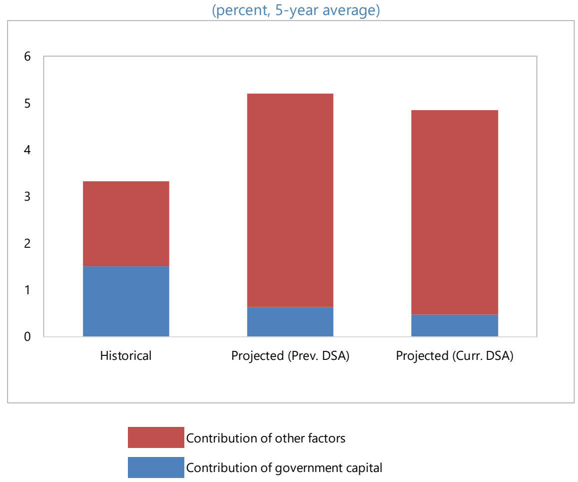


1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



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



Sources: Malian authorities and staff estimates and projections.

Figure 5. Mali: Qualification of the Moderate Category, 2022–2032 1/

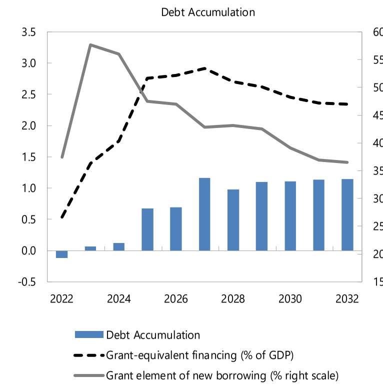
Sources: Country authorities; and staff estimates and projections.

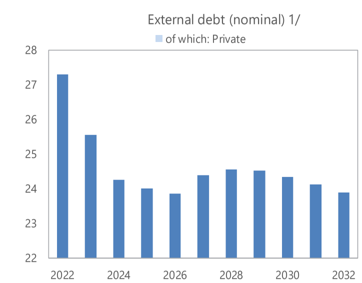
1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

Table 1. Mali: External Debt Sustainability Framework. Baseline Scenario, 2019–42
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
External debt (nominal) 1/	**26.7**	**29.5**	**28.3**	**27.3**	**25.6**	**24.3**	**24.0**	**23.9**	**24.4**	**23.9**	**20.0**	**24.6**	**24.6**
of which: public and publicly guaranteed (PPG)	**26.7**	**29.5**	**28.3**	**27.3**	**25.6**	**24.3**	**24.0**	**23.9**	**24.4**	**23.9**	**20.0**	**24.6**	**24.6**
Change in external debt	1.9	2.9	-1.2	-1.0	-1.7	-1.3	-0.3	-0.1	0.5	-0.2	-0.4		
Identified net debt-creating flows	**2.2**	**-1.4**	**1.3**	**3.3**	**1.7**	**1.2**	**-0.8**	**-0.5**	**-0.1**	**4.2**	**9.3**	**1.4**	**1.6**
Non-interest current account deficit	**7.1**	**1.8**	**7.3**	**6.6**	**5.9**	**5.2**	**3.2**	**3.5**	**3.8**	**8.1**	**13.0**	**5.0**	**5.5**
Deficit in balance of goods and services	12.2	6.5	11.2	10.5	9.2	9.5	8.1	8.6	9.0	12.6	16.3	**12.3**	**10.1**
Exports	25.7	29.4	27.2	28.6	29.0	27.7	28.7	27.7	26.8	21.0	14.4		
Imports	38.0	36.0	38.4	39.1	38.2	37.1	36.8	36.3	35.8	33.5	30.7		
Net current transfers (negative = inflow)	-8.8	-8.5	-7.9	-7.5	-7.1	-7.1	-7.8	-7.8	-7.9	-7.3	-6.2	**-10.4**	**-7.5**
of which: official	-4.4	-3.7	-3.1	-2.8	-2.6	-2.5	-3.2	-3.2	-3.2	-3.2	-3.3		
Other current account flows (negative = net inflow)	3.7	3.8	4.0	3.6	3.8	2.8	2.8	2.7	2.7	2.8	2.9	**3.1**	**2.9**
Net FDI (negative = inflow)	**-5.0**	**-3.0**	**-3.0**	**-2.5**	**-3.1**	**-3.0**	**-3.0**	**-3.0**	**-3.0**	**-3.0**	**-3.0**	**-2.7**	**-3.0**
Endogenous debt dynamics 2/	**0.0**	**-0.1**	**-3.0**	**-0.8**	**-1.0**	**-1.0**	**-1.0**	**-0.9**	**-0.9**	**-0.9**	**-0.7**		
Contribution from nominal interest rate	0.3	0.4	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.3		
Contribution from real GDP growth	-1.2	0.3	-0.8	-1.1	-1.3	-1.2	-1.2	-1.2	-1.1	-1.1	-1.0		
Contribution from price and exchange rate changes	0.9	-0.9	-2.4	...	...	...	...	...	...	...	...		
Residual 3/	**-0.3**	**4.3**	**-2.5**	**-4.3**	**-3.5**	**-2.5**	**0.6**	**0.4**	**0.6**	**-4.4**	**-9.7**	**-0.6**	**-2.1**
of which: exceptional financing	-0.2	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**16.3**	**16.7**	**15.4**	**14.5**	**14.3**	**14.2**	**14.5**	**14.5**	**13.7**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**59.9**	**58.4**	**53.0**	**52.2**	**49.7**	**51.0**	**54.2**	**69.4**	**95.3**		
PPG debt service-to-exports ratio	**4.8**	**6.3**	**3.9**	**4.4**	**4.3**	**4.6**	**4.7**	**5.1**	**5.0**	**4.1**	**7.2**		
PPG debt service-to-revenue ratio	**6.3**	**9.5**	**5.1**	**6.5**	**6.3**	**6.4**	**6.7**	**6.9**	**6.5**	**4.0**	**4.2**		
Gross external financing need (Million of U.S. dollars)	589.1	105.8	1071.7	1021.1	833.9	787.7	358.0	466.5	577.2	2260.1	8325.3		
Key macroeconomic assumptions													
Real GDP growth (in percent)	4.8	-1.2	3.1	3.7	5.0	5.1	5.3	5.1	5.0	5.0	5.0	**3.7**	**4.9**
GDP deflator in US dollar terms (change in percent)	-3.4	3.4	8.8	-6.6	3.9	2.0	0.6	0.6	0.5	2.0	2.0	**0.8**	**1.2**
Effective interest rate (percent) 4/	1.3	1.5	0.7	1.0	1.0	1.0	1.0	0.9	0.9	1.1	1.4	**0.8**	**1.0**
Growth of exports of G&S (US dollar terms, in percent)	6.1	17.0	3.7	1.8	10.6	2.3	9.8	2.2	1.8	3.1	3.3	**7.1**	**3.7**
Growth of imports of G&S (US dollar terms, in percent)	7.8	-3.2	19.8	-1.3	6.4	4.3	5.0	4.4	4.0	6.0	6.2	**7.6**	**4.9**
Grant element of new public sector borrowing (in percent)	...	...	...	37.4	57.7	56.0	47.5	46.9	42.9	36.5	33.1	**...**	**44.2**
Government revenues (excluding grants, in percent of GDP)	19.6	19.3	20.8	19.4	19.9	20.0	20.2	20.4	20.7	21.9	24.8	**16.9**	**20.7**
Aid flows (in Million of US dollars) 5/	326.5	212.1	133.2	134.3	221.9	317.9	608.9	666.1	738.0	954.6	1615.2		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	0.5	1.4	1.8	2.8	2.8	2.9	2.3	2.2	**...**	**2.2**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	64.4	72.0	71.9	67.9	67.0	62.1	64.9	65.6	**...**	**66.3**
Nominal GDP (Million of US dollars)	17,281	17,643	19,782	19,171	20,909	22,411	23,752	25,115	26,499	38,054	75,560		
Nominal dollar GDP growth	1.2	2.1	12.1	-3.1	9.1	7.2	6.0	5.7	5.5	7.1	7.1	**4.5**	**6.2**
Memorandum items:													
PV of external debt 7/	...	...	16.3	16.7	15.4	14.5	14.3	14.2	14.5	14.5	13.7		
In percent of exports	...	...	59.9	58.4	53.0	52.2	49.7	51.0	54.2	69.4	95.3		
Total external debt service-to-exports ratio	4.8	6.3	3.9	4.4	4.3	4.6	4.7	5.1	5.0	4.1	7.2		
PV of PPG external debt (in Million of US dollars)			3223.5	3200.7	3213.1	3238.8	3389.8	3554.3	3846.8	5536.7	10357.9		
(PVt-PVt-1)/GDPt-1 (in percent)				-0.1	0.1	0.1	0.7	0.7	1.2	1.1	0.8		
Non-interest current account deficit that stabilizes debt ratio	5.3	-1.1	8.5	7.7	7.6	6.5	3.4	3.6	3.3	8.3	13.4		

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	Yes





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.

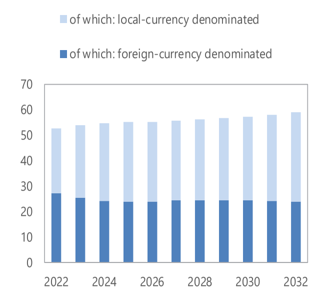
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

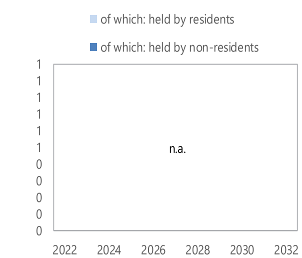
Table 2. Mali: Public Debt Sustainability Framework. Baseline Scenario, 2019–42
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
Public sector debt 1/	40.7	46.9	50.4	52.5	53.8	54.6	55.1	55.2	55.5	58.8	69.2	35.7	55.8
of which: external debt	26.7	29.5	28.3	27.3	25.6	24.3	24.0	23.9	24.4	23.9	20.0	24.6	24.6
Change in public sector debt	3.2	6.2	3.4	2.2	1.3	0.8	0.5	0.1	0.3	0.8	1.2		
Identified debt-creating flows	-0.2	2.9	3.2	2.1	1.4	1.0	0.8	0.4	0.7	0.8	1.2	1.4	0.9
Primary deficit	0.7	4.2	3.5	3.3	3.3	2.8	2.1	1.5	1.5	1.5	1.5	2.3	2.0
Revenue and grants	21.5	20.5	21.5	19.8	20.5	20.9	21.8	22.0	22.3	23.5	26.4	18.6	22.0
of which: grants	1.9	1.2	0.7	0.4	0.7	0.9	1.6	1.6	1.6	1.6	1.6		
Primary (noninterest) expenditure	22.1	24.7	24.9	23.1	23.8	23.6	23.8	23.5	23.7	24.9	27.9	20.9	24.0
Automatic debt dynamics	-0.9	-1.2	-0.3	-0.9	-1.8	-1.7	-1.3	-1.0	-0.7	-0.6	-0.2		
Contribution from interest rate/growth differential	-1.4	1.2	-2.3	-3.2	-2.1	-1.7	-1.3	-1.1	-1.0	-0.7	-0.3		
of which: contribution from average real interest rate	0.3	0.7	-0.9	-1.4	0.4	0.9	1.4	1.6	1.6	2.1	3.0		
of which: contribution from real GDP growth	-1.7	0.5	-1.4	-1.8	-2.5	-2.6	-2.7	-2.7	-2.6	-2.8	-3.2		
Contribution from real exchange rate depreciation	0.5	-2.4	2.0	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	0.0
Privatization receipts (negative)	0.1	0.1	0.1	0.0	0.1	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)*	-0.2	-0.1	-0.1	-0.3	-0.2	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	3.4	3.3	0.2	2.3	0.2	-0.2	-0.2	-0.3	-0.1	0.1	0.0	1.3	0.1
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	38.3	41.1	43.1	44.3	44.8	44.8	44.9	49.4	62.9		
PV of public debt-to-revenue and grants ratio	...	...	178.2	207.8	209.8	211.8	205.8	203.3	201.8	210.2	238.4		
Debt service-to-revenue and grants ratio 3/	23.8	31.1	25.2	32.8	48.1	49.0	57.2	60.2	61.7	62.5	73.5		
Gross financing need 4/	5.7	10.5	8.9	9.7	13.2	13.0	14.5	14.7	15.2	16.1	20.9		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	4.8	-1.2	3.1	3.7	5.0	5.1	5.3	5.1	5.0	5.0	5.0	3.7	4.9
Average nominal interest rate on external debt (in percent)	1.4	1.5	0.6	1.0	1.0	1.0	1.0	0.9	0.9	1.1	1.4	0.8	1.0
Average real interest rate on domestic debt (in percent)	3.3	4.3	1.2	0.6	4.7	4.5	5.7	6.2	6.5	7.3	6.9	3.5	5.8
Real exchange rate depreciation (in percent, + indicates depreciation)	2.3	-8.8	7.2	...	...	...	...	...	...	...	...	1.5	...
Inflation rate (GDP deflator, in percent)	1.9	1.4	4.9	4.9	3.0	2.8	2.0	2.0	2.0	2.0	2.0	2.2	2.4
Growth of real primary spending (deflated by GDP deflator, in percent)	19.3	10.1	4.2	-4.0	8.1	4.5	6.0	3.7	6.0	6.1	6.2	7.1	5.0
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-2.5	-2.0	0.0	1.1	2.0	1.9	1.5	1.4	1.1	0.6	0.2	-1.5	1.2
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?	**Yes**

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.

* CCRT-related debt relief is included in the revenue as *a capital grant* in the fiscal account, and thereby included in the primary deficit but not in the "debt relief (HIPC and other)".

Table 3. Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2022–2032

	Projections 1/										
	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
PV of debt-to GDP ratio											
Baseline	16.7	15.4	14.5	14.3	14.2	14.5	14.8	14.2	14.3	14.4	14.5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	17	16	15	16	17	19	20	19	19	18	17
Customized scenario: residency-based definition of external debt	25	29	32	34	36	37	38	37	38	39	40
B. Bound Tests											
B1. Real GDP growth	17	16	16	16	16	17	17	16	16	16	17
B2. Primary balance	17	15	15	15	14	15	15	15	15	15	15
B3. Exports	17	17	19	19	18	19	19	18	18	18	18
B4. Other flows 3/	17	18	19	19	19	19	19	19	18	18	18
B5. Depreciation	17	19	15	15	15	15	16	15	15	16	16
B6. Combination of B1-B5	17	20	20	20	20	20	20	19	19	19	19
C. Tailored Tests											
C1. Combined contingent liabilities	17	16	16	16	16	17	17	17	17	18	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	17	18	19	19	18	18	18	17	17	16	16
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	58	53	52	50	51	54	57	61	63	66	69
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	58	54	55	57	63	70	75	82	83	82	80
Customized scenario: residency-based definition of external debt	87	100	115	120	130	138	147	158	166	178	**189**
B. Bound Tests											
B1. Real GDP growth	58	53	52	50	51	54	57	61	63	66	69
B2. Primary balance	58	53	53	51	52	56	58	63	65	69	72
B3. Exports	58	67	79	75	77	81	85	90	93	95	98
B4. Other flows 3/	58	62	70	66	68	72	75	79	81	84	86
B5. Depreciation	58	53	43	41	42	45	48	51	54	57	61
B6. Combination of B1-B5	58	68	63	65	66	70	73	78	80	83	86
C. Tailored Tests											
C1. Combined contingent liabilities	58	57	57	56	58	63	67	72	76	81	85
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	58	68	75	70	70	72	73	75	76	76	77
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	4	5	5	5	5	5	5	4	4	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	4	4	5	5	6	6	6	6	5	5	5
Customized scenario: residency-based definition of external debt	7	12	18	22	28	34	36	39	40	42	45
B. Bound Tests											
B1. Real GDP growth	4	4	5	5	5	5	5	5	4	4	4
B2. Primary balance	4	4	5	5	5	5	5	5	4	4	4
B3. Exports	4	5	6	6	6	6	6	6	6	6	6
B4. Other flows 3/	4	4	5	5	5	5	5	5	5	5	5
B5. Depreciation	4	4	5	5	5	5	5	4	4	3	3
B6. Combination of B1-B5	4	5	5	5	6	6	5	5	5	5	5
C. Tailored Tests											
C1. Combined contingent liabilities	4	4	5	5	5	5	5	5	4	4	4
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	5	5	6	6	6	5	5	5	5	5
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	6	6	7	7	6	6	5	5	4	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	6	7	7	7	8	7	7	6	6	5	5
Customized scenario: residency-based definition of external debt	10	18	**25**	**32**	**38**	**44**	**45**	**43**	**43**	**42**	**43**
B. Bound Tests	10	18	**25**	**32**	**38**	**44**	**45**	**43**	**43**	**42**	**43**
B1. Real GDP growth	6	7	7	8	8	7	7	6	5	5	5
B2. Primary balance	6	6	6	7	7	7	6	5	5	4	4
B3. Exports	6	6	7	7	7	7	6	5	5	5	5
B4. Other flows 3/	6	6	7	7	7	7	6	5	5	5	5
B5. Depreciation	6	8	8	8	8	8	7	6	5	4	4
B6. Combination of B1-B5	6	7	8	8	8	8	7	6	6	6	5
C. Tailored Tests											
C1. Combined contingent liabilities	6	6	7	7	7	7	6	5	5	4	4
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	8	8	8	8	7	6	5	5	5
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, 2022–2032

	Projections 1/										
	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
					PV of Debt-to-GDP Ratio						
Baseline	41	43	44	45	45	45	45	46	47	48	49
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	42	44	45	47	48	49	50	52	54	**57**	**59**
Customized scenario: stock-flow adjustment	41	44	46	47	48	48	50	51	53	55	**57**
B. Bound Tests											
B1. Real GDP growth	42	48	**55**	**58**	**61**	**63**	**67**	**70**	**73**	**77**	**81**
B2. Primary balance	42	45	47	48	48	48	48	49	50	51	52
B3. Exports	41	45	48	49	49	49	49	50	51	51	52
B4. Other flows 3/	41	46	49	49	49	49	50	50	51	52	53
B5. Depreciation	42	46	45	44	42	41	41	40	40	40	40
B6. Combination of B1-B5	42	44	46	46	46	47	47	48	49	50	52
C. Tailored Tests											
C1. Combined contingent liabilities	42	**57**	**58**	**58**	**58**	**58**	**58**	**59**	**59**	**60**	**61**
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	42	46	52	**57**	**62**	**66**	**70**	**73**	**77**	**81**	**85**
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	208	210	212	206	203	202	202	203	205	207	210
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	211	213	217	214	216	218	222	228	235	242	250
Customized scenario: stock-flow adjustment	33	48	50	59	63	66	69	68	67	72	72
B. Bound Tests											
B1. Real GDP growth	211	233	262	265	273	282	293	305	317	330	342
B2. Primary balance	211	219	226	219	216	214	214	214	216	218	220
B3. Exports	208	219	232	224	221	219	219	219	220	221	223
B4. Other flows 3/	208	222	235	228	224	222	222	222	223	224	225
B5. Depreciation	211	223	214	203	194	186	181	177	174	173	172
B6. Combination of B1-B5	211	213	220	212	210	209	210	211	214	217	220
C. Tailored Tests											
C1. Combined contingent liabilities	211	278	278	268	264	260	259	258	258	259	261
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	211	249	271	288	300	309	317	322	334	347	359
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	33	48	49	57	60	62	64	61	60	64	63
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	33	49	49	59	63	65	68	67	67	72	72
Customized scenario: stock-flow adjustment	33	48	50	59	63	66	69	68	67	72	72
B. Bound Tests											
B1. Real GDP growth	33	51	57	70	76	82	88	90	92	99	100
B2. Primary balance	33	48	51	60	63	65	67	65	63	67	65
B3. Exports	33	48	49	58	61	62	64	62	61	65	64
B4. Other flows 3/	33	48	49	58	61	62	64	62	61	65	64
B5. Depreciation	33	45	47	54	57	58	60	58	57	60	58
B6. Combination of B1-B5	33	47	49	58	61	63	65	63	62	66	65
C. Tailored Tests											
C1. Combined contingent liabilities	33	48	69	74	78	81	85	78	76	79	78
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	33	54	55	68	77	83	90	91	94	102	104
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.

Statement by Mr. Sylla, Executive Director for Mali and Mr. Diakite, Senior Advisor to the Executive Director on Mali
May 25, 2023

I. Introduction

Our Malian authorities thank Management and staff for the valuable policy advice, and the technical and financial assistance they have received from the Fund over the years. They place a high value on the partnership with the Fund which has played a critical role in helping preserve macroeconomic stability, bringing the country back to a path of stronger and inclusive growth, and reducing fragility.

Mali has always maintained a track record of satisfactory policy implementation under Fund programs. The last reviews under the previous ECF program could, however, not be completed due to the six-month embargo imposed by the Economic Community of West African States (ECOWAS) in the first semester of 2022 following the coup d'Etat of May 2021. Sanctions were lifted in the second half of 2022 as the authorities engaged in a process of return to civilian rule and restoration of the suspended constitution. In the interim, the ECF program expired in August 2022 and the authorities have since sought to re-engage with the Fund in the framework of a new UCT program or food shock window in view of the severe food insecurity facing the country.

The Malian economy has remained resilient despite multiple chocks from terrorist attacks, the pandemic, regional sanctions, the repercussions of the war in Ukraine, and climate change. Growth has averaged nearly 4 percent in the last three years, mostly driven by activity in agriculture and mining. The authorities are committed to continue implementing policies designed to preserve macroeconomic stability, consolidating key improvements in public financial management, and achieving stronger private sector -led inclusive growth, while improving the prospects for stability and security in the country.

The authorities appreciate the constructive discussions held with staff during the 2023 Article IV consultations. The policy discussions focused on addressing fiscal challenges, protecting the most vulnerable groups, and unlocking Mali's growth potential. The authorities broadly concur with the main policy recommendations in the staff report and have provided important nuances on some aspects of the staff's assessment. The visit of the Mission Chief in Bamako, earlier this month to acquaint herself with the reality on the ground was also highly appreciated by authorities.

II. Recent Economic Development and Outlook

Recent economic developments were adversely shaped by major overlapping domestic and external shocks in 2021 and 2022. Economic activity was negatively affected notably by the regional embargo, the spillovers from the war in Ukraine, and the challenging security situation. Furthermore, cotton production, one of Mali's main exports, suffered from parasite infection. Despite these adverse developments, real GDP growth reached 3.7 percent in 2022 on the back of higher gold production, and the authorities' concerted efforts to adjust to the regional sanctions, which have averted an economic slowdown. Average inflation reached 10 percent in 2022 fueled by soaring global food and fuel prices. In the external sector, the current account deficit increased from 2.2 percent of GDP in 2020 to 7.5 percent mostly on account of higher prices for energy and food imports.

Fiscal policy priorities were redefined in the context of the embargo and the absence of external budget support from Mali's traditional partners. The authorities stepped up their efforts to collect revenue and fight corruption while prioritizing expenditures. Spending pressures have mounted in the face of pressing security challenges, higher interest payments, and relentless demands for wage increases in the public sector. Against this background, public debt increased from 50.4 percent of GDP in 2021 to 52.5 percent of GDP in 2022, also reflecting the depreciation of the Euro and the on-lending of the 2021 SDR allocation by the regional central bank (BCEAO).

While the authorities recognize the recent financing challenges they have faced, they highlight Mali's successful return to the bond market after the lifting of sanctions. This should be viewed as a reflection of investors' confidence in the country's sovereign debt sustainability, and the authorities will continue their efforts to expand investors' participation in Mali's sovereign debt market.

The authorities broadly agree with the assessment of the outlook and risks for 2023 and 2024. Growth is expected to pick up and exceed 5 percent in 2023-24 on account of increased gold and agricultural production where Mali holds a strong comparative advantage. The implementation of the authorities' roadmap to organize credible and transparent elections in 2024 would lead to a resumption of external budget support and stimulate foreign investments in the medium term. Inflation should decline to 5 percent in 2023 and fall below 3 percent in 2024 with the attenuation of supply side shocks. The fiscal deficit is expected to narrow to 4.3 percent of GDP in 2024 and reach the regional deficit norm of 3 percent by 2025-2026. The risk of debt distress remains moderate over the medium term, and the current account deficit should improve although the authorities' medium-term projections of gold prices are more conservative than those of the staff. Our authorities stress that these positive prospects hinge significantly on continued improvement of the security situation, and the resumption of external financial support, including from the IMF, to support their efforts to provide basic social services, and address food insecurity and climate change.

III. Medium-term Policies and Structural Reforms

Fiscal Policy and reforms

Despite facing major fiscal challenges in recent years, our authorities are committed to continue the fiscal deficit reduction efforts in train since 2020. Their fiscal policy objective is to bring the deficit below the regional norm of 3 percent of GDP by 2025-2026. To that end, the authorities will step up the reforms aimed at improving domestic revenue collection and the quality of spending.

The authorities concur with staff on the need for stronger efforts to broaden the tax base, streamline procedures, and enhance efficiency in the tax and customs administration. To this end, key tax policies and administration measures initiated under the previous ECF-supported program remain valid and will be pursued, including the design and introduction of a new property tax on developed and undeveloped land; generalization of the use of online procedures for tax filing and payment; and determined actions to enhance tax noncompliance through rigorous controls and crosschecking of information with customs, the Treasury and other agencies. Also, with TA from the Fund, the authorities plan to add more taxpayers from the informal sector to the tax base notably with the payment of certain taxes through mobile banking services.

Improving the efficiency of expenditures will contribute to increasing fiscal space to meet higher development needs. The authorities recognize the rather elevated budget cost of the wage bill, but underscore Mali's challenging socio-political and security circumstances. That said, the authorities have organized consultations aimed at addressing in an orderly fashion and with a medium-term perspective, the many demands for wage increases in the public sector. This would prevent the taking of ad-hoc measures in this critical area of public finances. Importantly, the expected uptake in growth should increase revenues, thus reducing the ratio of the wage bill to tax revenue over the medium term. The authorities will also continue to improve cash management, strengthen budget execution controls, and avoid the occurrence of arrears.

The authorities also stress the heavy cost of insecurity on public finances. It is estimated that the insecurity, which has prevailed for a decade, caused a revenue loss of 4 percent of GDP in 2022. Furthermore, significant expenditures are made to restore security, crowding out much needed development and social spending, particularly in the most afflicted regions with heightened insecurity-driven fragility. Moreover, the return and care of displaced Malians and refugees, which are a priority for the government, also involve significant fiscal costs.

The authorities note positively their country's moderate risk of debt distress over the medium term. Preserving public debt sustainability is one of their key policy priorities. Despite the difficulties, the authorities have remained strongly committed to a prudent debt policy, resorting to grants or highly concessional financing whenever possible. The authorities are mindful that liquidity issues could pose a risk to debt sustainability should financing conditions tighten significantly in regional securities markets. Going forward, further improvements in debt management practices will remain a high priority. In this connection, the authorities are engaged in a dialogue with creditors aimed at ensuring an orderly management of existing arrears; they also plan to update their debt management strategies and financial instruments, and reduce the concentration of debt in certain sectors and with certain creditors.

The authorities are determined and keen on reducing poverty and food insecurity, consistent with their 2019-2023 strategic framework for economic recovery and sustainable development (CRDD). It is estimated that 15 percent of the population faced severe food insecurity in 2022. The authorities appreciate staff's related analysis and emphasize the importance of protecting the most vulnerable population groups through subsidies and transfers, which they believe to be more impactful and inclusive in the context of Mali. The country's strategy to combat food insecurity includes both a long-term component aimed at overcoming hunger and ensuring food security, and a cyclical component focusing on decisive emergency interventions. In this context, and in line with their request at the beginning of the operationalization of the Food Shock Window (FSW) in 2022, the authorities reiterate their request to the IMF for Mali to finally have access to this window.

Assistance under the FSW would play a critical and catalytic role in reducing food insecurity in Mali. We would like to emphasize that the terrorist attacks and the abandonment of cultivable land, as well as the hindrance of the movement of goods and services that they generate, are among the main cause of this food insecurity. And unfortunately, food insecurity pushes the displacement of many segments of the population towards safer cities, favors immigration, but also drives the recruitment of young people by terrorists which fuels insecurity. Thus, the country finds itself in a vicious circle that the FSW can contribute to break.

Structural reforms

The authorities are persistently working to improve governance and the business climate to foster private sector-led and inclusive growth. They will continue to tackle the key structural challenges facing the country, including low education and health outcomes which are at risk of being exacerbated in view of unavoidable high security expenditures. Also ranking high on the reform agenda are Malian authorities' efforts and actions to increase access to financial services; secure reliable supply of electricity; ensure the well-functioning of the judicial system; step up the fight against corruption; and pursue the rationalization of procedures in public administration.

In the energy sector, the focus will be on restructuring the electricity company (EDM-SA) and moving to achieve cost recovery. The authorities aim to ensure that the electricity company meets its financial obligations and provides affordable and reliable electricity. The goal remains to stabilize the company's financial situation and eliminate government subsidies in the medium term.

The authorities are firmly committed to addressing weaknesses and vulnerabilities in their governance and anti-corruption framework. Actions to promote good governance and fight corruption will also be pursued, including the support to anti-corruption agencies like *le Bureau de Vérificateur Général du Mali* and others; the fight against illicit enrichment; the publication of beneficial ownership of companies awarded government contracts during the pandemic. Furthermore, the authorities are taking steps to address the downward trend in asset declarations since 2018 and organize workshops to validate the list of public officials to be subjected to this measure.

The authorities are committed to achieving gender equality and female empowerment. Their strategy *–Politique Nationale du Genre (PNG-Mali)* - in this area focuses on strengthening women's economic capacity, notably by facilitating further access to education, integrating women into productive activities, and guaranteeing equal access to economic employment opportunities and production factors, including affordable financing.

With the country's economy relying heavily on agriculture, the agenda on climate change remains a priority for our authorities. As analyzed thoroughly in the staff report, Mali is confronting significant weather-related challenges stemming from increasing temperatures and drought episodes, with adverse impacts on food security and the well-being of the most vulnerable population groups. The authorities are determined to address the constraints identified in building climate adaptation and resilience. They will seek technical assistance from the IMF on green public financial management and climate public investment management.

IV. Conclusion

The Malian economy has shown resilience but has been weakened by security and climate challenges, the Covid-9 pandemic, and the spillovers from the war in Ukraine. Our authorities are committed to staying the course with their record of sound policy implementation with a view to preserving macroeconomic stability and putting the economy on a course of strong and inclusive growth.

The confluence of shocks stemming from climate change and food insecurity has, however, created urgent balance of payments needs that should be addressed to avoid the significant risk of a full-blown food and humanitarian crisis. Our authorities look forward to Fund's support to help them respond to the emergency situation.