

**Mali: Staff Report for the 2000 Article IV Consultation  
First Review Under the Poverty Reduction and Growth Facility,  
and Request for Waiver of Performance Criteria**

As required under Article IV of its Articles of Agreement, the International Monetary Fund conducts periodic consultations with its member countries. In the context of the 2000 Article IV consultation with Mali, the following documents have been released and are included in this package:

- the staff report for the 2000 Article IV consultation, prepared by a staff team of the IMF, was completed on **August 11, 2000**. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF;
- a staff statement released on **September 6, 2000**, the day of the Board discussion updating information on recent economic developments;
- the Public Information Notice (PIN), which summarizes the **views of the Executive Board as expressed during the September 6, 2000, Executive Board discussion** of the staff report that concluded the Article IV consultation;
- a statement by the authorities of Mali.

Further background documentation prepared by IMF staff for the consultation may be published separately at a later date. The policy of publication of Article IV staff reports and PINS allows for the deletion of market-sensitive information.

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INTERNATIONAL MONETARY FUND

MALI

**Staff Report for the 2000 Article IV Consultation,  
First Review Under the Poverty Reduction and Growth Facility,  
and Request for Waiver of Performance Criteria**

Prepared by the African Department

(In consultation with the Fiscal Affairs, Legal, Monetary and Exchange Affairs,  
Policy Development and Review, Statistics, and Treasurer's Departments)

Approved by Paul A. Acquah and Jesús Seade

August 11, 2000

Discussions for the 2000 Article IV consultation and the first review of the economic program supported by an arrangement under the Poverty Reduction and Growth Facility (PRGF) were initiated in Bamako during October 20 – November 4, 1999 and concluded during May 9-24, 2000.

On February 15, 2000, President Alpha Oumar Konaré appointed as new Prime Minister Mr. Mandé Sidibé, and his cabinet took office on February 22. The next legislative and presidential elections are scheduled for mid-2002.

The Malian representatives included Mr. Bacari Koné, the new Minister of Economy and Finance; Mr. Cissé, the previous Minister of Finance; Mr. Diallo, the previous Minister of Economy, Planning, and Integration; Mr. Traoré, the National Director of the Central Bank of West African States (BCEAO); and other ministers and government officials in charge of economic and social affairs. President Konaré and former Prime Minister Keita received the mission in November 1999, and Prime Minister Sidibé received the mission in May. The missions also met with leading members of the National Assembly, and representatives of the donor community and the private sector, including the trade unions.

The staff representatives were Mr. De Vrijer (head), Mrs. Kabedi-Mbuyi, Mrs. Scott, Mr. Cady, Mr. Atang, Ms. Linares (Senior Administrative Assistant) and Mrs. Haddi (Staff Assistant), all AFR, and Mr. Unteroberdoerster (PDR). Mr. Williams, the Fund's Resident Representative in Mali, took an active part in the mission work. Mr. Ntamatungiro, Advisor to the Executive Director for Mali, participated in the policy discussions. The mission worked closely with parallel World Bank teams that were also in the field.

On August 6, 1999, the Executive Board approved a three-year arrangement for Mali under the PRGF, formerly the Enhanced Structural Adjustment Facility (ESAF), in an amount equivalent to SDR 46.65 million (50 percent of quota). Mali's outstanding use of Fund resources at end-May 2000 amounted to SDR 134.4 million (144.1 percent of quota).

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## Executive Summary

### Recent developments

- Mali has made sustained progress since 1994 in reducing macroeconomic imbalances and fostering economic growth under Fund-supported programs. However, in recent years there have been increasing delays in implementing structural reforms, and in 1999 the Malian economy also suffered from a sizable terms of trade loss and serious difficulties in the cotton and electricity sectors. The new government that took office in February 2000 has already taken corrective measures and is determined to implement Mali's economic program in full.
- Most of the quantitative performance criteria and benchmarks through end-March 2000 were met, except for the performance criterion and benchmark on net bank credit to the government for end-September and end-December 1999, respectively. However, none of the four structural performance criteria for end-November 1999 and end-March 2000 were observed, and only two of the seven structural benchmarks were met. The missed performance criteria related to the undertaking of planned reforms in the cotton sector; the privatization of the electricity and water company (EDM); the liberalization of the telecommunications sector; and the auditing of the national pension fund (CRM) and the social security agency (INPS). The appropriate waivers are being requested on the basis of corrective actions already taken and the commitment of the Malian authorities to implement the planned measures according to revised timetables.
- Real GDP growth in 1999 is estimated at 5½ percent, only 1 percentage point below program, on account of a good food crop and a further expansion in gold mining. The consumer price index fell in 1999, reflecting lower food prices. The external current account deficit (excluding official transfers) increased to 10½ percent of GDP, above program, largely because of lower cotton export prices and a much higher petroleum import bill. The outlook for 2000 is for a real GDP growth rate of about 4½ percent, moderate inflation, and a further widening of the external current account deficit (excluding official transfers) to some 14½ percent of GDP.
- Fiscal performance in 1999 was affected by the adverse revenue impact of the more difficult economic environment. Despite continued expenditure constraint, the 1998 basic budgetary surplus virtually disappeared in 1999. At the same time, important fiscal reforms were implemented, including the putting in place of the common external tariff of the West African Economic and Monetary Union (WAEMU) and of a single-rate value-added tax (VAT) at 18 percent, and the modernization of income taxation. For 2000, the fiscal policy stance aims at increasing the basic budgetary surplus to slightly over ½ of 1 percent of GDP by safeguarding tax revenue and tightly controlling spending. The authorities have increased retail petroleum prices and reduced nonpriority expenditures, while strictly containing the wage bill within the program ceiling.

Mali: Selected Economic and Financial Indicators, 1997-2002

	1997	1998	1999		2000		2001	2002
			Prog.	Prel.	Prog.	Rev.	Projections	
			(Annual percentage change)					
Real GDP	6.8	3.4	6.4	5.5	5.0	4.5	5.6	5.1
Consumer price index (annual average)	-0.7	4.1	1.0	-1.2	1.4	1.2	2.0	2.5
(end of period)	1.0	3.0	2.5	-1.3	2.5	2.9	2.5	2.5
Broad money	8.7	4.3	9.0	1.3	8.3	3.8	7.5	8.0
			(In percent of GDP)					
Basic fiscal balance	0.6	1.3	1.0	0.2	1.2	0.6	1.4	2.1
Overall fiscal deficit <sup>1</sup>	-8.0	-8.3	-7.6	-9.0	-6.9	-9.1	-8.0	-6.5
External current account deficit <sup>1</sup>	-9.4	-9.5	-8.5	-10.6	-8.4	-14.6	-11.7	-8.4

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

<sup>1</sup>Excluding grants.

- In view of Mali's eligibility under the Initiative for Heavily Indebted Poor Countries (HIPC Initiative), the debt sustainability analysis was updated. A HIPC Initiative document for the completion point under the original framework and the decision point under the enhanced framework has also been prepared and is being issued separately. Concurrently, the authorities have prepared an interim poverty reduction strategy paper (PRSP), which lays out the steps for preparing a full PRSP in a participatory manner.

**Issues highlighted in the staff appraisal**

- The importance of consolidating the fiscal position. To this end, the authorities should continue to modernize collection agencies and broaden the tax base, while moving to a system of petroleum taxation that is automatically based on import prices. Continuing the prudent spending policy and freeing additional resources for spending on priority areas will also be needed, as well as further strengthening good governance.
- The need to improve the health of the banking system, privatize four commercial banks, and rehabilitate the pension fund and the social security agency, while supporting a sound monetary policy within the region.
- The urgency of accelerating and deepening structural reforms in the cotton, energy, telecommunications, and transport sectors in an effective and transparent manner.
- The importance of developing and implementing poverty reduction policies, while executing the ambitious development programs in the health and education sectors. In this context, it is key that the authorities work steadfastly to prepare a full PRSP by mid-2001, in consultation with civil society and Mali's development partners.

## I. INTRODUCTION

1. **The discussions on the first review of Mali's economic program supported by a three-year arrangement under the Poverty Reduction and Growth Facility (PRGF) were initiated in October-November 1999 and concluded in May 2000, after the authorities had taken measures to bring the program back on track.** In the attached letter and memorandum on economic and financial policies, dated August 11, 2000 (Appendix I), the Minister of Economy and Finance reviews developments during 1999 and the first quarter of 2000, and sets out the measures to be implemented during the remainder of 2000 to achieve the objectives of the program. If the full amount under the PRGF arrangement is disbursed, and taking into account scheduled loan repayments, Mali's use of Fund resources would amount to SDR 130 million (139.3 percent of quota) at end-December 2002 (Table 1). A revised schedule of projected reviews and disbursements under the PRGF arrangement is set out in Table 2, and Mali's relations with the Fund are summarized in Appendix II.

2. **On September 15, 1998, the Executive Board approved a final decision point document on the Initiative for Heavily Indebted Poor Countries (HIPC Initiative; EBS/98/150; 8/24/98) confirming Mali's eligibility for assistance under the Initiative.** The completion point under the original HIPC Initiative, initially envisaged at end-December 1999, was conditional on completion of the first review under the PRGF arrangement and satisfactory implementation of the planned structural and social reforms. This report is accompanied by the HIPC Initiative document for the completion point under the original framework and the decision point under the enhanced framework (EBS/00/163; 8/11/00). In this context, the authorities have prepared an interim poverty reduction strategy paper (PRSP), which, together with a joint staff assessment, has also been issued separately (EBD/00/67; 8/11/00 and EBD/00/68; 8/11/00). A full PRSP is expected to be completed by mid-2001.

3. The last Article IV consultation was completed on February 10, 1999. On that occasion, Executive Directors noted that, although considerable progress had been made under previous Fund-supported programs, Mali's economic and financial situation remained fragile. They urged the authorities to consolidate the fiscal situation further through continued reforms of the tax system and expenditure restraint. In the cotton sector, Directors stressed the need to improve efficiency and competition, with the aim of fostering its profitable expansion while increasing producers' incomes and thus reducing rural poverty. They also underscored the need to deepen and accelerate reforms in the energy, telecommunications, and transportation sectors, and emphasized the need to strengthen the financial system and promote competition among banks.

4. The Fund and World Bank staffs have maintained their close cooperation on Mali. The World Bank has been supporting Mali's development efforts through structural and sectoral adjustment lending, including a project to support grassroots initiatives to fight hunger and poverty for SDR 15.9 million (April 1998), an integrated health sector investment project for SDR 28.5 million (December 1998), a financial sector development project for SDR 15.8 million (June 2000), and a rural infrastructure project for SDR 86.7 million

(June 2000). For the period ahead, the World Bank staff is focusing on reforms in the agricultural, energy, telecommunications, and education sectors. Mali's relations with the World Bank Group are summarized in Appendix III.

5. **Mali's economic and financial database is comprehensive but remains weak**, notably in the areas of the national accounts, industrial production, and the balance of payments. In addition, there are significant delays in the reporting of reliable monetary data. These weaknesses in the database hamper a timely assessment of economic and financial developments, but do not prevent a meaningful assessment of economic policies. The authorities are continuing their efforts to improve the quality and availability of economic data with technical assistance from the Fund and other partners, and are providing core data to the Fund on a regular basis. Statistical issues are further discussed in Appendix IV.

## II. BACKGROUND AND RECENT DEVELOPMENTS

6. Mali's **medium-term economic reform strategy**, described in the policy framework paper (PFP) for 1999-2002 (EBD/99/90; 7/16/99) and reaffirmed in the interim PRSP, builds upon the progress achieved under the programs supported by two previous three-year arrangements under the Enhanced Structural Adjustment Facility (ESAF). The aim is to foster durable economic growth, reduce poverty, and achieve financial viability. The strategy focuses on (i) establishing budgetary equilibrium by further improving the tax system and tightly controlling expenditures; (ii) introducing a reliable and transparent judicial and regulatory framework conducive to private sector activities and investment; (iii) strengthening financial intermediation; (iv) undertaking wide-ranging reforms in the cotton, energy, telecommunications, and transport sectors; (v) completing the last phase of the privatization program; (vi) improving public infrastructure and modernizing the civil service; (vii) executing ambitious programs in the health and education sectors; and (viii) implementing the 1998 National Strategy for the Fight against Poverty (SNLP).

7. Real GDP growth in 1999 is estimated at 5½ percent, only 1 percentage point below program, on account of a strong rebound of cereal production and a further expansion of gold mining activities (Figure 1 and Table 4). Seed cotton production stabilized at some 520,000 metric tons in 1998/99, and nonagricultural real GDP growth slowed from 5¼ percent in 1998 to about 3 percent in 1999. The harmonized consumer price index (CPI) for Bamako fell by 1¼ percent during 1999, reflecting lower food prices related to the good grain harvest. **In 1999, the Malian economy suffered from serious difficulties in the cotton and electricity sectors and a sizable terms of trade loss.** The cotton company (CMDT) reported in the last quarter of 1999 significantly higher production costs, owing to excessive investments and a significant weakening of financial management since 1997. This contributed to a large deficit of the CMDT over the 1999/2000 crop year, which, before corrective measures, was equivalent to some 2 percent of GDP. In the electricity sector, serious deficiencies in management, delays in implementing the rehabilitation plan, and ad hoc investments in generating capacity led to severe power outages and output losses in the manufacturing and services sectors in 1999, as well as the quasi-bankruptcy of the national electricity and water company (EDM).

8. The external terms of trade deteriorated by 11 percent in 1999, as cotton export prices fell by almost 19 percent below their 1998 levels and import prices for petroleum products rose by 27 percent (Table 3). After appreciating in 1998, the real effective exchange rate depreciated again by about 4 percent in 1999, reflecting price differentials and the appreciation of the U.S. dollar (Figure 2). In the external sector, cotton fiber export receipts nearly stabilized, despite a strong rebound in shipments from the 1998 delays in the wake of the Asian financial crisis, and gold exports continued to expand. The volume of imports grew moderately, but the petroleum import bill rose steeply. As a result, the external current account deficit (excluding official transfers) widened from 9½ percent of GDP in 1998 to 10½ percent in 1999, some 2 percentage points of GDP above program; including official transfers, the deficit increased from 3 percent of GDP to 4¾ percent. Taking account of a slightly lower level of foreign assistance than in 1998 and a decline in the net outflows of private capital, the overall balance of payments deficit in 1999 remained at a level equivalent to 2 percent of GDP.

9. **The implementation of the 1999/2000 PRGF-supported program was marked by policy slippages, notably in the structural area** (Appendix I, Tables 1 and 2). None of the four structural performance criteria for end-November 1999 and end-March 2000 were observed. These related to the undertaking of planned reforms in the cotton sector; the privatization of the EDM; the liberalization of the telecommunications sector; and the auditing of the national pension fund (CRM) and the social security agency (INPS). In addition, only two of the seven structural benchmarks were met, as there were delays in the reforms of the financial sector; the privatization of the management of the airport authority (ADM); the appointment of new adjudicators at the commercial courts, including representatives of the banking and insurance sectors; and the preparation of a financing plan for education. Finally, although most quantitative performance criteria and benchmarks through end-March 2000 were met, the performance criterion and benchmark on net bank credit to the government for end-September and end-December 1999, respectively, were not observed.

10. **Fiscal performance in 1999 was affected by the negative revenue impact of the more difficult economic environment.** With budgetary expenditure close to program, the basic budgetary surplus of 1¼ percent of GDP in 1998 virtually disappeared in 1999 (Table 5).<sup>1</sup> The overall budget deficit (commitment basis and excluding grants) increased by ¾ of 1 percentage point to 9 percent of GDP, as compared to slightly above 7½ percent

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<sup>1</sup> Defined as total government revenue (excluding grants) minus total expenditure and net lending, excluding externally financed capital expenditure.



under the program.<sup>2</sup> Including grants, the fiscal deficit widened from 2½ percent of GDP in 1998 to 3¾ percent in 1999.

11. **Budgetary revenue in 1999 was ¾ of 1 percent of GDP below target**, owing to lower tax receipts from the cotton company, somewhat higher-than-foreseen revenue losses related to the introduction of the common external tariff (CET) by member countries of the West African Economic and Monetary Union (WAEMU), and the lower economic growth. In terms of nominal GDP, total government revenue rose, nevertheless, from 16½ percent in 1998 to 17 percent in 1999 (Table 6). **Total government expenditure and net lending in 1999 was kept close to program** but increased in relation to GDP from 24¾ percent in 1998 to 26 percent in 1999. Current expenditure was slightly below program, with continued restraint in wage policy and lower-than-anticipated interest payments. The government granted a 7 percent rise in civil service base salaries, effective as of September 1, 1999, which was consistent with the wage bill ceilings programmed for 1999 and 2000. The share of the health and education sectors in current government spending remained at about 28 percent in 1999. Public investment outlays were slightly above program, owing to higher domestically financed capital expenditures. Verified domestic payments arrears were eliminated as planned, and all domestic and foreign debt-service obligations were met on time, but there was a temporary increase in the budgetary float (payments orders issued during the last months of the year that were not executed by year's end). Finally, despite higher-than-programmed external budgetary assistance and privatization receipts from the sale of a hotel, net bank credit to the government exceeded the program ceiling at end-December by CFAF 5.2 billion (⅓ of 1 percent of GDP).

12. **Important reforms in the fiscal area were implemented in 1999.** In the context of implementing the CET, Mali introduced the WAEMU system of imports classification in four categories as of January 1, 1999.<sup>3</sup> The customs service fee (CPS) of 5 percent on nonpetroleum imports was eliminated on April 1, 1999. On intracommunity trade, the tariff reduction for approved industrial products of WAEMU origin was raised on January 1, 1999 to 80 percent of the rates applicable to third countries, and these customs duties were eliminated as of January 2000. As a result of these reforms, the weighted-average import tariff rate, including the CPS and statistical tax, was reduced from 13½ percent at the

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<sup>2</sup> Almost ½ of 1 percentage point of this increase was due to a smaller-than-foreseen nominal GDP in 1999, as real growth was lower and the GDP-deflator fell by 2 percent from 1998, instead of increasing by 2¼ percent as projected.

<sup>3</sup> In addition to a zero percent tariff rate, the corresponding maximum customs duties on imports from non-WAEMU countries were reduced to 5 percent, 10 percent, and 25 percent, respectively. On January 1, 2000, the CET was fully applied, and these duty rates were fixed at 5 percent, 10 percent, and 20 percent, respectively, with, in addition, a statistical tax of 1 percent.

beginning of 1998 to 12 percent as of 2000.<sup>4</sup> The customs revenue loss related to the introduction of the CET is estimated at close to 1 percent of GDP in 1999 and almost ½ of 1 percent of GDP in 2000.

13. To modernize the direct and indirect tax system, and compensate for the revenue losses resulting from the introduction of the CET, the government put in place a **comprehensive domestic tax reform**, beginning on April 1, 1999 (EBS/99/129; 7/16/99; Box 3). This reform was centered on the introduction of a single-rate value-added tax (VAT) of 18 percent and a limitation of VAT-exempted commodities to medical supplies, educational materials, and agricultural inputs. In addition, efforts continued to improve revenue collection. At the tax department, the VAT administration was strengthened; the large enterprise division (DGE) was fully computerized; and, as of January 2000, tax collection of 412 large enterprises was taken over from the treasury. To assist the authorities in their efforts, a Fund tax expert was stationed at the tax department from July 1999. At customs, the new customs code, which simplifies procedures and establishes better controls and safeguards against fraud, was adopted in February 2000. Taxpayer compliance has been further enhanced by extending the registration system based on a single tax identification number from 46 thousand taxpayers in 1998 to 73 thousand taxpayers in 1999.

14. Mali's **monetary policy** is conducted at the regional level by the Central Bank of West African States (BCEAO). Money demand further weakened in 1999, with broad money growing by only 1⅓ percent (Tables 7 and 8).<sup>5</sup> Reflecting fiscal performance, the net creditor position of the government was reduced somewhat in 1999, while credit to the economy rose by 14½ percent. This latter development was partly related to the financial difficulties in the cotton sector, which resulted in delays in the repayment of 1999/2000 crop credits. Excluding these exceptional loans, credit to the private sector rose by some 8½ percent. As a result of these developments and the weakening of the external position, the net foreign assets of the banking system fell by more than 10 percent in terms of beginning-of-period money stock, and Mali's contribution to the foreign reserves account of the BCEAO declined.

15. **The soundness of the commercial banking system has improved in recent years, and most banks showed a profit in 1999.** However, their situation remains fragile, and a number of them failed to comply with some of the Regional Banking Commission's prudential regulations. Nonperforming loans amounted on average to 25 percent of bank credit to the economy at end-1999; net of provisions, this ratio was 9¾ percent, a relatively low level by regional standards. The call for bids for the Banque Malienne de Crédits et Dépôts (BMCD) was issued in September, as planned, and the Banque Internationale pour le

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<sup>4</sup> On nonexempted, nonpetroleum imports from non-WAEMU countries.

<sup>5</sup> Monetary data should be interpreted with caution, as uncertainties in the estimation of currency in circulation are common to all member states of the WAEMU.

Mali (BIM-SA) was placed under receivership upon failure of its prospective private partner to fulfill key financial conditions.

16. **Regarding other structural reforms, little progress was made in implementing key measures under the program until early 2000.** In the cotton sector, a new performance contract was signed by the government, the CMDT, and producers in October 1999. This contract was only in partial conformity with the performance criterion for end-November, as it did not include all the elements of the action plan for the sector, nor take account of the higher production costs of the CMDT. The 1999/2000 deficit of the CMDT is estimated at CFAF 32½ billion (2 percent of GDP), of which 40 percent can be attributed to the drop in cotton fiber export prices from the 1998/99-crop year and the remainder to the higher-than-foreseen costs of the CMDT. The cost-reducing measures to cover this deficit included a lowering of the announced producer floor price from CFAF 160 per kilogram to CFAF 150 per kilogram (50 percent of the sales revenue of the CMDT), and would yield a combined cost savings of some CFAF 22 billion.<sup>6</sup> The remainder of the deficit would be covered by a one-year loan from the Cotton Sector Stabilization Fund.

17. Concerning the **telecommunications** sector, the government adopted in April 2000 a legal and regulatory framework to open the sector to competition, as originally programmed for September 1999. However, the granting of cellular telephony licenses to private operators, a performance criterion for end-November 1999, was postponed to later in 2000. In the meantime, the authorities have frozen the operations of a mixed public/private subsidiary (MALITEL-SA) of the national telecommunications company (SOTELMA), which was poised to take a privileged position in the cellular telephony subsector after bypassing the agreed transparent and competitive bidding process for operating licenses. As regards the **remainder of the public enterprise sector**, the number of nonbank enterprises in the government's portfolio was reduced from 31 at end-1998 to 24 at end-1999, including through the sale of the Hôtel de l'Amité (Table 13). In addition, the tobacco company (SONATAM) was partly privatized in March 2000. However, the call for bids to privatize the EDM, the management of the ADM, and a pharmaceutical factory (UMPP) were postponed, and there were further delays in the transfer of the operation of the international Bamako-Dakar railway line to a majority privately owned company (SETI).

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<sup>6</sup> For a more detailed description, see the Memorandum of Economic and Financial Policies for 2000 (Appendix I, paragraph 2). The total producer price for seed cotton for the 1998/99 crop year, including a profit bonus of CFAF 40 per kilogram, was CFAF 185 per kilogram (56 percent of the sales revenue of the CMDT).

### III. POLICY DISCUSSIONS

18. In light of the less favorable external economic environment and slippages in program implementation during 1999 and early 2000, as well as the need to meet the requirements for reaching the completion point under the original HIPC Initiative and the decision point under the enhanced framework, the discussions with the Malian authorities focused on (i) the effective implementation of all the measures envisaged under the PRGF-supported program; (ii) the fiscal stance for 2000; and (iii) the interim PRSP that the authorities were preparing. **The government emphasized its commitment to implement Mali's economic program in full, as well as its determination to make up for the delays that had been incurred.** To this end, the new Prime Minister has assumed the chairmanship of an interministerial committee that will ensure the necessary policy coordination and the timely undertaking of the programmed actions.

19. **The main macroeconomic projections and objectives for 2000-02 have been revised** on the basis of the most recent available information and the latest projections of the World Economic Outlook (Box 1). For 2000, another record food crop is being produced, but real GDP growth is projected to slow to about 4½ percent, owing to a 11 percent decline in seed cotton production, to about 460,000 metric tons, and a more moderate expansion in gold mining. Nonagricultural real GDP growth would remain at close to 3 percent in 2000. Despite higher petroleum retail prices, inflation, as measured by the harmonized CPI for Bamako, is expected to remain below 3 percent during 2000. The external current account deficit (excluding official transfers of 5⅓ percent of GDP) is projected to widen to some 14½ percent of GDP in 2000, owing to smaller cotton fiber shipments and a further deterioration in the external terms of trade of almost 9 percent, largely due to higher petroleum import prices. After taking into account commitments of foreign assistance and a net inflow of private capital, partly related to the ongoing privatization program, the overall balance of payments deficit in 2000 is projected to increase to a level equivalent to 4½ percent of GDP.

#### A. Financial Policies

20. **The authorities intend to adhere to a fiscal policy stance that will allow a gradual return to the original program objectives, by the end of the three-year PRGF arrangement, by increasing tax revenue collections and tightly controlling spending.** The basic budgetary surplus in 2000 is targeted to be increased by ½ of 1 percentage point to slightly above ½ of 1 percent of GDP, lower than initially envisaged. In view of the preparation for the Coupe d'Afrique des Nations (CAN), which Mali will host in early 2002, and the start of the construction of an administrative center in Bamako, foreign-financed public investment in 2000 would be 1 percent of GDP higher than in 1999. As a result, the overall budget deficit (commitment basis and excluding grants) would remain at 9 percent of GDP in 2000; including grants, the deficit would increase to 4¾ percent of GDP.

21. **The authorities have already taken measures to improve government revenue performance and aim at maintaining tax revenue at 14¾ percent of GDP in 2000.** The

potential revenue losses related to the expected drop in tax receipts from the CMDT and an unchanged policy to stabilize petroleum retail prices were estimated to amount to almost 1½ percent of GDP. To offset this shortfall, the government increased retail petroleum prices by 12-18 percent as of end-March 2000 (with a revenue impact of some ½ of 1 percent of GDP). Further efforts will be undertaken to broaden the tax base and improve the efficiency of collection agencies, for which a Fund resident expert is stationed at the tax department (see also Appendix I, paragraph 15). The government is also determined to ensure that the 1999 domestic tax reforms and the CET are implemented effectively. On this basis, total government revenue in 2000 would remain at a level equivalent to 17 percent of GDP. Finally, the government intends to adopt by end-October a new taxation system for petroleum products that will set retail prices compatible with international prices and automatically adjust them to import price fluctuations, while safeguarding budgetary revenue. This new system would be applied in 2001, in line with the envisaged harmonization of petroleum taxation at the level of the WAEMU.

22. **The authorities are also determined to maintain total expenditure and net lending at a level equivalent to 26 percent of GDP in 2000** – some 2.9 percent of GDP higher than initially foreseen because of the higher public investment outlays. They have also decided to reduce nonpriority outlays in 2000 by some ½ of 1 percent of GDP, and current spending will be kept below the initial program level. The wage bill will be strictly contained at CFAF 73.1 billion (4¼ percent of GDP), despite an upward revision of the salary grid for civil servants without special status (about one-third of all government agents on the payroll) by 15 percent, as of May 1, 2000.<sup>7</sup> There will be no further wage increases in 2000, and net recruitment will be limited to 2,000 contractual teachers, 350 health workers, and 200 agents in other sectors. The share of the health and education sectors in current government expenditures will be increased from 28 percent in 1999 to 32 percent in 2000, and social safety net outlays will be maintained at their initial program level. Furthermore, the authorities will ensure that the costs of the administrative decentralization is strictly controlled, and that the government's legal defenses with regard to claims brought against it before the courts will be reinforced. Finally, the programming and monitoring of public investment will be strengthened, and the government will adopt before year's end, in consultation with the World Bank, a new three-year public investment program for 2001-03 giving priority to agriculture, infrastructure, and human resources development.

23. **The regional monetary policy** pursued by the BCEAO will remain prudent and consistent with the exchange rate peg between the CFA franc and the euro. Mali will continue to support the efforts of the monetary authorities to strengthen the indirect instruments of monetary policy and the functioning of the interbank and money markets, including by reinforcing the flexible interest rate policy and by issuing treasury bills to replace the statutory advances. In this context, the BCEAO raised, as of June 19, 2000, its

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<sup>7</sup> The salary grid revision would result in a 3¼ percent increase of the wage bill in 2000.

repurchase and discount rates by  $\frac{3}{4}$  of 1 percentage point to 6 percent and 6½ percent, respectively.

24. Broad money growth in Mali is projected to increase to about 4 percent in 2000, remaining somewhat below that of nominal GDP. The government's net creditor position vis-à-vis the banking system would fall by some CFAF 10 billion, but the authorities intend to continue to refrain from direct borrowing from the central bank. Credit to the economy could increase by some 17½ percent, while the net foreign assets of the banking system are projected to register a further decline of about 14½ percent in terms of beginning-of-period money stock.

25. **The government is determined to strengthen financial intermediation and improve the health of the banking system**, in order to better mobilize financial savings and ensure an efficient credit allocation. In June 2000, the authorities reached agreement with the World Bank on a project for financial sector reform, which focuses, inter alia, on improving the legal and judicial environment of the sector; reducing the level of nonperforming loans; and ensuring better compliance with the prudential regulations established by the Regional Banking Commission. Government interests in the banking sector will be fully divested by end-2004, except for minority shareholdings in the agricultural and housing banks (BNDA and BHM, respectively). As a first step, the government's share in the capital of the BMCD and the BIM-SA will be reduced to no more than 20 percent by end-June 2001. The reform program also contains actions to put in place an institutional framework conducive to developing the microfinance subsector and to strengthening the insurance industry. Finally, an action plan to rehabilitate the financial situation of the CRM and the INPS will be adopted by end-October 2000, based on the outcomes of their financial audits, which started in June and early August, respectively.

## B. Structural Policies and Governance

26. **The government has indicated that it is fully aware of the need to pursue the planned structural reforms with greater vigor, and it has already made encouraging progress in resolving outstanding structural issues.** With the World Bank taking the lead, the discussions focused on areas where slippages had occurred and for which revised timetables were agreed (Box 2). The key measures are the following:

- In the **cotton** sector, the authorities have replaced the President of the CMDT and initiated an independent financial audit of the company, which is aimed at fully disclosing the CMDT's financial situation, in order to improve financial management and transparency, as well as to identify and implement cost-cutting measures. The final report of the audit was completed by mid-July 2000. Furthermore, seven additional studies, including on the CMDT's industrial and commercial activities and on its withdrawal from providing public services, are programmed to be completed by end-September 2000. This would allow a new performance contract to be signed in December, which would include all the elements of the 1999 action plan for the sector aimed at enhancing private sector participation and preparing it for open competition.

- In the **telecommunications** sector, the authorities have officially announced on July 5, 2000, their decision to transform MALITEL-SA into a fully state-owned enterprise and to restart the liberalization of the sector on the basis of an open call for bids for cellular telephony licenses, to be launched by end-November 2000. The call for bids to privatize SOTELMA is now scheduled to take place by end-June 2001.
- Concerning the reform of **other public enterprises**, the final call for bids for the privatization of at least 60 percent of the capital of the EDM was issued on August 11, 2000, and the call for bids for UMPP and the management of the ADM are now planned by year's end. The SETI is expected to start operations by end-September 2000. Finally, the staff urged the authorities to execute their public enterprise reform program in an open and transparent manner, in order to bolster its credibility for potential investors and obtain the envisaged beneficial outcomes for the Malian economy.

27. The authorities are also stepping up their efforts to promote **good governance**. In this context, they created in October 1999 an ad hoc commission to systematically follow up on the reports of the Inspector General's office concerning irregularities in the use of public resources, including in public enterprises. The recommendations of this commission have led to ongoing measures to strengthen administrative procedures, including on procurement, and have also resulted in sanctions and referral of certain cases to the judicial authorities.<sup>8</sup>

### C. Poverty Reduction and Human Resources Development

28. The higher economic growth since the devaluation of the CFA franc—with real GDP growth averaging 5 percent per year during 1995–99, compared with less than 1½ percent during 1990–94—was instrumental in reversing the upward trend of poverty in Mali, as described in the authorities' interim PRSP (paragraph 1.2).<sup>9</sup> However, poverty remains widespread, and Mali's social indicators are among the weakest in the world (Table 14). Moreover, the modest progress recently made is tenuous because of the vulnerability of the Malian economy to exogenous shocks and its limited diversification. For example, the difficulties in the cotton sector in 1999/2000 resulted in a drop of almost 30 percent in gross nominal income of the cotton farmers. Also, in view of the salary increases granted to civil servants in 1999 and 2000, it is likely that the distribution of income became more unequal in 1999-2000. Therefore, the interim PRSP placed poverty reduction at the center of Mali's

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<sup>8</sup> Between October 1999 and May 2000, the commission reviewed a total of 618 reports, prepared over the 1992-99 period, on investigations of possible financial or administrative wrongdoings involving public agencies. The commission issued four types of recommendations for action: (i) referral for further investigation; (ii) application of purely administrative sanctions; (iii) requirement of financial restitution; and (iv) referral to the Public Prosecutor in 72 cases (12 percent of the total).

<sup>9</sup> Annual real GDP growth per capita averaged some 2½ percent during 1995-99.

development efforts by integrating the financial and structural policies needed for more robust economic growth with the National Strategy for the Fight against Poverty, and the ongoing programs aimed at the development of human resources.

29. The efforts of the government regarding the **development of human resources** aim at improving the availability and quality of education, and at increasing access to quality health services.<sup>10</sup> To achieve these goals, the government has updated the ten-year development program for education (PRODEC) and adopted, in consultation with the World Bank, the financing plan for the sector in June 2000. In addition, the authorities are determined to accelerate the implementation of the ten-year social and health development strategy (PRODESS) and of the investment program in the health sector covering the period 1997-2002. Financial assistance provided under the original HIPC Initiative and the prospective interim assistance under the enhanced framework will be fully used to cover the additional outlays under these programs.

#### **D. Medium-Term Balance of Payments Outlook and Debt Sustainability**

30. **The medium-term balance of payments projections presented in EBS/99/129 (7/16/99) were updated to take account of the more difficult external and domestic economic setting** (Tables 9, 10, and 11).<sup>11</sup> Export volumes, notably of cotton fiber, are expected to decline in 2000 before picking up strongly again in 2001-02. In 2001, two new gold mines are expected to start operation and, beginning with the 2001/02 crop year, cotton fiber shipments are projected to increase again. Import volume growth is projected to average close to 3 percent a year over the 2000-02 period, with imports of intermediate and capital goods growing more rapidly than imports of consumer goods, partly related to public investments and the preparation for the CAN 2002. In view of the good cereal harvests in 1999 and 2000, and assuming normal weather conditions in 2001-02, imports of foodstuffs are projected to increase only slowly. Following a further deterioration of the terms of trade of almost 9 percent in 2000, these are expected to improve during 2001-02, reflecting the projected further recovery of world cotton prices and a gradual decline in petroleum prices. As a result of these developments, the external current account deficit (excluding official transfers) is projected to narrow from 14½ percent of GDP in 2000 to about 8½ percent by 2002; including official transfers, the deficit would fall from 9¼ percent of GDP in 2000 to 3½ percent by 2002.

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<sup>10</sup> These policies are described in more detail in the interim PRSP (paragraph 3.2.2) and the HIPC Initiative document for the completion point under the original framework and decision point under the enhanced framework (Section III.B).

<sup>11</sup> Balance of payments projections for 2000-19 are presented in the HIPC Initiative document for the completion point under the original framework and decision point under the enhanced framework (Section IV).



31. **Mali's trade regime is relatively open**, as it remains rated as 2 on the 10-point Fund scale of trade restrictiveness, and the authorities indicated that they would continue to limit the application of safeguard and protection mechanisms. They also reiterated that Mali intended to keep its exchange system free of restrictions on payments and transfers for current international transactions.

32. **Over the medium term, Mali will need to continue to rely on concessional external assistance to finance public investment projects.** Taking into account the projected disbursements of project aid, private capital inflows, and Fund assistance under the PRGF arrangement, the remaining financing requirements for 2000 total CFAF 22¼ billion. These are expected to be fully covered by assistance from the European Union, the World Bank, and Mali's bilateral partners, as well as by debt relief under the original HIPC Initiative.

33. Given Mali's eligibility under the HIPC Initiative, an update of the **debt sustainability analysis** was undertaken by Fund and World Bank staff, in collaboration with the authorities.<sup>12</sup> This analysis was based on end-1999 external public debt data for assessing assistance at the completion point under the original HIPC Initiative, and on end-1998 debt data in the context of the enhanced framework. After taking account of the expected assistance under the original HIPC Initiative, the debt-service ratio is projected to decrease from 15 percent in 2000 to 12¾ percent in 2002. Including prospective assistance under the enhanced HIPC Initiative, the debt-service ratio would drop to 8¼ percent in 2002. Under the updated scenario, payments to the Fund are projected to peak at 3¾ percent of exports of goods and nonfactor services in 2002 (Table 12). Given Mali's excellent record in meeting its debt-service obligations to the Fund, the country is expected to meet its future obligations to the Fund in a timely manner.

#### IV. STAFF APPRAISAL

34. Since the devaluation of the CFA franc in early 1994, Mali has made sustained overall progress in reducing macroeconomic imbalances, improving the competitiveness of the economy, and alleviating economic distortions. Relatively high economic growth has been accompanied by an encouraging beginning in poverty reduction. However, poverty remains widespread and much remains to be done to address deep-seated rigidities in the economy, reduce the country's vulnerability to exogenous shocks, and develop Mali's human resources. The insufficient progress in resolving key structural issues was compounded in 1999/2000 by the sharp deterioration in the external terms of trade, leading to the crises in the cotton and electricity sectors, and a worsening of economic performance. The public finance situation was also adversely affected, but the planned fiscal reforms for 1999/2000

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<sup>12</sup> The debt sustainability analysis is presented in the HIPC Initiative document for the completion point under the original framework and decision point under the enhanced framework (Section IV).

were put in place, while the authorities succeeded in eliminating the outstanding stock of verified domestic payments arrears and continued to refrain from recourse to direct central bank financing.

35. In view of the fragile economic situation and the urgent need to push firmly ahead with Mali's economic reform program, it is encouraging that the government has shown renewed determination to continue Mali's economic and structural reforms, and improve its social indicators. In the period ahead, the authorities should concentrate their efforts on the following key areas.

36. It is essential that the government consolidate further the fiscal situation. To this end, it is important that the authorities continue their efforts to modernize the tax and customs administrations and broaden the tax base, and that petroleum taxes be automatically based on import prices. At the same time, the authorities should continue to adhere to their prudent spending policy, while increasing expenditures on human resources development, the judiciary, and basic infrastructure. The staff welcomes the decision to increase petroleum retail prices in March 2000, the paring down of nonpriority spending, and the steps the authorities are taking to strengthen good governance in the management of public resources.

37. It is important that, after lengthy preparations, the authorities implement promptly the financial sector reform program. The staff supports the approach taken with regard to the two problem banks (BIM-SA and the BMCD) and welcomes the decision of the government to fully privatize four commercial banks by end-2004. Given the structural deficits of the CRM and the precarious financial situation of the INPS, it is also crucial to push ahead with preparation of an action plan to rehabilitate these institutions, based on the outcomes of the ongoing financial audits.

38. The experience during 1999-2000 has demonstrated that postponing key structural reforms can entail significant costs for the economy. Therefore, it is of the highest importance that the government firmly adhere to its renewed resolve to carry out the envisaged reforms in the cotton sector – which are needed to ensure its profitable expansion, while improving the income of producers and reducing rural poverty – as well as the ongoing liberalization and privatization activities in the energy, telecommunications, and transport sectors in an effective and transparent manner. It is also important for the government to improve the functioning of the judiciary and streamline the regulatory framework, so as to create a more hospitable environment for investors and private enterprise.

39. The staff welcomes the authorities' intention of preparing a full PRSP by mid-2001, in consultation with civil society and Mali's development partners. In this context, targeting and monitoring mechanisms will need to be put in place to ensure that the additional assistance envisaged under the enhanced HIPC Initiative will effectively help reaching Mali's social objectives, including in the health and education sectors.

40. The Malian authorities have demonstrated their commitment to the PRGF-supported program by taking the following prior actions: (i) the completion of the financial audit of the

CMDT; (ii) the issuance of the final call for bids to privatize at least 60 percent of the capital of the EDM; (iii) the official announcement of the new reform program for the telecommunications sector; and (iv) the start of the financial audits of the CRM and INPS.

41. The risks to the program pertain notably to a further deterioration of the external terms of trade, changing weather conditions, worsening instability in the region and political uncertainties in neighboring countries, as well as internal social pressures from a number of interest groups, including organized labor and students. The government should therefore endeavor to gain broad-based support for its economic policies, while standing ready to take any additional measures that may be required and firmly resisting excessive demands from pressure groups. Timely availability of external financial assistance, including under the HIPC Initiative, is also key for the success of the program.

42. In view of the renewed commitment of the Malian authorities to the success of their economic program and the corrective actions already taken, the staff supports the authorities' request for waivers for the nonobservance of one quantitative performance criterion and three structural performance criteria, and recommends that the first review under the PRGF arrangement be completed.

43. It is also proposed that the next Article IV consultation with Mali be held on the standard 12-month cycle.

## V. PROPOSED DECISION

The following draft decision is proposed for adoption by the Executive Board:

### Mali: First Review Under the PRGF Arrangement

1. Mali has consulted with the Fund in accordance with paragraph 2(è) of the three-year arrangement under the Poverty Reduction and Growth Facility (PRGF) for Mali (EBS/99/129, Supplement 1; 8/16/99), and paragraph 7 of the letter of July 12, 1999, from the Minister of Finance of Mali.
2. The letter with annexed memorandum of the Minister of Finance and Economy of Mali dated August 11, 2000, shall be attached to the PRGF arrangement for Mali, and the letter with annexed memorandum of July 12, 1999, shall be read as supplemented by the letter dated August 11, 2000.
3. Accordingly, the three-year PRGF arrangement for Mali is hereby amended as follows:
  - (a) the following shall be added to paragraph 1(c): “(iii) the third disbursement, in an amount equivalent to SDR 6.75 million, will be available after December 31, 2000, at the request of Mali and subject to paragraph 2 below.”
  - (b) paragraph 2 is amended to read as follows: “2. Mali will not request the disbursement specified in paragraph 1(c)(ii) or 1(c)(iii) above: (a) If the Managing Director of the Trustee finds that the data at September 30, 1999 or September 30, 2000, respectively indicate that:”

(c) the quantitative performance criteria for September 30, 2000 provided for in paragraph 2(a) shall be as set forth in Table 3 to the memorandum attached to the letter dated August 11, 2000, and

(d) the following shall be added after paragraph 2(b):

“(bb) with respect to the disbursement specified in paragraph 1(c)(iii), if the Managing Director of the Trustee finds that, by October 31, 2000, Mali has not carried out its intentions regarding:

(i) adoption of a new taxation system of petroleum products that reflects changes in import prices automatically in retail sales prices, or

(ii) adoption of an action plan to rehabilitate the financial situation of the CRM and the INPS, based on the conclusion and recommendations of specified audits,

as specified in Table 4 of the memorandum attached to the letter dated August 11, 2000.”

(e) paragraph 2(c) is amended to delete the words “prior to the completion of the midterm review.”

(f) paragraph 2(e) is amended to read: “until the Trustee has determined that the respective reviews of Mali’s program referred to in paragraph 7 of the letter dated July 12, 1999 and paragraph 36 of the memorandum attached thereto, and in paragraph 7 of the letter dated August 11, 2000.”

4. The Fund decides that the review contemplated in paragraph 2(e) of the three-year PRGF arrangement for Mali is completed and that Mali may request the second disbursement under that arrangement notwithstanding the nonobservance of the performance criterion relating to the ceiling on national bank credit set forth in paragraph 2(a)(i) and the structural performance criteria set forth in paragraphs 2(b)(i), 2(b)(ii) and 2(b)(iii) of the arrangement, on the condition that (i) the information provided by Mali on the implementation of the measures specified in Table 4 to the memorandum attached to the letter dated August 11, 2000 is accurate, and (ii) with respect to the disbursement subject to the performance criteria specified above, the information provided by Mali on performance under these criteria is accurate.

**Box 1. Mali: Revised Macroeconomic Framework for 2000-02**

The macroeconomic objectives of the medium-term economic program have been revised in light of the deterioration in the external terms of trade of almost 19 percent during 1999-2000; the serious difficulties in the cotton and electricity sectors; and the delays in implementing the structural reform program.

The revised program seeks to increase gross domestic investment from 21 percent of GDP in 1999 to at least 21½ percent beginning in 2001. Nongovernment investment is projected to rise from 11¾ percent of GDP in 1999 to almost 13 percent by 2002, reflecting improvements in the business climate, new investments in the gold mining sector, and the completion of the privatization program. Gross domestic savings would need to increase from 10 percent of GDP in 1999 to 12½ percent by 2002, partly through higher government savings. Nongovernment savings are projected to rebound from a low level of 2¾ percent of GDP in 2000 to some 8½ percent by 2002, largely reflecting the expected return to profitability of the cotton sector, higher gold mining profits, and improvements in financial intermediation.

The main macroeconomic objectives are the following:

- after a projected real GDP growth of 4½ percent in 2000, to achieve growth rates averaging at least 5 percent per year from 2001;
- to limit annual inflation to 2½ percent from 2001; and
- to reduce the external current account deficit (excluding official transfers) from 14½ percent of GDP in 2000 to 8½ percent by 2002.

The annual growth rate of real GDP from 2001 onward is projected at some 5 percent, based on a labor force growth rate of 3 percent and an assumed growth rate of labor productivity of close to 2 percent. The staff concurs with the view of the Malian authorities that the prompt and efficient implementation of all the planned structural reforms would allow Mali to achieve an average real GDP growth rate of at least 6 percent per year.

Mali: Key Macroeconomic Indicators, 1999-2002

	1999		2000		2001		2002	
	Prog.	Prel.	Prog.	Rev. prog.	Prog.	Proj.	Prog.	Proj.
(Annual percentage change)								
Real GDP growth	6.4	5.5	5.0	4.5	5.0	5.6	5.0	5.1
CPI (end of period)	2.5	-1.3	2.5	2.9	2.5	2.5	2.5	2.5
(In percent of GDP)								
Overall fiscal deficit (excluding grants)	-7.6	-9.0	-6.9	-9.1	-6.0	-8.0	-5.2	-6.5
External current account deficit (excluding official transfers)	-8.5	-10.6	-8.4	-14.6	-7.8	-11.7	-7.0	-8.4
Gross domestic investment	21.2	21.2	21.9	21.3	21.9	21.7	21.9	21.5
<i>Of which:</i> nongovernment	12.6	11.8	13.4	11.6	13.9	12.4	14.1	12.9
Gross domestic savings	11.7	10.1	12.7	6.4	13.3	9.7	13.9	12.6
<i>Of which:</i> nongovernment	6.9	7.3	7.4	2.7	7.7	5.7	7.9	8.5

Sources: Malian authorities; and staff estimates and projections.

**Box 2. Mali: Summary of Structural Reforms, June 2000-02**

**Legal framework**

Appointment of new associate judges in commercial courts, including representatives from the banking and insurance sectors	September 2000
Computerization of clerk's offices at commercial courts	December 2000
Finalization of the development program for the judicial system (PRODEJ) and preparation of an investment plan	December 2000
Application of the Organization for the Harmonization of Business Law in Africa (OHADA) uniform acts, including on enforcement of loan guarantees	2000-02

**Regulatory framework**

Simplification of administrative procedures and reduction of time required to establish new enterprises	2000-02
Strengthening of operations of the one-stop investment window	2000-01

**Public enterprises**

Implementation of the action plan for the privatization of nonbank public enterprises	2000-2002
Call for bids for the privatization of UMPP	December 2000
Call for bids for the privatization of the management of the ADM	December 2000

**Financial sector**

Adoption of an action plan for the reform of the sector	June 2000
Completion of audits of the CRM and INPS	August/September 2000
Preparation of an action plan for the financial rehabilitation of the CRM and INPS	October 2000
Reduction of government's holdings in BMCD and BIM-SA to a maximum of 20 percent	June 2001
Call for bids for the reduction of government's holdings in the BCS to a maximum of 20 percent	April 2001
Full privatization of the BDM-SA, BMCD, BCS, and BIM-SA	December 2004

**Cotton sector**

Completion of the financial audit of the CMDT	July 2000
Preparation of a set of measures based on the financial audit to strengthen the CMDT's financial management and reduce production costs	September 2000
Completion of studies relating to the reform of the cotton sector	September 2000
Signing of a performance contract between government-CMDT-producers	December 2000

**Energy sector**

Call for bids to privatize at least 60 percent of the EDM's capital	August 2000
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**Communications sector**

Announcement by the government of a new reform plan for the sector	July 2000
Call for bids to grant at least one cellular telephony operating license to private operators	November 2000
Call for bids to privatize SOTELMA	June 2001

**Transport sector**

Creation of a Road Authority without revenue earmarking, in order to improve road maintenance	December 2000
Transfer of operation of Bamako-Dakar railway line to a majority privately owned company (SETI)	September 2000

**Education sector**

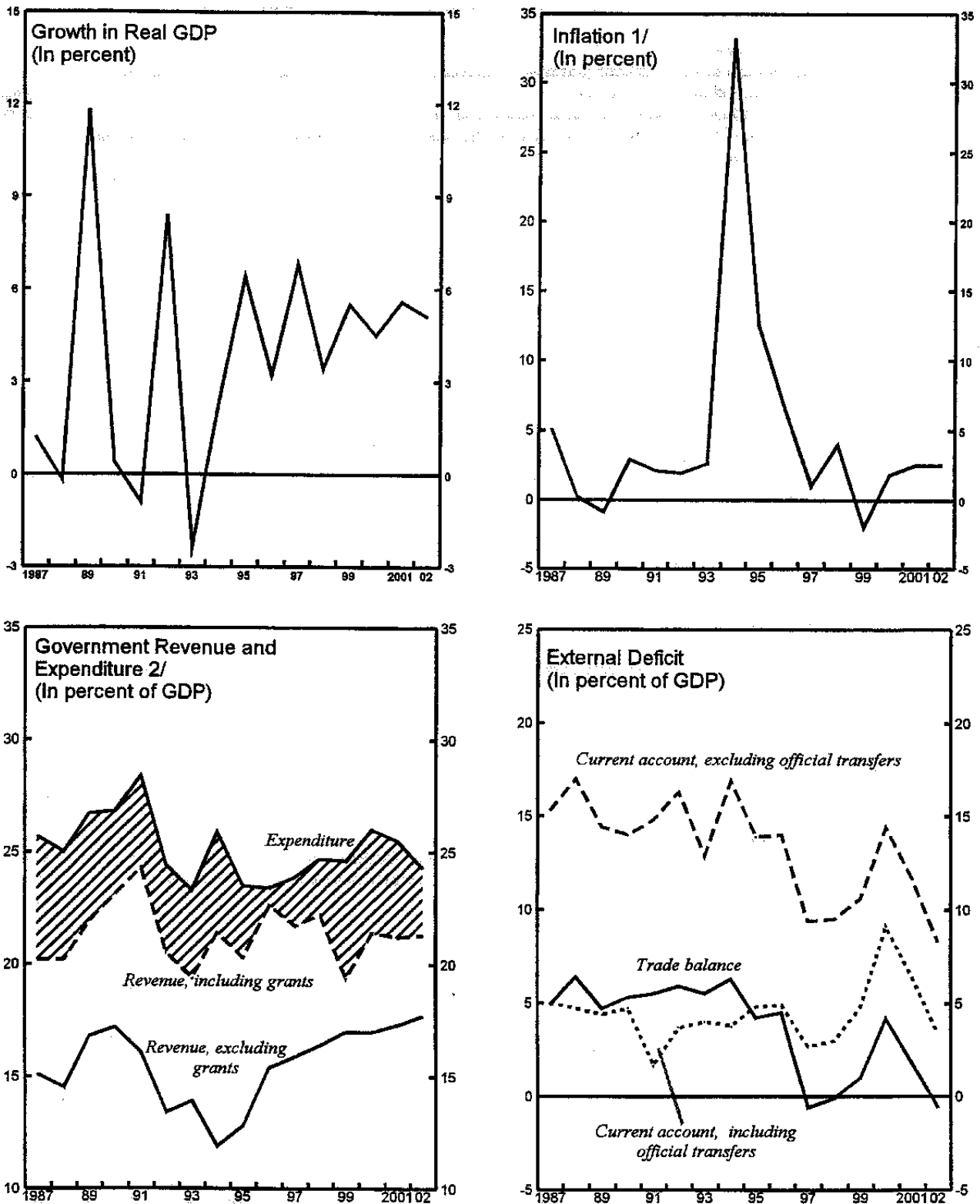
Adoption by the government of the financial plan for implementing PRODEC	June 2000
Implementation of PRODEC	2000-02

**Health sector**

Implementation of PRODESS	2000-02
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Figure 1. Mali: Main Economic Indicators, 1987-2002

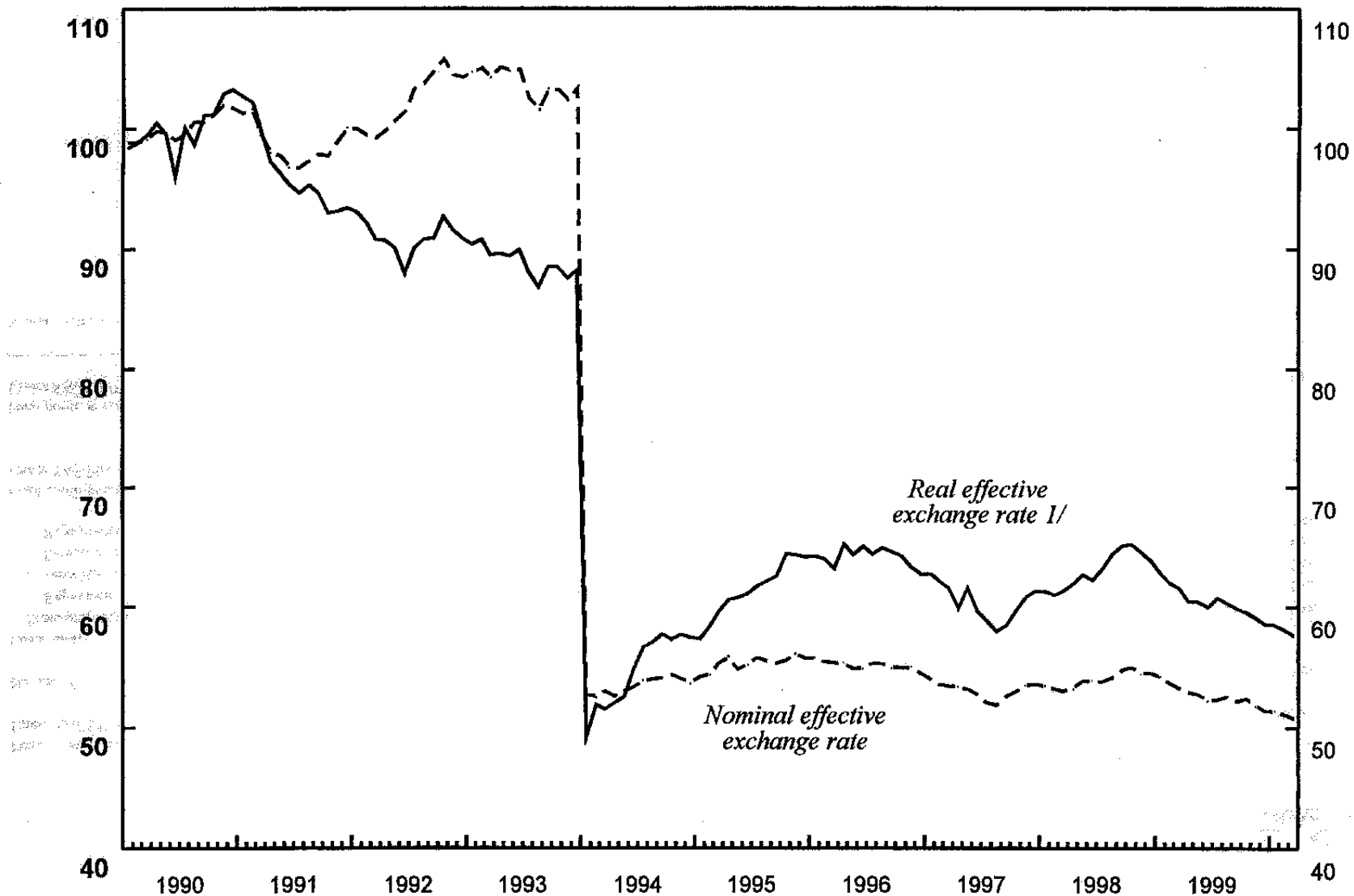


Sources: Malian authorities; and staff estimates and projections.

1/ Percentage change in GDP deflator.

2/ Central government on commitment basis.

Figure 2. Mali: Real and Nominal Effective Exchange Rates, January 1990 - March 2000  
(Period average; 1990=100)



Source: IMF, Information Notice System.

1/ Based on relative consumer price indices.

Table 1. Mali: Fund Position During the Period of the PRGF Arrangement, January 2000 - December 2002

	2000				2001				2002			
	Jan.-March	April-June	July-Sep.	Oct.-Dec.	Jan.-March	April-June	July-Sep.	Oct.-Dec.	Jan.-March	April-June	July-Sep.	Oct.-Dec.
(In millions of SDRs, unless indicated otherwise)												
Fund credit at beginning of period												
Under SAF/PRGF	140.93	136.92	134.43	138.69	141.48	138.99	133.56	137.82	138.10	135.61	128.11	132.38
Net use of Fund credit	-4.01	-2.49	4.26	2.79	-2.49	-5.43	4.26	0.28	-2.49	-7.50	4.26	-2.39
Loans under												
Structural Adjustment Facility (SAF)												
Repayments	-1.52	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Disbursements	1.52	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Poverty Reduction and Growth Facility (PRGF)												
Disbursements	-2.49	-2.49	4.26	2.79	-2.49	-5.43	4.26	0.28	-2.49	-7.50	4.26	-2.39
Repayments	0.00	0.00	6.75	6.75	0.00	0.00	6.75	6.75	0.00	0.00	6.75	6.15
Disbursements	2.49	2.49	2.49	3.96	2.49	5.43	2.49	6.47	2.49	7.50	2.49	8.54
Fund credit at end of period												
Under SAF/PRGF	136.92	134.43	138.69	141.48	138.99	133.56	137.82	138.10	135.61	128.11	132.38	129.99
(In percent of quota)												
Fund credit at end of period												
Under SAF/PRGF	146.8	144.1	148.7	151.6	149.0	143.1	147.7	148.0	145.4	137.3	141.9	139.3

Source: IMF, Treasurer's Department.

Table 2. Mali: Revised Schedule of Projected Reviews and Disbursements  
Under the PRGF Arrangement, 2000-02

Date	Action	Disbursement
September 2000	Executive Board consideration of the first review under the PRGF arrangement and conclusion of the 2000 Article IV consultation	SDR 6.750 million
End-September 2000	Performance criteria	
End-October 2000	Second review mission under the PRGF arrangement	
End-December 2000	Executive Board consideration of second review under the PRGF arrangement	SDR 6.750 million
End-March 2001	Performance criteria	
April-May 2001	Third review mission under the PRGF arrangement and 2001 Article IV consultation discussions	
End-July 2001	Executive Board consideration of the third review under the PRGF arrangement and conclusion of the 2001 Article IV consultation	SDR 6.750 million
End-September 2001	Performance criteria	
End-October 2001	Fourth review mission under the PRGF arrangement	
End-December 2001	Executive Board consideration of the fourth review under the PRGF arrangement and extension of the arrangement	SDR 6.750 million
End-March 2002	Performance criteria	
April-May 2002	Fifth review mission under the PRGF arrangement and 2002 Article IV consultation discussions	
End-July 2002	Executive Board consideration of the fifth review under the PRGF arrangement and conclusion of the 2002 Article IV consultation	SDR 6.750 million
End-September 2002	Performance criteria	
End-October 2002	Sixth review mission under the PRGF arrangement	
End-December 2002	Executive Board consideration of the sixth review under the PRGF arrangement; final disbursement	SDR 6.150 million

Table 3. Mali: Selected Economic and Financial Indicators, 1997-2002

	1997	1998	1999		2000		2001	2002
			Prog.	Prel.	Prog.	Rev. Prog.	Projections	
(Annual percentage change, unless otherwise specified)								
National income and prices								
Real GDP	6.8	3.4	6.4	5.5	5.0	4.5	5.6	5.1
GDP per capita (in U.S. dollars)	215.6	222.4	246.8	213.5	259.1	204.6	216.8	229.3
Nominal GDP (in billions of CFA francs)	1,444.7	1,553.8	1,732.8	1,605.8	1,865.1	1,708.2	1,849.2	1,992.8
GDP deflator	1.0	4.0	2.2	-2.0	2.5	1.8	2.5	2.5
Consumer price index (annual average)	-0.7	4.1	1.0	-1.2	1.4	1.2	2.0	2.5
Consumer price index (end of period)	1.0	3.0	2.5	-1.3	2.5	2.9	2.5	2.5
External sector								
Exports, f.o.b.	48.0	1.0	5.3	5.3	3.8	2.7	13.5	14.3
Imports, f.o.b.	12.9	3.4	2.2	10.7	4.6	17.7	2.6	2.3
Export volume	49.4	-0.9	11.3	14.6	1.6	-1.7	7.1	10.9
Import volume	13.8	5.4	4.5	7.5	2.9	2.7	3.0	3.1
Terms of trade	-0.2	4.0	-3.3	-10.8	0.5	-8.8	6.4	3.8
Nominal effective exchange rate <sup>1</sup>	-3.8	1.7	...	-2.4	...	...	...	...
Real effective exchange rate <sup>1</sup>	-5.9	4.4	...	-4.1	...	...	...	...
Government budget								
Domestic revenue	11.6	11.0	8.9	6.9	9.2	6.5	10.2	10.2
Total expenditure and net lending	9.9	11.1	6.9	8.9	5.5	6.7	4.9	3.0
Current expenditure	22.3	0.1	17.7	15.1	4.9	4.5	6.8	6.5
Capital expenditure and net lending <sup>2</sup>	0.2	26.0	1.1	3.7	7.3	10.2	3.4	-0.4
Money and credit								
Net domestic assets <sup>3</sup>	10.6	13.9	-0.1	11.4	3.5	18.3	9.4	-2.4
Credit to the government <sup>3</sup>	-0.1	-0.6	0.0	1.0	-1.2	2.8	1.0	-1.4
Credit to the rest of the economy	15.7	27.2	-1.5	14.4	7.5	17.6	9.3	-1.1
Broad money (M2)	8.7	4.3	9.0	1.3	8.3	3.8	7.5	8.0
Velocity (GDP/M2)	4.2	4.3	4.4	4.4	4.4	4.5	4.5	4.5
Interest rate (end of period) <sup>4</sup>	5.0	5.0	...	5.0	...	...	...	...
(In percent of GDP, unless otherwise specified)								
Investment and savings								
Gross domestic investment	20.6	20.9	21.2	21.2	21.9	21.3	21.7	21.5
Government	8.2	9.5	8.6	9.4	8.5	9.7	9.3	8.6
Nongovernment	12.4	11.4	12.6	11.8	13.4	11.6	12.4	12.9
Gross domestic savings	10.4	11.2	11.7	10.1	12.7	6.4	9.7	12.6
Government	3.8	3.6	4.8	2.8	5.3	3.7	4.0	4.2
Nongovernment	6.6	7.6	6.9	7.3	7.4	2.7	5.7	8.5
Government budget								
Domestic revenue	15.9	16.4	16.0	17.0	16.3	17.0	17.3	17.7
Total grants	5.8	5.8	4.1	5.2	3.8	4.4	3.9	3.6
Total expenditure and net lending <sup>2</sup>	23.9	24.7	23.7	26.0	23.2	26.1	25.3	24.2
Overall balance (commitment basis, excluding grants)	-8.0	-8.3	-7.6	-9.0	-6.9	-9.1	-8.0	-6.5
Overall balance (cash basis, including grants)	-2.7	-3.1	-4.0	-3.7	-3.2	-5.4	-4.0	-2.9
Domestic primary balance	1.6	2.1	2.0	1.0	2.2	1.6	2.4	3.1
Divesiture receipts	0.1	0.1	0.1	0.6	0.0	0.4	0.0	0.0
External sector								
Current external balance, including official transfers	-2.7	-3.0	-2.8	-4.8	-3.2	-9.3	-6.4	-3.5
Current external balance, excluding official transfers	-9.4	-9.5	-8.5	-10.6	-8.4	-14.6	-11.7	-8.4
Debt-service ratio								
Before debt relief	15.0	11.4	12.3	12.9	13.4	15.5	14.8	14.0
After debt relief (including original HIPC Initiative)	10.9	7.3	12.3	12.9	11.6	15.0	13.5	12.7
(In millions of U.S. dollars, unless otherwise specified)								
Overall balance of payments	-27.4	-61.0	23.9	-55.6	-1.9	-116.1	-30.3	55.5
External payment arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross international reserves	532.4	528.1	...	400.8	...	315.1	306.7	375.5
(equivalent months of next year's imports of GNFS <sup>5</sup> )	7.2	6.2	...	4.7	...	3.6	3.4	4.0
Exchange regime	The CFA franc is pegged to the euro at the rate of CFAF 655.96=€1.							
U.S. dollar rate (end of period)	598.8	562.2	...	653.0	...	...	...	...
(In millions of SDRs)								
Use of Fund resources								
Purchases	20.7	10.3	23.8	17.1	13.5	13.5	13.5	12.9
Repurchases	10.9	8.1	8.6	8.6	13.0	13.0	16.9	21.0
Credit outstanding	130.2	132.4	147.7	140.9	148.2	141.5	138.1	130.0
Present arrangement	PRGF in an amount equivalent to SDR 46.65 million (50 percent of quota); SDR 6.75 million disbursed.							
Quota (Eleventh Review)	93.3							

Sources: Malian authorities; and staff estimates and projections.

<sup>1</sup> Annual average data

<sup>2</sup> Including capital outlays financed through external project aid and transfers to the local authorities; data on commitment basis.

<sup>3</sup> Change in percent of broad money at the beginning of the period.

<sup>4</sup> End-of-period interest rate on the West African Monetary Union money market.

<sup>5</sup> Goods and nonfactor services.

Table 4. Mali: Selected National Accounts Indicators, 1997-2002

	Composition of GDP in 1999 (in percent)	1997	1998 Est.	1999		2000		2001 Projections	2002
				Prog.	Prel.	Prog.	Rev. prog.		
(Annual percentage change in constant prices)									
Primary sector	43.8	4.6	0.6	8.0	8.6	4.7	5.9	4.5	4.0
Food crops	19.1	5.9	-5.0	18.0	19.9	5.3	15.6	5.0	5.0
Industrial crops	8.2	7.7	14.5	0.7	0.1	7.6	-9.2	8.3	5.1
Livestock	10.4	1.8	-1.0	1.9	1.3	2.4	1.8	1.9	2.0
Fishing	1.2	1.2	1.5	1.6	1.6	2.5	1.4	1.4	1.4
Forestry	4.9	2.4	2.9	2.9	2.8	3.0	2.9	2.8	2.8
Secondary sector	18.4	22.2	7.0	3.4	2.0	6.7	4.6	10.8	8.0
Industry	5.7	11.0	0.5	3.3	-2.6	5.5	4.5	5.5	6.0
Mining	5.7	140.5	22.1	1.0	10.7	8.5	4.3	21.9	12.3
Handicrafts	2.3	-1.4	2.9	3.7	-0.5	5.0	3.0	4.0	5.0
Construction and public works	4.7	1.2	3.1	6.1	-0.7	7.0	6.0	7.0	6.0
Tertiary sector	32.0	2.0	4.8	6.5	3.4	4.6	2.6	4.3	4.9
Transportation	5.4	4.2	8.5	6.0	4.0	5.5	2.6	4.8	5.0
Trade	14.9	3.0	4.9	8.5	4.6	5.5	3.4	5.5	6.0
Public administration	6.0	0.2	2.1	1.1	0.2	1.0	1.0	1.0	2.0
Other services	5.7	-0.3	4.0	5.5	3.0	4.0	2.0	4.0	5.0
GDP (at factor cost)	94.3	6.7	3.3	6.5	5.5	5.1	4.5	5.7	5.1
Indirect taxes	5.7	8.4	5.9	4.3	5.5	3.5	4.0	5.0	5.0
GDP (at market prices)	100.0	6.8	3.4	6.4	5.5	5.0	4.5	5.6	5.1
(In percent of nominal GDP)									
Gross domestic investment		20.6	20.9	21.2	21.2	21.9	21.3	21.7	21.5
Government		8.2	9.5	8.6	9.4	8.5	9.7	9.3	8.6
Nongovernment		12.4	11.4	12.6	11.8	13.4	11.6	12.4	12.9
Gross domestic savings		10.4	11.2	11.7	10.1	12.7	6.4	9.7	12.6
Government		3.8	3.6	4.8	2.8	5.3	3.7	4.0	4.2
Nongovernment		6.6	7.6	6.9	7.3	7.4	2.7	5.7	8.5
Investment/saving balance		-10.2	-9.7	-9.5	-11.1	-9.2	-14.9	-12.0	-8.9
Government		-4.4	-5.9	-3.8	-6.6	-3.2	-6.0	-5.4	-4.5
Nongovernment		-5.8	-3.8	-5.6	-4.5	-6.1	-8.9	-6.6	-4.4
Exports of goods and nonfactor services		26.1	24.5	23.0	24.9	22.4	24.3	25.2	26.4
Imports of goods and nonfactor services		-36.3	-34.2	-32.5	-36.0	-31.6	-39.2	-37.2	-35.3
External current account balance <sup>1</sup>		-9.4	-9.5	-8.5	-10.6	-8.4	-14.6	-11.7	-8.4
Gross national savings <sup>1</sup>		11.2	11.4	12.7	10.6	13.5	6.7	10.0	13.1

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

<sup>1</sup> Excluding official transfers.

Table 5. Mali: Central Government Consolidated Financial Operations, 1997-2002

	1997	1998		1999		2000		2001 Projections	2002 Projections	
		Act.	Act. Adj.	Prog.	Prel.	Prog.	Rev. Prog.			
(In billions of CFA francs)										
Revenue and grants	313.9	334.5	344.8	349.5	356.0	373.2	365.0	392.8	424.3	
Total revenue	229.8	254.9	254.9	277.7	272.6	303.2	290.3	320.0	352.5	
Budgetary revenue	207.9	231.7	231.7	259.8	247.8	284.3	265.4	294.0	325.5	
Tax revenue	196.3	222.9	221.3	248.5	235.3	273.0	252.2	278.7	310.3	
Nontax revenue	11.6	8.8	10.4	11.3	12.6	11.3	13.1	15.2	15.2	
Special funds and annexed budgets	21.8	23.2	23.2	17.9	24.8	18.9	25.0	26.0	27.0	
Grants	84.2	79.0	89.9	71.8	83.4	70.0	74.7	72.8	71.8	
Total expenditure and net lending	345.2	372.3	383.5	409.9	417.6	432.6	445.6	467.6	481.6	
Budgetary expenditure	328.6	352.6	363.9	396.4	395.0	417.7	423.6	445.6	458.6	
Current expenditure	167.7	166.8	167.8	197.4	193.2	207.1	202.0	215.6	229.6	
Wages and salaries	56.8	58.8	60.7	68.1	65.3	74.0	73.1	78.2	83.8	
Scholarships	4.3	4.3	5.3	6.2	6.2	6.2	6.2	6.2	6.2	
Interest <sup>1,2</sup>	13.8	11.7	11.7	17.7	14.0	19.3	18.4	18.7	19.1	
Other current expenditure	92.8	92.0	90.1	105.4	107.8	107.6	104.3	112.5	120.5	
<i>Of which: social safety net</i>	6.0	13.0	12.0	11.0	11.0	10.0	10.0	10.0	10.0	
<i>elections cost</i>	15.9	2.3	2.3	3.0	3.4	0.0	0.0	3.0	5.5	
Capital expenditure and PESAP <sup>3</sup>	160.9	185.8	196.1	199.0	201.7	210.7	221.6	230.0	229.0	
<i>Of which: capital expenditure</i>	156.4	182.7	194.1	197.0	199.8	210.7	220.6	229.0	228.0	
Externally financed	124.5	138.2	149.4	150.0	147.4	151.0	165.0	174.0	171.5	
Domestically financed	31.9	44.5	44.7	47.0	52.3	59.7	55.5	55.0	56.5	
Special funds and annexed budgets	21.8	23.2	23.2	17.9	24.8	18.9	25.0	26.0	27.0	
Net lending	-5.2	-3.6	-3.6	-4.4	-2.2	-4.0	-2.9	-4.0	-4.0	
Overall fiscal balance										
Commitment basis, including grants	-31.3	-37.8	-38.7	-60.4	-61.5	-59.4	-80.6	-74.9	-57.3	
Commitment basis, excluding grants	-115.5	-117.4	-128.6	-132.2	-144.9	-129.4	-155.3	-147.7	-129.1	
Changes in payments arrears										
Domestic arrears	-7.0	-10.0	-10.0	-9.3	-9.3	0.0	0.0	0.0	0.0	
External arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Adjustment (cash basis)	-1.4	0.0	0.0	0.0	11.7	0.0	-11.7	0.0	0.0	
Overall fiscal balance (cash basis, including grants)	-39.7	-47.8	-48.7	-69.7	-59.1	-59.4	-92.3	-74.9	-57.3	
Financing	39.7	47.8	48.7	50.7	59.2	46.5	70.1	68.3	57.3	
External financing (net)	49.0	57.1	58.0	59.1	60.3	60.3	62.6	73.3	71.4	
Loans	72.7	83.0	83.9	85.4	91.7	81.0	93.2	101.2	99.7	
Amortization <sup>1</sup>	-39.0	-25.9	-25.9	-26.3	-31.4	-27.8	-32.4	-34.1	-34.8	
Debt relief, including original HIPC Initiative	15.3	0.0	0.0	0.0	0.0	7.1	1.8	6.2	6.5	
Domestic financing (net)	-9.2	-9.3	-9.3	-8.5	-1.2	-13.8	7.5	-5.0	-14.1	
Banking system	-1.9	-4.0	-4.0	-1.7	1.8	-5.8	8.5	3.0	-6.0	
<i>Of which: net credit to the government</i>	-0.2	-2.0	-2.0	0.0	3.8	-4.8	10.3	3.6	-5.7	
Privatization receipts	1.4	1.2	1.2	1.2	10.4	0.0	6.9	0.0	0.0	
Nonbank financing	-8.7	-6.6	-6.4	-8.0	-13.4	-8.0	-8.0	-8.0	-8.0	
Financing gap	0.0	0.0	0.0	19.1	0.0	12.9	22.2	6.6	0.0	
(In percent of GDP)										
Total revenue and grants	21.7	21.0	22.2	20.2	22.2	20.0	21.4	21.2	21.3	
<i>Of which: total revenue</i>	15.9	16.0	16.4	16.0	17.0	16.3	17.0	17.3	17.7	
<i>Of which: tax revenue</i>	13.6	14.0	14.2	14.3	14.7	14.6	14.8	15.1	15.6	
Total expenditure and net lending	23.9	23.4	24.7	23.7	26.0	23.2	26.1	25.3	24.2	
<i>Of which: health and education</i>	3.0	2.9	3.1	3.5	3.2	3.9	3.8	4.1	4.1	
defense <sup>4</sup>	1.8	1.8	1.9	1.8	2.0	1.8	2.0	...	...	
Current expenditure	11.6	10.5	10.8	11.4	12.0	11.1	11.8	11.7	11.5	
Overall fiscal balance										
Commitment basis, including grants	-2.2	-2.4	-2.5	-3.5	-3.8	-3.2	-4.7	-4.0	-2.9	
Commitment basis, excluding grants	-8.0	-7.4	-8.3	-7.6	-9.0	-6.9	-9.1	-8.0	-6.5	
Domestic primary balance <sup>5</sup>	1.6	2.0	2.1	2.0	1.0	2.2	1.6	2.4	3.1	
Basic fiscal balance <sup>6</sup>	0.6	1.3	1.3	1.0	0.2	1.2	0.6	1.4	2.1	
Memorandum item:	(In billions of CFA francs)									
GDP at current prices	1,445	1,593	1,554	1,733	1,606	1,865	1,708	1,849	1,993	

Sources: Malian authorities; and staff estimates and projections.

<sup>1</sup> Scheduled. After debt cancellation obtained through 1997. From 2000 onwards reflects Russian debt service on the basis of the 1996 Paris Club stock-of-debt operation.

<sup>2</sup> Includes estimates for interest due on disbursements after December 1999.

<sup>3</sup> PESAP, Public Enterprise Sector Adjustment Program.

<sup>4</sup> Spending by the Ministry of Defense.

<sup>5</sup> Defined as total revenue minus total expenditure and net lending, excluding interest payments and foreign-financed capital expenditure.

<sup>6</sup> Defined as total revenue minus total expenditure and net lending, excluding foreign-financed capital expenditure.

Table 6. Mali: Central Government Revenue, 1997-2002

	1997	1998	1999		2000		2001	2002
		Act. Adj.	Prog.	Prel.	Prog.	Rev. Prog.	Projections	
(In billions of CFA francs)								
Total revenue	229.8	254.9	277.7	272.6	303.2	290.3	320.0	352.5
Budgetary revenue	207.9	231.7	259.8	247.8	284.3	265.4	294.0	325.5
Tax revenue	196.3	221.3	248.5	235.3	273.0	252.2	278.7	310.3
Taxes on international trade <sup>1</sup>	112.6	127.8	134.0	135.4	145.6	148.5	157.7	165.8
Taxes on goods and services	26.5	30.9	42.6	39.7	51.8	43.2	51.9	59.0
Taxes on income and profits	46.6	50.6	57.7	44.2	63.2	43.3	50.9	68.2
Other taxes	10.6	12.0	14.2	16.0	12.4	17.2	18.2	17.3
Nontax revenue	11.6	10.4	11.3	12.6	11.3	13.1	15.2	15.2
Special funds and annexed budgets	21.8	23.2	17.9	24.8	18.9	25.0	26.0	27.0
(In percent of GDP)								
Total revenue	15.9	16.4	16.0	17.0	16.3	17.0	17.3	17.7
Budgetary revenue	14.4	14.9	15.0	15.4	15.2	15.5	15.9	16.3
Tax revenue	13.6	14.2	14.3	14.7	14.6	14.8	15.1	15.6
Taxes on international trade	7.8	8.2	7.7	8.4	7.8	8.7	8.5	8.3
Taxes on goods and services	1.8	2.0	2.5	2.5	2.8	2.5	2.8	3.0
Taxes on income and profits	3.2	3.3	3.3	2.8	3.4	2.5	2.8	3.4
Other taxes	0.7	0.8	0.8	1.0	0.7	1.0	1.0	0.9
Nontax revenue	0.8	0.7	0.7	0.8	0.6	0.8	0.8	0.8
Special funds and annexed budgets	1.5	1.5	1.0	1.5	1.0	1.5	1.4	1.4
(In percent of imports, c.i.f.)								
Taxes on international trade including VAT on imports	26.0	28.5	28.7	27.3	29.8	25.5	26.3	27.1
(In billion of CFA francs)								
Memorandum items:								
Nominal GDP	1,444.7	1,553.8	1,732.8	1,605.8	1,865.1	1,708.2	1,849.2	1,992.8
Imports, c.i.f.	433.5	448.0	466.5	496.0	488.2	583.6	598.8	612.6

Sources: Malian authorities; and staff estimates and projections.



Table 7. Mali : Monetary Survey, 1997-2002

	1997	1998	1999				2000		2001	2002
			Sept.		Dec.		Dec.		Projections	
			Prog.	Prel.	Prog.	Prel.	Prog.	Rev. Prog.		
(in billions of CFA francs; end of period) <sup>1</sup>										
Net foreign assets <sup>2</sup>	211.2	175.2	210.5	125.8	206.2	138.0	225.2	85.0	77.8	120.3
Central Bank of West African States (BCEAO)	142.5	120.2	161.5	81.5	151.0	107.9	170.0	53.6	46.4	88.9
Commercial banks	68.7	55.1	49.0	44.3	55.2	30.1	55.2	31.5	31.5	31.5
Net domestic assets	150.0	198.0	194.3	270.2	199.8	239.1	213.5	305.9	341.5	331.5
Credit to the government (net)	-23.9	-26.0	-23.2	-0.7	-25.9	-22.2	-30.7	-11.9	-8.3	-14.0
BCEAO	29.2	42.2	47.5	82.4	42.2	71.3	37.4	84.3	84.4	80.1
Commercial banks	-48.6	-64.2	-66.7	-77.2	-64.1	-88.4	-64.1	-91.5	-88.0	-89.4
Other	-4.5	-4.0	-4.0	-5.9	-4.0	-5.1	-4.0	-4.8	-4.8	-4.8
Credit to the economy	200.4	255.0	239.0	293.9	247.2	291.6	265.7	343.0	375.0	370.8
Other items (net) <sup>3</sup>	-26.4	-31.0	-21.5	-23.0	-21.5	-30.3	-21.5	-25.2	-25.2	-25.2
Medium- and long-term foreign liabilities	-15.2	-12.3	-12.3	-11.5	-12.3	-11.3	-12.3	-11.3	-11.3	-11.3
Revaluation account	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Money supply (M2)	345.0	359.8	391.4	383.3	392.6	364.6	425.3	378.5	406.9	439.4
Currency outside banks	129.5	135.3	137.4	132.5	137.8	123.7	149.3	132.5	142.4	153.8
Bank deposits	215.5	224.5	254.0	250.8	254.8	240.9	276.0	246.0	264.5	285.6
Memorandum items:										
Bank reserves	32.9	18.0	66.0	27.2	49.8	49.5	52.5	11.7	12.5	13.0
Required reserves	7.9	9.2	9.2	10.3	9.4	10.0	10.1	11.2	12.2	12.4
Rediscounts and other advances from BCEAO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.5	28.4	2.0
(Annual changes in percent of beginning -of-period money stock, unless otherwise indicated)										
Net foreign assets <sup>1</sup>	-0.5	-10.4	10.3	-13.8	9.1	-10.3	4.8	-14.5	-1.9	10.4
BCEAO	-0.4	-6.5	12.0	-10.7	9.1	-3.4	4.8	-14.9	-1.9	10.4
Commercial banks	-0.1	-4.0	-1.7	-3.0	0.0	-6.9	0.0	0.4	0.0	0.0
Net domestic assets	10.6	13.9	-1.6	20.9	-0.1	11.4	3.5	18.3	9.4	-2.4
Credit to the government (net)	-0.1	-0.6	0.5	7.0	0.0	1.0	-1.2	2.8	1.0	-1.4
BCEAO	0.8	3.8	1.2	11.2	0.0	8.1	-1.2	3.6	0.0	-1.1
Commercial banks	-0.1	-4.5	-0.7	-3.6	0.0	-6.7	0.0	-0.8	0.9	-0.3
Other	-0.8	0.2	0.0	-0.5	0.0	-0.3	0.0	0.1	0.0	0.0
Credit to the economy <sup>4</sup>	15.7	27.2	-3.1	15.3	-1.5	14.4	7.5	17.6	9.3	-1.1
Other items (net)	2.2	-1.3	0.9	2.2	0.9	0.2	0.0	1.4	0.0	0.0
Money supply (M2)	8.7	4.3	8.7	6.5	9.0	1.3	8.3	3.8	7.5	8.0
Memorandum items:										
Velocity (GDP/M2)	4.2	4.3	4.4	4.2	4.4	4.4	4.4	4.5	4.5	4.5
Money multiplier	2.1	2.3	1.9	2.4	2.1	2.1	2.1	2.6	2.6	2.6
Currency outside banks /money supply (in percent)	37.5	37.6	35.1	34.6	35.1	33.9	35.1	35.0	35.0	35.0
Nominal GDP (in billions of CFA francs)	1,444.7	1,553.8	1,732.8	1,605.8	1,732.8	1,605.8	1,865.1	1,708.0	1,849.2	1,992.8

Sources : BCEAO and Fund staff estimates and projections.

<sup>1</sup> Including transactions and reclassifications resulting from the restructuring of the Banque de Developpement du Mali and reclassifications of deposits resulting from other banks audits.

<sup>2</sup> Excluding SDR allocations and medium- and long-term liabilities.

<sup>3</sup> Including nonstatutory advance to the treasury resulting from the consolidation of the former Central Bank of Mali for CFAF 41.8 billion, and interest thereon.

<sup>4</sup> Percentage growth from end of previous period.

Table 8. Mali: Summary Accounts of the Central Bank and Commercial Banks, 1997-2002

(In billion of CFA francs, end of period)

	1997	1998	1999				2000		2001	2002
			Sept.		Dec.		Dec.			
			Prog.	Prel.	Prog.	Prel.	Prog.	Rev. Prog.		
<b>Central Bank of West African States (BCEAO)</b>										
Net foreign assets <sup>1</sup>	142.5	120.2	161.5	81.5	151.0	107.9	170.0	53.6	46.4	88.9
Assets	248.3	228.6	...	203.1	...	227.9	...	...	...	...
Liabilities	-105.8	-108.4	...	-121.6	...	-119.9	...	...	...	...
Net domestic assets	24.0	37.2	46.0	82.3	40.7	69.3	35.9	94.7	112.7	82.0
Credit to the government (net)	29.2	42.2	47.5	82.4	42.2	71.3	37.4	84.3	84.4	80.1
Claims	99.8	105.9	100.8	113.6	118.0	112.9	118.4	115.8	115.9	111.6
Deposits and cash	-70.6	-63.7	-53.3	-31.2	-75.8	-41.6	-81.0	-31.5	-31.5	-31.5
Claims on deposit money banks	0.0	0.0	0.0	1.6	0.0	0.0	0.0	10.5	28.4	2.0
Other items (net)	-5.2	-5.0	-1.5	-1.7	-1.5	-2.0	-1.5	-0.2	-0.2	-0.2
Revaluation account	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Base money	162.4	153.3	203.4	159.7	187.6	173.2	201.8	144.1	154.9	166.8
Banks deposits and cash holdings	32.9	18.0	66.0	27.2	49.8	49.5	52.5	11.7	12.5	13.0
Currency outside banks	129.5	135.3	137.4	132.5	137.8	123.7	149.3	132.5	142.4	153.8
<b>Commercial banks</b>										
Net foreign assets	68.7	55.1	49.0	44.3	55.2	30.1	55.2	31.5	31.5	31.5
Net domestic assets	159.0	178.7	214.3	216.6	208.9	219.2	230.1	233.4	269.8	264.6
Credit to the government (net)	-48.6	-64.2	-66.7	-77.2	-64.1	-88.4	-64.1	-91.5	-88.0	-89.4
Claims	19.6	13.8	13.6	12.8	13.6	14.0	13.6	11.5	11.5	11.5
Deposits	-68.2	-78.0	-80.3	-90.1	-77.7	-102.4	-77.7	-103.0	-99.5	-100.9
Credit to the private sector	195.9	251.0	235.0	288.0	243.2	286.5	261.7	338.2	370.2	366.0
Other items (net)	-21.2	-26.0	-20.0	-21.3	-20.0	-28.4	-20.0	-25.0	-25.0	-25.0
Reserves	32.9	18.0	66.0	27.2	49.8	49.5	52.5	11.7	12.5	13.0
Required reserves	7.9	9.2	9.2	10.3	9.4	10.0	10.1	11.2	12.2	12.4
Medium and long-term external liabilities	-15.2	-12.3	-12.3	-11.5	-12.3	-11.3	-12.3	-11.3	-11.3	-11.3
Revaluation account	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0
Private sector deposits	215.5	224.5	254.0	250.8	254.8	240.9	276.0	246.0	264.5	285.6
BCEAO advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.5	28.4	2.0

Sources: BCEAO, and Fund staff estimates and projections.

<sup>1</sup> Reflects revision of the monetary accounts made by the BCEAO, which excludes revaluation of the operations account, following the 1994 devaluation of the CFA franc.

Table 9. Mali: Balance of Payments, 1997-2002<sup>1</sup>

	1997	1998	1999		2000		2001	2002
		Est.	Prog.	Prel.	Prog.	Rev. Prog.	Projections	
(In billions of CFA francs, unless otherwise indicated)								
Exports, f.o.b.	327.7	331.1	345.6	348.6	358.9	358.0	406.2	464.1
<i>Of which:</i> cotton (fiber)	158.7	147.8	170.3	150.1	182.9	131.6	148.7	185.6
gold	117.2	133.1	124.3	142.4	122.2	161.1	188.6	206.0
Imports, f.o.b.	318.6	329.3	342.9	364.6	358.8	428.9	440.1	450.3
<i>Of which:</i> petroleum	44.9	38.2	41.2	52.2	43.4	48.6	76.4	70.1
Trade balance	9.1	1.8	2.7	16.5	0.1	-70.9	-33.9	13.9
Services (net)	-187.9	-190.0	-191.0	196.4	195.7	222.2	-228.3	-230.1
<i>Of which:</i> interest due on public debt	-13.2	-11.2	-16.0	13.3	17.2	-17.9	-18.0	-18.4
Private transfers (net)	43.4	40.7	41.6	41.4	42.8	43.7	45.9	49.1
Official transfers (net)	96.3	100.8	97.3	97.5	95.5	90.7	98.3	97.3
<i>Of which:</i> in kind	4.1	4.1	10.0	4.1	10.0	6.0	10.0	10.0
budgetary	20.8	19.6	1.8	14.4	1.8	2.9	0.0	0.0
project related	63.4	70.3	70.0	66.4	70.0	70.3	72.8	71.8
Current account balance								
(including official transfers)	-39.1	-46.7	-49.4	-31.1	-31.1	152.2	118.0	-69.8
(excluding official transfers)	-135.4	-147.5	-146.7	-169.9	-169.9	144.5	216.3	-167.1
Nonmonetary capital (net)	20.0	24.4	63.1	48.9	59.2	81.2	98.1	105.9
Private (net)	-13.7	-33.6	4.0	-11.4	6.0	21.0	31.0	41.0
Official (net)	33.7	58.0	59.1	60.3	53.2	60.5	67.1	64.9
Disbursements (net)	72.7	83.9	85.4	91.7	81.0	93.2	101.2	99.7
<i>Of which:</i> budgetary	11.6	4.8	5.4	13.1	0.0	0.0	0.0	0.0
project related	61.1	79.1	80.0	78.6	81.0	93.2	101.2	99.7
Amortization due on public debt	-39.0	-25.9	-26.3	-31.4	-27.8	-32.4	-34.1	-34.8
Debt relief <sup>2</sup>	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	2.3	-13.7	0.0	-6.1	0.0	0.0	0.0	0.0
Overall balance	-16.0	-36.0	13.7	-34.2	-1.1	-77.0	-19.9	36.1
Financing	16.0	36.0	-13.7	34.2	1.1	77.0	19.9	-36.1
Foreign assets (net)	1.4	36.0	-32.8	37.2	-19.0	53.0	7.2	-42.5
<i>Of which:</i> IMF (net)	12.5	1.8	12.1	7.4	0.4	0.5	-3.0	-7.2
Revaluation adjustment	0.0	0.0	0.0	-3.0	0.0	0.0	0.0	0.0
Debt under negotiation/moratorium	14.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HIPC Initiative assistance <sup>3</sup>	0.0	0.0	0.0	0.0	7.1	1.8	6.2	6.5
Payments arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reduction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	19.1	0.0	12.9	22.2	6.6	0.0
Memorandum items:	(In percent of GDP, unless otherwise indicated)							
External current account balance								
Including official transfers	-2.7	-3.0	-2.8	-4.8	-3.2	-9.3	-6.4	-3.5
Excluding official transfers	-9.4	-9.5	-8.5	-10.6	-8.4	-14.6	-11.7	-8.4
Outstanding payments arrears (end of period)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External public debt	117.7	114.6	110.0	110.5	106.3	106.8	102.4	96.6
Debt-service ratio <sup>4</sup>								
Before debt relief	15.0	11.4	12.3	12.9	13.4	15.5	14.8	14.0
After debt relief (including original HIPC Initiative)	10.9	7.3	12.3	12.9	11.6	15.0	13.5	12.7
Gross international reserves (In billions of CFA francs) <sup>5</sup>	318.8	299.0	...	261.8	...	208.8	201.6	244.1
In months of next year's imports <sup>6</sup>	7.2	6.2	...	4.7	...	3.6	3.4	4.0
Exchange rate (annual average):								
CFA francs per SDR	803.1	800.0	...	841.7	...	...	...	...
CFA francs per U.S. dollar	583.7	590.0	...	615.7	...	...	...	...

Sources: Malian authorities; and staff estimates and projections.

<sup>1</sup> Data may not add up because of rounding.

<sup>2</sup> Reflects past agreements on debt rescheduling and moratoriums, including with the People's Republic of China, Arab bilateral funds, Cote d'Ivoire, and debt under negotiation.

<sup>3</sup> Based on assistance of US\$ 128 million in NPV terms committed at the decision point under the original framework with delivery of assistance after the completion point expected in September 2000. The original amount programmed for 2000 was based on higher debt projections and thus relief required, with a completion point envisaged at end-1999.

<sup>4</sup> In percent of exports of goods and nonfactor services.

<sup>5</sup> Gross international reserves are the sum of the national Mali allocation of the BCEAO gross international reserves and the gross international reserves of commercial banks.

<sup>6</sup> Goods and nonfactor services.

Table 10. Mali: Balance of Payments, 1997-2002<sup>1</sup>

	1997	1998	1999		2000		2001	2002
		Est.	Prog.	Prel.	Prog.	Rev. Prog.	Projections	
(In millions of SDRs, unless otherwise indicated)								
Exports, f.o.b.	408.1	413.9	438.9	414.2	458.8	399.4	455.4	523.0
<i>Of which:</i> cotton (fiber)	197.6	184.7	216.3	178.4	233.9	146.7	166.7	209.1
gold	145.9	166.4	157.8	169.2	156.3	179.7	211.4	232.1
Imports, f.o.b.	-396.7	-411.7	-435.4	-433.1	-458.7	-478.5	-493.4	-507.4
<i>Of which:</i> petroleum	-55.9	-47.8	-52.3	-62.0	-55.5	-94.8	-85.7	-79.0
Trade balance	11.4	2.3	3.5	-19.0	0.1	-79.1	-38.0	15.6
Services (net)	-233.9	-237.5	-242.5	-233.3	-254.0	-247.9	-256.0	-259.3
<i>Of which:</i> interest due on public debt	-16.4	-13.9	-20.3	-16.0	-22.7	-19.9	-20.2	-20.7
Private transfers (net)	54.0	50.9	52.8	50.4	54.8	48.7	51.4	55.3
Official transfers (net)	119.9	126.0	123.5	110.4	122.1	101.2	110.2	109.6
<i>Of which:</i> in kind	5.1	5.1	12.7	4.9	12.8	6.7	11.2	11.3
budgetary	25.9	24.5	2.3	17.3	0.0	3.2	0.0	0.0
project related	78.9	87.9	88.9	81.7	89.5	80.1	81.6	80.9
Current account balance								
(including official transfers)	-48.6	-58.4	-62.7	-91.5	-77.1	-177.1	-132.3	-78.7
(excluding official transfers)	-168.5	-184.4	-186.2	-201.9	-199.2	-278.3	-242.6	-188.3
Nonmonetary capital (net)	24.9	30.5	80.1	58.1	75.7	91.3	110.0	119.3
Private (net)	-17.1	-42.0	5.1	-13.5	7.7	23.4	34.8	46.2
Official (net)	42.0	72.5	75.0	71.6	68.1	67.8	75.2	73.1
Disbursements (net)	90.6	104.9	108.4	109.0	103.5	104.0	113.5	112.4
<i>Of which:</i> budgetary	14.5	6.0	6.9	15.6	0.0	0.0	0.0	0.0
project related	76.1	98.9	101.6	93.4	103.5	104.0	113.5	112.4
Amortization due on public debt	-48.6	-32.4	-33.4	-37.3	-35.5	-36.1	-38.2	-39.2
Debt relief <sup>2</sup>	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	2.9	-17.1	0.0	-7.2	0.0	0.0	0.0	0.0
Overall balance	-19.9	-45.0	17.4	-40.7	-1.4	-85.8	-22.4	40.6
Financing	19.9	45.0	-17.4	40.7	1.4	85.8	22.4	-40.6
Foreign assets (net)	1.7	45.0	-41.6	44.2	-24.3	59.1	8.0	-47.9
<i>Of which:</i> IMF (net)	15.6	2.3	15.3	8.8	0.5	0.5	-3.4	-8.1
Revaluation adjustment	0.0	0.0	0.0	-3.6	0.0	0.0	0.0	0.0
Debt under negotiation/moratorium	18.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HIPC Initiative assistance <sup>3</sup>	0.0	0.0	0.0	0.0	9.1	2.0	6.9	7.3
Payments arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reduction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	24.3	0.0	16.5	24.8	7.4	0.0
Memorandum items:	(In percent of GDP, unless otherwise indicated)							
External current account balance								
Including official transfers	-2.7	-3.0	-2.8	-4.8	-3.2	-9.3	-6.4	-3.5
Excluding official transfers	-9.4	-9.5	-8.5	-10.6	-8.4	-14.6	-11.7	-8.4
Outstanding payments arrears								
(end of period)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External public debt	117.7	114.6	110.0	110.5	106.3	106.8	102.4	96.6
Debt-service ratio <sup>4</sup>								
Before debt relief	15.0	11.4	12.3	12.9	13.4	15.5	14.8	14.0
After debt relief (including original HIPC Initiative)	10.9	7.3	12.3	12.9	11.6	15.0	13.5	12.7
Gross international reserves (in millions of SDRs) <sup>5</sup>	407.2	395.7	...	344.0	...	259.9	252.0	305.2
In months of next year's imports <sup>6</sup>	7.2	6.2	...	4.7	...	3.6	3.4	4.0

Sources: Malian authorities; and staff estimates and projections.

<sup>1</sup> Data may not add up because of rounding.

<sup>2</sup> Reflects past agreements on debt rescheduling and moratoriums, including with the People's Republic of China, Arab bilateral funds, Cote d'Ivoire, and debt under negotiation.

<sup>3</sup> Based on assistance of US\$ 128 million in NPV terms committed at the decision point under the original framework with delivery of assistance after the completion point expected in September 2000. The original amount programmed for 2000 was based on higher debt projections and thus relief required, with a completion point envisaged at end-1999.

<sup>4</sup> In percent of exports of goods and nonfactor services.

<sup>5</sup> Gross international reserves are the sum of the notional Mali allocation of the BCEAO gross international reserves and the gross international reserves of commercial banks.

<sup>6</sup> Goods and nonfactor services.

Table 11. Mali: External Financing Requirements and Resources, 1997-2002<sup>1</sup>  
(in billions of CFA francs, unless otherwise indicated)

	1997	1998	1999		2000		2001	2002
		Est.	Prog.	Prel.	Prog.	Rev. Prog.	Projections	
<b>Requirements</b>	187.3	159.3	224.8	187.2	213.1	241.0	255.3	255.9
Current account deficit, excluding official transfers <sup>2</sup>	135.4	147.5	146.7	169.9	155.8	249.5	216.3	167.1
Debt amortization <sup>2</sup>	39.0	25.9	26.3	31.4	27.8	32.4	34.1	34.8
IMF repurchases	4.1	6.4	6.8	7.2	10.1	11.6	15.1	18.6
Arrears (increase-)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in net foreign assets (increase+) <sup>3</sup>	11.1	-34.2	45.0	-30.4	19.4	-52.5	-10.2	35.3
Adjustment <sup>4</sup>	-2.3	13.7	0.0	9.1	0.0	0.0	0.0	0.0
<b>Resources</b>	187.2	159.3	224.8	187.2	213.1	241.0	255.3	255.9
Official transfers <sup>5</sup>	96.3	100.8	97.3	92.9	95.5	90.7	98.3	97.3
Long-term public loan disbursement (gross) <sup>5</sup>	72.7	83.9	85.4	91.7	81.0	93.2	101.2	99.7
Of which: IDA	43.7	28.3	50.7	54.3	45.7	53.0	54.6	55.3
Private capital (net)	-13.7	-33.6	4.0	-11.4	6.0	21.0	31.0	41.0
Debt relief, including HIPC assistance <sup>6</sup>	0.7	0.0	0.0	0.0	7.1	1.8	6.2	6.5
Debt under negotiation/moratorium <sup>7</sup>	14.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of IMF resources (ESAF)	16.6	8.2	19.0	14.0	10.6	12.1	12.0	11.4
Exceptional financing	0.0	0.0	19.1	0.0	12.9	22.2	6.6	0.0
Memorandum item:								
Exchange rate: CFA francs per SDR	803.1	800.0	...	841.7	...	...	...	...

Sources: Malian authorities; and estimates and projections of the Fund and World Bank staffs.

<sup>1</sup> Data may not add up due to rounding.

<sup>2</sup> After debt forgiveness.

<sup>3</sup> Excluding the change in the net position vis-a-vis the Fund.

<sup>4</sup> Including revaluation adjustment and errors and omissions.

<sup>5</sup> Includes both existing and expected new commitments.

<sup>6</sup> HIPC assistance of US\$ 128 million in NPV terms committed at the decision point under the original framework with delivery of assistance after the completion point expected in September 2000. The original amount programmed for 2000 was based on higher debt projections and thus relief required, with a completion point envisaged at end-1999.

<sup>7</sup> Russian Federation and China.

Table 12: Mali. Indicators of Fund Credit and Debt Servicing, 1999 - 2013  
(In percent, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Outstanding Fund credit/quota <sup>1</sup>	151.1	151.6	148.0	139.3	116.7	93.5	74.0	57.5	42.5	28.1	17.0	8.4	2.8	0.0	0.0
Outstanding Fund credit/GDP <sup>1</sup>	7.4	7.4	6.7	5.8	4.5	3.3	2.4	1.8	1.2	0.7	0.4	0.2	0.1	0.0	0.0
Outstanding Fund credit/exports of goods and nonfactor services <sup>1</sup>	29.6	30.6	26.4	21.9	17.0	12.7	9.7	7.3	5.3	3.3	1.8	0.9	0.3	0.0	0.0
Gross Fund financing/financing needs <sup>1,2</sup>	20.2	8.3	7.6	7.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service to the Fund/exports of goods and nonfactor services <sup>3</sup>	2.1	3.1	3.5	3.8	3.5	3.3	2.7	2.2	2.0	1.8	1.3	1.0	0.6	0.1	0.1
Debt service to the Fund/total debt service <sup>3</sup>	16.0	20.0	23.0	26.7	26.2	26.4	22.5	18.3	15.8	14.9	11.9	9.2	5.5	2.7	0.0
Total debt service before rescheduling <sup>3</sup>	12.9	15.4	15.2	14.1	13.4	12.7	12.1	12.2	12.6	12.1	10.9	10.4	10.3	9.8	9.2
Total debt service after debt relief <sup>4</sup>	12.9	15.2	13.9	13.1	12.4	11.8	11.2	11.4	11.8	11.5	10.3	9.8	9.7	9.1	8.4
Memorandum item:															
Exports of goods and nonfactor services (in millions of SDRs)	475.7	463.0	522.5	593.8	638.9	684.5	710.8	738.2	751.6	792.2	864.3	916.3	937.8	971.3	1,018.4

Sources: IMF, Treasurer's Department; Malian authorities; and Fund staff estimates and projections.

<sup>1</sup> Outstanding Fund credit includes loans and outstanding purchases under the Structural Adjustment Facility (SAF), the Enhanced Structural Adjustment Facility (ESAF), and the Poverty Reduction and Growth Facility (PRGF).

<sup>2</sup> Financing needs are defined as the sum of the current account deficit, including grants, amortization due, repurchases and repayments of SAF and ESAF to the Fund, targeted accumulations of reserves, and the reduction of external arrears if any.

<sup>3</sup> Debt service, before debt relief, moratoria, and potential HIPC Initiative assistance (estimated for the period 2000-02), and including SDR charges, as a percentage of exports of goods and nonfactor services.

<sup>4</sup> Debt service, after debt relief, moratoria, and potential HIPC Initiative assistance (estimated for the period 2000-02), and including SDR charges, as a percentage of exports of goods and nonfactor services.

Table 13 Mali: Restructuring of the Public Enterprise Sector, 1999-2002<sup>1</sup>

Enterprises	Activity	Government's Share			Measure	Date
		In millions of CFA francs	In percent	Objectives by end-2002 (in percent)		
<b>Portfolio at end-1998: 31 nonbank enterprises</b>		<b>83,660</b>				
<b>Privatization and liquidation in 1999</b>		<b>786</b> (1.0 percent of portfolio at end-1998)				
1. SMPC	Chemical	388.5	55.5	0	Privatization	June
2. SOMACO-SA	Canning	60.0	20.0	0	Privatization	June
3. SEMA-SA	Equipment	28.8	12.0	0	Privatization	June
4. MALITAS	Travel agency	75.1	28.3	0	Privatization	June
5. Hotel de l'Amitié	Hotel	...	100.0	0	Privatization	December
6. SLMPT	Public equipment leasing	234.0	80.0	0	Liquidation	December
7. ORT	Hotel management	...	100.0	0	Liquidation	December
<b>Remaining portfolio at end-1999: 14 nonbank enterprises</b>						
<b>Restructuring during January-May 2000</b>		<b>13,641</b> (16.3 percent of portfolio at end-1998)				
1. SONAREM	Mining research	11,893.0	100.0	0	Liquidation	January
2. SONATAM	Tobacco	1,747.7	100.0	0	Partial privatization	March
<b>Restructuring programmed for June 2000-2002</b>		<b>19,238</b> (23.0 percent of portfolio at end-1998)				
1. EDM	Electricity and Water	2,430.0	97.2	< 40	Partial privatization	June 2000
2. SOTELMA	Telecommunications	8,792.0	100.0	< 50	Partial privatization	June 2001
3. UMPP	Pharmaceutical products	2,551.0	100.0	0	Privatization	December 2000
4. ADM	Airport management	1,653.0	100.0	100	Privatization of management	December 2000
5. ITEMA	Textile	100.0	33.3	0	Partial privatization	2001/02
6. HUICOMA	Oil and Soap	3,078.5	40.0	0	Privatization	2001/02
7. AIR MALI	Travel	200.0	10.0	0	Privatization	2001/02
8. SUKALA	Sugar and alcohol	400.0	40.0	20	Partial privatization	2001/02
9. SONAM	Naval equipment	33.8	12.8	0	Privatization	2001/02
<b>Remaining portfolio at end-2002: 18 nonbank enterprises</b>		<b>48,758</b> (58.3 percent of portfolio at end-1998)				
1. CMDT	Cotton	19,500.0	60.0	60		
2. OPAM	Food management	11,738.0	100.0	100		
3. SOTELMA	Telecommunications	< 4,396.0	< 50	< 50		
4. RCFM	Railway	2,945.0	100.0	100		
5. EDM	Electricity and Water	< 972.0	< 40	< 40		
6. ONP	Post office	2,208.1	100.0	100		
7. SUKALA	Sugar and Alcohol	400.0	40.0	20		
8. SEMOS-SA	Mining	1,962.0	18.0	18		
9. ADM	Airport management	1,653.0	100.0	100		
10. COMANAV	River transportation	1,567.0	100.0	100		
11. ITEMA	Textile	100.0	33.3	20		
12. PPM	Pharmac. Prod. Market	400.0	100.0	100		
13. COMATEX	Textile	300.0	20.0	20		
14. Office du Niger	Agricultural Development	240.8	100.0	100		
15. PMU-Mali	Horse racing	225.0	75.0	75		
16. CESP	Film production	141.9	100.0	100		
17. ACI	Real estate	6.2	50.0	50		
18. SOMISY-SA	Mining	2.5	20.0	20		

Source: Malian authorities.

<sup>1</sup> Of the six banks in the government's portfolio, the following are scheduled to be fully privatized by 2004: BMCD, BDM-SA, BCS-SA, and BIM-SA. The government will keep minority shareholdings in the agricultural bank (BMDA), the housing bank (BHM), and the financing institution for small and medium-sized enterprises (CFI).

Table 14. Mali: Selected Social and Demographic Indicators

	Latest Single Year			Same Region/Income Group	
	1970-75	1980-85	1993-98	Sub-Saharan Africa	Low-income
<b>Population</b>					
Total population, midyear (millions)	5.9	7.4	10.3	612.4	2,035.6
Growth rate (percent, annual average)	2.0	2.3	2.3	2.7	1.7
Urban population (percent of population)	16.2	21.0	28.1	32.3	28.4
Total fertility rate (births per woman)	7.1	7.1	6.6	5.5	4.0
<b>Income</b>					
GNP per capita (US\$)	130	170	260	510	350
Consumer price index (1995=100)	...	...	...	118	122
Food price index (1995=100)	...	...	...	...	...
<b>Income/consumption distribution</b>					
<b>Share of income or consumption</b>					
Gini index	...	...	50.5	...	...
Lowest quintile (percent of income or consumption)	...	...	4.6	...	...
Highest quintile (percent of income or consumption)	...	...	56.2	...	...
<b>Social indicators</b>					
<b>Public expenditure</b>					
Health (percent of GDP)	...	...	2.0	2.5	1.0
Education (percent of GNP)	...	3.2	2.2	4.3	...
Social security and welfare (percent of GDP)	...	1.8	...	...	...
<b>Gross primary school enrollment rate</b>					
<b>(percent of age group)</b>					
Total	...	32	50	77	...
Female	...	24	30	81	...
<b>Access to safe water</b>					
<b>(percent of population)</b>					
Total	...	...	48	47	69
Urban	...	...	56	74	80
Rural	...	...	20	32	66
<b>Immunization rate</b>					
<b>(percent under 12 months)</b>					
Measles	...	...	56	58	74
DPT	...	...	52	53	76
Child malnutrition (percent under 5 years)	...	...	40	...	...
<b>Life expectancy at birth</b>					
<b>(years)</b>					
Total	39	43	50	51	59
Male	37	43	49	49	58
Female	41	44	52	52	60
<b>Mortality</b>					
Infant (per 1,000 live births)	203	180	118	90	82
Under 5 (per 1,000 live births)	391	292	235	147	118
Adult (15-59)					
Male (per 1,000 population)	537	454	416	428	274
Female (per 1,000 population)	416	362	334	375	255
Maternal (per 100,000 live births)	...	...	580	...	...

Source: World Bank, 2000 World Development Indicators, CD-ROM.



Bamako, August 11, 2000

Mr. Horst Köhler  
Managing Director  
International Monetary Fund  
Washington, D.C. 20431

Dear Mr. Köhler:

1. The Executive Board of the International Monetary Fund approved on August 6, 1999 a third three-year arrangement for Mali under the Enhanced Structural Adjustment Facility (ESAF).<sup>13</sup> This arrangement was in support of Mali's economic and financial adjustment program for the period April 1, 1999–March 31, 2002. In accordance with this arrangement, the government of Mali has conducted with a Fund mission a review of the program covering the period April 1, 1999–March 31, 2000. The review covered the progress made in implementing the program during the last nine months of 1999 and the first quarter of 2000, as well as the outlook and economic and financial measures to be implemented by end-2000. The government of Mali remains determined to implement the policies and measures described in the medium-term policy framework paper (1999–2002), as well as in the memorandum attached to this letter, which supplements the memorandum of July 12, 1999.
2. In order to create the conditions for strong, durable, and more equitable economic growth, the government of Mali is committed to preparing and implementing, for the period April 1, 2000–December 31, 2002, the policies and measures defined in the interim poverty reduction strategy paper (PRSP), sent to you under separate cover. The government has also prepared the memorandum attached herewith, setting forth its economic and financial objectives and policies for the period from April 2000 to end-2000.
3. The government remains committed to widely disseminating its memorandum on economic and financial policies for 2000 and authorizes the IMF to publish it also, including on its website.
4. All the quantitative performance criteria and benchmarks set for end-September 1999, end-December 1999, and end-March 2000 were observed, except for the criterion and benchmark related to net bank credit to the government for end-September 1999 and end-December 1999, respectively. There have also been delays in implementing the structural

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<sup>13</sup> The Enhanced Structural Adjustment Facility (ESAF) was renamed the Poverty Reduction and Growth Facility (PRGF) in November 1999.

reforms. In particular, the performance criteria for end-November 1999 concerning the signing of a new government-CMDT-producers performance contract, including the elements of the action plan based on the technical audit of the sector; the call for bids for opening up the capital of the national electricity and water company (EDM); and the opening up of the telecommunications sector to competition by granting at least one cellular telephony operating license to private operators, as well as the structural performance criterion for end-March 2000 on the completion of audits of the Malian Retirement Fund (CRM) and the National Social Security Agency (INPS), were not observed.

5. We have reached understandings on the economic and financial measures to be implemented in order to ensure achievement of the economic objectives of the program for the remainder of 2000, as set forth in the attached memorandum. Based on these indications, we request that the appropriate waivers be granted in the context of the completion of the review.

6. The government will provide the Fund with any information it may request on progress made in implementing its economic and financial policies and in achieving the program objectives. Accordingly, it will regularly submit data on the operations of key public enterprises.

7. The government of Mali believes that the policies and measures set forth in the attached memorandum will enable it to achieve its program objectives. Moreover, it will take any additional measures that may prove necessary to this end. The government of Mali will, of its own accord or at your request, engage in consultations on the adoption of any further measures that may be deemed appropriate. Mali and the International Monetary Fund will also conduct a review of the country's economic program, which is to be completed no later than December 31, 2000.

Sincerely yours,

/s/

Bacari Koné  
Minister of Economy and Finance  
Chevalier de l'Ordre National

Attachment: Memorandum on Economic and Financial  
Policies for 2000

MALI

Memorandum on Economic and Financial Policies for 2000

August 11, 2000

I. INTRODUCTION

1. The 1999/2000 economic and financial program was prepared within the framework of the medium-term adjustment strategy described in the policy framework paper (PFP) for 1999-2002. This strategy aims at ensuring sustainable economic growth, reducing poverty, and achieving domestic and external financial viability in the medium term through the implementation of rigorous fiscal policies, as well as the deepening of structural and social reforms. The program envisaged a real GDP growth rate of about 6½ percent in 1999 and 5 percent in 2000; maintenance of the average inflation rate below 2½ percent; and a reduction in the external current account deficit (excluding official transfers) from 9½ percent of GDP in 1998 to 8½ percent in 2000. The program also aimed at raising the investment ratio from 21 percent of GDP in 1998 to 22 percent in 2000, and at increasing the domestic savings rate from 10⅓ percent of GDP in 1998 to 12¾ percent in 2000.

II. RECENT ECONOMIC DEVELOPMENTS

2. In 1999, the economic and financial situation was marked by a significant deterioration in the terms of trade and serious difficulties in the key cotton and electricity sectors. The terms of trade deteriorated by 11 percent in 1999, as compared to 1998, notably reflecting a 19 percent drop in cotton fiber export prices and a 27 percent increase in the import prices of petroleum products. In the cotton sector, weak financial management and overinvestment resulted in a marked increase in the production costs of the Compagnie Malienne pour le Développement des Textiles (CMDT), as compared to the level projected on the basis of the technical audit completed at end-1998. These slippages were reported only in the last quarter of 1999 and contributed to a large consolidated cotton sector deficit of about CFAF 32½ billion (equivalent to 2 percent of GDP) for the 1999/2000 crop year. Measures have been taken to reduce this deficit, notably a lowering of the announced floor price of seed cotton from CFAF 160 per kilogram to CFAF 150 per kilogram; the implementation of a set of measures to reduce the CMDT's costs by about CFAF 10 billion; the suspension of the value-added tax (VAT) exemption for cotton fiber; and an increase in the sale price of cotton seeds to the oil and soap company (HUICOMA) from CFAF 11 per kilogram to CFAF 20 per kilogram. The remainder of the consolidated deficit was covered by a CFAF 15.1 billion loan from the Cotton Sector Stabilization Fund. In the electricity sector, serious managerial shortcomings and delays in implementing the rehabilitation plan for the sector resulted in power cuts that had a severe impact on economic activity.

3. Real GDP growth in 1999, while higher than in 1998, remained below expectations at an estimated rate of 5½ percent, against 6½ percent under the program. Improved weather conditions resulted in a large increase in cereal production of 20 percent, while seed cotton production stabilized at around 520,000 metric tons. Growth was moderate in the secondary sector, mainly reflecting the effects of the power cuts on industrial activities. Gold output increased from 22.8 metric tons in 1998 to 25.3 metric tons in 1999. The harmonized consumer price index for Bamako fell by about 1 percent during 1999, largely because of the good harvest of food crops. In the external sector, despite an increase in the export volume of cotton fiber and gold, and a moderate increase in that of imports, the external current account deficit (excluding official transfers) rose to 10½ percent of GDP, 2 percentage points higher than foreseen.

4. Program implementation in 1999 was mixed, notably with regard to the structural reforms (Tables 1 and 2). The quantitative performance criteria and benchmarks, as well as most of the indicative financial targets established for September and December 1999 and March 2000, were observed, except for the criterion and benchmark on net bank credit to the government for end-September and end-December 1999, respectively. However, none of the structural performance criteria established for end-November 1999 and end-March 2000 were met, and only two of the seven structural benchmarks were observed. Regarding the structural performance criteria, a one-year performance contract for the cotton sector was signed on October 21, 1999 by the government, the CMDT, and the producers. However, additional measures are needed, as this performance contract does not include all the elements of the action plan for the cotton sector adopted by the government in July 1999, nor does it take account of the CMDT's higher production costs. The call for bids to open up the capital of Énergie du Mali (EDM) to the private sector and the opening up of the telecommunications sector to competition by granting at least one cellular telephony operating license to private operators, both of which were programmed for end-November 1999, were postponed to 2000. Lastly, audits of the Caisse de Retraite du Mali (CRM) and the Institut National pour la Prévoyance Sociale (INPS) were not completed at end-March 2000, as planned.

5. Regarding the structural benchmarks, a steering committee with private sector participation was established on September 8, 1999, with the goal of simplifying administrative procedures and reducing the time required for setting up new enterprises. In addition, the call for bids to open up 49.98 percent of the capital of the Banque Malienne de Crédits et de Dépôts (BMCD) to the private sector was launched in September. In contrast, the restructuring of the Banque Internationale pour le Mali (BIM-SA), planned for August 1999, could not be completed. Instead, the government decided to place the bank under temporary receivership, in order to prepare its privatization. Implementation of the other measures established as structural benchmarks was also delayed. These refer to the adoption of an action plan for financial sector reform; the preparation of a financing plan to implement the ten-year development program for education (PRODEC); the launching of the call for bids for the privatization of the management of Aéroports du Mali (ADM); and the appointment of new associate judges at the commercial courts, including representatives

from the banking and insurance sectors. To give Mali's economic program a fresh boost, the government has taken the corrective measures described below on in this memorandum.

6. The government's financial situation in 1999 was affected by the unfavorable economic environment, particularly as regards fiscal revenue. The overall fiscal deficit (commitment basis and excluding grants) increased to 9 percent of GDP, compared with the 7½ percent envisaged under the program. Budgetary revenue was CFAF 12 billion below target (¾ of 1 percentage point of GDP). This shortfall reflected a decline in tax receipts from the cotton sector and the larger-than-foreseen impact of the application of the new West African Economic and Monetary Union (WAEMU) imports classification system and the abolition of the customs service fee (CPS) following the introduction of the VAT at the single rate of 18 percent in April 1999.

7. Budgetary expenditure in 1999 remained slightly below the programmed level. Current expenditure was contained at CFAF 193 billion, compared with CFAF 197½ billion foreseen, essentially reflecting a lower wage bill and interest charges. The government granted a 7 percent increase in civil service base pay, effective September 1, 1999, which is compatible with the programmed wage bill for 1999/2000. In fact, the 1999 wage bill remained below the program ceiling on account of delays in implementing special regulations for certain categories of civil servants, and in making certain promotion-related payments. Payments arising from the enforcement of court rulings against the government totaled CFAF 4.5 billion in 1999, and the amount outstanding at year's end is estimated at about CFAF 14 billion. Overall investment expenditure was slightly above the level envisaged, with, however, a lower-than-expected execution rate for foreign-financed investment. Verified domestic payments arrears were eliminated as planned, and, despite the low level of repayments of on-lent loans, all public debt-service obligations were paid on time, including higher-than-expected amortization payments, notably because of payments made early in anticipation of the Year 2000 (Y2K) bug. In addition, CFAF 11.7 billion in payments orders issued in 1999 was paid in early 2000 during the supplementary period. External budgetary assistance slightly exceeded the programmed amount, and privatization receipts totaled CFAF 10½ billion. In 1999, advances to the CRM reached CFAF 5 billion, reflecting its structural deficit. In total, recourse to net bank credit amounted to CFAF 3.8 billion at end-1999.

8. Implementation of tax reforms in 1999 was satisfactory. Effective January 1, 1999, Mali instituted a system of imports classification in preparation for the entry into force in January 2000 of the common external tariff (CET) within the WAEMU.<sup>14</sup> Regarding intracommunity trade, the tariff reduction for approved industrial products of WAEMU origin was raised in 1999 to 80 percent of the rates applicable to third countries, and these

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<sup>14</sup> Excluding the zero percent rate, customs duties on imports from third countries were capped in 1999 at 5, 10, and 25 percent and fixed as of January 1, 2000 at 5, 10, and 20 percent.

customs duties were eliminated in 2000. Customs revenue losses are estimated at 1 percent of GDP in 1999 and at about ½ of 1 percent of GDP in 2000. Other reforms pertained to the modernization of the direct and indirect taxation system, particularly through the introduction of a VAT at a single rate of 18 percent beginning on April 1, 1999 and a reduction in the number of VAT-exempt commodities. Furthermore, measures aimed at strengthening tax administration and improving collection were pursued with Fund technical assistance at the tax department. The large enterprise division was fully computerized, and tax collection from large enterprises was transferred from the treasury to the tax department in January 2000, while the extension of the new taxpayer registration system using a single fiscal number for each taxpayer continued. The new customs code, aimed at simplifying procedures and intensifying the fight against fraud, was adopted by the government in February 2000. Regarding expenditures, the payroll records were merged with the civil service roster on September 30, 1999, as scheduled.

9. The demand for money was weaker than expected in 1999, as reflected in broad money growth of 1⅓ percent, against 9 percent projected and 4⅓ percent in 1998. Net credit to the government was higher than programmed, and credit to the economy increased by 14½ percent, much more than projected and reflecting, in part, delays in the repayment of cotton sector crop credits in the wake of the CMDT's financial difficulties. These developments resulted in a marked decrease in the net external assets of the banking system.

10. The health of Mali's banking system has improved since 1995, and most of the banks showed profits in 1999. However, their situation remains precarious, especially in regard to certain banks' compliance with the prudential ratios set by the WAMU Banking Commission and the level of gross nonperforming loans. At end-December 1999, these amounted to 25 percent of the banks' portfolio of credit to the economy. Loan loss provisions amounted to 61 percent of the amount of nonperforming loans. In addition, the CMDT's financial difficulties in 1999 further weakened the banks, and, for most of them, the claims on the CMDT exceeded actual equity capital. Conscious of the risks inherent in this situation, the government is committed to taking the necessary measures to financially rehabilitate the CMDT and to pursue the reform of the financial sector in a determined manner. Accordingly, the consultations with the World Bank on an action plan for the financial sector were concluded. This action plan is aimed at improving the sector's legal and judicial environment, fully divesting the government's interests in the commercial banks by end-2004, and determining the measures to be taken to resolve the problem of banks' nonperforming loans and ensure compliance with prudential ratios.

11. Regarding the other structural reforms, progress was made in implementing the action plan to reform the public enterprise sector that was adopted in June 1999. The Hôtel de l'Amitié was sold in December 1999, and the Société Nationale des Tabacs et Allumettes du Mali (SONATAM) was partly privatized in March 2000 through the sale of 35 percent of its capital to a strategic partner; the government is determined to continue divesting itself fully from the capital of this company. In addition, the Société Malienne de Matériel de Travaux Publics (SLMTP) and the Office des Relais Touristiques (ORT) were put up for liquidation in 1999, and, in January 2000, the government adopted the draft law on the liquidation of the

Société Nationale de Recherche et d'Exploitation Minière (SONAREM). In contrast, the government's adoption of the draft laws on the fundamental principles of privatization and the issuance of the call for bids for privatizing the management of Aéroports du Mali (ADM) and the Usine Malienne des Produits Pharmaceutiques (UMPP) did not take place at end-December 1999, as planned. Finally, there were also delays in establishing the Société d'Exploitation du Trafic International (SETI), a company with majority private shareholding that will operate international traffic on the Bamako-Dakar railroad.

### III. POLICIES AND MEASURES FOR IMPLEMENTATION IN 2000

12. Given the unsatisfactory results achieved in 1999, the government has taken corrective measures to reinvigorate program implementation and ensure that the objectives for 2000 are met. Despite a sizable decline in cotton production in 1999/2000, real GDP is projected to grow by about 4½ percent, essentially because of the good grain harvest anticipated for 2000. Inflation, as measured by the harmonized consumer price index for Bamako, should remain below 3 percent on a year-on-year basis. In the external sector, the terms of trade are expected to further deteriorate, owing to the large rise in the import prices of petroleum products and the ongoing decline in cotton fiber export prices. While gold exports will rise slightly, cotton fiber shipments will be below their 1999 level. Import volumes should increase moderately, with a larger increase in construction materials related to the starting of major public investment projects. Thus, the external current account deficit (excluding official transfers) should widen further to 14½ percent of GDP in 2000, against 10½ percent in 1999. Taking into account the net capital inflows expected in 2000, the overall balance of payments deficit would amount to CFAF 77 billion, against the CFAF 1 billion initially projected.

13. In the public finance area, the government is determined to avoid a further deterioration of its financial situation. Specific measures have already been taken to limit revenue shortfalls and reduce nonpriority spending. On this basis, the program aims at increasing the basic budgetary surplus from 0.2 percent of GDP in 1999 to 0.6 percent in 2000. Taking into account a level of foreign-financed public investment that is 1 percent of GDP higher than in 1999, the overall budget deficit (commitment basis and excluding grants) will be maintained at a level equivalent to 9 percent of GDP in 2000.

14. Regarding budgetary revenue, projections without additional measures indicate a revenue shortfall on the order of 1½ percent of GDP, mainly due to the drop in taxes from the CMDT, implementation of the petroleum products' taxation system in such a fashion as would result in stable retail prices, and lower economic growth than initially forecast. To limit the fall in revenue from petroleum products, the government decided in March 2000 to increase their retail prices by 12-18 percent. The government has also decided to reexamine its policy of taxing petroleum products, in the context of actions under way in the WAEMU. By end-October 2000, it will adopt a new system that will automatically reflect import price changes in retail prices. This system will be implemented in 2001.

15. The government is determined to ensure that the tax reforms undertaken in 1999 and the CET are implemented effectively, and to continue taking measures aimed at improving the efficiency of the tax collection agencies. Application of the variable tax on imports (TCI) will be limited to wheat, flour, and sugar, and the administrative value tax to petroleum products. Other measures envisaged at customs include: continuing the staff reorganization and increasing its resources; implementing the new customs code once it has been approved by the National Assembly; and strictly limiting exemptions not based on international agreements. The tax administration will continue with the introduction of the single taxpayer identification number and the modernization of the large enterprise division. Based on these measures, total government revenue in 2000 should amount to CFAF 290 billion, equivalent to 17 percent of GDP.

16. On the expenditure side, the government has decided to reduce nonpriority spending, including on supplies, travel, and domestically financed public investment, by CFAF 10 billion as compared to the 2000 finance law levels. Following discussions with trade unions in 1999, the government has adopted a new salary scale for the 16,000 civil servants not covered by special regulations. This adjustment implies a 15 percent rise in the monthly wage and has been in effect since May 1, 2000. Nonetheless, the wage bill will be strictly limited to CFAF 73.1 billion (4¼ percent of GDP), within the ceiling envisaged under the initial program. Social sector spending will amount to 37 percent of current expenditure, including 9 percent and 23 percent for the health and education sectors, respectively. Social safety net expenditures will be maintained at their initial program level. Moreover, the government remains determined to monitor closely the costs related to the administrative decentralization and is committed to strictly limiting transfers to the municipalities to CFAF 1½ billion. In addition, in view of the disturbing trend in payments resulting from court rulings against the government in recent years, these obligations will be closely monitored, and the legal department will be strengthened.

17. Mali will host the African Nations Cup (CAN) in 2002, which is a major challenge. The authorities are committed to strictly limiting the annual budgetary contribution to CFAF 10 billion in 2000-02 (½ of 1 percent of GDP annually). A significant share of the financing of the public investments needed to organize this event will come from external partners in the form of grants and concessional loans. Moreover, in May 2000, the authorities contracted two concessional loans to finance the construction over the 2000-02 period of an administrative center, housing the Prime Minister's office and 12 ministries. In total, externally financed public investment in 2000 is projected to be CFAF 17½ billion (1 percent of GDP) higher than in 1999. Thus, total expenditure and net lending would amount to CFAF 445½ billion; in terms of GDP, they would be kept at 26 percent.

18. The government also intends to adopt, by end-2000 and in consultation with the World Bank, a three-year public investment program (PIP) for the period 2001-03. Under this new PIP, priority would be given to the agricultural and infrastructure sectors and to human resources development. The authorities will also strengthen their monitoring of project execution in close collaboration with donors and creditors.



19. The monetary policy of the Central Bank of West African States (BCEAO) will continue to be prudent, in accordance with the objectives of the pegged exchange rate between the CFA franc and the euro, and consolidation of the union's external position. Broad money should increase by about 4 percent in 2000, somewhat less than the growth of nominal GDP. Based on the expected fiscal outcomes, net credit to the government should reach CFAF 10.3 billion at end-December 2000, allowing for an adequate allocation of credit to the private sector. Credit to the economy could increase by some 17½ percent. The net foreign assets of the banking system are projected to show a decline of CFAF 53 billion, compared with end-1999.

20. In the financial sector, the government adopted in June 2000 the action plan for the reform of the sector, prepared in collaboration with the World Bank. This action plan contains specific measures to resolve the problem of nonperforming loans and induce the banks to comply with the WAMU Banking Commission's prudential ratios. Regarding government withdrawal from the banking sector, it is envisaged that the government will reduce its participation in the capital of the BMCD and the BIM-SA to a maximum of 20 percent by end-June 2001. Because of the structural financial difficulties of the CRM and the financial fragility of the INPS, an action plan for their rehabilitation will be prepared by end-October 2000, based on the results of audits of both institutions, which began in June and early August 2000, respectively.

21. The government is determined to continue implementing structural reforms with greater vigor, in order to make up for the delays incurred in 1999. In the cotton sector, the government ordered an independent financial audit which was completed in July 2000. Based on the conclusions and recommendations of the financial audit, the authorities will prepare a set of measures aimed at strengthening the transparency and effectiveness of the CMDT's financial management and markedly reducing its production costs. It is also expected that the seven studies identified in the action plan for the cotton sector, notably the industrial and commercial technical audit of the CMDT and the study on a strategy for withdrawal of the CMDT from providing public services, will be completed by end-September 2000. This will make it possible to sign a new performance contract for the cotton sector in December 2000, that will include all the elements of the sectoral action plan adopted in 1999, particularly with regard to increased participation by private operators and preparation of the sector for competition.

22. In the electricity sector, reforms are under way, and the final call for bids to privatize at least 60 percent of the EDM's capital was launched in August 2000. Meanwhile, measures were taken to safeguard against a further deterioration in the company's financial situation. Regarding the telecommunications sector, the government adopted, on April 12, 2000, a new legal and regulatory framework opening up the sector to competition. In addition, the government has frozen the activities of the company MALITEL-SA (a subsidiary of SOTELMA), which was to provide cellular telephony services with private sector participation and was created under conditions that were not consistent with the principles set forth in the policy statement on the telecommunications sector adopted in 1998. The government is determined to establish transparency and fair competition in the sector by

transforming this company, MALITEL-SA, into a subsidiary whose capital will be held entirely by the government (SOTELMA), and to resume the process of opening up the sector by means of an international call for bids in order to grant at least one cellular telephony operating license to private operators by end-November 2000. Finally, the government intends to launch the call for bids to privatize SOTELMA by end-June 2001.

23. Regarding the action plan for the other public enterprises, the government will issue the call for bids to privatize UMPP and the management of the ADM by end-2000. Furthermore, the SETI is expected to begin operations by end-September 2000.

24. Work on the strategy to reform the civil service will be pursued vigorously and the action plan for implementing this strategy will be prepared by end-2000. Moreover, the merit-based promotion system will continue to be applied equitably and rigorously. Furthermore, the government adopted, in consultation with the World Bank, the financing plan for the education sector in June 2000.

25. Private sector activity is encouraged by the establishment of a credible, impartial, and transparent legal and judicial system. Aware of this, the government is determined to strengthen the inspection of legal services, computerize the clerks' offices at commercial courts, and, by end-September 2000, appoint new associate judges in commercial courts, including representatives from the banking and insurance sectors. The government has also decided to improve the procedures for providing budgetary funds for road maintenance. It has further decided to create a Road Authority that will operate without resorting to earmarked budgetary resources. The modalities for private sector participation in the financing and management of this authority will be determined by end-2000.

26. The government will continue its policy of prudent external debt management and will have recourse only to grants or concessional loans. To this end, no external loans with a grant element of less than 35 percent will be contracted or guaranteed, except for nonconcessional loans within the ceiling indicated in Table 3 attached, normal short-term import credits, and loans related to the rescheduling or refinancing of external debt. In addition, all new loans contracted or guaranteed by the government will continue to be subject to authorization by the Minister of Finance. The government will discharge its public debt obligations on a timely basis and will not accumulate any payments arrears.

27. In the context of the Initiative for Heavily Indebted Poor Countries (HIPC Initiative), the authorities, in collaboration with IMF and World Bank staff, have updated the results of the debt sustainability analysis based on debt data at end-1998 and end-1999, and have examined the progress achieved in implementing the reforms envisaged under the original HIPC Initiative. On the basis of this work, it appears that Mali has satisfied the necessary conditions for reaching the completion point under this Initiative.

28. To allow Mali to benefit as quickly as possible from the additional assistance available under the enhanced HIPC Initiative, the authorities have prepared an interim poverty reduction strategy paper (PRSP) based on the National Strategy for the Fight against

Poverty (SNLP) adopted by the government in 1998 and the PFP for 1999-2002. The latter is presented under separate cover.

29. The authorities will continue to participate actively in all the initiatives aimed at promoting regional integration and will endeavor to implement those that have been adopted. In particular, this concerns the implementation of the CET, which entered into force on January 1, 2000; the harmonization of the business law through the Organization for the Harmonization of Business Law in Africa (OHADA) uniform acts; the harmonization of indirect taxation within the WAEMU; the elimination of nontariff barriers; the adoption of a common investment code; the development of the regional financial market; and the strengthening of multilateral surveillance.

30. Efforts undertaken in recent years to improve the quality, coverage, and availability of economic and social statistical data will be continued. Particular emphasis will be placed on the national accounts, public investment monitoring, and the compilation of balance of payments statistics. To ensure that data are available within the required time frames, the authorities will revitalize the statistical coordination committee by implementing legal provisions against economic agents who fail to communicate information within prescribed deadlines.

#### IV. PROGRAM MONITORING AND PRIOR ACTIONS

31. Execution of the 2000 program will be monitored through quarterly quantitative performance criteria and benchmarks as specified in Table 3 (attached), including (a) a ceiling on net bank credit to the government; (b) the nonaccumulation of domestic and external payments arrears; (c) the nonrecourse to short-term external credits (excluding normal import credits and loans related to debt-relief operations); and (d) a ceiling on nonconcessional external debt having a maturity of one year or longer, contracted or guaranteed by the government and certain public enterprises. The above variables relating to end-September 2000 will constitute performance criteria. The performance criterion on nonaccumulation of domestic and external payments arrears will be applied on a continuous basis. In addition, quarterly financial indicators will be established for tax revenue, the wage bill, and the basic budgetary surplus (the latter is defined as the overall fiscal deficit, excluding grants and externally financed investment spending).

32. To ensure the success of the program, the authorities have taken the following actions: (i) the completion of the CMDT's financial audit; (ii) the launch of the final call for bids to privatize at least 60 percent of the EDM's capital; (iii) the official announcement by the government of the new reform plan for the telecommunications sector (see paragraph 22); and (iv) the start of the financial audits of the CRM and the INPS. The program will also include a certain number of structural performance criteria and benchmarks, which are described in Table 4.

Table 1. Mali: Program Quantitative Performance Criteria and Benchmarks for the Period April 1, 1999 to March 31, 2000

	Amount as at March 31, 1999	Change from January 1 to December 31, 1999									Change from January 1 to March 31, 2000		
		June			September			December			Benchmarks		
		Prog.	Adj. Prog.	Actual	Prog.	Adj. Prog.	Actual	Prog.	Adj. Prog.	Actual	Prog.	Adj. Prog.	Actual
(In billions of CFA francs)													
<b>A. Quantitative performance criteria and benchmarks</b>													
1. Credit to the government (net) 1/ 2/ 3/	-14.0	11.1	16.0	19.6	2.7	16.2	25.2	0.0	-1.4	3.8	8.5	10.9	8.8
2. Cumulative change in government payments arrears 4/ 5/													
Domestic	3.9	-6.0	-6.0	-7.2	-8.0	-8.0	-8.4	-9.3	-9.3	-9.3	0.0	0.0	0.0
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. New external borrowing at terms of one year or more 3/ contracted or guaranteed by the government or public enterprises 6/ on nonconcessional terms 7/ 8/ 9/	4.2	13.0	13.0	5.5	22.0	22.0	12.0	31.0	31.0	12.0	41.0	41.0	12.0
Of which: public enterprises 6/	4.2	10.0	10.0	2.8	15.0	15.0	9.3	20.0	20.0	9.3	25.0	25.0	9.3
4. Stock of short-term external loans (less than one year) 10/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>B. Indicative financial targets</b>													
1. Cumulative tax revenue 4/ 11/	58.6	111.8	111.8	116.1	176.4	176.4	177.6	248.5	248.5	235.3	62.8	62.8	57.6
2. Cumulative wage bill 3/	15.0	33.0	33.0	30.1	50.4	50.4	47.4	68.1	68.1	65.3	18.5	18.5	16.8
3. Basic overall fiscal balance 4/ 12/	8.7	2.1	2.1	13.3	10.9	10.9	11.2	17.8	17.8	2.5	1.7	1.7	13.9
Memorandum item:													
External budgetary assistance during the year 13/	7.2	12.1	7.2	7.2	26.3	12.8	12.8	26.3	27.7	27.7	5.3	2.9	2.9

1/ The program provides that external budgetary assistance, excluding project aid, will in 1999, on a cumulative basis, reach CFAF 12.1 billion by June 30 and CFAF 26.3 billion by September 30 and December 31, 1999. It will total CFAF 5.3 billion by March 31, 2000. The ceilings for these dates will be adjusted downward by the amounts of excess external budgetary assistance received, net of the amounts used to accelerate the reduction of the government's domestic payments arrears or the refund of VAT credits owed to the cotton company, CMDT. In the event of a shortfall in external budgetary assistance, as defined above, the ceilings will be adjusted upward accordingly, but not exceeding CFAF 12.1 billion for the first half of 1999, CFAF 20 billion at September 30, 1999, CFAF 15 billion at December 31, 1999, and CFAF 4 billion at March 31, 2000.

2/ Excluding the cotton sector stabilization fund and excluding changes in the amounts of consolidated public debt securities held outside the Malian banking system.

3/ Maximum.

4/ Minimum.

5/ These performance criteria will be monitored on a continuous basis.

6/ The public enterprises in question are: the cotton company: CMDT, the telecommunications company: SOTELMA, the electricity and water company: EDM, and the railroad company: RCFM.

7/ Excluding debt relief obtained in the form of rescheduling or refinancing.

8/ Including planned loans on nonconcessional terms to be contracted with the West African Development Bank, the African Development Bank, and the Caisse de Coopération Française in 1999-2000.

9/ Cumulative amounts from April 1, 1999 to March 31, 2000.

10/ With the exception of normal import credits and debt relief.

11/ Excluding privatization receipts, which are included in financing.

12/ Overall balance, on a commitment basis, excluding grants and externally financed capital expenditure.

13/ Excluding use of Fund resources.

Table 2. Mali: Structural Measures Adopted as Prior Actions, Performance Criteria, and Structural Benchmarks, 1999/2000

Measure	Date	Status
<b>A. Prior actions taken before end-June 1999</b>		
1. Implementation of the VAT at the single rate of 18 percent		
2. Signing of an agreement in principle for the privatization of SONATAM		
3. Divestiture of the government's minority shareholdings in SOMACO-SA, MALITAS, SMPC, and SEMA-SA		
4. Adoption of an action plan for the cotton sector based on the technical audit of the sector		
5. Adoption of an action plan for 1999-2002 to reduce the number of nonbank public enterprises in the government's portfolio from 33 at end-1998 to 18 at end-March 2002		
<b>B. Structural performance criteria</b>		
1. Signing of a new government/CMDT/producers performance contract, including the elements of the above-mentioned action plan	November 30, 1999	Not observed 1/
2. Call for bids for the opening of the capital of EDM	November 30, 1999	Not observed
3. Opening of the telecommunications sector to competition by granting at least one cellular telephony operating license to private operators	November 30, 1999	Not observed
4. Completion of an audit of CRM and INPS	March 31, 2000	Not observed
<b>C. Structural benchmarks</b>		
1. Creation of a steering committee, with private sector participation, to simplify administrative procedures and reduce the time required to establish new enterprises	July 31, 1999	Created September 8, 1999
2. Completion of the restructuring of BIM-SA	August 31, 1999	Placed under temporary receivership
3. Adoption of an action plan for financial sector reform	September 30, 1999	Not observed
4. Call for bids for the opening of the capital of BMCD	September 30, 1999	Done for 49.98 percent of the capital
5. Preparation of a financial action plan for the implementation of the ten-year development program for education (PRODEC)	September 30, 1999	Not observed
6. Call for bids for the privatization of the management of ADM	December 31, 1999	Not observed
7. Appointment of new adjudicators at the commercial courts, including representatives of the banking and insurance sectors	December 31, 1999	Not observed

1/ A one-year performance contract was signed in October 1999. However, it does not take account of the increase in the CMDT's production costs as compared with the technical audit that served as a basis for the sectoral action plan, and does not include all the elements of the latter.

Table 3. Mali: Program Quantitative Performance Criteria and Benchmarks  
for the Period April 1 to December 31, 2000

	Change from January 1 to December 31, 2000			
	March Est.	June Benchmarks	September Performance Criteria	December Benchmarks
(In billions of CFA francs)				
<b>A. Quantitative performance criteria and benchmarks</b>				
1. Credit to the government (net) 1/ 2/ 3/	8.8	21.7	11.2	10.3
2. Cumulative change in government payments arrears 4/ 5/				
Domestic	0.0	0.0	0.0	0.0
External	0.0	0.0	0.0	0.0
3. New external borrowing at terms of one year or more 3/ contracted or guaranteed by the government or public enterprises 6/ on nonconcessional terms 7/ 8/	0.0	6.9	15.0	30.0
Of which: public enterprises 6/	0.0	4.2	9.0	15.0
4. Stock of short-term external loans (less than one year) 9/	0.0	0.0	0.0	0.0
<b>B. Indicative financial targets</b>				
1. Cumulative tax revenue 4/	57.6	121.6	185.8	252.2
2. Cumulative wage bill 3/	16.8	36.5	53.7	73.1
3. Basic overall fiscal balance 4/ 10/	13.9	11.7	18.9	9.7
Memorandum item:				
External budgetary assistance during the year 11/	2.9	2.9	15.4	26.9

1/ The program provides that external budgetary assistance, excluding project aid, will in 2000, on a cumulative basis, reach CFAF 2.9 billion by June 30, CFAF 15.4 billion by September 30, and CFAF 26.9 billion by December 31, 2000. The ceilings for these dates will be adjusted downward by the amounts of excess external budgetary assistance received.

In the event of a shortfall in external budgetary assistance, as defined above, the ceilings will be adjusted upward accordingly, but not exceeding CFAF 10 billion at September 30 and CFAF 15 billion at December 31, 2000.

2/ Excluding the cotton sector stabilization fund and excluding changes in the amounts of consolidated public debt securities held outside the Malian banking system.

3/ Maximum.

4/ Minimum.

5/ These performance criteria will be monitored on a continuous basis.

6/ The public enterprises in question are: the cotton company: CMDT, the telecommunications company: SOTELMA, the electricity and water company: EDM, and the railroad company: RCFM.

7/ Excluding debt relief obtained in the form of rescheduling or refinancing.

8/ Including planned loans on nonconcessional terms to be contracted with the West African Development Bank, the African Development Bank, and the Caisse de Coopération Française in 2000.

9/ With the exception of normal import credits and debt relief.

10/ Overall balance, on a commitment basis, excluding grants and externally financed capital expenditure.

11/ Excluding use of Fund resources.

Table 4. Mali: Structural Measures Adopted as Prior Actions, Performance Criteria, and Structural Benchmarks, 2000

Measure	Date
<b>A. Prior actions</b>	
1. Completion of the financial audit of the CMDT	July 15
2. Final call for bids for the privatization of at least 60 percent of the capital of EDM	August 11
3. Official announcement by the government of the new plan for reforming the telecommunications sector (see para. 22)	July 5
4. Start-up of the financial audits of CRM and INPS	June 20 and August 3, Respectively
<b>B. Structural performance criteria</b>	
1. Adoption of a new taxation system of petroleum products that reflects changes in import prices automatically in retail sales prices	October 31
2. Adoption of an action plan to rehabilitate the financial situation of the CRM and the INPS, based on the conclusions and recommendations of the above-mentioned audits	October 31
<b>C. Structural benchmarks</b>	
1. Preparation of a set of measures to improve the transparency and efficiency of the CMDT's financial management and reduce its production costs, based on the conclusions and recommendations of the above-mentioned financial audit	September 30
2. International call for bids to grant at least one cellular telephony operating license to private operators	November 30
3. Appointment of new associate judges at the commercial courts, including representatives of the banking and insurance sectors	September 30

**Mali: Relations with the Fund**

(As of May 31, 2000)

I. **Membership Status:** Member since September 27, 1963; Article VIII.

II.	<b>General Resources Account:</b>	<u>SDR million</u>	<u>Percent of quota</u>
	Quota	93.30	100.00
	Fund holdings of currency	84.52	90.60
	Reserve position in the Fund	8.78	9.40

III.	<b>SDR Department:</b>	<u>SDR million</u>	<u>Percent of allocation</u>
	Net cumulative allocation	15.91	100.00
	Holdings	0.17	1.10

IV.	<b>Outstanding Purchases and Loans:</b>	<u>SDR million</u>	<u>Percent of quota</u>
	ESAF/PRGF arrangements	134.43	144.10

V.	<b>Financial Arrangements:</b>		<u>Amount approved</u>	<u>Amount drawn</u>
<u>Type</u>	<u>Approval date</u>	<u>Expiration date</u>	<u>(SDR million)</u>	<u>(SDR million)</u>
ESAF/PRGF	08/06/1999	08/05/2002	46.65	6.75
ESAF	04/10/1996	08/05/1999	62.01	62.01
ESAF	08/28/1992	04/09/1996	79.24	79.24

VI. **Projected Obligations to the Fund<sup>1/</sup>** (SDR million; based on existing use of resources and present holdings of SDRs):

	Overdue 05/31/00	<u>Forthcoming</u>				
		<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Principal	0	6.5	16.9	21.0	21.1	21.7
Charges/interest	0	1.0	1.3	1.2	1.1	1.0
Total	<u>0</u>	<u>7.5</u>	<u>18.2</u>	<u>22.2</u>	<u>22.2</u>	<u>22.7</u>

VII. **Exchange Rate Arrangement**

Mali is a member of the West African Economic and Monetary Union (WAEMU). The exchange system, common to all members of the Union, is free of restrictions on the making of payments and transfers for current international transactions. The Union's common currency, the CFA franc, was pegged to the French franc at the rate of CFAF 50 =

<sup>1/</sup>The projection of charges and interest assumes that overdue principal at the report date (if any) will remain outstanding, but that forthcoming obligations will be settled on time.



F 1 from 1948 until early 1994. Effective January 12, 1994, the CFA franc was devalued, and the new parity set at CFAF 100 = F 1. Effective January 1, 1999, the CFA franc was pegged to the euro at a rate of CFAF 655.96 = Euro 1. On May 31, 2000, the rate of the CFA franc in terms of the SDR was SDR 1 = CFAF 930.75. As of June 1, 1996, and in conjunction with its WAEMU partners, Mali accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Fund's Articles of Agreement.

**VIII. Article IV Consultations**

Mali is on the standard 12-month Article IV consultation cycle. The 1998 Article IV consultation was completed by the Executive Board on February 10, 1999 (EBS/99/9; 1/27/99; and SM/99/24; 1/29/99).

**IX. Technical Assistance**

<u>Department</u>	<u>Type of Assistance</u>	<u>Time of Delivery</u>	<u>Purpose</u>
STA	Staff	July 17-29, 1991	Assisting through multitopic technical assistance mission in the elaboration of a statistical action plan.
STA	Expert	May 16-June 19, 1992 and April 30-May 21, 1993	Strengthening the capacity of the national agency of the BCEAO to compile balance of payments statistics.
FAD	Staff and expert	November 9-26, 1992	Improving fiscal performance in the framework of the ESAF program.
FAD	Resident expert	September 1993-September 1994	Advising the Minister of Finance and Commerce on the reform of the tax department.
FAD	Staff expert	April 9-13, 1995	Advising the Minister of Finance and Commerce on improving tax administration and revenue and reviewing long-term technical assistance.
STA	Resident expert	May 1995-August 1996	Providing assistance and training to strengthen the capacity to compile national accounts.

FAD	Staff and Expert	September 18- October 2, 1995	Advising the Minister of Finance and Commerce on strengthening tax and customs administration.
FAD	Staff	April 22-26, 1996	Examining proposals for the reform of direct taxation.
FAD	Staff	May 26-June 2, 1997	Following up on previous FAD mission's recommendations in the area of tax administration.
STA	Staff	June 16-27, 1997	Improving the national accounts statistics.
STA	Staff to BCEAO headquarters	July 30- August 11, 1997	Improving quality and timeliness of monetary statistics.
FAD	Staff and Expert	March 24- April 18, 1998	Advising on fiscal implications of the common external tariff, and the reform of indirect taxation, and following up on earlier recommendations on the reform of tax policy and administration.
FAD	Staff and Expert	August 11- November 10, 1998	Following up on previous FAD mission on direct and indirect tax reforms, including the VAT.
STA	Staff/BCEAO	February 4-17, 1998	Assisting statistical organization and management.
FAD	Panel Expert	July 1999- July 2000	Assisting in the implementation of the unified VAT.

#### X. Resident Representative

Between 1982 and 1991, from October 1993 until October 1995, and from July 1996 to August 1998, a Resident Representative was stationed in Bamako. Mr. Williams, the current Resident Representative, took up this assignment in September 1998.

### Mali: Relations with the World Bank Group

(As of May 31, 2000)

#### 1. Statement of IDA credits as of May 31, 2000

Credit Number	IDA Fiscal Year	Purpose	Commitments <sup>1</sup>	Undisbursed
			(In millions of U.S. dollars)	
Number of credits closed: 53			910.0	
2370-MLI	1992	Natural Resources Management	20.4	1.1
2432-MLI	1993	Private Sector Assistance	12.0	4.8
2617-MLI	1994	Transport Sector	65.0	16.8
2557-MLI	1994	Agricultural Research	20.0	3.7
2737-MLI	1995	Agro-processing TRD	6.0	2.0
2894-MLI	1996	Economic Management	60.0	9.4
2850-MLI	1996	Sélingué Rehabilitation	27.3	6.9
2828-MLI	1996	Vocational Education	13.4	6.9
2970-MLI	1997	Regional Power	17.1	10.9
N0210-MLI	1997	Irrigation Promotion	4.2	3.0
N0040-MLI	1997	Urban Development and Decentralization	80.0	61.5
N00370 MLI	1998	Grassroots Hunger/Poverty	21.5	16.1
31550-MLI	1999	Integ. Health Sector Investment	40.0	37.0
31180-MLI	2000	Improving Learning in Primary Schools	3.8	3.7
Total			390.7	
<i>Of which: repaid</i>			69.3	
Total held by IDA <sup>2</sup>			1,231.4	
Total undisbursed				183.8

<sup>1</sup>Less cancellations.

<sup>2</sup>Total commitments including closed credits.

## Statement of IFC investments as of May 31, 2000

Fiscal Year	Borrower	Type of Business	Original Gross Commitments		
			Loan	Equity	Total
(In millions of U.S. dollars)					
1992	Société Minière de Syama (SOMISY)	Mining	10.00	0.47	10.47
1994	AEF Hotel de Bamako	Tourism	0.54	0.00	0.54
1995	La Société d'Exploitation des Mines d'Or de Sadiola, S.A.	Mining	24.50	4.80	29.30
1996	African Enterprise Fund	"One-stop" on-lending to small enterprises	0.65	0.00	0.65
1997	SEF Grand Hotel	Tourism	1.62	0.00	1.62
1998	RANDGOLD	Mining	0.00	17.23	17.23
Total gross commitments			37.31	22.50	59.81

## 2. World Bank Group Operations

As of May 31, 2000, IDA has extended 67 credits to Mali (including Africa Facility, special funds and supplementary credits) totaling US\$1,231.4 million. The current IDA portfolio in Mali consisted of 14 projects under implementation, in the amount of US\$390.7 million (13 investment projects in the amount of US\$330.7 million, and one adjustment operation in the amount of US\$60 million). The Improving Learning in Primary School project was approved by the Board of Executive Directors on January 31, 2000. The undisbursed amount totaled US\$183.8 million. In addition, as of May 31, 2000, the portfolio held by the International Finance Corporation for Mali consists of 6 operations totaling US\$37.3 million in loans and US\$22.5 million in equity. Mali Joined MIGA on October 5, 1990.

In support of Mali's effort to restructure its economy, IDA has approved a structural adjustment credit, an economic recovery credit, an economic management credit, and sector adjustment operations in the public enterprise, education, and agriculture sectors. The Bank has also provided technical assistance to strengthen the Malian institutions responsible for the design and implementation of economic and financial policies.

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Source: The World Bank Group.

### **Mali: Statistical Issues**

1. Mali's economic database remains weak. The authorities are continuing their efforts to improve the quality, timeliness, and availability of economic and financial data. In particular, arrangements have been made to ensure enforcement of the legal provisions instituted in 1991, which require economic transactors to respond within prescribed deadlines to public agencies requests for information. A statistical coordination committee established in 1992 has also been strengthened in order to improve cooperation between the various public agencies involved.

#### **Real sector**

2. The national accounts data are poor in accuracy, coverage, and timeliness. Although technical assistance was granted to Mali during 1995-96 with a Fund resident expert in national accounting, further assistance is still needed. The revised national accounts data compiled using the 1993 System of National Accounts (SNA) expected at end-1998 have not been produced and it is likely that the end-2000 target date set for the transition to the 1993 SNA will not be met.

3. The harmonized consumer price index (CPI) for the capital, Bamako, is consistently available on a timely basis since early 1998, in line with publication standards for WAEMU member countries. It is being used to monitor inflation in the context of Fund-supported programs. The methodology for calculating the industrial production index was improved in 1999 when the base year was changed and the size of the sample was expanded. Further improvements are expected with the completion of an industrial survey, scheduled for end-2000.

4. The government has increased efforts aimed at improving quality and availability of needed data for an efficient implementation of social policies in the context of the 1998 National Strategy for the Fight against Poverty (SNLP). Particular emphasis is given to the completion of a household survey expected to be launched in September 2000, the preparation of the final results of the population census published in June 1998, and the launching of a general agricultural census for which financial and technical assistance is required.

#### **Public finances**

5. Comprehensive data on public finances are compiled by the Ministry of Economy and Finance on the basis of inputs from the customs, tax, and treasury directorates. These data are available on request with a one- to three-month lag. Progress is being made in harmonizing the presentation of public finance statistics within a common framework for all WAEMU member countries, which was developed with technical assistance from the Fund. The authorities also continued efforts to monitor closely the financial operations of local authorities, and to strengthen internal audit procedures. The

Treasury's accounts are published regularly, and budget execution laws (*Loi des réglemets*) are presented to the National Assembly, which recently adopted those relating to 1993-95.

### **Monetary data**

6. Preliminary monetary data for Mali are prepared by the national agency of the Central Bank of West African States (BCEAO), and released officially by the headquarters of the BCEAO with a lag of two to three months. However, the BCEAO headquarters is working on the reduction of the lag through the standardization of computer-based reporting procedures, particularly for commercial banks. The improvements in quality and timeliness of money and banking data reflect recommendations made by the 1997 AFR/STA and 1998 STA/BCS missions.

### **Balance of payments data**

7. Balance of payments data remain weak, and official data are still produced with a lag of two years despite three STA technical assistance missions since October 1990. In early 1996, the authorities released definitive balance of payments statistics for Mali through 1993; preliminary data are available up to 1997. Rotation of personnel has slowed the implementation of the recommendations left by the technical assistance mission on balance of payments undertaken in April 1993.

8. A STA resident expert was posted at BCEAO headquarters in Dakar during 1996-1999, to address statistical issues in the area of the balance of payments on a zone-wide basis. The expert's terms of reference included the provision of assistance in implementation of the new standards required by the fifth edition of the *Balance of Payments Manual*, the review of compilation procedures and methodologies utilized in each WAEMU member country, as well as the training of newly recruited staff.

**Mali: Core Statistical Indicators**  
(As of May 31, 2000)

	Exchange Rates	International Reserves	Central Bank Balance Sheet	Reserve Base Money	Broad Money	Interest Rates	Consumer Price Index	Exports/Imports	Current Account Balance	Overall Government Balance	GDP/GNP	External Debt
Date of latest observation	Current	3/2000	3/2000	3/2000	3/2000	3/2000	5/2000	1999	1999	3/2000	1999	1999
Date received	Current	5/2000	5/2000	5/2000	5/2000	5/2000	6/2000	5/2000	5/2000	5/2000	5/2000	5/2000
Frequency of data	Daily	Monthly	Monthly	Monthly	Monthly	Variable	Monthly	Annual	Annual	Monthly	Annual	Annual
Frequency of reporting	Monthly	Monthly	Monthly	Monthly	Monthly	Weekly	Monthly	Annual	Annual	Monthly	Annual	Annual
Source of update	EIS/TRE 1/	BCEAO 2/	BCEAO 2/	BCEAO 2/	BCEAO 2/	BCEAO 2/	Ministry of Finance	BCEAO 2/	BCEAO 2/	Ministry of Finance	Ministry of Finance	Ministry of Finance
Mode of reporting	On-line	Staff	Staff	Staff	Staff	Staff	Staff	Staff	Staff	Staff	Staff	Staff
Confidentiality	No	3/	3/	3/	3/	No	No	3/	3/	3/	3/	3/
Frequency of publication	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Annually	Annually	Annually	Semi-annually	Annually

1/ IMF, Economic Information System (EIS).

2/ Central Bank of West African States (BCEAO).

3/ Preliminary data for staff use only; actual data unrestricted.

**Statement by the IMF Staff Representative on Mali**  
**September 6, 2000**

Information received from the Malian authorities indicates that Mali's PRGF-supported program has remained on track through the first half of 2000. In the fiscal area, tax revenue through June was in line with the indicative target and government spending was tightly controlled; the wage bill was kept below the program ceiling. As a result, the basic overall fiscal surplus was higher than programmed and net credit to the government was well below the program benchmark (CFA franc 7.5 billion compared with CFA franc 21.7 billion).

Concerning the use of debt relief under the HIPC Initiative, the Malian authorities have indicated that the assistance under the original framework and the interim assistance under the enhanced framework will be fully allocated to help finance the additional spending under the education and health sector development programs (PRODEC and PRODESS, respectively). Total expenditure on health and education will be increased from 4.8 percent of GDP in 1999 to 5.3 percent in 2000 and 5.8 percent in 2001-02.

As regards the assistance under the enhanced framework, the authorities intend to develop the full details on its use within the framework of the preparation of their full PRSP. At present, they tentatively envisage the following breakdown of the use of those resources (in percent):

Education	30
Health	25
Drinking water supply	15
Rural infrastructure	10
Employment programs	5
Other, including housing	<u>15</u>
Total	100

The draft 2001 government budget, which is currently being prepared for presentation to the National Assembly on October 2, 2000, does not include assistance under the enhanced HIPC Initiative. In the event the floating completion point under the enhanced framework is reached in 2001, a supplementary budget will be prepared, in consultation with the staffs of the Fund and the World Bank.





INTERNATIONAL MONETARY FUND

*Public Information Notice*

EXTERNAL  
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Public Information Notice (PIN) No. 00/85  
FOR IMMEDIATE RELEASE  
October 10, 2000

International Monetary Fund  
700 19<sup>th</sup> Street, NW  
Washington, D. C. 20431 USA

## **IMF Concludes Article IV Consultation with MALI**

On September 6, 2000, the Executive Board concluded the Article IV consultation with MALI.<sup>1</sup>

### **Background**

Economic and financial developments in 1999 and 2000 were marked by a sizable terms of trade loss and severe difficulties in the cotton and energy sectors. However, economic growth was sustained with real GDP expanding by 5 ½ percent in 1999, on account of a strong rebound of cereal production and a further increase in gold mining activities. The consumer price index declined by 1¼ percent reflecting lower food prices. The external current account deficit (excluding official transfers) increased to 10½ percent of GDP, mainly due to the deterioration in the external terms of trade. Money demand remained weak, with broad money increasing by about 1 percent, much less than nominal GDP. Credit to the economy rose by 14½ percent partly because of financial difficulties in the cotton sector, which delayed the repayment of the 1999/2000 crop credit.

Important fiscal reforms were introduced in 1999. They comprised the putting in place of the Common External Tariff of the West African Economic and Monetary Union (CET), the move to a single-rate value-added tax at 18 percent, and putting firm foundations in place for the modernization of the domestic income taxation.

Fiscal performance in 1999 was affected by the negative revenue impact of the more difficult economic environment. Factors that contributed to the poor revenue outcome include lower

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<sup>1</sup> 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. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. In this PIN, the main features of the Board's discussion are described.

tax receipts from the cotton company, higher-than-foreseen revenue losses from the introduction of the CET, and lower economic growth. The overall budget deficit (commitments basis and excluding grants) increased by  $\frac{3}{4}$  of 1 percentage point to 9 percent of GDP in 1999. In order to avoid a further deterioration of the fiscal position in 2000, the authorities took revenue measures including the increase in petroleum retail prices, and curtailed nonpriority spending.

Program implementation in 1999 was marked by policy slippages and delays in putting in place structural reforms including in the key areas of cotton, energy, transport and telecommunications. As a result, the first review under the Poverty Reduction and Growth Facility (PRGF) as well as the completion point under the original Heavily Indebted Poor Countries Initiative (HIPC), were delayed. During the first half of 2000, the new government took corrective actions which included: the completion of the financial audit of the cotton company (CMDT); the launch of the final call for bids to privatize at least 60 percent of the electricity company's capital (EDM); the official announcement by the government of the new reform plan for the telecommunications sector; and the start of the financial audits of the Caisse de Retraite du Mali (CRM) and the Institut National pour la Prévoyance Social (INPS). The authorities also agreed with the World Bank on new timetables for outstanding measures, and confirmed their commitment to pursue the reform agenda.

Although economic growth achieved in recent years has contributed to the improvement of living conditions, poverty remains widespread in Mali. The authorities have decided to make poverty reduction a core element of their development strategies, and have prepared an interim-Poverty Reduction Strategy Paper (I-PRSP) outlining the next steps for the development of a full PRSP, in a participatory manner.

### **Executive Board Assessment**

Directors noted that, in 1999 and 2000, the Malian economy suffered from sizable terms of trade losses and serious difficulties in the cotton and electricity sectors. As a result, macroeconomic performance was mixed and some key structural reforms were delayed. In this context, Directors welcomed the corrective measures taken by the new government and its commitment to push ahead with structural reforms. They noted that the economy had, nevertheless, continued to expand at a good pace, although somewhat lower than anticipated, and that inflation had declined. Directors expressed concern, however, regarding the worsening of the external current account deficit, but they observed that this mainly reflected the deterioration in the terms of trade.

Directors noted that fiscal performance in 1999 was adversely affected by the less favorable revenue outcome, partly related to the difficult economic environment. They were encouraged by the authorities' efforts to keep government spending under control, particularly on wages, and by the implementation of important fiscal reform measures, including the introduction of a single-rate value-added tax at 18 percent, aimed at compensating revenue losses resulting from the introduction of the common external tariff of the West African Monetary and Economic Union.

Directors observed that corrective measures were taken to prevent a further deterioration of the fiscal position in 2000, including the increase in petroleum retail prices, the reduction of nonpriority spending, and the implementation of a prudent wage policy. Nevertheless, they stressed the need to consolidate the fiscal position further through continued expenditure control and the broadening of the tax base. Directors also encouraged the authorities to move to a market-based pricing system for petroleum products.

Directors expressed concern about delays in the implementation of programmed structural measures in 1999. In particular, they urged continued resolve to carry out envisaged reforms in the key area of the cotton sector, as well as the ongoing liberalization and privatization in the energy, telecommunications, and transportation sectors. Directors observed that, while profitable, the banking system remains fragile. They welcomed the government's determination to strengthen financial intermediation and the health of the banking system. They encouraged the authorities to adhere closely to the new timetables agreed with the World Bank for reforms in these and other sectors.

Directors urged the authorities to pursue their efforts to strengthen good governance and curb corruption, and stressed the importance of improving the regulatory framework along with the overall environment for private sector activities.

Directors noted that, despite considerable progress in reducing financial imbalances and achieving growth through the implementation of sound macroeconomic policies and broad-based structural reforms, the Malian economy is still fragile and vulnerable to exogenous shocks.

Directors observed that, although the sustained growth achieved since the devaluation of the CFA Franc in 1994 has played a major role in improving living conditions for the poor, poverty remains widespread and social indicators very weak. Therefore, they welcomed the adoption by the government of an interim PRSP in which poverty reduction is at the core of its development strategies. Directors encouraged the authorities to pursue their efforts to improve social indicators, and urged them to push ahead with the preparation of a full PRSP with intensive consultation among stake holders.

Directors noted that financial assistance under the HIPC Initiative would greatly contribute to the improvement of social services provided to the most vulnerable segments of the population. In this connection, they noted that resources freed by debt relief under the HIPC Initiative will be used to cover additional spending under the ten-year development program for education, the ten-year social and health development strategy, and other poverty reduction programs.

The economic and financial database remains weak in Mali, which impedes a timely assessment of economic policies. Therefore, Directors urged the authorities to continue efforts to improve the quality and timeliness of macroeconomic and social data.

**Public Information Notices (PINs)** are issued, (i) at the request of a member country, following the conclusion of the Article IV consultation for countries seeking to make known the views of the IMF to the public. This action is intended to strengthen IMF surveillance over the economic policies of member countries by increasing the transparency of the IMF's assessment of these policies; and (ii) following policy discussions in the Executive Board at the decision of the Board.

**MALI: Selected Economic Indicators**

	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
	(Annual percentage change, unless otherwise specified)			
<b>National income and prices</b>				
Real GDP	6.8	3.4	5.5	4.5
GDP per capita (in U.S. dollars)	215.6	222.4	213.5	204.6
GDP deflator	1.0	4.0	-2.0	1.8
Consumer price index (annual average)	-0.7	4.1	-1.2	1.2
<b>External sector</b>				
Exports, f.o.b.	48.0	1.0	5.3	2.7
Imports, f.o.b.	12.9	3.4	10.7	17.7
	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Export volume	49.4	-0.9	14.6	-1.7
Import volume	13.8	5.4	7.5	2.7
Terms of trade	-0.2	4.0	-10.8	-8.8
Real effective exchange rate <sup>1</sup>	-5.9	4.4	-4.1	...
<b>Government budget</b>				
Domestic revenue	11.6	11.0	6.9	6.5
Total expenditure and net lending	9.9	11.1	8.9	6.7
<b>Money and credit</b>				
Credit to the government <sup>2</sup>	-0.1	-0.6	1.0	2.8
Credit to the rest of the economy	15.7	27.2	14.4	17.6
Broad money (M2)	8.7	4.3	1.3	3.8
	(In percent of GDP, unless otherwise specified)			
Gross domestic investment	20.6	20.9	21.2	21.3
Gross domestic savings	10.4	11.2	10.1	6.4
Domestic revenue	15.9	16.4	17.0	17.0
Total expenditure and net lending <sup>3</sup>	23.9	24.7	26.0	26.1

Overall balance (commitment basis, excluding grants)	-8.0	-8.3	-9.0	-9.1
Domestic primary balance	1.6	2.1	1.0	1.6
Current external balance, including official transfers	-2.7	-3.0	-4.8	-9.3
Current external balance, excluding official transfers	-9.4	-9.5	-10.6	-14.6
Debt-service ratio				
Before debt relief	15.0	11.4	12.9	15.5
After debt relief (including original HIPC Initiative)	10.9	7.3	12.9	15.0

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Sources: Malian authorities; and staff estimates and projections.

<sup>1</sup> Annual average data.

<sup>2</sup> Change in percent of broad money at the beginning of the period.

<sup>3</sup> Including capital outlays financed through external project aid and transfers to the local authorities

**Statement by Alexandre Barro Chambrier  
Executive Director for Mali  
September 6, 2000**

**Introduction**

My Malian authorities would like to express their appreciation to Fund management and staff for their continuous assistance in their adjustment effort and are thankful for the support received from the international community in their fight against poverty. They generally share the candid analysis and recommendations provided by the staff on economic developments, on program implementation and on their interim PRSP.

It is to be noted that Mali has made significant economic progress under Fund-supported programs, recording positive real GDP per capita growth since 1995, while reducing inflation to very low levels. However, the economy still faces a number of structural constraints and a heavy debt burden that are major impediments to growth and poverty reduction. Notwithstanding the slight declining trend in poverty observed since 1996, about three quarters of the population live below the absolute poverty line and a large part of the population has no access to basic social services, such as education, health, drinking water and decent housing. In this context, much remains to be done to achieve sustainable development and to improve the living standards of the population. In particular, despite some gains made in recent years, one should bear in mind that the illiteracy rate (notably for the female population) and child malnutrition remain very high. Such deficiencies constitute serious constraints to human capital development and labor productivity, which are essential for the diversification of Mali's economy that is still much dependent on the cotton sector.

My Malian authorities are determined to strengthen their adjustment effort, so as to achieve a strong and sustainable growth, to increase employment opportunities and to reduce poverty in a meaningful manner. Policies are being centered on the maintenance of a stable macroeconomic environment and the deepening of structural and social reforms. They count on the continued support of the international community, including a substantial debt relief in the context of the HIPC Initiative.

**Recent economic developments**

Developments in real activity were affected negatively by a number of shocks, including the weak export prices for cotton, compounded by poor management at the national cotton company (CMDT), the increase in world oil prices, and acute shortages in the electricity supply. As a result, real GDP growth for 1999 is estimated at 5½, relative to a program objective of some 6½ percent. Growth was pulled by buoyant food production,

particularly cereal production, which benefited greatly from the abundant rainfall, and by gold production, which continued its upward trend, despite the low international prices. The abundant rainfall, however, affected negatively cotton production which stabilized at around 520,000 metric tons. Reflecting the 11 percent deterioration in the terms of trade, the external current account deficit (excluding current official transfers) widened to 10½ percent, exceeding the program target by 2 percentage points of GDP. However, owing to exceptionally abundant food supply, the consumer price index declined by some 1¼ percent, as compared with a projected 1 percent increase under the program.

Following this difficult environment, the implementation of the PRGF-supported program came under strains. In particular, reflecting the serious financial difficulties at the cotton company, the budgetary contribution of the cotton sector dropped considerably. Moreover, revenue shortfalls associated with the phased introduction of the Common External Tariff (CET) under the West African Economic and Monetary Union (WAEMU) were higher than foreseen under the program. With Fund technical assistance, the government took administrative measures to strengthen the collection of domestic revenue and put in place a comprehensive tax reform that included the introduction of the VAT at a single rate of 18 percent, and with minimum exemptions. Owing to strengthened revenue collection, the budgetary performance was broadly satisfactory, resulting in the stabilization of government savings at about 9½ percent of GDP, or some 0.8 percentage point of GDP over program target.

Although core government expenditures were within program limits, notably with current expenditures below programmed levels, they were not adjusted enough to reflect the less favorable economic environment. In addition, failure to adjust retail prices for petroleum prices to reflect rises in world oil prices resulted in considerable budget transfers. Total expenditures exceeded program targets by some 2.3 percentage points of GDP. Allocations to the sectors of health and education, however, were maintained at 28 percent of current spending. Moreover, the outstanding stock of audited domestic payments arrears were eliminated as planned. The overall fiscal deficit widened by 0.7 percentage point to 9 percent of GDP, or 1.4 percentage point above program target. Most of the quantitative performance criteria and benchmarks for September 1999, December and March 2000 were met, except for the performance criterion on net bank credit for end-September and end-December 1999, which was exceeded by a slight margin.

In contrast with the broadly satisfactory macroeconomic results, there were lapses in program implementation in the period preceding the government reshuffle, and slippages were recorded on the structural front. Indeed, as detailed in paragraphs 4-5 and Table 2 of the Memorandum on Economic and Financial Policies, none of the four structural performance criteria set for end-November 1999 and end-March 2000 were met. The one-year performance contract for the cotton sector that was signed in October 1999 between the government, CMDT, and producers did not include all the elements of the sectoral action plan, while the reforms planned for the electricity and telecommunications sectors, as well as for social security were postponed to 2000. In addition, only two out of the seven structural



benchmarks were observed. However, some progress was made in the areas of privatization and private sector promotion.

### **Corrective actions and policies for the rest of 2000**

The new Government that took office in mid-February 2000 carried out energetic actions to reverse past slippages and to bring the program back on track. Government commitment to the program was set out in the new Prime Minister's Policy Declaration addressed to the Parliament. In the fiscal area, retail prices for petroleum products were adjusted by 12-18 percent, well above the 10 percent that had been proposed by Fund staff. In addition, the Declaration announced the future introduction of an automatic mechanism for the adjustment of retail oil prices, so as to fully reflect changes in world oil prices.

On the structural front, the government showed strong determination to speed up the implementation of the delayed reforms, particularly in the cotton, electricity and telecommunications sectors. The authorities realized that delays in the implementation of structural reforms had a bearing on macroeconomic performance, affecting negatively real activity and government revenue. In particular, inefficiencies in the electricity sector were a major constraint to the development of the industrial sector, while financial difficulties at the CMDT weakened the financial position of the local banking sector, thereby limiting its capacity to extend new credit.

In the cotton sector, the government speeded up the financial audit of CMDT, which was completed in mid-July 2000 and initiated efficiency-enhancement studies. A new three-year performance contract is expected to be signed by end-December 2000. In the meantime, concrete steps were taken to restructure the management of CMDT and to improve its financial position. In the electricity sector, pre-qualification bids for the privatization of 60 percent of the capital of EDM were issued on April 28, 2000, and final call for bids was launched in early August 2000. In the telecommunications sector, the government reaffirmed its commitment to open the sector to competition. To this end, the government suspended the operations of the mixed cellular phone company (MALITEL-SA) that had not been established in accordance with the general policy agreed with the World Bank, a legal and regulatory framework was adopted in April 2000, and an open call for bids for granting of at least one cellular telephony license to private operators is to be launched by end-November 2000. An action plan for the financial sector is under preparation in consultation with the World Bank. In particular, the action envisages a phased divestiture of government interests in the banking sector. As regards social security, the audits for CRM (Caisse des retraites du Mali) and INPS (Institut national de prévoyance sociale) are under way and rehabilitation plans are to be adopted by end-October 2000.

The authorities expect real activity to expand by only 3 percent in 2000, reflecting the projected 11 percent reduction in cotton production, and the continued high world oil prices. Preparations for the African Football Championship (CAN 2002) are also expected to increase government spending by some 1 percentage point of GDP, in complement of private sector contribution. The authorities are determined to strengthen tax administration, so as to

compensate the revenue losses stemming from the introduction of the CET in January 2000, the drop in budgetary revenue from the cotton sector, and the increasing oil prices. They aim at stabilizing government revenue at 17 percent of GDP in 2000. Owing to saving measures on non-priority spending and to strengthened budget control, total expenditure is to be kept at 26 percent of GDP, leading to the stabilization of the overall budget deficit at 9 percent of GDP. The government is committed to raising the share of health and education in current expenditures from 28 percent to 32 percent. Reflecting the envisaged financial sector reforms, the improvement in the CMDT's financial position and a reduction in government resort to bank financing, bank credit to the private sector is to expand by some 17½ percent. Broad money is expected to expand by some 4 percent, while inflation is to be contained at below 3 percent.

### **The fight against poverty**

In 1996, the authorities established an Observatory for Human Development and Poverty Reduction. A "National Strategy for the Fight Against Poverty" (SNLP) was prepared with the UNDP assistance and presented to the donor community at a Roundtable held in Geneva during September 16-17, 1998. Surveys on household consumption were also conducted in 1988/89, 1994 and 1996 with a view to establishing the poverty line and profile. It is estimated that, after the increase that followed the 1994 devaluation, the incidence of poverty declined from 71.6 percent in 1996 to 69 percent in 1998. Preliminary indications point to a special poverty prevalence in rural, large families, in which the head is old or illiterate. Moreover, the female population appears to be more vulnerable, and there are strong regional disparities of poverty. According to the UNDP, social indicators in Mali range among the lowest in the world. The authorities are cognizant that the low level of human development is a serious impediment to Mali's competitiveness and to economic diversification.

On the basis of the SNLP and these surveys, the authorities have prepared an Interim Poverty Reduction Strategy Paper (PRSP), which gives preliminary indications on the nature and extent of poverty, and outlines policies for sustainable growth and poverty reduction for the medium term. Comprehensive poverty surveys are envisaged in 2000/01, so as to provide a complete picture on poverty. The full PRSP will be developed in full consultation with all stakeholders, including within various levels of government, the civil society, the media, the Parliament and donors, in the context of Mali's democratic system and of the well-established participatory process. The authorities are of the view that rapid growth is a major factor for poverty reduction. Accordingly, the PRSP will present key components of the general poverty reduction strategy, including policies necessary to maintain a sound and stable macroeconomic framework, as well as structural and sectoral reforms designed to raise investment, create employment opportunities, and maximize Mali's growth and diversification potential.

The authorities attach special importance to the development of the judicial system, improved governance, transparency, administrative decentralization, civil service modernization, privatization, and regional integration. They are also convinced that growth

cannot be sustained without specific policies designed to improve basic social indicators. In this regard, ten-year sectoral strategies have been developed for the sectors of health (PRODESS) and education (PRODEC) in consultation with all the sector stakeholders. The PRSP will include social indicators, which will be monitored on a regular basis. A steering committee coordinated by the Ministry of Finance has been set up to monitor the PRSP process. The full PRSP is expected to be completed by end-June 2001.

The authorities are aware that the PRSP process is a major undertaking and count on the assistance of development partners. They share the concerns expressed in the Joint Staff Assessment, as regards the need to establish priorities, to evaluate risks carefully, and to take better account of gender issues.

### **Debt Relief under the HIPC Initiative**

Mali reached the decision point under the original HIPC Initiative on September 15, 1998 and the completion point was set for end-December 1999, under the condition that the structural reform program remained on track. Due to policy slippages, the midterm review could not be completed before end-1999 as envisaged. However, in view of the corrective actions taken by the authorities in 2000, and the wide range of economic and structural reforms implemented under Fund-and Bank-supported programs, my authorities consider that they have met the conditions for the completion point under the original HIPC Initiative. Moreover, given Mali's continued solid track record of macroeconomic and structural implementation, as well as the strength of the PRGF-supported program and the high-quality Interim PRSP, the authorities consider that they have met the conditions for the decision point under the enhanced HIPC Initiative. Also, given the satisfactory track record in budget management, as well as the authorities' determination to improve governance at the highest level of government, a credible framework exists for the efficient use of resources generated from debt relief for poverty reduction. The authorities expect to benefit rapidly from interim assistance from the Fund and the World Bank. They are also determined to meet rapidly the conditions proposed for the completion point.

### **Conclusion**

In view of the satisfactory track record in program implementation, I request the Board to grant waivers for the quantitative performance criterion and the four structural performance criteria that were not observed and to conclude the first review under the PRGF. Finally, given the high-quality Interim PRSP, I look forward to my colleagues' support for the approval of the decision point under the enhanced HIPC, to enable the rapid delivery of interim debt relief.