March 2008
IMF Country Report No. 08/113

# Mali: Sixth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Waivers of Nonobservance of Performance Criteria and Request for Extension of Commitment Period—Staff Report; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Mali

In the context of the sixth review under the three-year arrangement under the Poverty Reduction and Growth Facility and request for waivers of nonobservance of performance criteria and request for an extension of commitment period for Mali, the following documents have been released and are included in this package:

- The staff report for the Sixth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Waivers of Nonobservance of Performance Criteria and Request for Extension of Commitment Period, prepared by a staff team of the IMF, following discussions that ended on September 3, 2007, with the officials of Mali on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on October 16, 2007. 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 supplement on the joint IMF/World Bank debt sustainability analysis.

- A Press Release summarizing the views of the Executive Board as expressed during its October 31, 2007 discussion of the staff report that completed the review and request.

- A statement by the Executive Director for Mali.

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

Letter of Intent sent to the IMF by the authorities of Mali*
Second Poverty Reduction Strategy Paper
Joint Staff Advisory Note on the Second Poverty Reduction Strategy Paper

*Also included in staff report

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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INTERNATIONAL MONETARY FUND

MALI

**Sixth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, Request for Waivers for Nonobservance of Performance Criteria, and Request for Extension of Commitment Period**

Prepared by the African Department
(In consultation with other departments)

Approved by Robert Corker and Mark Plant

October 16, 2007

**Fund Relations**. The Fund supports Mali's 2004–07 economic program with a Poverty Reduction and Growth Facility (PRGF) arrangement approved in June 2004 and extended in February 2007 to end-October 2007 (Appendix I). In the attached letter of intent, the authorities request waivers for two structural performance criteria (one unfulfilled and one implemented with a delay), as well as a waiver for breaching the minimum concessionality for external borrowing (continuous performance criterion). It is proposed that the arrangement is extended by one month to allow the processing of the request for disbursement under the PRGF-ESF Trust.

**Discussions**. Discussions were held in Bamako May 30–June 13, 2007 and August 27–September 3, 2007. The mission teams comprised Messrs. Chauffour (head, first mission), Beaugrand (head, second mission), Anayiotos, Mills, and Thomas (all AFR), and Mr. Wane (resident representative). The missions met with the president, prime minister, minister of Economy and Finance; other cabinet members and senior government officials; representatives of the Central Bank of West Africa States (BCEAO); and representatives of the private sector, civil society, and the donor community. Mr. Sembene (senior advisor, Executive Director's Office) attended the discussions of the first mission.

**Political Context.** President Touré won a second and final five-year term in April 2007, and an alliance supporting him won a comfortable parliamentary majority in July 2007. Political uncertainty has decreased following the elections and stabilization progress in neighboring Côte d'Ivoire, although growing insecurity in Mali's northern region poses considerable risks.

**The staff recommends completion of the sixth review.**

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## List of Acronyms

| | |
|---|---|
| BCEAO | Central Bank of West African States |
| BDM | *Banque de Développement du Mali* (Development Bank of Mali) |
| BHM | *Banque de l'Habitat du Mali* (Housing Bank of Mali) |
| BIM | *Banque Internationale du Mali* (International Bank of Mali) |
| CRM | *Caisse des Retraites du Mali* (Civil Service Pension Fund) |
| CMDT | *Compagnie Malienne pour le Développement des Textiles* (Cotton Ginning Company of Mali) |
| EdM | *Energie du Mali* (Energy Company of Mali) |
| FSAP | Financial sector assessment program |
| FSDS | Financial sector development strategy |
| INPS | *Institut National de Prévoyances Sociales* (Non–Civil Service Pension Fund) |
| LoI | Letter of Intent |
| MDRI | Multilateral Debt Relief Initiative |
| MDGs | Millennium Development Goals |
| NPL | Nonperforming loan |
| PEFA | Public expenditure and financial accountability |
| PFM | Public financial management |
| PRGF | Poverty Reduction and Growth Facility |
| PRS | Poverty reduction strategy |
| PRSP | Poverty Reduction Strategy Paper |
| SOEs | State-owned enterprises |
| SOTELMA | *Société de Télécommunications du Mali* (Telephone Company of Mali) |
| TIPP | *Taxe Intérieure sur les Produits Pétroliers* (Domestic taxes on petroleum products) |
| WAEMU | West African Economic and Monetary Union |

## EXECUTIVE SUMMARY

**Economic policies are largely on track.** The authorities met all fiscal targets for the sixth review and all but one other program quantitative performance criteria, breaching the zero ceiling on contracting nonconcessional external borrowing in order to finance emergency electricity-generating capacity. Two structural performance criteria and one structural benchmark were also missed. Some additional measures will be needed to maintain the generally disciplined fiscal policies that have supported macroeconomic stability.

**Structural reform has progressed, notwithstanding some slippage.** New legal powers for bad loan recovery by the state-owned housing bank (BHM) were introduced with a delay (structural performance criteria). Preparations for privatization are advancing in the cotton, telecommunications, and electricity sectors despite financial weakness in these companies, while it remains slow in the banking sector. Draft legislation to reform the civil service pension fund (CRM), a structural performance criterion, is pending.

**The authorities recognize that ambitious structural reform is key to accelerating growth and poverty reduction under Mali's second-generation Poverty Reduction Strategy Paper (PRSP) (2007–11).** However, the momentum of structural reforms would be better supported by a more detailed action plan. The business climate also needs to be improved and the new financial sector strategy implemented to boost private investment and productivity. The authorities intend to request a follow-on PRGF arrangement. The World Bank is preparing its new Country Assistance Strategy to support Mali's PRSP objectives during 2008-11.

**With a renewed political mandate, the authorities have an opportunity to reenergize the reform agenda**. A new government was formed in early October, after President Touré recently won a second and final five-year term, and an alliance supporting him won a comfortable parliamentary majority in July. Meanwhile, stabilization in Côte d'Ivoire has reduced political risks, though insecurity in Mali's northern region is a growing concern. The economy also remains highly vulnerable to terms of trade, drought, and other external shocks.

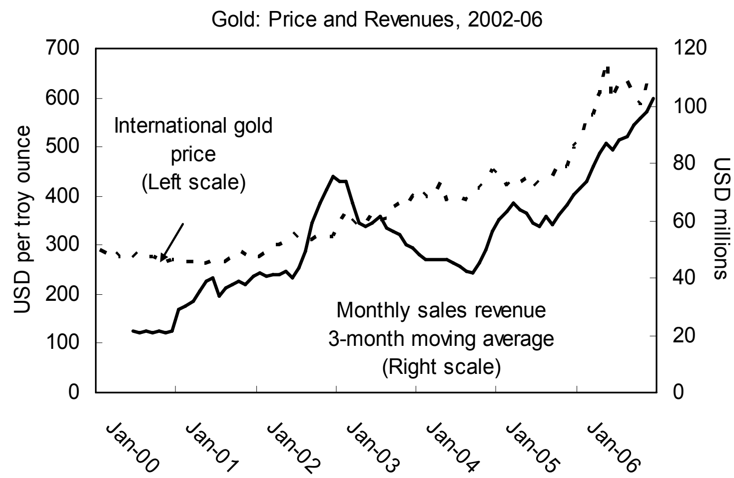
**On the basis of the authorities' record and actions, the staff supports the authorities' request for waivers of two structural performance criteria and one quantitative performance criterion and completion of the sixth review.**

# I. Macroeconomic and Structural Developments

## A. Sound Economic Performance But Only Modest Poverty Reduction

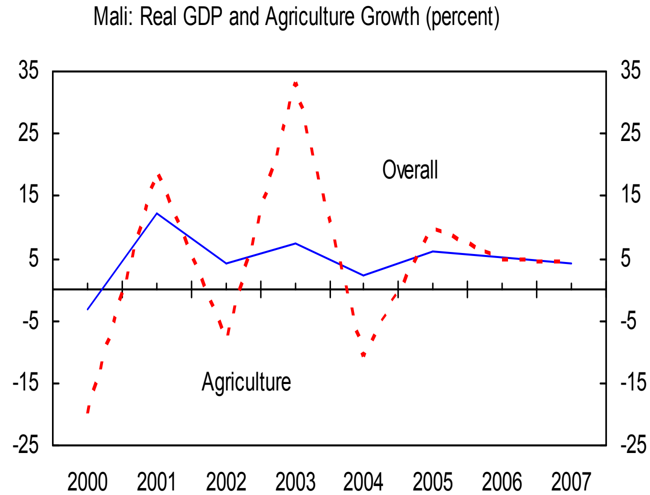
1. **Supported by a favorable external environment, Mali has maintained good macroeconomic performance** (Tables 1–4, Figure 1).

- **Real GDP grew in 2006 by 5.3 percent, its trend rate, but is expected to slow this year** (Figure 1). Surging gold prices and production in 2006 boosted growth, notwithstanding a sharp drop in the cotton crop (about 22 percent). Growth in 2007 is expected to slow to about 4 percent, as cotton output declines further (about 27 percent) owing to late rains and gold production dips stemming from technical difficulties at a few mines.



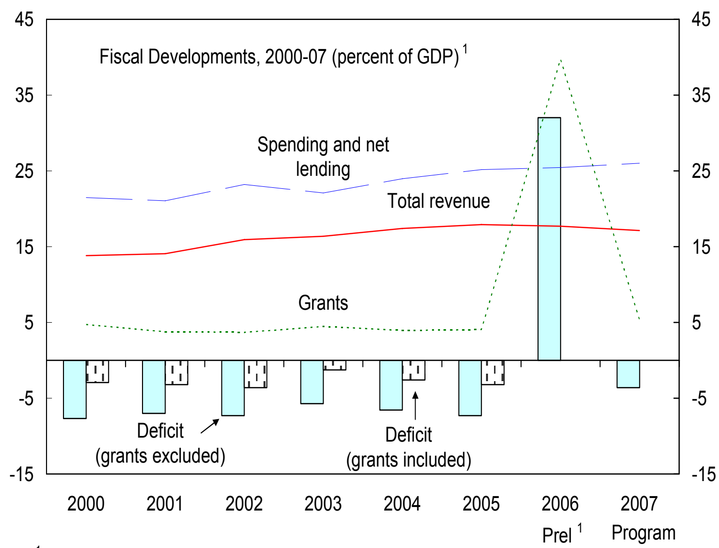

- **Other macroeconomic indicators are positive**. Consumer price inflation is expected to remain around 2 percent in 2007. Mali's terms of trade should again improve, with higher gold prices more than offsetting the increase in oil prices, although the trade balance may slip back into deficit on account of weak cotton and gold exports. Foreign exchange reserves remain comfortable at about six months of imports.

2. **Mali's per capita income growth, while steady, has allowed only limited progress toward the Millennium Development Goals.** Annual growth in nongold income per capita averaged less than 2 percent in 2004–06, supporting only a gradual reduction in poverty.[1] Mali's human development indicators, as measured by the UN classification, continue to be among the weakest in the world (Table 10).




## B. Financial Program on Track

3. **The fiscal program was on track through end-June 2007, and new corrective measures (see ¶11) should put the end-year targets in reach.** All fiscal targets and performance criteria were met (Attachment I, Annex I).

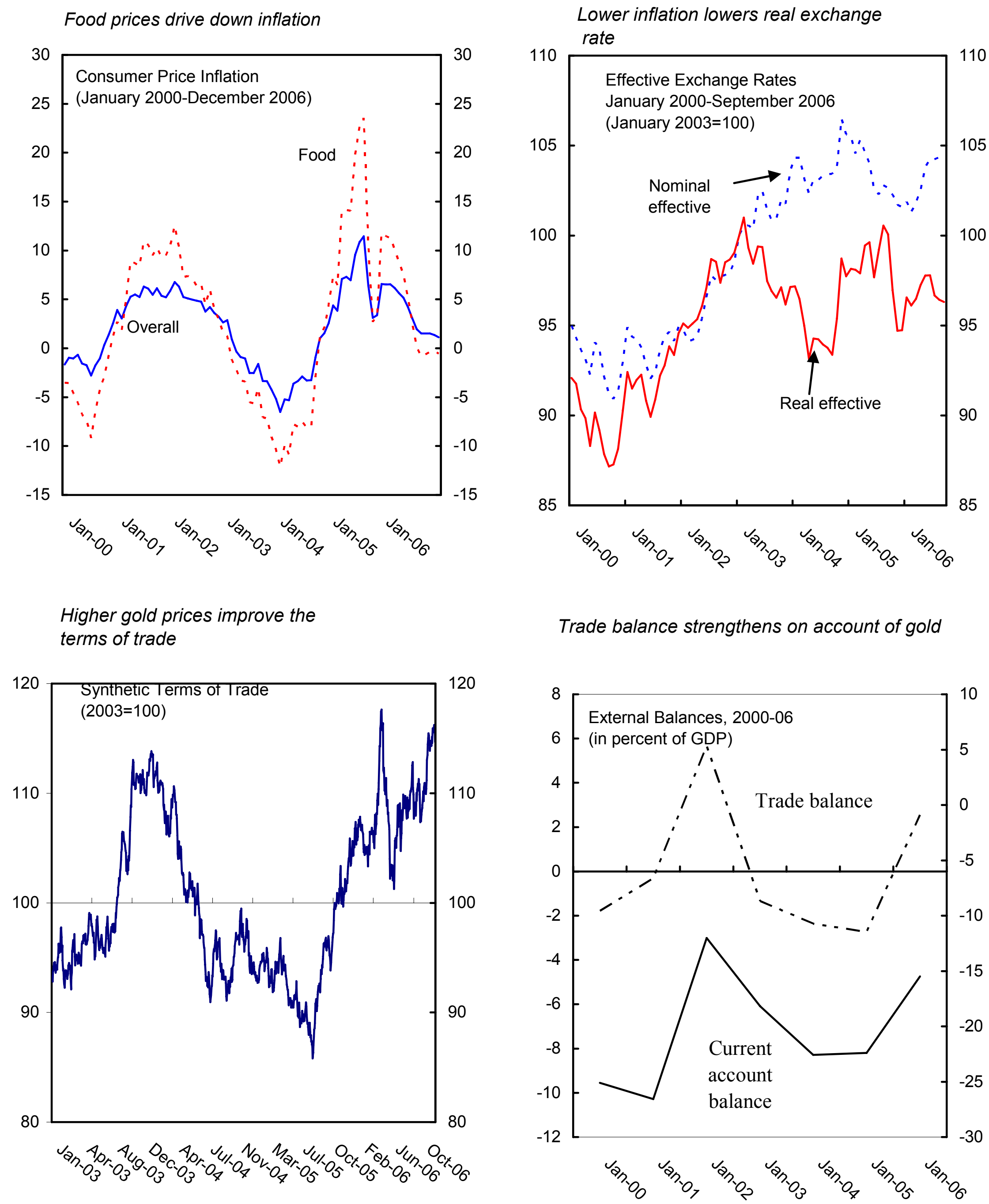


[1] Includes MDRI grants of 34.6 percent of GDP in 2006.

- The overall fiscal deficit (including grants) was 1 percent of GDP at end-June, compared with the program target of 2½ percent (Table 6). Although external budget assistance was lower than expected, the deficit was financed without the authorities resorting to domestic financing.

[1] Estimates from the recent household survey suggest that headcount poverty declined from 68 percent in 2001 to 64 percent in 2006. The first-generation PRS targeted a reduction to 48 percent by 2006.

Figure 1. Mali: Inflation and External Developments




Sources: Malian authorities; and staff estimates.

- **Revenue performance was ½ percent of GDP above target through the end of June, but a shortfall in customs collections (¾ percent of GDP) could jeopardize end-year targets.** Larger-than-expected tax exemptions, most notably those granted on an exceptional discretionary basis and for petroleum products, largely explain the shortfall.[2] Although the authorities have ensured a steady revenue stream from excise taxes on petroleum products (TIPP) by keeping levels stable (ongoing structural benchmark), they maintained constant indicative price ceilings by allowing retail margins to fluctuate and artificially lowering the base for customs duties and VAT.
- **Spending was disciplined through June.** Discretionary current spending was ½ percent of GDP below forecasts. Capital spending was 20 percent below forecasts– which is not uncommon at mid-year.

4. **Mali has continued implementing its public finance management (PFM) action plan, which is being revised following the public expenditure and financial accountability (PEFA) assessment completed in January 2007.** Its PFM action plan was implemented satisfactorily in 2006 and the first half of 2007 and included projects to integrate the spending chain (from payment orders to payment execution) and create a joint database between the Budget and Treasury Directorates (structural benchmark; Attachment I, Annex II). In response to other weaknesses identified by the PEFA assessment, notably weak monthly reporting of budget execution, poor public access to budget information, and delays in payments (a concern also raised by private sector representatives during discussions). In response, the authorities are revising their action plan for 2008.

5. **State-owned enterprises are generating a growing—if largely indirect—burden on public finances that risks undoing the generally disciplined budget implementation**. Following losses in 2005 that necessitated a large recapitalization (1.4 percent of GDP),[3] the cotton ginning company (CMDT) continues to make losses (about ½ percent of GDP a year), despite the creation of the surveillance committee for cash flow operations. The state-owned energy company (EdM) also had modest losses in 2006; without more cost savings or rate increases, the company's losses will be even greater in 2007. Losses at public enterprises lead to arrears to the public and private sectors, erode the companies' net worth, and could eventually require government transfers (see ¶9).

### C. Structural Reform Program Moving Forward

6. **The authorities completed most of their ambitious structural reform agenda for the sixth PRGF review, albeit with some delays.** Partly because of difficulties in

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[2] Total exemptions for all tax agencies were an estimated 3.2 percent of GDP in 2006 and are on pace to exceed 4.0 percent of GDP in 2007, compared with a projected 2.4 percent.

[3] The government plans to recapitalize CMDT by the end of 2007 by converting debt owed to the government into equity. This operation, however, would not give CMDT the liquidity it urgently needs.

implementing reforms during an electoral season, one of the two structural performance criteria for end-April was not completed (the draft legislation to reform the civil service pension fund was not submitted to parliament), and one was fulfilled with a delay (new legal powers for bad loan recovery by the state-owned housing bank (BHM)). The authorities have met all but one of the structural benchmarks for the end of March (Attachment I, ¶1).

- **Civil service pension fund**. Although the draft 2008 budget (submitted to parliament on October 1) incorporates the impact of CRM reform, the relevant draft reform legislation has yet to be submitted to parliament as legally required discussions with the unions were concluded only in early-October. The authorities still intend to submit the legislation by November and realize its fiscal savings starting in 2008, as planned. In the event this proves unattainable, the authorities have identified savings of just over 0.1 percent of GDP in lower priority spending in transfers, goods and services, and personnel, that offset the full financial impact of not enacting the legislation in 2008 and leave overall spending unaffected (Attachment I, ¶2, 3, and 7).
- **Banking sector**. Legislation to give BHM more legal authority to recover its debts, submitted to parliament in September 2007, should help BHM recover nonperforming loans (NPLs) from large developers.[4] With deposit withdrawals back to normal, BHM has kept its liquidity ratio well above the 25 percent minimum (ongoing structural benchmark) and resumed modest lending activities, with the delay in submitting the above legislation not negatively affecting the operations of the Bank. BHM's viability now depends on its ability to recover NPLs and increase lending.
- **Privatization program.** The consultant for the privatization of CMDT was selected in March 2007, in time to complete privatization in 2008. However, the authorities have not issued a final call for bids for the government's shares in BIM, the only end-June structural benchmark not met. They intend to do so in February 2008 (Attachment I, ¶3) and reaffirmed their intention to privatize BIM and initiate the privatization process of BHM (Attachment I, ¶11) in 2008.

## II. Seeking Stronger Results

### A. Poverty Reduction Through Faster Growth

7. **Mali's second-generation poverty reduction strategy (PRS) appropriately focuses on accelerating private sector growth, but its action plan needs to be more specific.**[5] Based on current trends and reform plans, staff projects the economy's real growth will remain at its trend rate of about 5 percent, short of the PRS's 7 percent target. Two keys to raising growth are (i) improving the business environment through legal and regulatory

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[4] More than two-thirds of BHM's total NPLs are to a few large developers.

[5] See Mali: Joint Staff Advisory Note (see document posted separately).

reforms, and (ii) making the state more efficient in its core areas of responsibility and strengthening its governance, notably by making public finances more accountable and transparent.

8. **To enhance the efficiency and soundness of the financial sector and boost growth, the authorities completed a new Financial Sector Development Strategy in October, in cooperation with the IMF and the World Bank.** The priorities are to strengthen the balance sheets of public institutions, increase private sector ownership, and expand access to credit in the banking sector (Figure 2, Table 7).[6] The staff encouraged the authorities to follow through with plans to sell its shares in BIM and BDM in coordination with the sale of shares owned by BCEAO. The strategy will be updated after the regional FSAP (planned for the end of 2007) and Mali's subsequent FSAP.

9. **Other priorities are to strengthen Mali's business climate, reinvigorate its privatization program, and develop its infrastructure and human capital.**

- **The Investor's Advisory Council, chaired by the president, will work to remove impediments to starting new business, reduce labor market rigidities and improve access to financial services**. The authorities have committed to follow up aggressively on audit reports and to reinforce the judicial system. At state-owned enterprises (SOEs), the priority is to address governance problems to improve productivity and safeguard the public finances. A long-term goal at SOEs is to disengage the state.

- **The authorities have committed to complete the privatization of the telecommunication company (SOTELMA) and CMDT in 2008, and prepare EdM for re-privatization (Attachment I, ¶11)**.

- **Mali's high illiteracy, poor health indicators, and undeveloped infrastructure remain major structural barriers.** The PRS aims to improve the provision of core public goods and services.

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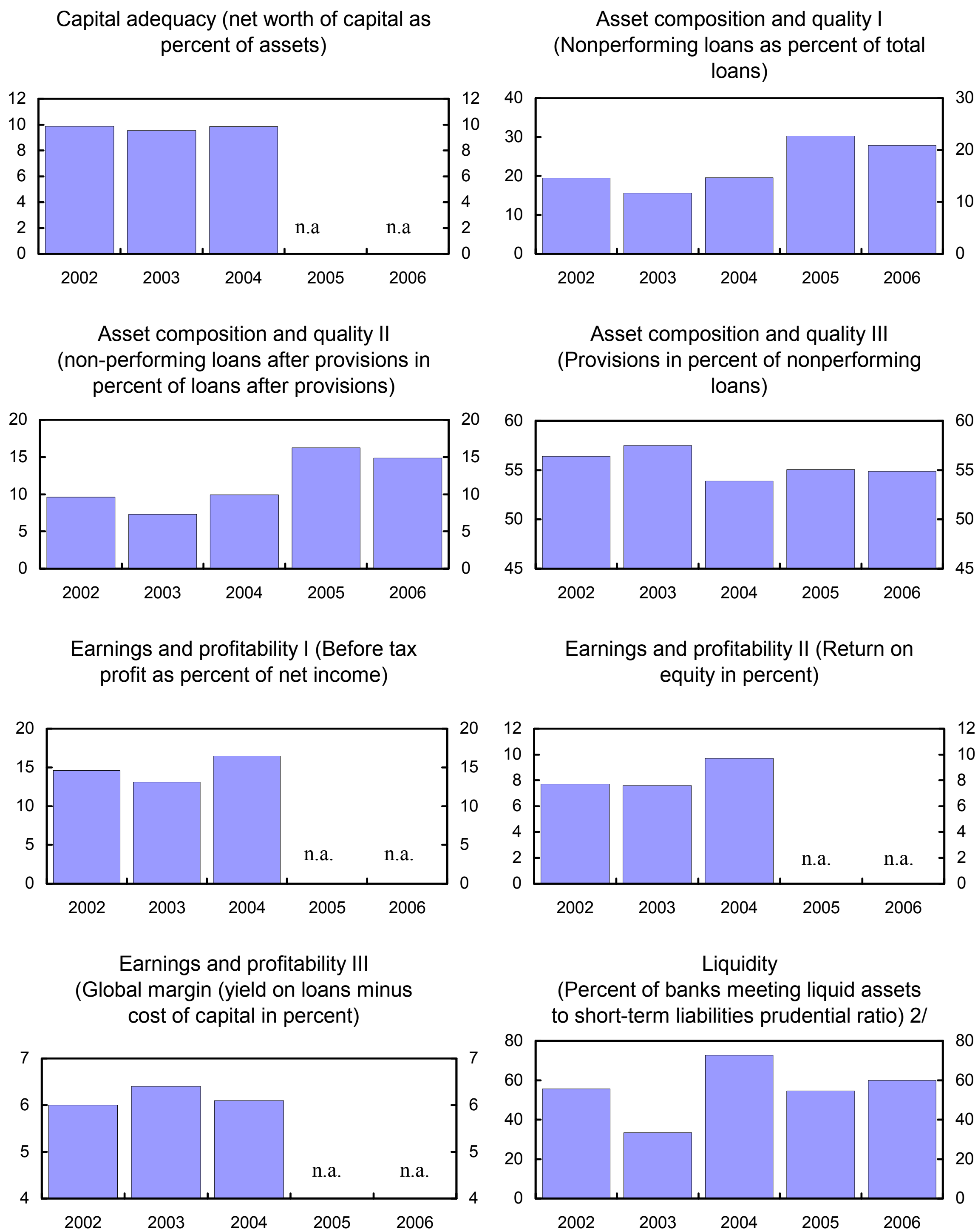
[6] Mali's level of nonperforming loans, at around 20 percent, is among the highest in the WAEMU region, and is in large part attributable to BHM and other public banks.

Figure 2. Mali: Financial Soundness Indicators, 2002-06 1/




Source: BCEAO
1/ Data up to August 2006,
2/ Data up to June 2006

### B. Maintaining Fiscal Discipline While Improving Public Spending

10. **Corrective measures should reduce the projected revenue shortfall in 2007 and continued economies in spending should close the remaining gap.** The over performance besides customs was attributable to higher-than-projected corporate income tax revenues (especially in the gold sector), which are paid once a year in April, while indirect domestic tax collection shortfalls were expected to persist. Corrective revenue measures amounting to about 1 percent of GDP include limiting discretionary exemptions, gradually restoring the full value of petroleum product imports as the tax base, improving import verification (including through the use of scanners and more visual inspections), fighting smuggling and fraud through new mobile enforcement units, and collecting tax arrears from large companies. The authorities intend to protect key fiscal targets through savings in spending to close the remaining gap (Attachment I, ¶6), while protecting allocations to priority social sectors. In particular, the authorities can limit expenditure by strictly enforcing the November deadline for commitments, as they have done when necessary in the past, and avoiding the need for transfers to CMDT or EdM.

11. **While consistent with the PRSP priorities, the authorities' draft 2008 budget has a financing gap of about 0.5 percent of GDP**. A large increase in domestically financed capital spending (1 percentage point of GDP) and a cash advance to CMDT (0.6 percent of GDP) are principally responsible for the gap. Staff recommended that, unless additional external financing materializes, planned spending increases be trimmed to fit available resources, with savings in lower priority current and capital spending.[7] The authorities intend to explore external financing possibilities, including at the donor conference in early December 2007 to support the new PRS, before considering specific expenditure reductions. Nevertheless, the authorities intend to remain cautious on the pace of spending in the first half of 2008 and take measures, in consultation with IMF staff, if necessary to assure full financing of the budget (Attachment I, ¶7) – as they have consistently done in the past. The authorities also indicated that they would protect poverty reducing expenditures, especially in the social sectors.

[7] Table 5 presents the authorities' draft budget and staff projections, which both include staff's best estimates of external assistance following consultations with donors. Staff projections include reductions in spending plans to close the gap, distributed among spending items.

- Assuming that spending measures close the financing gap, the overall deficit, including grants, would rise modestly over 2007 (by ½ percent of GDP), while the deficit before grants would decline.[8]

- The budget targets an increase in the revenue-GDP ratio of ⅔ percent of GDP, which is feasible only if planned revenue measures are fully implemented (Attachment I, ¶8). These measures focus on curtailing exemptions (by rapidly phasing out discretionary exemptions and strengthening the monitoring of legal exemptions), pursuing computerization, and modernizing administrative procedures. The authorities are also considering key measures recommended by the September 2007 FAD mission, notably for strengthening tax operations, establishing a medium-sized taxpayer office, broadening the tax base (particularly through better tax compliance from large companies), and improving collaboration among revenue departments.

- Overall spending would remain roughly stable relative to GDP after the spending measures. CRM reform, while integrated into the budget (for a net savings of just over 0.1 percent of GDP in 2008), inflates the wage bill because of higher government pension contributions. The wage bill also rises because the government agreed with unions in July to increase base wages by 5 percent in 2008 and 2009.

- The authorities plan to issue multiyear domestic bonds worth about ⅔ percent of GDP. Staff acknowledged the authorities' financing needs and the currently low level of domestic debt (1.4 percent of GDP) and domestic debt servicing (less than 0.1 percent of GDP). Staff nevertheless stressed that market rates on domestic debt are more expensive than concessional external financing, weakening debt dynamics.

12. **To enhance the poverty impact of public spending, the authorities need to improve its composition and effectiveness.** Reining in the cost of civil service pensions and boosting labor productivity in the public sector will support this goal. As the PRSP highlights, meeting social goals depends as much on reinforcing the impact of spending as on increasing its level. By gradually shifting government spending decisions from central to regional offices (*déconcentration*),[9] the authorities aim to respond more directly to the population's needs using the same financial management and audit systems. These reforms, along with debt service savings from MDRI (about 0.5 percent of GDP per year), would both create fiscal space and ensure value-for-money.

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[8] The disbursements and subsequent spending from the financing for the emergency investment in the electricity sector will occur in 2008. The 2008 fiscal framework may need to be revised once the authorities have decided whether the investment will be capital spending by the government or net lending to the electricity company.

[9] Spending under the *déconcentration* initiative has risen from 2 percent of the total in 2006 to 14 percent in 2007.

13. **The authorities reiterated their intent to continue to rely on external grants and concessional loans.** As shown in the latest debt sustainability analysis (DSA),[10] current policies would maintain debt sustainability even if fiscal deficits were about 4 percent of GDP. They would also more evenly distribute the benefits of debt reduction across generations. However, debt sustainability depends on the return on public investment, underlining how important it is to select high-yield projects. If Mali's average level of concessionality were to fall much below its current 50 percent level, debt sustainability would deteriorate.

14. **In July 2007, the authorities signed a loan and lease agreement with the Islamic Development Bank (IsDB) to finance additional electricity generating capacity, with concessionality well below the program floor**.[11] In their view, the financing involved was critical to cover urgently needed capital investments to avoid power shortages. With electricity generation not keeping pace with increasing demand and impediments to achieving lower cost generating capacity through Mali's interconnection program with neighboring country power grids, the authorities decided to finance a large and more efficient 60 megawatt power plant to run on lower-cost heavy fuel oil (HFO), instead of the diesel currently used in a number of small, old, inefficient units.[12] The World Bank agrees with the authorities' view on the criticality of investment in the energy sector, and is assessing the related financing package. The Bank assessment is expected shortly. Under a new World Bank credit under preparation, the Bank is assisting the authorities to find ways to reduce the cost of financing for the sector. IMF staff regretted the need to rely on nonconecessional financing, even though this was understood to be a one-time operation with limited impact on debt sustainability.[13] For their part, the authorities intend to strengthen debt management and enhance consultation with the Bank and Fund on external financing issues.

### C. Intention to Request New PRGF to Support Reforms

15. **The authorities have indicated a preference to continue their relationship with the Fund under a successor low-access PRGF arrangement**. Although the authorities expressed openness to a PSI, they considered that a PRGF was better adapted to their current circumstances. The authorities intend to request a PRGF arrangement after the Article IV mission planned in early 2008. The World Bank is preparing its new Country Assistance

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[10] Mali: Debt Sustainability Analysis (see Supplement 1 to this report that follows).

[11] The loan and lease agreement amounts to 1 percent of GDP with a level of concessionality of 8.5 percent.

[12] Between 2001 and 2006, energy consumption increased by an average 11.4 percent a year. Mali's interconnection program with neighboring countries is expected to be operational only from 2010; however, given the current power shortages faced by other countries in the region, it is unclear how much additional capacity Mali would be able to obtain.

[13] Including the IsDB loan and lease agreement in the 2006 DSA would decrease the average concessionality of new borrowing from 50 percent to 42 percent, having a minimal impact on debt service indicators.

Strategy for Mali planned for early 2008. In addition to the ongoing portfolio, the Bank will rely on annual development policy loans to support the government in key structural reforms, as well as on investment operations targeting energy, agricultural productivity, and urban development.

## III. Staff Appraisal

16. **Mali has continued its broadly successful economic program supported by the PRGF arrangement.** The authorities have consolidated macroeconomic stability through disciplined fiscal policies and other measures, despite continued vulnerability to external shocks. External and public debt are more sustainable thanks to prudent policies and positive external developments, including Multilateral Debt Relief Initiative inflows and high gold prices. However, staff was disappointed by the rapid rise in tax exemptions in 2007, especially of a discretionary nature, which has undermined revenue performance.

17. **Mali has also carried out important structural reforms, although some measures envisioned under the program are unfinished**. Privatization in the cotton sector is on track; but recurrent losses could jeopardize its completion and hurt public finances. Telecommunications and electricity are also moving toward privatization. The soundness of the banking sector has improved now that BHM has stabilized, and the adoption of a new financial sector development strategy should propel reforms. Public finance management has improved. However, reform of the costly civil service pension system has stalled.

18. **As the PRSP rightly highlights, faster growth and poverty reduction will require deeper and swifter structural reforms**. Priorities include developing the financial sector, improving the business climate, and providing core public goods. Further reducing the state's role in setting and supporting prices in the cotton, electricity, and petroleum sectors would decrease economic distortions and strengthen public finances.

19. **The authorities' macroeconomic framework for 2008 and beyond would foster stability as long as current policy principles are upheld**. The authorities need to resolve the financing gap in 2008 without resorting to nonconcessional financing. Their commitment to assure full financing and take measures if necessary, combined with their track record in fiscal responsibility, provide reassurance. They also need to strengthen debt management and increase transparency of borrowing. In this regard, the authorities' assurance that recent nonconcessional financing for the electricity sector was an exceptional stop-gap measure associated with the electricity crisis is welcome. Although the borrowing can be absorbed within the debt sustainability outlook, it will be important that the authorities avoid recourse to higher-cost domestic financing going forward to maintain debt sustainability and encourage growth in private sector credit.

20. **Unfulfilled structural measures under the program should be completed speedily**. A waiver for the delay in submitting to parliament the law to strengthen the power

of BHM to collect NPL can be justified because it had a minimal impact on the Bank's operations. Likewise, the hold up in the CRM reform has been partly beyond the control of the authorities, who were required to consult with social partners, and the authorities have appropriately identified cost savings in the event of further delay. However, reforming CRM remains essential to longer-term fiscal sustainability. Delays in issuing the calls for bids for BIM are also regrettable although the revised timetable would still enable BIM's privatization in 2008.

21. **With a renewed political mandate, the authorities have an opportunity to reinvigorate the reform agenda.** Implementation of the PRS through a detailed action plan could give reforms renewed impetus and accelerate progress towards achieving the MDGs. A successor PRGF arrangement would anchor the authorities' commitments to pursue sound policies and structural reforms.

22. **On the basis of the authorities' satisfactory record of program implementation the staff recommends completion of the sixth review under the current PRGF arrangement, approval of the requests for waivers, and extension of the arrangement by one month to allow the processing of the request for the disbursement under the PRGF-ESF Trust.**

Table 1. Mali: Selected Economic and Financial indicators, 2004-08 1/

| | 2004<br>Prel. | 2005<br>Prel. | 2006<br>Proj. | 2007<br>Proj. | 2008<br>Proj. |
|---|---|---|---|---|---|
| National income and prices (percent change) | | | | | |
| Real GDP | 2.2 | 6.1 | 5.3 | 4.1 | 4.8 |
| GDP deflator | -0.7 | 2.1 | 5.1 | 2.6 | 4.2 |
| Consumer price inflation (average) | -3.1 | 6.4 | 1.5 | 2.0 | 2.5 |
| External sector (percent change) | | | | | |
| Terms of trade (deterioration -) | 1.5 | -10.7 | 15.7 | 1.1 | 6.7 |
| Real effective exchange rate (depreciation -) | -3.9 | 3.9 | 3.1 | 3.2 | … |
| Money and credit (contribution to growth of broad money) | | | | | |
| Credit to the government | 1.9 | 1.3 | -12.1 | 0.2 | 2.4 |
| Credit to the economy | 8.1 | -1.1 | 11.5 | 10.3 | 3.2 |
| Broad money (M2) | -2.4 | 9.5 | 10.9 | 8.0 | 8.4 |
| Investment and saving (in percent of GDP) | | | | | |
| Gross domestic investment | 21.7 | 22.3 | 22.4 | 22.9 | 23.3 |
| *of which* : Government | 7.4 | 7.6 | 8.4 | 8.6 | 8.3 |
| Gross national savings | 13.4 | 14.1 | 17.7 | 16.5 | 17.5 |
| *of which* : Government | 2.4 | 2.0 | 2.3 | 2.2 | 2.1 |
| Gross domestic savings | 13.5 | 13.7 | 19.4 | 16.6 | 18.1 |
| Central government finance and debt (in percent of GDP) 2/ | | | | | |
| Revenue | 17.4 | 17.9 | 17.7 | 17.1 | 17.8 |
| Grants | 4.0 | 4.1 | 39.7 | 5.3 | 4.3 |
| Total expenditure and net lending | 24.0 | 25.2 | 25.4 | 26.0 | 26.4 |
| Overall balance (payment order basis, excluding grants) | -6.6 | -7.3 | -7.7 | -8.9 | -8.6 |
| Basic fiscal balance 3/ | 0.4 | -0.2 | 0.3 | -0.7 | -1.2 |
| External sector (in percent of GDP) | | | | | |
| Current external balance, including official transfers | -8.3 | -8.2 | -4.7 | -6.4 | -5.8 |
| Current external balance, excluding official transfers | -10.3 | -10.4 | -6.7 | -8.1 | -7.0 |
| Exports of goods and services | 24.6 | 25.6 | 30.6 | 26.7 | 26.1 |
| Imports of goods and services | -32.9 | -34.2 | -33.6 | -32.9 | -31.3 |
| Debt service to exports of goods and services | 6.4 | 7.4 | 3.7 | 3.4 | 3.4 |
| Stock of External debt | 48.8 | 47.9 | 20.0 | 22.6 | 24.4 |
| Memorandum items: | | | | | |
| Nominal GDP (in billions of CFA francs) | 2611 | 2829 | 3132 | 3344 | 3653 |
| Overall balance of payments (in millions of US dollars) | -178.3 | 96.4 | 105.5 | 57.5 | 53.5 |
| Interest rate (in percent; end of period) 4/ | 5.0 | 5.0 | 5.0 | … | … |
| Gross international reserves (in millions of US dollars) | 861.3 | 941.6 | 1,181.5 | 1,266.5 | 1,350.8 |
| (In months of next year's imports) | 6.4 | 6.1 | 6.1 | 6.3 | 6.6 |
| U.S. dollar exchange rate (end of period) | 498.4 | 541.5 | 514.9 | ... | ... |

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

1/ 2006 data after adjustment for MDRI
2/ Fiscal numbers for 2007 are program figures.
3/ Revenue (excluding grants) less total expenditure (excluding foreign financed investment projects and HIPC initiative related spending).
4/ End-of-period money market interest rate.

Table 2. Mali: National Accounts, 2004-08

| | GDP Weight (2002, percent) | 2004 | 2005 | 2006 Est. | 2007 Proj. | 2008 Proj. |
|---|---|---|---|---|---|---|
| | (annual percentage change, at constant prices) | | | | | |
| Primary sector | 32.3 | -4.4 | 7.0 | 4.4 | 4.3 | 6.3 |
| Agriculture | 17.4 | -11.0 | 9.9 | 4.8 | 4.4 | 7.7 |
| Food crops, excluding rice | 10.7 | -12.1 | 14.9 | 10.0 | 8.0 | 6.0 |
| Rice | 3.5 | -12.0 | 11.1 | 6.0 | 7.3 | 6.0 |
| Industrial agriculture, excl. cotton | 0.9 | -11.4 | 6.0 | 3.0 | 6.0 | 6.0 |
| Cotton | 2.4 | -5.0 | -9.8 | -21.6 | -27.2 | 31.8 |
| Livestock | 9.8 | 7.3 | 3.0 | 4.0 | 4.0 | 4.0 |
| Fishing and forestry | 5.1 | 2.6 | 4.0 | 3.8 | 4.6 | 4.6 |
| Secondary sector | 25.4 | 2.6 | 7.9 | 8.2 | -3.2 | 4.6 |
| Mining | 11.4 | -17.3 | 18.9 | 17.8 | -11.3 | 5.1 |
| Industry | 7.6 | 21.1 | 1.1 | 0.9 | -2.0 | 1.9 |
| Energy | 1.9 | 15.0 | 6.0 | 10.0 | 10.0 | 10.0 |
| Construction and public works | 4.4 | 8.0 | 4.0 | 3.0 | 4.0 | 5.0 |
| Tertiary sector | 34.5 | 6.6 | 4.2 | 9.4 | 6.3 | 4.8 |
| GDP (at factor cost) | 92.1 | 1.4 | 6.1 | 7.3 | 3.3 | 5.3 |
| Indirect taxes | 7.9 | 11.3 | 6.0 | -15.1 | 14.6 | -1.1 |
| GDP (at market prices) | 100.0 | 2.2 | 6.1 | 5.3 | 4.1 | 4.8 |
| Nonmining real GDP | 88.6 | 4.0 | 5.2 | 4.2 | 5.6 | 4.8 |
| | (percentage of GDP, unless otherwise indicated) | | | | | |
| Gross national saving | | 13.4 | 14.1 | 17.7 | 16.5 | 17.5 |
| *Of which* : domestic saving | | 13.5 | 13.7 | 19.4 | 16.6 | 18.1 |
| Gross domestic investment | | 21.7 | 22.3 | 22.4 | 22.9 | 23.3 |
| Memorandum items: | | | | | | |
| External current account balance[1] | | -8.3 | -8.2 | -4.7 | -6.4 | -5.8 |
| Nominal GDP (billions of CFAF) | | 2,611 | 2,829 | 3,132 | 3,344 | 3,653 |

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

[1] Including official transfers.

Table 3. Mali: Balance of Payments, 2004-10 [1]

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|
| | | Prel. | Projections [2] | | | | |
| | (billions of CFAF, unless otherwise indicated) | | | | | | |
| Current account balance | | | | | | | |
| Excluding official transfers | -268 | -293 | -208 | -270 | -257 | -220 | -204 |
| Including official transfers | -216 | -232 | -149 | -214 | -212 | -202 | -184 |
| Exports, f.o.b. | 516 | 580 | 807 | 724 | 769 | 826 | 883 |
| Cotton fiber | 181 | 140 | 142 | 109 | 77 | 101 | 105 |
| Gold | 269 | 359 | 580 | 520 | 582 | 599 | 635 |
| Imports, f.o.b. | -578 | -657 | -727 | -762 | -799 | -835 | -868 |
| Petroleum products | -123 | -156 | -196 | -194 | -172 | -178 | -171 |
| Trade balance | -62 | -77 | 80 | -38 | -30 | -9 | 15 |
| Services (net) | -154 | -166 | -175 | -172 | -160 | -140 | -146 |
| Income (net) | -103 | -109 | -176 | -127 | -137 | -146 | -152 |
| *Of which:* interest due on public debt | -16 | -18 | -15 | -11 | -13 | -16 | -18 |
| Private transfers (net) | 51 | 59 | 63 | 66 | 70 | 74 | 78 |
| Official transfers (net) | 51 | 61 | 60 | 57 | 45 | 19 | 21 |
| Capital and financial account | 127 | 301 | 204 | 243 | 240 | 247 | 204 |
| Capital account (net) | 80 | 77 | 1212 | 136 | 78 | 104 | 115 |
| Capital transfers | 80 | 77 | 1212 | 136 | 78 | 104 | 115 |
| Debt forgiveness | 0 | 0 | 1085 | 0 | 0 | 0 | 0 |
| Project grants | 70 | 70 | 127 | 136 | 78 | 104 | 115 |
| Financial account | 47 | 224 | -1008 | 107 | 161 | 143 | 89 |
| Private (net) [3] | 1 | 95 | -36 | 10 | 68 | 18 | -48 |
| Official (net) | 46 | 130 | -972 | 98 | 94 | 125 | 137 |
| Errors and omissions | -5 | -19 | 0 | 0 | 0 | 0 | 0 |
| Overall balance | -94 | 51 | 55 | 30 | 27 | 45 | 20 |
| Financing | 94 | -51 | -55 | -30 | -27 | -45 | -20 |
| Foreign assets (net) | 65 | -81 | -78 | -40 | -40 | -50 | -26 |
| *Of which:* IMF (net) | -16 | -11 | -61 | 1 | 0 | 0 | 0 |
| HIPC Initiative assistance | 29 | 30 | 22 | 11 | 13 | 5 | 6 |
| Financing gap | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Memorandum items: | | | | | | | |
| External trade | (annual percentage change) | | | | | | |
| Export volume index | -6.3 | 19.1 | 4.5 | -10.5 | -3.4 | 6.7 | 3.7 |
| Import volume index | 0.1 | 7.6 | -3.9 | 5.6 | 1.9 | 3.3 | 7.8 |
| Export unit value | 2.0 | -5.6 | 33.3 | 0.3 | 9.9 | 0.7 | 3.1 |
| Import price | 0.5 | 5.7 | 15.2 | -0.8 | 2.9 | 1.2 | -3.6 |
| Terms of trade | 1.5 | -10.7 | 15.7 | 1.1 | 6.7 | -0.5 | 6.9 |
| External current account balance | (percent of GDP, unless otherwise indicated) | | | | | | |
| Including official transfers | -8.3 | -8.2 | -4.7 | -6.4 | -5.8 | -5.1 | -4.2 |
| Excluding official transfers | -10.3 | -10.4 | -6.7 | -8.1 | -7.0 | -5.6 | -4.7 |
| External public debt | 48.8 | 47.9 | 20.0 | 22.6 | 24.4 | 26.5 | 27.9 |
| Debt service to exports of goods and services (after debt relief, in percent) | 6.4 | 7.4 | 3.7 | 3.4 | 3.4 | 3.6 | 3.5 |
| NPV of debt-to-exports (percent) | 110.0 | 44.0 | 40.8 | 45.8 | 52.0 | 56.7 | 62.1 |
| Commodity prices: | | | | | | | |
| Petroleum (crude spot; US$/barrel) | 37.8 | 53.4 | 64.3 | 63.8 | 68.8 | 68.5 | 66.8 |
| Gold (US$/ounce) | 408.2 | 444.9 | 610.0 | 690.0 | 725.0 | 765.0 | 805.0 |
| Cotton (US cents/pound), f.o.b | 63.5 | 51.2 | 53.0 | 55.0 | 55.5 | 56.0 | 56.5 |

Sources: COMEX gold futures prices; Malian authorities; and Fund staff estimates and projections.

1/ Presented according to the *Balance of Payments Manual* (5th edition).
2/ 2006–10 data after adjustment for MDRI (IMF, IDA, and AfDB).
3/ Reflects mainly the amount and timing of investments in the gold sector and includes short-term capital flows.

# Table 4. Mali : Monetary Survey, 2003-07

| | Dec. 2003 | Dec. 2004 | Dec. 2005 Prel. | Dec 2006 Prel. | Mar 2007 Proj. | Mar 2007 Prel. | Jun 2007 Prel. | Sep 2007 Proj. | Dec 2007 Proj. | Dec 2008 Proj. |
|---|---|---|---|---|---|---|---|---|---|---|
| | (In billions of CFAF) | | | | | | | | | |
| Net foreign assets | 423.2 | 367.5 | 428.9 | 524.0 | 534.7 | 530.5 | 535.1 | 544.7 | 564.0 | 604.0 |
| Central Bank of West African States (BCEAO) | 384.7 | 319.3 | 399.9 | 460.0 | 492.5 | 489.0 | 495.9 | 502.5 | 500.0 | 540.0 |
| Commercial banks | 38.5 | 48.2 | 29.0 | 64.0 | 42.2 | 41.5 | 39.3 | 42.2 | 64.0 | 64.0 |
| Net domestic assets | 363.0 | 399.7 | 411.4 | 408.0 | 383.8 | 354.6 | 432.5 | 418.8 | 442.5 | 486.7 |
| Credit to the government (net) | -74.9 | -59.7 | -26.4 | -128.2 | -110.2 | -115.6 | -104.2 | -116.4 | -124.6 | -100.4 |
| BCEAO, net | 91.8 | 95.4 | 83.4 | 22.5 | … | 35.4 | 20.4 | … | … | … |
| Commercial banks | -166.1 | -166.9 | -130.0 | -180.3 | … | -183.1 | -159.7 | … | … | … |
| Other | -0.6 | 11.9 | 20.2 | 29.6 | … | 32.2 | 35.1 | … | … | … |
| Credit to the economy | 482.8 | 521.7 | 516.0 | 575.2 | 561.2 | 537.4 | 580.8 | 602.5 | 634.4 | 654.4 |
| Other items (net) | -44.9 | -62.3 | -78.2 | -39.1 | -67.3 | -67.1 | -44.2 | -67.3 | -67.3 | -67.3 |
| Money supply (M2) | 786.2 | 767.2 | 840.3 | 932.0 | 918.5 | 885.1 | 967.6 | 963.5 | 1,006.5 | 1,090.7 |
| Currency outside banks | 340.9 | 275.4 | 344.9 | 343.7 | ... | 323.1 | 326.2 | ... | ... | ... |
| Bank deposits | 445.2 | 491.8 | 495.4 | 588.2 | ... | 562.0 | 641.5 | ... | ... | ... |
| Base Money (M0) | 474.2 | 402.7 | 462.3 | 449.4 | 538.9 | 473.9 | 480.1 | 515.9 | 538.9 | 554.3 |
| Contribution to the growth of broad money | | | | | | | | | | |
| Net foreign assets | 22.1 | -7.1 | 8.0 | 11.3 | 1.7 | 0.7 | 1.2 | 2.8 | 4.9 | 4.0 |
| Net domestic assets | 3.4 | 4.7 | 1.5 | -0.4 | 0.3 | -5.7 | 2.6 | 4.2 | 6.9 | 4.4 |
| *Of which* : credit to the central government | -7.6 | 1.9 | 4.3 | -12.1 | 1.8 | 1.4 | 2.6 | 1.1 | 0.2 | 2.4 |
| Memorandum items: | | | | | | | | | | |
| Money supply (M2) | 25.5 | -2.4 | 9.5 | 10.9 | 6.1 | -5.0 | 3.8 | 13.9 | 8.0 | 8.4 |
| Base Money (M0) | 32.0 | -15.1 | 14.8 | -2.8 | 19.9 | 5.5 | 6.8 | 14.8 | 19.9 | 2.9 |
| Credit to the economy | 17.3 | 8.1 | -1.1 | 11.5 | 7.0 | -6.6 | 1.0 | 22.7 | 10.3 | 3.2 |
| Velocity (GDP/M2) | 3.3 | 3.4 | 3.4 | 4.4 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.3 |
| Money Multiplier (M2/M0) | 1.7 | 1.9 | 1.8 | 2.1 | 1.7 | 1.9 | 2.0 | 1.9 | 1.9 | 2.0 |
| Currency outside banks / M2 (in percent) | 43.4 | 35.9 | 41.0 | 36.9 | ... | 36.5 | 33.7 | ... | 35.9 | 35.9 |

Sources: BCEAO; and Fund staff estimates and projections.

1/ Includes the impact of MDRI from IMF. Debt stock relief in the amount of SDR 75.0655 million was granted to BCEAO. This was onlent to the government in CFA francs in the amount of CFAF 64.669 billion. At the date of debt relief, January 6, 2006 debt relief was equivalent to CFAF58.826 billion. The BCEAO therefore experienced a loss of CFAF5.842 billion.

Table 5. Mali: Central Government Consolidated Financial Operations, 2004-08[1]

| | 2004 | 2005 | 2006 | 2007 | | 2008 | |
|---|---|---|---|---|---|---|---|
| | | | | Program | Rev. Proj. | Draft Budget[6] | Staff Projections[6] |
| | | | | (billions of CFA francs) | | | |
| Revenue and grants | 558.0 | 621.6 | 1,798.7 | 768.1 | 763.1 | 827.5 | 807.9 |
| Total revenue | 454.7 | 506.6 | 554.2 | 586.9 | 581.9 | 649.4 | 649.4 |
| Budgetary revenue [2] | 412.0 | 461.3 | 504.5 | 539.9 | 534.9 | 597.4 | 597.4 |
| Tax revenue | 393.3 | 446.2 | 478.6 | 509.7 | 504.7 | 574.2 | 574.2 |
| Nontax revenue | 18.7 | 15.1 | 25.9 | 30.2 | 30.2 | 23.2 | 23.2 |
| Special funds and annexed budgets | 42.6 | 45.3 | 49.7 | 47.0 | 47.0 | 52.0 | 52.0 |
| Grants | 103.3 | 115.0 | 1,244.5 | 181.2 | 181.2 | 178.1 | 158.5 |
| *of which:* MDRI grants [1, 3] | … | … | 1,085.2 | 1.9 | 1.9 | … | … |
| | | | | | | | |
| Total expenditure and net lending | 625.8 | 712.7 | 796.3 | 891.3 | 886.3 | 1,033.7 | 963.7 |
| Budgetary expenditure | 592.2 | 644.7 | 752.6 | 893.6 | 888.6 | 967.1 | 898.1 |
| Current expenditure | 350.0 | 376.6 | 411.8 | 462.5 | 459.0 | 496.9 | 493.6 |
| Wages and salaries [4] | 121.7 | 137.8 | 147.9 | 160.3 | 160.3 | 190.6 | 175.9 |
| Interest | 17.2 | 18.3 | 15.5 | 14.1 | 14.1 | 14.6 | 14.6 |
| *of which:* Domestic | 1.5 | 2.3 | 1.0 | 2.8 | 2.8 | 1.7 | 1.7 |
| Other current expenditure | 211.0 | 220.5 | 248.4 | 288.1 | 284.6 | 291.7 | 303.1 |
| Capital expenditure [5] | 242.2 | 268.1 | 340.8 | 431.1 | 429.6 | 470.2 | 404.5 |
| *of which:* Externally financed | 152.8 | 170.0 | 228.7 | 268.2 | 268.2 | 308.5 | 257.3 |
| Special funds and annexed budgets | 42.6 | 45.3 | 49.7 | 47.0 | 47.0 | 52.0 | 52.0 |
| Net lending [5] | -9.0 | 22.7 | -6.0 | -49.3 | -49.3 | 14.6 | 13.6 |
| | | | | | | | |
| Overall fiscal balance (payment order basis) | | | | | | | |
| Excluding grants | -171.2 | -206.1 | -242.1 | -304.4 | -304.4 | -384.3 | -314.3 |
| Including grants | -67.9 | -91.1 | 1,002.4 | -123.2 | -123.2 | -206.2 | -155.9 |
| | | | | | | | |
| Adjustment to cash basis | 7.9 | -10.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | |
| Overall fiscal balance (cash basis, incl. grants) | -60.0 | -101.4 | 1,002.4 | -123.2 | -123.2 | -206.2 | -155.9 |
| | | | | | | | |
| Financing | 60.0 | 101.4 | -1,002.4 | 123.1 | 123.1 | 187.5 | 155.9 |
| | | | | | | | |
| External financing (net) | 74.5 | 108.8 | -890.5 | 134.2 | 134.2 | 185.4 | 153.8 |
| *of which:* Budgetary loans | 0.0 | 19.3 | 40.1 | 25.8 | 25.8 | 47.5 | 47.5 |
| *of which:* Amortization | -37.0 | -40.5 | -1,053.3 | -30.9 | -30.9 | -32.7 | -32.7 |
| *of which:* MDRI | … | … | -1,020.5 | … | … | … | … |
| *of which:* Debt relief, HIPC Initiative | 28.7 | 30.0 | 22.2 | 10.5 | 10.5 | 12.7 | 12.7 |
| | | | | | | | |
| Domestic financing (net) | -14.6 | -7.4 | -111.9 | -11.0 | -11.0 | 2.1 | 2.1 |
| Banking system | 14.5 | 33.2 | -100.2 | 1.6 | 1.6 | 24.2 | 24.2 |
| Net credit to the government | 15.2 | 33.8 | -99.8 | 1.7 | 1.7 | 24.2 | 24.2 |
| *of which:* IMF repurchases | -16.7 | -14.1 | -64.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| *of which:* IMF drawings | 1.1 | 1.0 | 3.1 | 2.0 | 2.0 | 0.0 | 0.0 |
| Privatization receipts | 1.2 | 9.7 | 0.9 | 8.1 | 8.1 | 8.1 | 8.1 |
| Other financing | -30.2 | -50.3 | -12.6 | -20.7 | -20.7 | -30.2 | -30.2 |
| | | | | | | | |
| Financing gap (+/-, shortfall/excess) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 18.7 | 0.0 |

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

[1] Including the impact of MDRI on payment order basis. The AfDB reimbursed in 2007 debt service paid in 2006.

[2] For 2006 tax reimbursements are reclassified from domestic financing to negative domestic revenue.

[3] Grants devoted exclusively to debt relief under the MDRI.

[4] Excluding public enterprises of an administrative nature (*EPA*).

[5] 2007 includes CFAF 44 billion recapitalization of CMDT as a capital transfer and reduction in net lending.

[6] Draft budget for 2008 includes impact of CRM reform. IMF staff projections for 2008 include spending measures to close the financing gap and offset an absence of CRM reform (CFAF 5 billion).

Table 5. Mali: Central Government Consolidated Financial Operations, 2004-08 (concluded) [1]

| | 2004 | 2005 | 2006 | 2007 | | 2008 | |
|---|---|---|---|---|---|---|---|
| | | | | Program | Rev. Proj. | Draft Budget[6] | Staff Projections[6] |
| | (percent of GDP, unless otherwise indicated) | | | | | | |
| Revenue and grants | 21.4 | 22.0 | 57.4 | 22.4 | 22.8 | 22.7 | 22.1 |
| Total revenue | 17.4 | 17.9 | 17.7 | 17.1 | 17.4 | 17.8 | 17.8 |
| Budgetary revenue [2] | 15.8 | 16.3 | 16.1 | 15.8 | 16.0 | 16.4 | 16.4 |
| Special funds and annexed budgets | 1.6 | 1.6 | 1.6 | 1.4 | 1.4 | 1.4 | 1.4 |
| Grants | 4.0 | 4.1 | 39.7 | 5.3 | 5.4 | 4.9 | 4.3 |
| *of which:* MDRI grants [1 3] | … | … | 34.7 | 0.1 | 0.1 | … | … |
| Total expenditure and net lending | 24.0 | 25.2 | 25.4 | 26.0 | 26.5 | 28.3 | 26.4 |
| Current expenditure | 13.4 | 13.3 | 13.1 | 13.5 | 13.7 | 13.6 | 13.5 |
| Wages and salaries [4] | 4.7 | 4.9 | 4.7 | 4.7 | 4.8 | 5.2 | 4.8 |
| Interest payments | 0.7 | 0.6 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 |
| Other current expenditure | 8.1 | 7.8 | 7.9 | 8.4 | 8.5 | 8.0 | 8.3 |
| Capital expenditure [5] | 9.3 | 9.5 | 10.9 | 12.6 | 12.8 | 12.9 | 11.1 |
| *of which:* Externally financed | 5.9 | 6.0 | 7.3 | 7.8 | 8.0 | 8.4 | 7.0 |
| Net lending, special funds & annexed budgets [5] | 1.3 | 2.4 | 1.4 | -0.1 | -0.1 | 1.8 | 1.8 |
| Overall fiscal balance (payment order basis) | | | | | | | |
| Including grants | -2.6 | -3.2 | 32.0 | -3.6 | -3.7 | -5.6 | -4.3 |
| Excluding grants | -6.6 | -7.3 | -7.7 | -8.9 | -9.1 | -10.5 | -8.6 |
| Overall fiscal balance (cash basis, incl. grants) | -2.3 | -3.6 | 32.0 | -3.6 | -3.7 | -5.6 | -4.3 |
| External financing | 2.9 | 3.8 | -28.4 | 3.9 | 4.0 | 5.1 | 4.2 |
| Domestic financing | -0.6 | -0.3 | -3.6 | -0.3 | -0.3 | 0.1 | 0.1 |
| Financing gap | … | … | … | … | … | 0.5 | … |
| *Memorandum items* | | | | | | | |
| External Budgetary assistance | 2.4 | 3.3 | 3.4 | 2.2 | 2.3 | 2.4 | 2.4 |
| Public saving [7] | 5.0 | 4.4 | 5.2 | 5.4 | 5.5 | 4.1 | 4.2 |
| Basic fiscal balance [8] | 0.4 | -0.2 | 0.3 | -0.7 | -0.8 | -1.7 | -1.2 |
| Wages and salaries/fiscal revenues (percent) | 30.9 | 30.9 | 30.9 | 31.4 | 31.8 | 33.2 | 30.6 |
| Resources due to MDRI [9] | … | … | 0.4 | 0.6 | 0.6 | 0.5 | 0.5 |
| | (billions of CFA francs) | | | | | | |
| External Budgetary Assistance | 62.0 | 94.3 | 106.3 | 76.2 | 76.2 | 87.7 | 87.7 |
| Public Saving [7] | 129.7 | 123.7 | 162.9 | 185.0 | 183.5 | 150.8 | 155.1 |
| Basic fiscal balance [8] | 9.4 | -6.2 | 8.8 | -25.7 | -25.7 | -63.1 | -44.3 |
| Resources due to MDRI [9] | … | … | 13.7 | 19.4 | 19.4 | 19.5 | 19.5 |
| Nominal GDP | 2,611 | 2,829 | 3,132 | 3,428 | 3,344 | 3,653 | 3,653 |

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

[1] Including the impact of MDRI on payment order basis. The AfDB reimbursed in 2007 debt service paid in 2006.

[2] For 2006 tax reimbursements are reclassified from domestic financing to negative domestic revenue.

[3] Grants devoted exclusively to debt relief under the MDRI.

[4] Excluding public enterprises of an administrative nature (*EPA*).

[5] 2007 includes CFAF 44 billion recapitalization of CMDT as a capital transfer and reduction in net lending.

[6] Draft budget for 2008 includes impact of CRM reform. IMF staff projections for 2008 include spending measures to close the financing gap and offset an absence of CRM reform (CFAF 5 billion).

[7] Total revenue less current spending (not including interest payments on public debt) and less net lending.

[8] Excluding grants, externally financed capital expenditures, and HIPC-financed spending.

[9] Additional resources from debt service savings due to MDRI, net of HIPC relief already granted.

Table 6. Mali: Quarterly Central Government Consolidated Financial Operations, 2007[1]

| | March | | June | | Sept. | Dec. |
|---|---|---|---|---|---|---|
| | Prog. | Actual | Prog. | Actual | Prog. | Prog. |
| | (billions of CFA francs) | | | | | |
| Revenue and grants | 156.0 | 150.9 | 351.8 | 362.7 | 553.1 | 768.1 |
| Total revenue | 117.4 | 135.5 | 264.1 | 281.0 | 410.8 | 586.9 |
| Budgetary revenue[2] | 108.0 | 120.6 | 243.0 | 251.5 | 377.9 | 539.9 |
| Tax revenue | 101.9 | 118.4 | 229.4 | 242.6 | 356.8 | 509.7 |
| Direct taxes | 21.3 | 33.4 | 48.0 | 71.3 | 74.6 | 106.6 |
| Indirect taxes | 86.0 | 85.5 | 193.6 | 177.9 | 301.1 | 430.1 |
| Nontax revenue | 6.0 | 2.2 | 13.6 | 8.9 | 21.1 | 30.2 |
| Special funds and annexed budgets | 9.4 | 14.9 | 21.2 | 29.5 | 32.9 | 47.0 |
| Grants | 38.7 | 15.4 | 87.6 | 81.7 | 142.2 | 181.2 |
| Projects & sectoral budgetary | 34.9 | 15.4 | 66.7 | 72.0 | 104.6 | 139.4 |
| Budgetary | 3.8 | 0.0 | 20.9 | 7.4 | 37.7 | 39.9 |
| MDRI [1, 3] | … | … | … | 2.3 | … | 1.9 |
| Total expenditure and net lending | 208.6 | 162.6 | 431.9 | 392.8 | 653.0 | 891.3 |
| Budgetary expenditure | 200.6 | 148.2 | 411.2 | 364.2 | 622.0 | 893.6 |
| Current expenditure | 109.7 | 91.3 | 223.5 | 207.7 | 337.4 | 462.5 |
| Wages and salaries[4] | 40.1 | 39.1 | 80.2 | 79.6 | 120.2 | 160.3 |
| Goods and Services | 43.4 | 29.5 | 88.0 | 74.8 | 132.0 | 182.2 |
| Transfers and subsidies | 22.1 | 18.7 | 48.3 | 47.8 | 74.5 | 105.9 |
| Interest | 4.1 | 4.1 | 7.1 | 5.6 | 10.6 | 14.1 |
| Domestic debt | 0.7 | 0.7 | 1.4 | 0.8 | 2.1 | 2.8 |
| External | 3.4 | 3.4 | 5.7 | 4.8 | 8.5 | 11.3 |
| Capital expenditure | 90.9 | 56.9 | 187.7 | 156.5 | 284.6 | 431.1 |
| Externally financed | 67.1 | 41.2 | 134.1 | 103.9 | 201.2 | 268.2 |
| Domestically financed | 23.8 | 15.7 | 53.6 | 52.6 | 83.4 | 162.9 |
| *of which*: Capital transfers[5] | … | … | … | … | … | 43.7 |
| Special funds and annexed budgets | 9.4 | 14.9 | 23.5 | 29.5 | 35.3 | 47.0 |
| Net lending[5] | -1.4 | -0.5 | -2.8 | -0.9 | -4.2 | -49.3 |
| Overall fiscal balance, payment order basis | | | | | | |
| Excluding grants | -91.2 | -27.1 | -167.8 | -111.8 | -242.2 | -304.4 |
| Including grants | -52.5 | -11.7 | -80.2 | -30.2 | -99.9 | -123.2 |
| Cash adjustment | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Overall fiscal balance (cash basis, incl. grants) | -52.5 | -11.7 | -80.2 | -30.2 | -99.9 | -123.2 |
| Financing | 52.5 | 11.7 | 80.2 | 30.2 | 99.9 | 123.1 |
| External financing (net) | 27.1 | 20.7 | 72.1 | 56.4 | 99.2 | 134.2 |
| Loans | 32.2 | 25.8 | 82.3 | 60.7 | 114.5 | 154.6 |
| Project loans | 32.2 | 25.8 | 64.4 | 60.7 | 96.6 | 128.8 |
| Budgetary loans | 0.0 | 0.0 | 17.9 | 0.0 | 17.9 | 25.8 |
| Amortization | -7.7 | -7.6 | -15.5 | -11.8 | -23.2 | -30.9 |
| Debt relief | 2.6 | 2.5 | 5.3 | 7.5 | 7.9 | 10.5 |
| Domestic financing (net) | 25.4 | -9.0 | 8.1 | -26.2 | 0.7 | -11.0 |
| Banking system | 16.0 | 6.0 | 10.3 | 14.4 | 9.7 | 1.6 |
| *of which:* IMF (net) | 1.0 | 1.0 | 1.0 | 1.0 | 2.0 | 2.0 |
| *of which*: Other items net | 15.6 | 5.5 | 10.3 | 14.5 | 9.4 | 1.9 |
| Privatization receipts | 0.0 | 0.5 | 0.0 | 0.5 | 0.0 | 8.1 |
| Other financing | 9.3 | -15.5 | -2.2 | -41.2 | -9.1 | -20.7 |
| Financing gap | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

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

[1] Including the impact of MDRI on payment order basis. The AfDB reimbursed in 2007 debt service paid in 2006.

[2] Tax reimbursements are reclassified from domestic financing to negative domestic revenue.

[3] Grants devoted exclusively to debt relief under the MDRI.

[4] Excluding public enterprises of an administrative nature (*EPA*).

[5] Includes CFAF 44 billion recapitalization of CMDT as a capital transfer and reduction in net lending.

Table 7. Mali: Banks' Compliance with Selected Prudential Norms, 2003–June 2006

| Prudential Ratios | Compliance Limits and Ratios | Number of Banks Complying | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Dec. 2003 | Dec. 2004 | Jun. 2005 | Dec. 2005 | Jun. 2006 | Dec. 2006 | Jun. 2007 |
| Effective capital | > CFAF 1 billion | 12/12 | 11/13 | 12/14 | 13/14 | 14/15 | 15/16 | 14/16 |
| Risk-weighted capital adequacy ratio | > 8 percent | 11/12 | 11/13 | 11/14 | 13/14 | 12/15 | 14/16 | 13/16 |
| Liquidity coefficient ratio (liquid assets to short term liabilities) | > 75 percent | 3/9 | 8/11 | 9/14 | 6/11 | 9/15 | 10/12 | 10/12 |
| Division of risk (total and individual) | Total: 8 times capital Individual : 75 percent capital | 4/12 | 12/13 | 5/14 | 10/14 | 9/15 | 14/16 | 5/16 |
| Transformation ratio (stable resources to fixed assets & medium & long-term loans.) | > 75 percent | 5/12 | 11/13 | 8/14 | 10/14 | 11/15 | 13/16 | 13/16 |
| Participation in non-bank companies/effective capital | < 15 percent | 12/12 | 13/13 | 14/14 | 14/14 | 15/15 | 16/16 | 15/16 |
| Nonoperational fixed assets/effective capital | < 15 percent | 10/12 | 11/13 | 12/14 | 11/14 | 12/15 | 14/16 | 14/16 |
| Fixed assets/effective capital | < 100 percent | 12/12 | 12/13 | 14/14 | 12/14 | 13/15 | 14/16 | 12/15 |
| Credit to management /effective capital | < 20 percent | 10/12 | 7/13 | 10/14 | 8/14 | 10/15 | 13/16 | 12/16 |
| Risk-concentration ratio | < 60 percent | 0/12 | 0/13 | 0/14 | 1/14 | 0/15 | 01/16 | 1/16 |

Sources: BCEAO

Table 8. Mali: Medium-Term Outlook, 2004-10

| | 1999-2003 | 2004 | 2005 | 2006 1/ | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|
| | | | Est. | Projections | | | | |
| | (Annual percentage change) | | | | | | | |
| **Output supply and demand** | | | | | | | | |
| Real GDP | 4.7 | 2.1 | 6.1 | 5.3 | 4.1 | 4.8 | 4.8 | 5.4 |
| Primary sector | 4.6 | -4.4 | 7.0 | 4.4 | 4.3 | 6.3 | 5.0 | 5.6 |
| Secondary sector | 5.2 | 2.6 | 7.9 | 8.2 | -3.2 | 4.6 | 5.7 | 3.5 |
| Tertiary sector | 4.9 | 6.6 | 4.2 | 9.4 | 6.3 | 4.8 | 3.7 | 5.4 |
| Aggregate demand (contribution to output growth) | | | | | | | | |
| Consumption | 3.5 | 2.4 | 5.1 | -1.4 | 6.2 | 2.4 | 2.8 | 4.0 |
| Gross investment | 1.2 | 1.1 | 1.9 | 1.3 | 1.4 | 1.6 | 0.7 | 0.8 |
| *Of which* : changes in inventories | 1.0 | -2.0 | 3.2 | -1.0 | -1.2 | 0.0 | 0.0 | -0.2 |
| Net foreign balance | 0.0 | -1.3 | -0.9 | 5.4 | -3.5 | 0.8 | 1.2 | 0.6 |
| **Prices, period average** | | | | | | | | |
| GDP deflator | 3.0 | -0.7 | 2.1 | 5.1 | 2.6 | 4.2 | 2.5 | 4.7 |
| CPI inflation | 1.4 | -3.1 | 6.4 | 1.5 | 2.0 | 2.5 | 2.5 | 2.5 |
| Terms of trade | -1.3 | 1.5 | -10.7 | 15.7 | 1.1 | 6.7 | -0.5 | 6.9 |
| | (In percent of GDP; unless otherwise indicated) | | | | | | | |
| **Investment and saving** | | | | | | | | |
| Gross domestic investment | 20.8 | 21.7 | 22.3 | 22.4 | 22.9 | 23.3 | 22.9 | 22.5 |
| Government | 7.3 | 7.4 | 7.6 | 8.4 | 8.6 | 8.3 | 8.2 | 8.1 |
| Nongovernment | 13.8 | 14.3 | 14.7 | 14.0 | 14.2 | 15.0 | 14.8 | 14.4 |
| Gross national savings | 13.3 | 13.4 | 14.1 | 17.7 | 16.5 | 17.5 | 17.8 | 18.3 |
| Gross domestic saving | 13.5 | 13.5 | 13.7 | 19.4 | 16.6 | 18.1 | 19.2 | 19.5 |
| Government | 0.4 | 1.1 | 0.5 | 0.4 | 1.0 | 0.1 | 1.4 | 1.3 |
| Nongovernment | 13.1 | 12.4 | 13.2 | 19.0 | 15.6 | 18.0 | 17.8 | 18.2 |
| **Central government finance 2/** | | | | | | | | |
| Total revenue and grants | 19.3 | 21.4 | 22.0 | 57.4 | 22.4 | 22.1 | 21.7 | 21.2 |
| Total revenue | 15.0 | 17.4 | 17.9 | 17.7 | 17.1 | 17.8 | 18.1 | 17.7 |
| Fiscal revenue | 12.7 | 15.1 | 15.8 | 15.3 | 14.9 | 15.7 | 15.8 | 15.5 |
| Non-tax revenue and special accounts | 2.3 | 2.3 | 2.1 | 2.4 | 2.3 | 2.1 | 2.3 | 2.2 |
| Grants 3/ | 4.3 | 4.0 | 4.1 | 39.7 | 5.3 | 4.3 | 3.6 | 3.5 |
| Total expenditure and net lending 4/ | 22.1 | 24.0 | 25.2 | 25.4 | 26.0 | 26.4 | 25.5 | 25.1 |
| *Of which* : Current expenditure | 11.9 | 13.4 | 13.3 | 13.1 | 13.5 | 13.5 | 13.3 | 13.2 |
| *Of which* : Capital expenditure | 9.1 | 9.3 | 9.5 | 10.9 | 12.6 | 11.1 | 10.9 | 10.8 |
| Overall balance (payment order basis, excl. grants) | -7.1 | -6.6 | -7.3 | -7.7 | -8.9 | -8.6 | -7.4 | -7.4 |
| **External sector** | | | | | | | | |
| Current external balance, including official transfers | -7.5 | -8.3 | -8.2 | -4.7 | -6.4 | -5.8 | -5.1 | -4.2 |
| Current external balance, excluding official transfers | -9.4 | -10.3 | -10.4 | -6.7 | -8.1 | -7.0 | -5.6 | -4.7 |
| Exports of goods and nonfactor services | 26.9 | 24.6 | 25.6 | 30.6 | 26.7 | 26.1 | 26.1 | 25.1 |
| Imports of goods and nonfactor services | 34.4 | 32.9 | 34.2 | 33.6 | 32.9 | 31.3 | 29.9 | 28.1 |
| Debt service ratio after debt relief | 8.5 | 6.4 | 7.4 | 3.7 | 3.4 | 3.4 | 3.6 | 3.5 |
| Gross international reserves | | | | | | | | |
| (In millions of US$) | 455 | 861 | 942 | 1,182 | 1,267 | 1,351 | 1,424 | 1,482 |
| (In months of next year's imports) | 4.9 | 6.4 | 6.1 | 6.1 | 6.3 | 6.6 | 6.8 | 7.1 |
| External public debt | 86.2 | 48.8 | 47.9 | 20.0 | 22.6 | 24.4 | 26.5 | 27.9 |

Source: Malian authorities; and staff estimates and projections

1/ Includes MDRI from IMF and IDA.

2/ Fiscal numbers for 2007 are program figures.

3/ Excludes general budgetary grants from 2007 onwards.

4/ Data on a payment order basis.

Table 9. Mali: Compliance with WAEMU Convergence Criteria, 2004-07
(Ratios in percent, unless otherwise indicated)

| | Ratio | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|
| | | | | Est. | Proj.[1] |
| **Primary criteria** | | | | | |
| Basic fiscal balance / GDP | >=0 | 0.4 | -0.2 | 0.3 | -0.7 |
| Inflation (annual average percentage change) | <=3 | -3.1 | 6.4 | 1.5 | 2.0 |
| Total nominal debt / GDP | <=70 | 48.8 | 47.9 | 20.0 | 22.6 |
| Domestic arrears accumulation (in billions of CFA francs) | <=0 | 0.0 | 0.0 | 0.0 | 0.0 |
| External arrears accumulation (in billions of CFA francs) | <=0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Secondary criteria** | | | | | |
| Wages / fiscal revenue | <=35 | 30.9 | 30.9 | 30.9 | 31.4 |
| Domestically financed investment / fiscal revenue | >=20 | 22.7 | 22.0 | 17.3 | 29.9 |
| Current account deficit, excl. current official transfers / GDP | <=5 | 10.3 | 10.4 | 6.7 | 8.1 |
| Fiscal revenue / GDP | >=17 | 15.1 | 15.8 | 15.3 | 14.9 |

Sources: Malian authorities; and staff estimates and projections.

[1] Fiscal data for 2007 are program figures.

Table 10. Mali: Millennium Development Goals, 1990-04 [1]

| | 1990 | 1995 | 1998 | 2001 | 2004 |
|---|---|---|---|---|---|
| **Goal 1: Eradicate extreme poverty and hunger** | **2015 target=halve 1990 $1 a day poverty and malnutrition rates** | | | | |
| Income share held by lowest 20% | .. | *5* | .. | .. | .. |
| Malnutrition prevalence, weight for age (% of children under 5) | .. | *27* | .. | 33 | .. |
| Poverty gap at $1 a day (PPP) (%) | .. | *37* | .. | .. | .. |
| Poverty headcount ratio at $1 a day (PPP) (% of population) | .. | *72* | .. | .. | .. |
| Poverty headcount ratio at national poverty line (% of population) | .. | .. | 64 | .. | .. |
| Prevalence of undernourishment (% of population) | .. | .. | *32* | .. | *28* |
| **Goal 2: Achieve universal primary education** | **2015 target = net enrollment to 100** | | | | |
| Literacy rate, youth total (% of people ages 15-24) | .. | .. | .. | .. | 24 |
| Persistence to grade 5, total (% of cohort) | *70* | .. | *78* | 84 | *79* |
| Primary completion rate, total (% of relevant age group) | 10.5 | 13 | *21.3* | 32.3 | 44 |
| School enrollment, primary (% net) | *21* | .. | *40* | *47* | 46 |
| **Goal 3: Promote gender equality and empower women** | **2015 target = education ratio to 100** | | | | |
| Proportion of seats held by women in national parliament (%) | .. | .. | 12 | 12 | 10 |
| Ratio of girls to boys in primary and secondary education (%) | *58.9* | .. | *68.3* | *71.3* | 74.4 |
| Ratio of young literate females to males (% ages 15-24) | .. | .. | .. | .. | 52.3 |
| Share of women employed in the nonagricultural sector (% of total nonagricultural employment) | 36 | .. | .. | .. | .. |
| **Goal 4: Reduce child mortality** | **2015 target = reduce 1990 under 5 mortality by two-thirds** | | | | |
| Immunization, measles (% of children ages 12-23 months) | 43 | 52 | 54 | 61 | 75 |
| Mortality rate, infant (per 1,000 live births) | 140 | 131 | .. | *124* | 121 |
| Mortality rate, under-5 (per 1,000) | 250 | 233 | .. | *224* | 219 |
| **Goal 5: Improve maternal health** | **2015 target = reduce 1990 maternal mortality by three-fourths** | | | | |
| Births attended by skilled health staff (% of total) | .. | *23.7* | .. | 40.6 | .. |
| Maternal mortality ratio (modeled estimate, per 100,000 live births) | .. | .. | .. | *1200* | .. |
| **Goal 6: Combat HIV/AIDS, malaria, and other diseases** | **2015 target = halt, and begin to reverse, AIDS and other major diseases** | | | | |
| Children orphaned by HIV/AIDS | .. | .. | .. | 59000 | *75000* |
| Contraceptive prevalence (% of women ages 15-49) | .. | *7* | .. | 8 | .. |
| Incidence of tuberculosis (per 100,000 people) | 303.6 | .. | .. | .. | 281.3 |
| Prevalence of HIV, female (% ages 15-24) | .. | .. | .. | 2 | .. |
| Prevalence of HIV, total (% of population ages 15-49) | .. | .. | .. | 2 | *2* |
| Tuberculosis cases detected under DOTS (%) | .. | 14 | 17.5 | *17.7* | 18.8 |
| **Goal 7: Ensure environmental sustainability** | **2015 target = various** | | | | |
| CO2 emissions (metric tons per capita) | 0 | 0 | 0 | 0 | .. |
| Forest area (% of land area) | 12 | .. | .. | *11* | *10* |
| GDP per unit of energy use (constant 2000 PPP $ per kg of oil equiva | .. | .. | .. | .. | .. |
| Improved sanitation facilities (% of population with access) | 36 | .. | .. | *45* | .. |
| Improved water source (% of population with access) | 34 | .. | .. | *48* | .. |
| Nationally protected areas (% of total land area) | .. | .. | .. | .. | 3.7 |
| **Goal 8: Develop a global partnership for development** | **2015 target = various** | | | | |
| Aid per capita (current US$) | 54.2 | 53.3 | 31.6 | 29.5 | 43.2 |
| Debt service (PPG and IMF only, % of exports of G&S, excluding workers' remittances) | 15 | 16 | 11 | 9 | 6 |
| Fixed line and mobile phone subscribers (per 1,000 people) | 1.3 | 1.7 | 2.9 | 8 | 36.2 |
| Internet users (per 1,000 people) | 0 | *0* | 0.2 | 1.7 | 3.8 |
| Personal computers (per 1,000 people) | .. | 0.3 | 0.8 | 1.2 | 3.2 |
| Total debt service (% of exports of goods, services and income) | 12 | 13 | 11 | 8 | *6* |
| **Other** | | | | | |
| Fertility rate, total (births per woman) | 7.4 | 7.3 | *7.2* | *6.9* | 6.8 |
| GNI per capita, Atlas method (current US$) | 260 | 230 | 240 | 220 | 330 |
| GNI, Atlas method (current US$) (billions) | 2.3 | 2.4 | 2.6 | 2.6 | 4.3 |
| Gross capital formation (% of GDP) | 23 | 22.9 | 20.9 | 31 | 19.7 |
| Life expectancy at birth, total (years) | 46 | 47.1 | *47.4* | *47.7* | 48.3 |
| Literacy rate, adult total (% of people ages 15 and above) | .. | .. | .. | .. | 19 |
| Population, total (millions) | 8.9 | 10.1 | 11 | 12 | 13.1 |
| Trade (% of GDP) | 50.9 | 57.3 | 60 | 83.6 | 64.3 |

Source: World Bank (http://ddp-ext.worldbank.org/ext/ddpreports).

[1] Figures in italics refer to periods other than those specified.

**Attachment I**

Bamako, October 16, 2007

Mr. Rodrigo de Rato
Managing Director
International Monetary Fund
Washington, D.C. 20431
USA

Dear Sir:

1. I am pleased to inform you that the Malian government has completed the last phase of its program under the Poverty Reduction and Growth Facility (PRGF). On the basis of recent performance, the government would like to request a waiver concerning the delay in implementing the two structural performance criteria that had not been met at end-April 2007, and non observance of performance criteria on the concessionality of external financing. In doing so, it requests the completion of the sixth and final review under the PRGF arrangement, as well as the disbursement of the final tranche of the program.

2. The performance criteria and quantitative benchmarks set for end of December 2006, end-March and end-June 2007 have been met, very often considerably ahead of time. Faced with a situation where there was a pressing need to enhance electricity generation capacity, the government in July obtained financing from the Islamic Development Bank under conditions that do not comply with a program criterion (annex 1). In addition, two structural performance criteria could not be met within the deadline (annex 2). These related to submitting draft bills on the reform of the Caisse des Retraites du Mali (CRM) and on strengthening the legal powers of the Banque de l'Habitat du Mali (BHM) to enable it recover nonperforming loans, to the National Assembly during its April session. The draft bill for BHM was submitted to the National Assembly in September. Following the completion of consultations with the social partners in early-October, the bill for CRM will be submitted by November. Due to delays in discussions with the consultant in charge of the dossier, the call for bids for the sale of government shares in the Banque Internationale du Mali (BIM—structural benchmark) could not be published before the end of June. All other criteria and benchmarks in the sixth review have been observed.

3. In order to complete the implementation of the components of the structural reform program that was initiated in 2004, the government will have submitted the two draft bills mentioned above to the National Assembly for consideration by November. The call for bids for the sale of government shares in BIM will go out by February 2008. Furthermore, the government will be accelerating the preparation of the tariff studies, which will be completed by end-December 2007. Subsequently, it will prepare a plan of action aimed at ensuring the financial viability of Electricité du Mali (EdM).

4. The economic outlook for Mali remains positive and we intend to take advantage of the good economic situation to consolidate macroeconomic management and enhance structural reforms. The cornerstone of our economic and social development strategy remains the focus on creating the enabling conditions for sustainable acceleration of growth, mainly through the development of the private sector. This orientation, which is enshrined in the second generation Poverty Reduction and Growth Strategy Paper (PRGSP, 2007–11), is the best means to ensure sustained poverty reduction and progress toward attaining the Millennium Development Goals (MDGs). This strategy seeks to improve the business environment, to strengthen public infrastructure, in particular in the areas of energy and transport, and to reform government with a view to refocusing on its core functions and the provision of quality public services. In order to facilitate the achievement of the objectives of the PRGSP, the government wishes to continue to enjoy the support of its technical and financial partners with whom we shall continue to apply the principles of the Paris Declaration on Aid Effectiveness. The government also intends to lay the foundation for a new PRGF agreement starting in 2008.

5. We estimate that GDP growth will be slightly below the trend rate, at roughly 4½ percent, as a result of the fall in cotton and gold production. Macroeconomic indicators nevertheless remain favorable. Inflation is below 2 percent and foreign assets have increased in light of high gold prices. According to our projections, the trade balance is expected to deteriorate slightly while foreign exchange reserves are sufficient to cover about six months of imports. With MDRI, Mali's external debt had been brought down to about 20 percent of GDP at the end of 2006. In order to prolong debt sustainability, the government restates its commitment to selecting high quality projects, and only resorting to external financing of a concessional nature.

6. Budget implementation in 2007 has recorded a shortfall in customs revenue, following discretionary exemptions accorded for various goods. In order to reverse this trend, a series of measures were implemented in September. They include (a) the reduction of exemptions that do not have a specific legal basis; (b) progressively taking into account the actual values of petroleum products for customs collections, and (c) introducing scanners to fight against customs fraud. In addition, a number of mechanisms will shortly be put in place to strengthen the control of legal exemptions awarded to mining companies, some companies under the investment code, and EdM. Once these measures are taken into account, the budgetary revenue gap at the end of 2007 could be about CFAF 5 billion (0.2 percent of GDP). To ensure we meet key fiscal targets for the end of 2007, we plan, if necessary, to compensate for this shortfall entirely with expenditure savings, although we will ensure that poverty reduction spending is preserved.

7. The government attaches great importance to maintaining sound macroeconomic management and strengthening debt management. To this end, the draft 2008 budget law provides for the continuation of a prudent budgetary policy, in line with the policy that has been implemented during the current program supported by the PRGF. The budget deficit will be financed by grants and concessional external loans, in order to limit the use of

domestic financing to a small amount. The reform of the CRM is integrated into the 2008 budget. In the unexpected event that CRM reform is not enacted in time for the 2008 budget, we commit to fully offsetting the financial impact by realizing savings of just over 0.1 percent of GDP in nonpriority spending. We will ensure the full financing of the budget, working in consultation with IMF staff.

8. Efforts to increase government revenue will continue. In particular, the 2008 budget law forecasts are based on the continuation of close monitoring of tax and customs exemptions. Furthermore, in addition to maintaining existing measures, other measures will be implemented in order to improve the performance of revenue agencies, thus extending assessment and increasing the yield of various taxes and duties. The level of taxes and duties on petroleum products will be preserved, and we are examining the possibility of a uniform rate for the excise tax (TIPP) on all import corridors, in line with the WAEMU directive and the rules of international trade.

9. Improving the quality of public spending remains a high priority. In consultation with our external partners, a number of activities arising from the conclusions of the Public Expenditure and Financial Accountability (PEFA) analysis have been integrated in the program of action for governmental improvement and modernization of public finances (PAGAM-GFP). In the medium term, we intend to continue increasing the resources allocated to poverty reduction and to reorient the expenditure components, taking advantage, among other things, of the savings made on debt service as a result of the MDRI. There will be no accumulation of arrears of external or domestic payments (according to WAEMU rules), and no new nonconcessional external loans will be contracted or guaranteed by the state.

10. The government is equally determined to go ahead with structural reforms, in particular in priority areas such as privatization, the banking sector, the pension system, and the cotton sector. Once the law authorizing the reform of the CRM has been adopted, the government will publish rapidly an order implementing the selected parametric reforms, in consultation with its social partners, in order to gradually reduce the fund’s deficit and its cost to the state. The government also intends to adopt draft texts governing the reform of the public pension system of non–civil service workers (INPS). In addition, and with the help of our partners, we plan to draft a strategy to improve labor productivity in the public sector, including by increasing incentives to enhance performance and deconcentrate public services.

11. In collaboration with IMF and World Bank staffs, we have drafted an overall strategy for strengthening and developing the financial sector. This strategy will be revised in the light of the regional Financial Sector Assessment Program to take place in October 2007. Following the call for bids, the privatization process for the Banque Internationale du Mali will be completed in 2008 and a similar process will be initiated for BHM. Privatization of the cotton company, CMDT, also scheduled for 2008, is expected to go ahead, in line with the approved timetable and operational outline, even though the company's recurrent

difficulties continue to weigh on the private sector and make direct financial support of the government indispensable. We shall also continue with the restructuring of EdM, ensure its long-term financial viability, and create a regulatory environment in 2008 that will promote a successful reprivatization. In particular, we will take into consideration the results of the tariff study under way. Finally, privatization of the Société de Télécommunications du Mali (SOTELMA) is expected to be completed during 2008.

12. The government considers that the measures and policies of the economic and financial program should make it possible to attain our objectives. Nevertheless, we remain ready to adopt additional measures that might become necessary to this end, and will consult with Fund staff concerning the adoption of these measures, in line with Fund practice in such matters.

13. The government authorizes you to publish the present letter of intent on the sixth review, as well as the staff reports on the fifth and sixth reviews under the PRGF arrangement as well as the Joint Staff Advisory Note.

Very truly yours,

/s/

Abou-Bakar Traoré
Minister of Economy and Finance

Attachment 1. Annex 1. Mali: Quantitative Performance Criteria and Indicative Targets for March-December 2006 [1]

| | 2006 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | March | | June | | September | | December | |
| | Performance Criteria | Actual | Indicative Targets | Actual | Performance Criteria | Actual | Indicative targets | Actual |
| | (billions of CFA francs) | | | | | | | |
| Quantitative performance criteria and indicative targets | | | | | | | | |
| Net domestic financing of the government, program ceiling | -23.0 | n/a | -81.9 | n/a | -96.5 | n/a | -90.9 | n/a |
| Net domestic financing, adjusted ceiling and actual | -9.5 | -65.4 | -80.7 | -86.8 | -88.4 | -95.5 | -93.4 | -111.9 |
| Cumulative change in government external payments arrears [2, 3] | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Domestic | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| External | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| New external borrowing at terms of one year or more contracted or guaranteed by the government on nonconcessional terms [2, 3] | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| New short-term external debt (less than one year) contracted or guaranteed by the government [3] | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial performance indicators | | | | | | | | |
| Cumulative tax revenue [4] | 109.3 | 92.8 | 218.7 | 208.0 | 350.0 | 320.3 | 469.9 | 478.6 |
| Cumulative wage bill [2] | 29.8 | 33.4 | 74.5 | 68.1 | 111.8 | 105.0 | 149.0 | 147.9 |
| Basic fiscal balance [4] | 36.0 | 6.3 | 19.2 | 23.9 | 24.9 | 21.3 | -7.9 | 8.8 |
| Memorandum items: | | | | | | | | |
| External budgetary assistance during the year [5] | 18.4 | 2.1 | 43.1 | 41.9 | 63.4 | 55.4 | 81.7 | 84.1 |
| HIPC Initiative debt relief | 4.9 | 5.9 | 8.8 | 13.2 | 12.2 | 17.8 | 12.4 | 22.2 |
| Expenditure financed with HIPC Initiative resources | 7.2 | 5.2 | 8.8 | 12.4 | 12.2 | 17.8 | 12.4 | 22.2 |
| Balance of HIPC Initiative resources | -2.3 | 0.6 | .. | .. | .. | .. | .. | .. |

[1] All numbers are cumulative from January 2006. Program includes impact of MDRI from Q2 2006.
For definitions and explanations, see Technical Memorandum of Understanding.

[2] Maximum.

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

[4] Minimum.

[5] Excluding use of Fund resources and HIPC resources.

Attachment 1. Annex 1. Mali: Quantitative Performance Criteria and Indicative Targets for March-December 2007 (concluded) [1]

| | 2007 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | March | | June | | September | | December | |
| | Performance Criteria | Actual | Indicative Targets | Actual | Indicative Targets | Actual | Indicative targets | Actual |
| | (billions of CFA francs) | | | | | | | |
| Quantitative performance criteria and indicative targets | | | | | | | | |
| Net domestic financing of the government, program ceiling | 25.4 | n/a | 8.1 | n/a | 0.7 | n/a | -11.0 | n/a |
| Net domestic financing, adjusted ceiling and actual | 29.2 | -9.0 | 33.1 | -26.2 | .. | .. | .. | .. |
| Cumulative change in government external payments arrears [2, 3] | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | .. | 0.0 | .. |
| Domestic | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | .. | 0.0 | .. |
| External | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | .. | 0.0 | .. |
| New external borrowing at terms of one year or more contracted or guaranteed by the government on nonconcessional terms [2, 3] | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 33.1* | 0.0 | .. |
| New short-term external debt (less than one year) contracted or guaranteed by the government [3] | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | .. | 0.0 | .. |
| Financial performance indicators | | | | | | | | |
| Cumulative tax revenue [4] | 101.9 | 118.4 | 229.4 | 242.6 | 356.8 | .. | 509.7 | .. |
| Cumulative wage bill [2] | 40.1 | 39.1 | 80.2 | 79.6 | 120.2 | .. | 160.3 | .. |
| Basic fiscal balance [4] | -21.5 | 16.6 | -28.5 | -0.4 | -33.1 | .. | -25.7 | .. |
| Memorandum items: | | | | | | | | |
| External budgetary assistance during the year [5] | 3.8 | 0.0 | 38.9 | 7.4 | 55.7 | .. | 65.7 | .. |
| HIPC Initiative debt relief | 2.6 | 2.5 | 5.3 | 7.5 | 7.9 | .. | 10.5 | .. |
| Expenditure financed with HIPC Initiative resources | 2.6 | 2.5 | 5.3 | 7.5 | 7.9 | .. | 10.5 | .. |

[1] All numbers are cumulative from January 2007. For definitions and explanations, see Technical Memorandum of Understanding.

[2] Maximum.

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

[4] Minimum.

[5] Excluding use of Fund resources and HIPC resources.

* Contract signed with the Islamic Development Bank in July 2007 for the procurement of equipment for EdM. The financing comprises a loan of CFAF 4.4 billion and a lease for CFAF 28.7 billion. The weighted average level of concessionality is calculated at 8.5 percent.

Attachment I: Annex II. Mali: Structural Measures, October 2006–June 2007

| Measures | Date | Status |
|---|---|---|
| **Structural Performance Criteria** | | |
| 1. Submission to the National Assembly of a draft law authorizing the parametric reforms designed to gradually reduce the CRM's pension deficit over the medium term | End-Apr. 2007 | Not met. Authorities intend to submit by November 2007, draft law under consideration to incorporate required discussions with the unions concluded in early-October. |
| 2. Submission to the National Assembly of a draft law to strengthen BHM's legal authority to recover its debts in accordance with ¶20 of the LoI | End-Apr. 2007 | Met in September |
| **Structural Benchmarks** | | |
| 1. Interconnect revenue agencies, in particular, the customs and tax departments | End-Dec. 2006 | Met |
| 2. Launch of a one-stop shop for new investors | End-Dec. 2006 | Met |
| 3. Maintain constant hydrocarbon excise tax (TIPP) rates in 2007 | Ongoing | Met |
| 4. Ensure that the BHM maintains a minimum liquidity ratio of 25 percent | Ongoing | Met |
| 5. Publish the consultant contract for the privatization of CMDT | End-Mar. 2007 | Met |
| 6. Select the consultant to conduct the tariff study for EdM | End-Mar 2007 | Met |
| 7. Complete the project integrating the spending chain and implementing a joint database (Budget Directorate- Financial Control-Treasury Directorate) | End-Mar. 2007 | Met |
| 8. Recruit a privatization consultant for the sale of SOTELMA | End-Mar. 2007 | Met |
| 9. Publish the final call for bids related to the sale of the government's shares in BIM | End-June 2007 | Not Met |

INTERNATIONAL MONETARY FUND

MALI

**Sixth Review Under the Three-Year Arrangement**
**Under the Poverty Reduction and Growth Facility,**
**Request for Waivers for Nonobservance of Performance Criteria, and —**
**Request for Extension of Commitment Period—Informational Annex**

Prepared by the African Department
(In consultation with other departments)

Approved by Robert Corker and Mark Plant

October 16, 2007

Contents Page

**Appendix I. Mali: Relations with the Fund**
(As of August 31, 2007)

| | | |
|---|---|---|
| I. Membership Status: Joined September 27, 1963 | | Article VIII |
| II. General Resources Account: | SDR Millions | %Quota |
| Quota | 93.30 | 100.00 |
| Fund holdings of currency | 83.79 | 89.81 |
| Reserve position | 9.52 | 10.21 |
| Holdings Exchange Rate | | |
| III. SDR Department: | SDR Millions | %Allocation |
| Net cumulative allocation | 15.91 | 100.00 |
| Holdings | 0.09 | 0.54 |
| IV. Outstanding Purchases and Loans: | SDR Millions | %Quota |
| PRGF arrangements | 6.66 | 7.14 |

V. Latest Financial Arrangements:

| Type | Approval Date | Expiration Date | Amount Approved (SDR Millions) | Amount Drawn (SDR Millions) |
|---|---|---|---|---|
| PRGF | Jun 23, 2004 | Oct. 31, 2007 | 9.33 | 7.99 |
| PRGF | Aug 06, 1999 | Aug 05, 2003 | 51.32 | 51.32 |
| PRGF | Apr 10, 1996 | Aug 05, 1999 | 62.01 | 62.01 |

VI. Projected Payments to Fund
(SDR millions; based on existing use of resources and present holdings of SDRs):

| | Forthcoming | | | | |
|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 |
| Principal | | | | 0.13 | 0.53 |
| Charges/interest | 0.18 | 0.67 | 0.67 | 0.67 | 0.67 |
| **Total** | 0.18 | 0.67 | 0.67 | 0.81 | 1.20 |

VII. Implementation of HIPC Initiative:

| I. Commitment of HIPC assistance | Original Framework | Enhanced Framework | Total |
|---|---|---|---|
| Decision point date | Sep 1998 | Sep 2000 | |
| Assistance committed | | | |

| | | | |
|---|---|---|---|
| by all creditors (US$ millions) [1] | 121.00 | 417.00 | |
| *Of which*: IMF assistance (US$ millions) | 14.00 | 45.21 | |
| (SDR equivalent in millions) | 10.80 | 34.74 | |
| Completion point date | Sep 2000 | Mar 2003 | |
| | | | |
| II. Disbursement of IMF assistance (SDR millions) | | | |
| Assistance disbursed to the member | 10.80 | 34.74 | 45.54 |
| Interim assistance | -- | 9.08 | 9.08 |
| Completion point balance | 10.80 | 25.66 | 36.46 |
| Additional disbursement of interest income [2] | -- | 3.73 | 3.73 |
| Total disbursements | 10.80 | 38.47 | 49.27 |

[1] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.
[2] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

VIII. Implementation of Multilateral Debt Relief Initiative (MDRI):

| | | |
|---|---|---|
| I. | Total Debt Relief (SDR million)[1] | 75.07 |
| | *Of Which*: MDRI | 62.44 |
| | HIPC | 12.63 |

II. Debt Relief by Facility (SDR million)

| | Eligible Debt | | |
|---|---|---|---|
| Delivery Date | GRA | PRGF | Total |
| January 2006 | N/A | 75.07 | 75.07 |

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

Decision point—point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decide on the amount of assistance to be committed.

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

IX. Mali: Schedule of Disbursements Under the PRGF Arrangement, 2004–07

| Amount | Available date | Disbursement date | Conditions necessary for disbursement [1] |
|---|---|---|---|
| SDR 1.330 million | June 23, 2004 | June 30, 2004 | Executive Board approval of the three-year PRGF arrangement |
| SDR 1.330 million | October 15, 2004 | March 22, 2005 | Observance of the performance criteria for September 30, 2004, and completion of the first review under the arrangement |
| SDR 1.330 million | April 15, 2005 | January 13, 2006 | Observance of the performance criteria for March 31, 2005, and completion of the second review under the arrangement |
| SDR 1.333 million | October 15, 2005 | January 13, 2006 | Observance of the performance criteria for September 30, 2005, and completion of the third review under the arrangement |
| SDR 1.333 million | April 15, 2006 | August 1, 2006 | Observance of the performance criteria for March 31, 2006, and completion of the fourth review under the arrangement |
| SDR 1.333 million | October 15, 2006 | February 26, 2007 | Observance of the performance criteria for September 30, 2006, and completion of the fifth review under the arrangement |
| SDR 1.341 million | April 15, 2007 | | Observance of the performance criteria for March 31, 2007, and completion of the sixth review under the arrangement |

Source: International Monetary Fund.

[1] In addition to the generally applicable conditions under the Poverty Reduction and Growth Facility arrangement.

X. Work Program, 2006–07

| | |
|---|---|
| 6th Review Executive Board | October 2007 |
| 2007 Article IV Consultation and Negotiations for a New PRGF Mission | January 2008 |
| Executive Board Meeting for the 2007 Article IV Consultation and a New PRGF | March 2008 |

XI. Safeguards Assessments:

The Central Bank of West African States (BCEAO) is the common central bank of the countries of the West African Economic and Monetary Union. A new safeguards assessment of the BCEAO was completed on November 4, 2005. The assessment found that progress had been made in strengthening the BCEAO's safeguards framework of the bank since the last safeguards assessment in 2002.

The BCEAO now publishes a full set of audited financial statements, and improvements have been made to move financial reporting closer to International Financial Reporting Standards (IFRS). Furthermore, an internal audit charter has been put in place, mechanisms have been established to improve risk management and risk prevention, and follow-up on internal and external audit recommendations has been strengthened.

The new assessment identified a number of areas where further steps would help solidify the progress made. The main recommendations relate to improvements in the external audit process (including the adoption of a formal rotation policy), further enhancement of the transparency of the financial statements by fully adopting IFRS, and further strengthening of the effectiveness of the internal audit function.

XII. Exchange Rate Arrangements and Summary of Exchange Restrictions

Mali is a member of the West African Economic and Monetary Union (WAEMU). The exchange system, common to all members of the union, has no 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 = 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 = EUR 1.

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

Sharing a common trade policy with other members of WAEMU, Mali has shifted key trade policy-making to the subregional level. The common external tariff (CET) was adopted in January 2000. Mali complies with the union's tariff rate structure and has effectively dismantled internal tariffs. WAEMU tariff reform has reduced the simple average custom duty from 22.1 percent in 1997 to 14.6 percent in 2003 (latest available): the maximum rate is 20 percent. Imports to Mali are not subject to quantitative restrictions.

Because Mali has signed the Cotonou Convention, its exports to the European Union generally enjoy non-reciprocal preferential treatment in the form of exemption from import duties. Malian goods enjoy nonreciprocal preferential access to the markets of developed countries other than the European Union under the Generalized System of Preferences. Mali is also eligible to benefits from the United States' African Growth and Opportunity Act. At the WAEMU level, officially Mali experiences no regulatory impediments to its exports.

## XIII. Article IV Consultations

Mali's Article IV consultation cycle is governed by the provisions of the July 2002 decision on consultation cycles. The Executive Board completed the 2005 Article IV consultation (Country Report No. 06/73) on December 19, 2005.

## XIV. ROSC/AAP

Regarding the HIPC Assessment Action Plan, a May 2004 mission concluded that progress had been achieved. The number of tightly defined benchmarks observed by Mali had increased from 8 out of 15 in 2001 to 11 out of 16, and significant advances were made in the areas where the benchmarks were not yet met. The report put forward an action plan to strengthen Mali's budget management capacity, with the view to helping Mali meet all 16 indicators in the medium term. One of the priorities the mission identified in many areas was to extend beyond the procedural monitoring of compliance with the rules to emphasize effectiveness and efficiency based on a tighter focus on risk management.

## XV. Technical Assistance

| Department | Type of Assistance | Time of Delivery | *Purpose* |
|---|---|---|---|
| FAD | Staff | Jul. 2001 | *Assist in completion of the fiscal module of Report on the Observance of Standards and Codes (ROSC), and drafting an Assessment and Action Plan (AAP); and assess the capacity of the public expenditure management system to track and report on the uses of HIPC Initiative assistance and all poverty-reducing expenditures* |
| FAD | Staff | Feb.–Mar. 2002 | *Help the authorities improve the existing expenditure classifications* |
| FAD | Staff | Sept. 2002 | *Help the authorities improve the tracking of poverty-reducing expenditures and implement the WAEMU directive on budget classification* |
| STA | Expert | May 2002 | *Assess government finance statistics under the General Data Dissemination System (GDDS) West Africa project* |
| STA | Expert | Jun.–Jul. 2002 | *Provide technical assistance on government finance statistics under the GDDS West Africa project* |
| STA | Expert (AFRISTAT) | Aug. 2002 | *Assess real sector statistics through the GDDS West Africa project* |
| STA | Expert | Sept. 2002 | *Provide technical assistance on government finance statistics under the GDDS West Africa project* |
| STA | Staff and experts | Apr. 2003 | *Undertake a multisector statistics mission* |
| AFRITAC | Debt Advisor | Nov. 2003, Feb. 2004, Apr. 2005 | *Advise on external and domestic debt management and assistance in government securities issuance* |
| FAD | Staff | Jul. 2001 | *Assist in completion of the fiscal module of Report on the Observance of Standards and Codes (ROSC), and drafting an Assessment and Action Plan (AAP); and assess the capacity of the public expenditure management system to track and report on the uses of HIPC Initiative assistance and all poverty-reducing expenditures* |

| | | | |
|---|---|---|---|
| FAD | Staff | Feb.–<br>Mar. 2002 | *Help the authorities improve the existing expenditure classifications* |
| FAD | Staff | Sept. 2002 | *Help the authorities improve the tracking of poverty-reducing expenditures and implement the WAEMU directive on budget classification* |
| STA | Expert | May 2002 | *Assess government finance statistics under the General Data Dissemination System (GDDS) West Africa project* |
| STA | Expert | Jun.–<br>Jul. 2002 | *Provide technical assistance on government finance statistics under the GDDS West Africa project* |
| STA | Expert (AFRISTAT) | Aug. 2002 | *Assess real sector statistics through the GDDS West Africa project* |
| STA | Expert | Sept. 2002 | *Provide technical assistance on government finance statistics under the GDDS West Africa project* |
| STA | Staff and experts | Apr. 2003 | *Undertake a multisector statistics mission* |
| AFRITAC | Debt Advisor | Nov. 2003,<br>Feb. 2004,<br>Apr. 2005 | *Advise on external and domestic debt management and assistance in government securities issuance* |
| FAD | Staff | Jan .2004 | *Help the authorities to better mobilize revenue, especially revenue from the mining sector* |
| AFRITAC/FAD | PEM Advisor/FAD staff | Apr. 2004 | *Participate in the HIPC/AAP assessment mission* |
| AFRITAC | Multisector statistical advisor | Jun. 2005 | *GFS technical assistance.* |
| *LEG* | *Expert* | *Aug.* 2005 | *Help draft anti-money-laundering law* |
| *AFRITAC* | PEM Advisor and expert | Aug. 2005 | *Treasury accounting* |
| *AFRITAC* | IMF Advisor | Sept. 2005 | *Help CAS/SFD to improve its function, control, and inspection capacity,.* |
| *AFR/FAD* | *Staff* | February 2006 | *Staff visit on wage policy* |
| *AFRITAC* | Customs | Mar. 2006 | *Customs valuation* |

| | | | |
|---|---|---|---|
| | Advisor | | |
| *AFRITAC* | STA Advisor | Mar. 2006 | *Strengthen statistics for gold sector* |
| *AFRITAC* | STA Advisor | Mar. 2006 | *Design a strategy for developing national accounts and consumer price statistics* |
| *AFRITAC* | Expert | *Apr.* 2006 | *Fuel pricing and taxation* |
| *AFRITAC* | PEM Advisor and expert | Aug. 2006 | *Computerization of budget operations* |
| *AFRITAC* | STA Advisor | June 2006 | *Strengthening gold statistics* |
| *AFRITAC* | STA Advisor | July 2006 | *Workshop on the GFS compilation* |
| *AFRITAC* | Debt Advisor | Sep. 2006 | *External debt computerization* |
| *AFRITAC* | Statistics Advisor | March 2007 | *Gold statistics* |

## Appendix II. Mali: World Bank-IMF Relations

(January 9, 2007)[1]

### A. Partnership in Mali's development strategy

1. Mali's Growth and Poverty Reduction Strategy Framework (GPRSF) adopted by the government in December 2006, comprises programs over the 2007–11 period grouped under the following three pillars: (i) infrastructure development and strengthening of the productive sectors (including food security, rural development, small and medium-sized enterprise development, and sustainable natural resources management); (ii) strengthening the structural reform agenda (comprising public sector reforms, investment climate, financial sector, governance, and capacity of the civil society); and (iii) strengthening social sector services (including job creation, access to basic social services, and fighting HIV/AIDS).

2. The IMF and World Bank staffs maintain a collaborative relationship in supporting the government's macroeconomic and structural reforms, in line with the guidelines for enhanced Bank-Fund collaboration. This includes participation of Bank staff in the meetings with the Malian authorities on the Fund's program review missions, and IMF staff participation in Bank development policy missions as well as in Bank internal review meetings on key operations or studies. The IMF takes the lead in macroeconomic stabilization and the World Bank in social and structural areas, with close collaboration on a few structural areas that impact macroeconomic stability. The Fund's dialogue and conditionality are consistent with the structural programs agreed with the Bank, and the Bank's policy framework with Mali is consistent with the government's macroeconomic framework agreed with the Fund.

### B. World Bank Group strategy

3. The World Bank Group's strategy, outlined in the Country Assistance Strategy (CAS) discussed by the Board of Directors on July 31, 2003, emphasizes three broad themes, in line with the country's PRSP: (i) promotion of economic growth; (ii) human resources development; and (iii) public finance management and governance. The Bank also supports Mali under the Bank's Regional Integration Assistance Strategy (2001), notably the programs for connection to the West Africa Power Pool, harmonization of country policies and/or regulatory frameworks (telecommunications, agriculture, and financial sectors), water resource development of the Niger and Senegal rivers, strengthening of road transport corridors, and strengthening the regional payments system. The Bank's next CAS, put in place in 2007, aims to support implementation of Mali's GPRSF.

---

[1] This note is updated on an annual basis by World Bank staff.

4. Support to Mali during fiscal years 2004–06 amounts to about US$400 million in the base case, with about 30 percent in grants. Budget support of $25 million has been provided annually through development policy credits, subject to satisfactory macroeconomic management. From FY07 such support is being provided through Poverty Reduction Support Credits (PRSCs) underpinned by a medium-term program. The Bank's budget support operations are complemented by selected investment operations (targeting education, support to growth, and infrastructure development) and a community-driven development project.

5. The CAS also includes nonlending activities. Recently completed activities include a Macroeconomic Growth and Water Variability study; Poverty Assessment, Country Procurement Assessment Review (CPAR); a Diagnostic Trade Integrated Framework Study; urban sector review; health and education country status reports; transport and growth study; a Poverty and Social Impact Analysis of the cotton sector; and a Country Economic Memorandum providing analysis on Mali's growth performance and prospects. The Bank has also assisted with development of medium-term expenditure frameworks (MTEF) for health, education, transport, and agriculture-livestock-fisheries sectors. Planned nonlending activities during FY07 include a Public Expenditure Management and Financial Accountability Review (PEMFAR), and the Bank is lead donor for Mali's Public Expenditure and Financial Accountability (PEFA) review.

## C. IMF-World Bank collaboration

6. **Areas in which the Fund leads**. The Fund takes the lead in macroeconomic stabilization including macro-fiscal policy, monetary policy, exchange rate policy, and financial stability and risk management.

7. **Areas in which the Bank leads**. The Bank takes the lead in structural areas where both institutions have conditionality, including cotton sector reform, privatization and regulatory reform (telecommunications, banking, financial and energy sectors), pension reform, and measures to improve the investment climate. The Bank also leads in other areas such as agricultural competitiveness/diversification; rural development (irrigation, roads, support to producer organizations); private sector development (strengthening the investment climate, telecommunications sector, airport improvement, mining regulation and environment management, small-scale mining, access to business services, support to small/medium enterprises); urban development (land/housing market development, water/road infrastructure); transportation policy/infrastructure; energy sector reforms; and social sectors (health, education and social protection, including HIV/AIDS care and prevention). The Bank's work in structural areas includes analytical work and dialogue on trade and growth policies, which form part of the overall economic policy dialogue. The Bank collaborates closely with other donors in all areas of its sector dialogue with Mali. Harmonized donor support is established in some sections (health, education, *Office du Niger*, cotton) and is being established in other sectors, namely rural water supply and

sanitation. The Bank is the lead donor in the dialogue to harmonize donor budget support to Mali.

8. **Areas of shared responsibility**. Both Bank and Fund staff collaborate in assessing performance of HIPC resource use. Both also monitor progress on budgetary and public expenditure management, yet emphasize different aspects of the government's reform program in the respective support operations to Mali. The Bank's emphasis in this area is on strengthening all phases of the public expenditure system—budget preparation, execution, and controls—to support the government's objectives of progressive shifts toward result-based budgeting and improved expenditure management. Bank support is at the national level in the finance ministry (global MTEF, integrated information technology system, audit capabilities, budget reporting) and sector ministries (selected sector MTEFs, inter- and intra-sectoral allocations), as well as at deconcentrated levels of the government (IT system, capacity building). The Fund's emphasis is on fiscal management, expenditure management (including financing of transfers to parastatals), revenue-enhancing measures, and audit capabilities. Table 1 summarizes the areas of Bank-Fund collaboration in Mali.

**Table 1. Bank Fund Collaboration in Mali (ongoing or planned)**

| Area | Specialized Advice from Fund | Specialized Advice from Bank | Key Instruments |
|---|---|---|---|
| **Economic Framework/Management** | Fiscal/monetary policy, Economic statistics | Economic growth analysis | *IMF*: PRGF performance criteria and benchmarks on fiscal and monetary targets; technical assistance<br><br>*Bank* PRSC program; Analytical studies |
| **Budget Framework and Public Finance Reforms** | Overall budget envelope, Expenditure management, Enhancement of tax and non-tax revenue, Pension reform | Sector MTEFs, Integrated information system, Monitoring of budget execution, Efficiency of public expenditures (education and health sectors), Fiduciary accountability and management, Pension reform | *IMF*: PRGF performance criteria and benchmarks on overall fiscal balance and on pension system viability; technical assistance.<br><br>*Bank*: PRSC program; Financial sector development project; CPAR; PEMFAR. |
| **Agriculture and Rural Development** | | Rural development strategy, Agricultural export promotion, Irrigation, Rural roads, Community driven development, Rural water supply and sanitation<br><br>Cotton: Reform to improve management of the sector and of the cotton ginning company; and strengthen farmers' role in sector management | *IMF*: PRGF performance criteria on benchmarks on preparations on privatization<br><br>*Bank*: PRSC program; Agricultural services and producer organizations project; Agriculture diversification and competitiveness project; National rural infrastructure project (for rural roads and irrigation); Rural Community Support Project |
| **Social Sector Reforms/Poverty Monitoring** | | Reforms in education and health, HIV/AIDS program, Poverty strategy | *Bank*: Education sector expenditure program (second phase); HIV/AIDS MAP project, PRSC program |
| **Private Sector Development** | | Advice in key growth-oriented sectors (telecommunications, banking, energy, urban water, transport services and transit facilitation), Business development services (incl. to SMEs) | *IMF:* PRGF benchmarks on bank and telecom privatization processes.<br><br>*Bank*: PRSC growth component; Financial sector development project; Support to growth project; Household energy project, and advice on electricity utility; 2nd West Africa Power Pool project; Regional transit facilitation project; Regional air travel security project |
| **Infrastructure and Other Sectors** | | Strategy, policy and investment program (transport, energy, health, water) | *Bank*: Transport corridor project; Rural infrastructure project; Household energy and universal access project; 2nd transport sector project (FY07); WAPP; APL 2 Regional water project (Senegal river basin development, and Electricity generation) |

Prepared by World Bank staff. Questions may be referred to Mr. Bond (Country Director, 473-2644) or Ms. Wood (Sr. Economist, 473-5829).

INTERNATIONAL MONETARY FUND

MALI

**Joint IMF/World Bank Debt Sustainability Analysis 2007**

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

Approved by Robert Corker and Mark Plant (IMF)
and Brian Pinto and Sudhir Shetty (IDA)

October 16, 2007

1. **Mali's debt service indicators have improved markedly since the Multilateral Debt Relief Initiative (MDRI) was completed in 2006.**[1] The updated debt sustainability analysis (DSA) indicates that, in the baseline scenario, Mali's external and public debt indicators would remain below the indicative thresholds throughout the period of projections (2006-26). Only under the most extreme stress tests would the debt indicators breach—toward the end of the period—the indicative thresholds. Overall, the assessment is that, following MDRI and other favorable economic developments, Mali has improved from a moderate to a low risk of debt distress. Nevertheless, in light of large future borrowing requirements, a careful selection of investment projects and a high degree of concessionality would remain important factors for maintaining Mali's debt sustainability over the long term.

2. **The baseline scenario incorporates MDRI and reflects prudent macroeconomic projections (Box 1).** In the recent past, Mali's external environment has improved significantly on account of higher gold production, favorable weather yielding good cereal harvest, and strengthened terms of trade (due especially to higher gold prices). The medium-term outlook envisages continued macroeconomic stability and sustained economic growth, supported by continued structural reforms, highly concessional borrowing, and a moderate scaling up of aid. Exports are projected to drive growth over the medium term based on an increase in gold production spurred by the high international gold prices**.** In the long term, however, gold production is projected to taper off, and weather conditions are unlikely to be as favorable as in the period 1994-2005,[2] resulting in slightly lower growth of GDP and

[1] The debt relief provided to Mali by the IMF, World Bank (IDA), and African Development Bank (AfDB), including HIPC, amounts to about US$2.07 billion or 60 percent of Mali's total nominal external debt stock at end-2005.

[2] Due to cyclical weather patterns, rainfall levels in the long-term are assumed to remain at their average levels.

exports, and slowing the improvement in the current account deficit. The fiscal deficit (including grants), upon which net public borrowing depends, is projected to hover around 4 percent of GDP throughout the DSA period.

**Box 1. Mali: Debt Sustainability Analysis: Macroeconomic Assumptions, 2006-26**

- Real GDP is projected to grow by 5.1 percent a year on average during 2006-11 and remain around 5 percent a year thereafter, assuming lower gold production from 2012 onward and rainfall returning to its long term average level.[3]
- Consumer price inflation remains at about 2.5 percent a year.
- With grants assumed to average 5.2 percent of GDP a year during 2006-11, the fiscal deficit (including grants) increases from 3.7 percent of GDP in 2007 to 4.5 percent in 2011 and to an average of 4.4 percent a year during the period 2012-2026.
- The non-interest current account deficit averages 4.7 percent of GDP a year during 2006-11, and then decreases to 4.3 percent of GDP a year during 2012-26.
- Export value grows by about 7.6 percent a year during 2006-11 and averages 8 percent thereafter. The terms of trade and real exchange rate are projected to remain unchanged from 2011 onwards.
- Import volumes are projected to grow slightly faster than real GDP growth.
- Public sector net external borrowing averages 3-4.5 percent of GDP a year; loans are assumed to have an average maturity of 36.5 years, a grace period of 11 years, an average interest rate of 1.1 percent, and a grant element of 50 percent. It is assumed that 65 percent of the new borrowings will come from multilateral sources and the remaining 35 percent from bilateral sources.
- It is assumed that there will be no new public sector domestic medium and long term (MLT) loans. The current MLT domestic loan stock is assumed to be amortized linearly through the period 2007-2011. Net private capital inflows are assumed to average 1.1 percent of GDP a year (compared to 2.3 percent a year over the period 1995-2003).
- A uniform discount rate of 5 percent is used for the NPV calculations.

[3] In the medium term (2007-11), annual economic growth is expected to hover around 5 percent based on moderate growth in the mining sector and a pick-up in the services sector. In the long term (2012-26), at the current pace of economic reform, it is prudently assumed that the economy will grow at its historical trend rate of 5 percent per year. The Malian authorities, who commented on the DSA, expressed preference in having the government's own assumptions reflected in the DSA. In this regard, consideration of the medium-term GDP growth rate of 7 percent per annum projected in the new PRSP (2007-2011) would reduce the debt ratios even further.

3. **As a starting point, Mali's external debt ratios have improved dramatically compared to the projections made in the previous DSA[4].** In addition to MDRI, this improvement mainly reflects the respective impacts of the CFA franc appreciation against the U.S. dollar on the debt-to-GDP ratio[5], and of better-than-expected U.S. dollar-denominated exports in 2006 on the debt-service-to-exports ratio. As a result, the external-debt-to-GDP ratios declined from 48 percent in 2005 to 20 percent in 2006, while the debt-service-to-exports ratio declined from 7 percent in 2005 to 4 percent in 2006. Although Mali's external debt ratios are projected to increase steadily over time, they are projected to remain below the applicable indicative debt thresholds over the period 2006-26 in the baseline scenario (Box 2, Figure 1, and Table 1).

4. **Mali's total public debt indicators are also projected to remain below their respective indicative thresholds[6]** (Box 2, Figure 2, and Table 2). In the baseline scenario, the NPV-of-debt-to-revenue ratio is projected to increase from 79 percent in 2006 to 130 percent in 2026, remaining well below the 250 percent threshold. The debt-service-to-revenue(excl. grants) ratio is projected to stay under the 30 percent threshold, declining from 9 percent in 2006 to 6 percent in 2026. The NPV-of-public debt-to-GDP ratio has the same trend as the NPV of external debt-to-GDP ratio, since external debt is fully public debt and the domestic debt is projected to remain a very low proportion of public debt[7].

5. **Mali is assessed as having a low risk of debt distress over the period 2006-2026.** Both the standard and bound sets of sensitivity tests suggest that Mali will avoid any external and public debt distress, except towards the end of the period in the most extreme stress test[8] (Figures 1 and 2; Tables 3 and 4). In the baseline, Mali's external and public debt indicators do not breach any of the relevant thresholds over the period of projection, although in some scenarios there are significant increases in debt indicators over the long term. These

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[4] Debt Sustainability for Mali (IMF Country Report No. 06/73) and Program Document for the Mali Economic Policy and Public Finance Management Credit (IDA Report No. 34053-ML, Annex 9).

[5] After HIPC and MDRI, US dollar denominated debt represents only 13 percent of Mali's external debt stock in 2006.

[6] Based on the average of 2003-2005 World Bank Country Policy Institutional Assessment (CPIA) ratings, Mali is classified as a "medium performer", which determines the relevant debt thresholds of debt indicators.

[7] Mali's current debt strategy relies on lower cost concessional external financing, thereby reducing the stock of the government's domestic borrowing and promoting the "crowding in" of credit to the private sector.

[8] Mali's macroeconomic indicators, and therefore its capacity to repay its debt, are subject to risks from climatic and commodity price shocks. They are also dependent upon increased investment in productive sectors that could deteriorate the current account and affect external debt dynamics. Furthermore, in the last two decades, Mali has benefited from highly concessional loans, which may not necessarily continue to be available in the future. The standard and bound sets of sensitivity tests assess the effect of these risks on the debt indicators.

increases are particularly marked for the scenario "new public sector loans on less favorable terms," in which the NPV of external debt-to-exports ratios approach the thresholds in 2025[9]. Productive public investments financed by highly concessional assistance would therefore remain key to maintain Mali's debt sustainability over the long run[10].

**Box 2: Policy-Based Debt Burden Indicators**

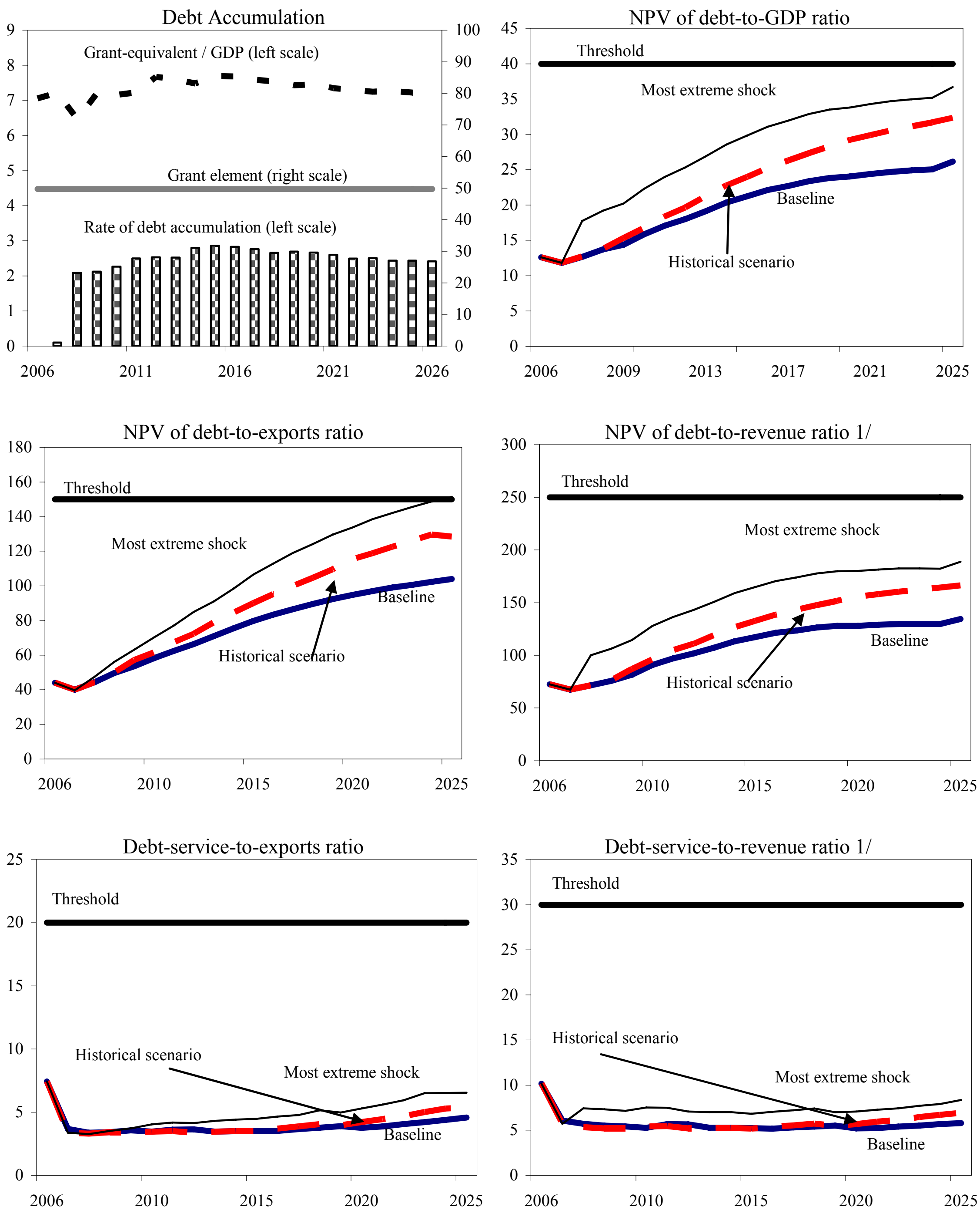
| | Thresholds 1/ | Mali: Baseline Scenario Ratios | | |
|---|---|---|---|---|
| | | 2006 | 2006-11 2/ | 2012-26 2/ |
| | | (in percent) | | |
| NPV of external debt-to-exports | 150 | 40.0 | 51.3 | 88.7 |
| NPV of external debt-to-GDP | 40 | 11.8 | 14.3 | 22.9 |
| External debt service-to-exports | 20 | 3.7 | 3.5 | 3.8 |
| NPV of public debt-to revenue 3/ | 250 | 78.9 | 81.3 | 113.7 |
| Public debt service-to revenue 3/ | 30 | 9.4 | 8.1 | 6.2 |

1/ Policy indicative thresholds for a medium policy performer.
2/ Simple averages.
3/ Excluding grants.

9 Assuming that the interest rate on all new borrowings is 2 percentage points higher than in the baseline, the average concessionality decreases from 50 percent to 24 percent.

10 Currently, Mali's external financing depends on highly concessional donor assistance, amounting to about 10½ percent of GDP, of which about half is in the form of grants. Loans have an average concessionality element of 50 percent. The baseline DSA trend projections assume a similar external financing profile. However, Mali recently contracted a non-concessional loan and lease agreement with the Islamic Development Bank for an energy project. The loan and lease agreement amounts to 1 percent of GDP with a concessionality of 8.5 percent, which has a minor impact on debt dynamics, given its limited size.

Figure 1. Mali: Indicators of Public and Publicly Guaranteed External Debt
Under Alternative Scenarios, 2006-2026 (in percent)




Source: Staff projections and simulations.

1/ Revenue excludes grants.

Figure 2.Mali: Indicators of Public Debt Under Alternative Scenarios, 2006-2026 1/


Source: Staff projections and simulations.
1/ Most extreme stress test is test that yields highest ratio in 2016.
2/ Revenue including grants.

Table 1. Mali: External Debt Sustainability Framework, Baseline Scenario, 2003-2026 1/
(In percent of GDP, unless otherwise indicated)

| | Actual | | | Historical Average 6/ | Standard Deviation 6/ | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2006-11 Average | 2016 | 2026 | 2012-26 Average |
| **External debt (nominal) 1/** | **49.3** | **48.8** | **47.9** | 74.4 | 26.5 | **20.0** | **22.6** | **24.4** | **26.5** | **27.9** | **30.7** | 25.3 | **40.2** | **49.1** | 42.4 |
| o/w public and publicly guaranteed (PPG) | 49.3 | 48.8 | 47.9 | 73.7 | 25.6 | 20.0 | 22.6 | 24.4 | 26.5 | 27.9 | 30.7 | 25.3 | 40.2 | 49.1 | 42.4 |
| Change in external debt | 0.0 | -0.5 | -0.9 | -5.3 | 11.6 | -27.9 | 2.6 | 1.8 | 2.1 | 1.3 | 2.8 | -2.9 | 1.4 | 2.2 | 1.2 |
| Identified net debt-creating flows | -0.2 | 4.0 | -0.9 | 0.7 | 8.5 | 1.8 | 3.8 | 3.2 | 2.1 | 2.4 | 2.1 | 2.6 | 1.7 | 1.1 | 1.6 |
| **Non-interest current account deficit** | **7.5** | 6.8 | 5.7 | 6.5 | 1.9 | **4.9** | **5.3** | **4.9** | **3.9** | **4.5** | **4.5** | 4.7 | **4.4** | **4.0** | 4.3 |
| Deficit in balance of goods and services | 7.4 | 9.4 | 8.4 | 11.1 | 8.8 | 6.4 | 6.8 | 6.5 | 4.8 | 4.9 | 4.9 | 5.7 | 4.4 | 3.8 | 4.2 |
| Exports | 24.6 | 24.5 | 28.6 | 25.7 | 3.2 | 29.6 | 28.7 | 27.6 | 26.8 | 27.3 | 27.3 | 27.9 | 26.5 | 25.6 | 25.9 |
| Imports | 32.0 | 33.9 | 37.0 | 36.8 | 8.2 | 35.9 | 35.5 | 34.1 | 31.6 | 32.2 | 32.2 | 33.6 | 31.0 | 29.4 | 30.1 |
| Net current transfers (negative = inflow) | -3.3 | -3.9 | -2.8 | -4.9 | 1.8 | -2.6 | -1.4 | -1.4 | -1.4 | -1.4 | -1.3 | -1.6 | -1.2 | -0.9 | -1.1 |
| o/w official | -1.8 | -2.0 | -1.3 | -2.9 | 1.7 | -1.5 | -0.4 | -0.4 | -0.4 | -0.4 | -0.4 | -0.6 | -0.4 | -0.4 | -0.4 |
| Other current account flows (negative = net inflow) | 3.5 | 1.3 | 0.1 | 0.2 | 6.2 | 1.0 | 0.0 | -0.2 | 0.5 | 0.9 | 1.0 | 0.5 | 1.1 | 1.1 | 1.2 |
| **Net FDI (negative = inflow)** | **-1.2** | **-1.1** | **-1.0** | -2.3 | 2.1 | **-1.2** | **-1.0** | **-1.0** | **-1.0** | **-1.0** | **-1.0** | -1.0 | **-1.1** | **-1.2** | -1.1 |
| **Endogenous debt dynamics 2/** | **-6.5** | **-1.8** | **-5.7** | -3.5 | 6.0 | **-1.8** | **-0.5** | **-0.8** | **-0.8** | **-1.1** | **-1.3** | -1.0 | **-1.6** | **-1.8** | -1.6 |
| Contribution from nominal interest rate | 0.7 | 0.6 | 0.2 | 0.7 | 0.2 | 0.5 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 |
| Contribution from real GDP growth | -3.1 | -1.0 | -2.6 | -3.9 | 3.8 | -2.3 | -0.7 | -1.0 | -1.1 | -1.4 | -1.6 | -1.3 | -1.9 | -2.2 | -2.0 |
| Contribution from price and exchange rate changes | -4.2 | -1.3 | -3.3 | -0.4 | 6.1 | -1.5 | ... | ... | ... | ... | ... | -1.5 | ... | ... | ... |
| **Residual (3-4) 3/** | **0.2** | **-4.5** | **0.0** | -6.0 | 7.8 | **-29.7** | **-1.2** | **-1.3** | **0.0** | **-1.1** | **0.7** | -5.4 | **-0.3** | **1.1** | -0.5 |
| o/w exceptional financing | -0.7 | -0.6 | 0.0 | -2.4 | 3.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| NPV of external debt 4/ | 26.2 | 26.9 | 12.6 | 23.8 | 7.6 | 11.8 | 12.7 | 13.7 | 14.4 | 15.9 | 17.1 | 14.3 | 22.1 | 27.2 | 22.9 |
| In percent of exports | 106.4 | 110.0 | 44.0 | 93.3 | 33.0 | 40.0 | 44.2 | 49.7 | 53.6 | 58.2 | 62.4 | 51.3 | 83.4 | 106.1 | 88.7 |
| **NPV of PPG external debt** | **26.2** | **26.9** | **12.6** | 23.8 | 7.6 | **11.8** | **12.7** | **13.7** | **14.4** | **15.9** | **17.1** | 14.3 | **22.1** | **27.2** | 22.9 |
| **In percent of exports** | **106.4** | **110.0** | **44.0** | 93.3 | 33.0 | **40.0** | **44.2** | **49.7** | **53.6** | **58.2** | **62.4** | 51.3 | **83.4** | **106.1** | 88.7 |
| **In percent of government revenues** | **150.5** | **150.4** | **72.6** | 138.1 | 45.8 | **67.5** | **71.4** | **75.8** | **81.5** | **90.9** | **97.2** | 80.7 | **121.4** | **139.0** | 122.9 |
| **Debt service-to-exports ratio (in percent)** | **5.8** | **6.4** | **7.4** | 10.4 | 5.7 | **3.7** | **3.4** | **3.4** | **3.6** | **3.5** | **3.6** | 3.5 | **3.5** | **4.7** | 3.8 |
| **PPG debt service-to-exports ratio (in percent)** | **5.8** | **6.4** | **7.4** | 9.8 | 5.6 | **3.7** | **3.4** | **3.4** | **3.6** | **3.5** | **3.6** | 3.5 | **3.5** | **4.7** | 3.8 |
| **PPG debt service-to-revenue ratio (in percent)** | **9.3** | **9.1** | **10.2** | 16.6 | 9.3 | **6.1** | **5.7** | **5.5** | **5.4** | **5.3** | **5.7** | 5.6 | **5.2** | **6.1** | 5.4 |
| Total gross financing need (billions of U.S. dollars) | 0.4 | 0.4 | 0.4 | 0.2 | 0.2 | 0.3 | 0.4 | 0.4 | 0.3 | 0.4 | 0.4 | 0.4 | 0.6 | 1.3 | 0.8 |
| Non-interest current account deficit that stabilizes debt ratio | 7.5 | 7.3 | 6.6 | 11.8 | 10.6 | 32.7 | 2.8 | 3.1 | 1.8 | 3.1 | 1.7 | 7.5 | 2.9 | 1.8 | 3.1 |
| **Key macroeconomic assumptions** | | | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 7.4 | 2.2 | 6.1 | 5.3 | 4.1 | 5.3 | 4.1 | 4.8 | 4.8 | 5.4 | 6.2 | 5.1 | 5.4 | 5.0 | 5.2 |
| GDP deflator in US dollar terms (change in percent) | 9.2 | 2.7 | 7.3 | 3.0 | 9.4 | 3.2 | 4.7 | 2.9 | 5.4 | 0.3 | 2.7 | 3.2 | 3.1 | 0.0 | 3.0 |
| Effective interest rate (percent) 5/ | 1.7 | 1.2 | 0.6 | 1.0 | 0.4 | 1.1 | 1.2 | 1.2 | 1.2 | 1.1 | 1.1 | 1.2 | 1.1 | 0.9 | 1.1 |
| Growth of exports of G&S (US dollar terms, in percent) | 5.6 | 8.3 | 32.0 | 13.5 | 13.7 | 10.9 | 6.4 | 3.9 | 8.0 | 8.2 | 8.0 | 7.6 | 8.0 | 7.0 | 7.9 |
| Growth of imports of G&S (US dollar terms, in percent) | 7.6 | 15.4 | 23.2 | 12.7 | 22.2 | 4.4 | 8.2 | 3.8 | 3.0 | 8.4 | 7.8 | 5.9 | 7.8 | 7.0 | 7.7 |
| Grant element of new public sector borrowing (in percent) | ... | ... | 49.7 | 49.7 | | 49.7 | 49.7 | 49.7 | 49.7 | 49.7 | 49.7 | 49.7 | 49.7 | 49.7 | 49.7 |
| Aid flows (in billions of US dollars) 7/ | 0.9 | 0.4 | 2.0 | 0.8 | 0.5 | 0.6 | 0.7 | 0.8 | 0.9 | 0.9 | 1.0 | 0.8 | 1.5 | 0.1 | 1.5 |
| o/w Grants | 0.2 | 0.2 | 0.3 | 0.2 | 0.1 | 0.4 | 0.3 | 0.4 | 0.4 | 0.5 | 0.5 | 0.4 | 0.8 | 1.7 | 1.1 |
| o/w Concessional loans | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.3 | 0.2 | 0.3 | 0.4 | 0.4 | 0.5 | 0.3 | 0.7 | 0.1 | 0.5 |
| Grant-equivalent financing (in percent of GDP) 8/ | ... | ... | 3.1 | 3.1 | | 7.2 | 6.5 | 7.2 | 7.1 | 7.2 | 7.7 | 7.2 | 7.6 | 7.4 | 7.4 |
| Grant-equivalent financing (in percent of external financing) 8/ | ... | ... | 61.3 | 61.3 | | 79.8 | 74.9 | 77.1 | 77.4 | 76.9 | 76.0 | 77.0 | 76.4 | 77.5 | 77.3 |
| *Memorandum items:* | | | | | | | | | | | | | | | |
| Nominal GDP (billions of US dollars) | 4.9 | 5.4 | 6.1 | 3.9 | 1.2 | 6.5 | 7.2 | 7.7 | 8.6 | 9.1 | 9.9 | 7.8 | 14.9 | 33.0 | 19.7 |
| (NPVt-NPVt-1)/GDPt-1 (in percent) | | | | | | 0.1 | 2.1 | 2.1 | 2.3 | 2.5 | 2.5 | 1.8 | 2.8 | 2.4 | 2.6 |

Source: Staff simulations.

1/ Includes both public and private sector external debt.

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

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. Projections also includes contribution from price and exchange rate changes. The large residual in 2006 is due to MDRI.

4/ Assumes that NPV of private sector debt is equivalent to its face value.

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

6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

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

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

Table 2.Mali: Public Sector Debt Sustainability Framework, Baseline Scenario, 2003-2026
(In percent of GDP, unless otherwise indicated)

| | Actual | | | | | Projections | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2003 | 2004 | 2005 | Historical Average 5/ | Standard Deviation 5/ | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2006-11 Average | 2016 | 2026 | 2012-26 Average |
| **Public sector debt 1/** | 47.2 | 45.3 | 51.3 | 80.9 | 27.9 | 21.4 | 23.6 | 25.3 | 27.3 | 28.5 | 31.3 | 26.2 | 40.7 | 49.6 | 42.9 |
| o/w foreign-currency denominated | 44.1 | 43.5 | 49.3 | 78.9 | 28.7 | 20.0 | 22.6 | 24.4 | 26.5 | 27.9 | 30.7 | 25.3 | 40.2 | 49.1 | 42.4 |
| Change in public sector debt | -5.6 | -1.9 | 6.0 | 5.1 | 37.7 | -29.9 | 2.3 | 1.7 | 2.0 | 1.2 | 2.7 | -3.3 | 1.4 | 2.2 | 1.2 |
| Identified debt-creating flows | -11.2 | -2.6 | 5.5 | -5.5 | 16.4 | -29.4 | 1.5 | 1.2 | 1.6 | 0.8 | 2.6 | -3.6 | 1.1 | 2.1 | 1.0 |
| Primary deficit | 0.6 | 1.7 | 2.6 | 1.7 | 1.0 | 2.7 | 3.3 | 3.3 | 3.3 | 3.4 | 4.0 | 3.3 | 3.9 | 3.9 | 3.9 |
| Revenue and grants | 20.9 | 20.2 | 22.0 | 19.7 | 1.2 | 22.9 | 23.0 | 22.9 | 23.2 | 22.8 | 22.6 | 22.9 | 23.5 | 24.8 | 23.9 |
| *of which* : grants | 4.5 | 3.7 | 4.1 | 4.6 | 0.9 | 5.2 | 5.4 | 5.1 | 5.1 | 5.1 | 5.1 | 5.2 | 5.3 | 5.3 | 5.3 |
| Primary (noninterest) expenditure | 21.5 | 21.9 | 24.6 | 21.4 | 1.4 | 25.6 | 26.2 | 26.2 | 26.5 | 26.2 | 26.6 | 26.2 | 27.4 | 28.7 | 27.8 |
| Automatic debt dynamics | -11.7 | -4.3 | 3.3 | -4.5 | 11.4 | -6.6 | -1.0 | -1.7 | -1.3 | -2.2 | -1.3 | -2.4 | -2.9 | -1.8 | -2.9 |
| Contribution from interest rate/growth differential | -3.9 | -1.6 | -3.2 | -5.1 | 4.4 | -3.1 | -0.8 | -1.1 | -1.1 | -1.4 | -1.7 | -1.6 | -2.3 | -2.6 | -2.4 |
| *of which* : contribution from average real interest rate | -0.4 | -0.6 | -0.6 | -0.8 | 0.5 | -0.5 | 0.0 | -0.1 | 0.0 | 0.0 | -0.1 | -0.1 | -0.3 | -0.4 | -0.3 |
| *of which* : contribution from real GDP growth | -3.5 | -1.1 | -2.6 | -3.5 | 4.1 | -2.6 | -0.8 | -1.1 | -1.2 | -1.4 | -1.7 | -1.4 | -2.0 | -2.3 | -2.1 |
| Contribution from real exchange rate depreciation | -7.8 | -2.6 | 6.5 | 1.2 | 10.0 | -3.6 | -0.2 | -0.6 | -0.2 | -0.8 | 0.4 | -0.8 | -0.6 | 0.9 | -0.5 |
| Other identified debt-creating flows | 0.0 | 0.0 | -0.3 | -2.6 | 7.5 | -25.5 | -0.7 | -0.4 | -0.4 | -0.4 | -0.1 | -4.6 | 0.0 | 0.0 | 0.0 |
| Privatization receipts (negative) | 0.0 | 0.0 | -0.3 | -0.4 | 0.5 | 0.0 | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Recognition of implicit or contingent liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt relief (HIPC and other) | 0.0 | 0.0 | 0.0 | -2.3 | 7.2 | -25.5 | -0.5 | -0.4 | -0.4 | -0.4 | -0.1 | -4.6 | 0.0 | 0.0 | 0.0 |
| Other (specify, e.g. bank recapitalization) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Residual, including asset changes | 5.6 | 0.7 | 0.5 | -0.3 | 4.1 | -0.5 | 0.7 | 0.5 | 0.5 | 0.4 | 0.1 | 0.3 | 0.4 | 0.1 | 0.2 |
| **NPV of public sector debt** | 29.3 | 25.2 | 29.7 | 10.8 | 13.1 | 14.0 | 12.9 | 13.6 | 14.5 | 15.1 | 16.4 | 14.4 | 20.0 | 25.4 | 21.2 |
| o/w foreign-currency denominated | 26.3 | 23.4 | 27.7 | 8.6 | 12.9 | 12.6 | 11.8 | 12.7 | 13.7 | 14.4 | 15.9 | 13.5 | 19.6 | 24.9 | 21.4 |
| o/w external | 26.3 | 23.4 | 27.7 | ... | ... | 12.6 | 11.8 | 12.7 | 13.7 | 14.4 | 15.9 | 13.5 | 21.2 | 26.1 | 22.7 |
| NPV of contingent liabilities (not included in public sector debt) | ... | ... | ... | ... | ... | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Gross financing need 2/ | 3.5 | 4.0 | 4.8 | 5.0 | 0.9 | 4.4 | 5.2 | 5.0 | 5.1 | 5.1 | 5.7 | 5.1 | 5.4 | 5.6 | 5.5 |
| NPV of public sector debt-to-revenue and grants ratio (in percent) | 140.4 | 124.7 | 135.3 | 47.1 | 60.3 | 61.0 | 56.1 | 59.4 | 62.4 | 66.0 | 72.7 | 62.9 | 85.4 | 102.3 | 88.5 |
| NPV of public sector debt-to-revenue ratio (in percent) | 178.6 | 153.0 | 166.0 | 58.8 | 75.0 | 78.9 | 73.4 | 76.4 | 80.0 | 85.1 | 93.9 | 81.3 | 110.3 | 130.1 | 113.7 |
| o/w external 3/ | ... | ... | ... | ... | ... | 71.2 | 67.4 | 71.3 | 75.7 | 81.3 | 90.6 | 76.2 | 116.8 | 134.0 | 122.1 |
| Debt service-to-revenue and grants ratio (in percent) 4/ | 13.8 | 11.7 | 9.8 | 15.6 | 5.5 | 7.2 | 8.5 | 5.4 | 5.7 | 5.4 | 5.4 | 6.3 | 4.3 | 4.9 | 4.5 |
| Debt service-to-revenue ratio (in percent) 4/ | 17.5 | 14.3 | 12.0 | 20.4 | 8.1 | 9.4 | 11.1 | 7.0 | 7.3 | 7.0 | 7.0 | 8.1 | 5.6 | 6.2 | 6.2 |
| Primary deficit that stabilizes the debt-to-GDP ratio | | 3.6 | -3.4 | 0.1 | 4.9 | 32.7 | 1.0 | 1.7 | 1.3 | 2.2 | 1.3 | 6.7 | 2.5 | 1.7 | 2.7 |
| **Key macroeconomic and fiscal assumptions** | | | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 7.2 | 2.4 | 6.1 | 5.3 | 4.1 | 5.2 | 4.1 | 4.8 | 4.8 | 5.4 | 6.2 | 5.1 | 5.4 | 5.0 | 5.2 |
| Average nominal interest rate on forex debt (in percent) | 1.2 | 1.8 | 1.2 | 1.0 | 0.3 | 0.5 | 1.5 | 1.4 | 1.4 | 1.3 | 1.3 | 1.2 | 1.2 | 1.0 | 1.2 |
| Average real interest rate on domestic currency debt (in percent) | -0.1 | -3.6 | 7.6 | -1.0 | 5.1 | 9.0 | 8.2 | 6.3 | 19.1 | 19.2 | 17.9 | 13.3 | 0.9 | 5.2 | 2.0 |
| Real exchange rate depreciation (in percent, + indicates depreciation) | -17.5 | -6.2 | 16.1 | 0.8 | 13.4 | -7.8 | -1.1 | ... | ... | ... | ... | ... | ... | ... | ... |
| Inflation rate (GDP deflator, in percent) | 2.8 | 5.2 | -3.6 | 2.0 | 3.9 | 5.1 | 2.6 | 4.2 | 2.5 | 4.7 | -0.5 | 3.1 | 3.7 | 0.0 | 3.3 |
| Growth of real primary spending (deflated by GDP deflator, in percent) | 3.8 | 4.1 | 19.3 | 8.1 | 7.8 | 9.6 | 6.6 | 4.8 | 6.0 | 4.1 | 7.8 | 6.5 | 5.9 | 5.6 | 5.7 |
| Grant element of new external borrowing (in percent) | 49.7 | 49.7 | 49.7 | 49.7 | 0.0 | 49.7 | 49.7 | 49.7 | 49.7 | 49.7 | 49.7 | 49.7 | 49.7 | 49.7 | 49.7 |

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

1/ [Indicate coverage of public sector, e.g., general government or nonfinancial public sector. Also whether net or gross debt is used.]

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

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

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 3. Mali: Sensitivity Analyses for Key Indicators of Public and Publicly Guaranteed External Debt, 2006-26
(In percent)

| | Projections | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2016 | 2026 |
| **NPV of debt-to-GDP ratio** | | | | | | | | |
| **Baseline** | 12 | 13 | 14 | 14 | 16 | 17 | 22 | 27 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2008-27 1/ | 12 | 13 | 14 | 15 | 17 | 18 | 25 | 33 |
| A2. New public sector loans on less favorable terms in 2008-27 2/ | 12 | 14 | 15 | 17 | 19 | 21 | 30 | 38 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2008-09 | 12 | 13 | 15 | 15 | 17 | 18 | 24 | 29 |
| B2. Export value growth at historical average minus one standard deviation in 2008-09 3/ | 12 | 13 | 16 | 16 | 18 | 19 | 24 | 28 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2008-09 | 12 | 14 | 17 | 18 | 20 | 21 | 27 | 34 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2008-09 4/ | 12 | 12 | 13 | 14 | 15 | 16 | 22 | 27 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 12 | 12 | 13 | 14 | 15 | 17 | 23 | 30 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2008 5/ | 12 | 18 | 19 | 20 | 22 | 24 | 31 | 38 |
| **NPV of debt-to-exports ratio** | | | | | | | | |
| **Baseline** | 40 | 44 | 50 | 54 | 58 | 62 | 83 | 106 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2007-26 1/ | 40 | 44 | 50 | 57 | 62 | 67 | 95 | 128 |
| A2. New public sector loans on less favorable terms in 2007-26 2/ | 40 | 47 | 56 | 63 | 70 | 77 | 113 | 148 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2008-09 | 40 | 44 | 50 | 54 | 58 | 63 | 84 | 107 |
| B2. Export value growth at historical average minus one standard deviation in 2008-09 3/ | 40 | 50 | 63 | 67 | 71 | 76 | 98 | 120 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2008-09 | 40 | 44 | 50 | 54 | 58 | 63 | 84 | 107 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2008-09 4/ | 40 | 43 | 47 | 51 | 55 | 60 | 82 | 106 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 40 | 40 | 39 | 42 | 47 | 52 | 74 | 99 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2008 5/ | 40 | 44 | 50 | 54 | 58 | 63 | 84 | 107 |
| **Debt service-to-exports ratio** | | | | | | | | |
| **Baseline** | 4 | 3 | 3 | 4 | 3 | 4 | 4 | 5 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2008-27 1/ | 3 | 3 | 3 | 3 | 3 | 4 | 4 | 5 |
| A2. New public sector loans on less favorable terms in 2008-27 2/ | 3 | 3 | 4 | 4 | 4 | 4 | 5 | 7 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2008-09 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 5 |
| B2. Export value growth at historical average minus one standard deviation in 2008-09 3/ | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 5 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2008-09 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 5 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2008-09 4/ | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 5 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 4 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2008 5/ | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 5 |
| *Memorandum item:* | | | | | | | | |
| Grant element assumed on residual financing (i.e., financing required above baseline) 6/ | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 |

Source: Staff projections and simulations.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

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Table 4.Mali: Sensitivity Analysis for Key Indicators of Public Debt 2006-2026

| | Projections | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2016 | 2026 |
| **NPV of Debt-to-GDP Ratio** | | | | | | | |
| **Baseline** | 14 | 13 | 14 | 15 | 15 | 20 | 25 |
| **A. Alternative scenarios** | | | | | | | |
| A1. Real GDP growth and primary balance are at historical averages | 14 | 13 | 13 | 13 | 13 | 14 | 13 |
| A2. Primary balance is unchanged from 2006 | 14 | 13 | 14 | 14 | 15 | 20 | 23 |
| A3. Permanently lower GDP growth 1/ | 14 | 13 | 14 | 15 | 16 | 27 | 45 |
| **B. Bound tests** | | | | | | | |
| B1. Real GDP growth is at historical average minus one standard deviations in 2008-2009 | 14 | 13 | 14 | 17 | 18 | 28 | 37 |
| B2. Primary balance is at historical average minus one standard deviations in 2008-2009 | 14 | 13 | 13 | 14 | 14 | 21 | 26 |
| B3. Combination of B1-B2 using one half standard deviation shocks | 14 | 13 | 13 | 14 | 14 | 21 | 25 |
| B5. 10 percent of GDP increase in other debt-creating flows in 2008 | 14 | 13 | 19 | 19 | 19 | 25 | 28 |
| **NPV of Debt-to-Revenue Ratio 2/** | | | | | | | |
| **Baseline** | 61 | 56 | 59 | 62 | 66 | 85 | 102 |
| **A. Alternative scenarios** | | | | | | | |
| A1. Real GDP growth and primary balance are at historical averages | 61 | 56 | 55 | 55 | 56 | 59 | 52 |
| A2. Primary balance is unchanged from 2006 | 61 | 56 | 59 | 62 | 65 | 84 | 92 |
| A3. Permanently lower GDP growth 1/ | 61 | 56 | 60 | 64 | 69 | 112 | 173 |
| **B. Bound tests** | | | | | | | |
| B1. Real GDP growth is at historical average minus one standard deviations in 2008-2009 | 61 | 56 | 63 | 70 | 77 | 118 | 148 |
| B2. Primary balance is at historical average minus one standard deviations in 2008-2009 | 61 | 56 | 58 | 60 | 64 | 91 | 106 |
| B3. Combination of B1-B2 using one half standard deviation shocks | 61 | 56 | 57 | 59 | 62 | 87 | 101 |
| B5. 10 percent of GDP increase in other debt-creating flows in 2008 | 61 | 56 | 83 | 83 | 85 | 107 | 115 |
| **Debt Service-to-Revenue Ratio 2/** | | | | | | | |
| **Baseline** | 7 | 8 | 5 | 6 | 5 | 4 | 5 |
| **A. Alternative scenarios** | | | | | | | |
| A1. Real GDP growth and primary balance are at historical averages | 7 | 8 | 5 | 6 | 5 | 4 | 3 |
| A2. Primary balance is unchanged from 2006 | 7 | 8 | 5 | 6 | 5 | 4 | 4 |
| A3. Permanently lower GDP growth 1/ | 7 | 8 | 5 | 6 | 6 | 5 | 7 |
| **B. Bound tests** | | | | | | | |
| B1. Real GDP growth is at historical average minus one standard deviations in 2008-2009 | 7 | 8 | 6 | 6 | 6 | 5 | 6 |
| B2. Primary balance is at historical average minus one standard deviations in 2008-2009 | 7 | 8 | 5 | 6 | 5 | 4 | 5 |
| B3. Combination of B1-B2 using one half standard deviation shocks | 7 | 8 | 5 | 6 | 5 | 4 | 5 |
| B5. 10 percent of GDP increase in other debt-creating flows in 2008 | 7 | 8 | 5 | 6 | 6 | 5 | 5 |
| **Debt Service-to-GDP Ratio** | | | | | | | |
| **Baseline** | 2 | 2 | 1 | 1 | 1 | 1 | 1 |
| **A. Alternative scenarios** | | | | | | | |
| A1. Real GDP growth and primary balance are at historical averages | 2 | 2 | 1 | 1 | 1 | 1 | 1 |
| A2. Primary balance is unchanged from 2006 | 2 | 2 | 1 | 1 | 1 | 1 | 1 |
| A3. Permanently lower GDP growth 1/ | 2 | 2 | 1 | 1 | 1 | 1 | 2 |
| **B. Bound tests** | | | | | | | |
| B1. Real GDP growth is at historical average minus one standard deviations in 2008-2009 | 2 | 2 | 1 | 1 | 1 | 1 | 2 |
| B2. Primary balance is at historical average minus one standard deviations in 2008-2009 | 2 | 2 | 1 | 1 | 1 | 1 | 1 |
| B3. Combination of B1-B2 using one half standard deviation shocks | 2 | 2 | 1 | 1 | 1 | 1 | 1 |
| B5. 10 percent of GDP increase in other debt-creating flows in 2008 | 2 | 2 | 1 | 1 | 1 | 1 | 1 |

Sources: Country authorities; and Fund staff estimates and projections.
1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of 20 (i.e., the length of the projection period).
2/ Revenues are defined inclusive of grants.

INTERNATIONAL MONETARY FUND
EXTERNAL RELATIONS DEPARTMENT

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International Monetary Fund
Washington, D.C. 20431 USA

# IMF Executive Board Completes Sixth Review Under Mali's PRGF Arrangement and Approves US$2.1 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the sixth and final review of Mali's economic performance under the Poverty Reduction and Growth Facility (PRGF) arrangement. The completion of the review allows the release of SDR 1.34 million (about US$2.1 million) to Mali, which will bring the total amount drawn under the arrangement to SDR 9.33 million (about US$14.6 million).

In completing the review, the Executive Board also approved Mali's request for waivers of nonobservance of performance criteria pertaining to the implementation of two structural performance criteria on the *Caisse des Retraites du Mali (CRM)* and the *Banque de l'Habitat du Mali (BHM)* as well as the nonobservance of the performance criterion on the concessionality of external financing. The Executive Board also approved a short extension of the arrangement to November 30, 2007 to allow the final disbursement. The three-year PRGF arrangement with Mali was approved on June 23, 2004 (see Press Release No. 04/125) in a total amount of SDR 9.33 million (about US$14.6 million).

The PRGF is the IMF's concessional facility for low-income countries. PRGF-supported programs are based on country-owned poverty reduction strategies that are adopted in a participatory process involving civil society and development partners and articulated in the country's Poverty Reduction Strategy Paper. This is intended to ensure that PRGF-supported programs are consistent with a comprehensive framework for macroeconomic, structural, and social policies to foster growth and reduce poverty. PRGF loans carry an annual interest rate of 0.5 percent and are repayable over 10 years with a 5½-year grace period on principal payments.

Following today's Executive Board discussion of Mali, Mr. Murilo Portugal, Deputy Managing Director and Acting Chair, stated:

"Mali's economic program supported by the IMF through its Poverty Reduction and Growth

Facility has broadly succeeded in maintaining macroeconomic stability. As a result of the authorities' efforts and the Multilateral Debt Relief Initiative, the public debt is well within sustainable levels. However, economic growth per capita remains below the level required to significantly reduce poverty or achieve the Millennium Development Goals (MDGs), and the economy remains highly vulnerable to external shocks.

"Mali needs to accelerate growth and poverty reduction through vigorous implementation of structural reform. Important reforms are under way, although implementation of some measures under the program has remained incomplete. A key reform would be to disengage the government from commercial activities, including those in the cotton, banking, and telecommunications sectors. In this context, the authorities' renewed commitment to restructure the state-owned housing bank and improve governance at the loss-making state-owned cotton ginning and energy companies is welcome.

"Fiscal policy should maintain its focus on macroeconomic stability. The authorities are committed to closing the 2008 budget financing gap through spending measures, if necessary, while protecting social outlays. It will be important that legislation to reform the civil service pension fund be submitted to the national assembly soon, as it remains essential to longer-term fiscal sustainability.

"It is important to keep strengthening debt management and increasing the transparency of borrowing. The recent nonconcessional financing for the electricity sector was an exceptional stop-gap measure in response to urgent needs for power generation. Going forward, it will be important to avoid recourse to high-cost financing to maintain debt sustainability.

"With a renewed political mandate, the authorities have an opportunity to reinvigorate the reform agenda. Implementation of the Poverty Reduction Strategy through a detailed action plan could give a renewed impetus to reforms and accelerate progress towards achieving the MDGs," Mr. Portugal said.

**Statement by Laurean W. Rutayisire, Executive Director for Mali**
**October 31, 2007**

1. At the outset, I would like to thank staff for the insightful report and useful policy discussions held with the Malian authorities in the context of the sixth review of the current PRGF arrangement. As has been the case with staff reports on previous reviews under the current arrangement, the authorities have expressed their consent to the publication of the reports on the fifth and sixth reviews. As the current PRGF-supported program is about to expire, the authorities are hopeful that the Fund will continue to provide its useful policy advice, particularly in the framework of the successor arrangement which they intend to request next year.

2. The staff report already provides a useful account of recent macroeconomic developments and a testimony of the sound economic performance in Mali. In particular, it describes how real GDP growth estimated at 5.3 percent in 2006 surpassed its trend, in spite of a marked decline in cotton production and CPI-based inflation was contained below 2 percent. Therefore, this statement will focus on highlighting recent performance under the expiring PRGF arrangement. Afterwards, it will offer some insights based on the authorities' perspective about how best the successor Fund arrangement could support their policy agenda.

## PERFORMANCE UNDER THE PRGF ARRANGEMENT

3. As noted by staff, the authorities' record of program implementation is satisfactory. Like in the past, they have continued to conduct prudent macroeconomic policies, meeting all but one quantitative performance criteria and indicative targets set for this last review. The quantitative performance criterion on the concessionality of external financing was missed, as the level of concessionality associated with the Islamic Development Bank (IsDB) financing of an electricity generation project contracted in July 2007 was deemed insufficient. Prompt implementation of this project was viewed by the authorities as critical to cope with the rapidly rising demand for electricity and to avoid significant losses in terms of GDP growth that could potentially stem from inadequate electricity supply starting from 2009. I would therefore call on Directors to consider favorably the authorities' request for waiver of the quantitative performance criterion on the concessionality of external financing. At the same time, given that the availability of concessional resources and grants has become increasingly limited, it would be useful that donors' pledges for aid scaling-up materialize into concrete actions in the case of low-income countries like Mali. Otherwise, should the donor community continue to fail to honor its promises, maintaining the required minimum grant element at their current levels would severely constrain growth in Mali and other similar low-income countries, thereby reducing drastically their chances for achieving the MDGs. Therefore, it would be opportune that the definition of concessionality in Fund

arrangements be revisited by lowering the minimum grant element required for loans contracted by low-income countries, including least developed ones.

4. On the structural front, implementation of a number of measures pertaining to the reform of the fiscal, financial, and energy sectors and the privatization agenda has proceeded effectively and on a timely basis. All structural benchmarks but one related to the sale of government shares in the *Banque Internationale du Mali (BIM)* were met; and in line with the missed benchmark, it is expected that the call for bids related to this sale will be issued by February 2008.

5. At the time of the fifth review, the authorities were hoping that they would be able to submit to the parliament by end-April 2007 two bills aimed at improving the ability of the housing bank, *Banque de l'Habitat du Mali (BHM)*, to recover nonperforming loans and at reducing the deficit of the civil service pension fund, *Caisse des Retraités du Mali (CRM)*. They were finally able to submit to the parliament last September the bill related to the BHM. As for the bill on the CRM reform, my authorities are keeping up with their efforts to build consensus with social partners and they are determined to submit it to the Parliament in the coming days. In this light, we would welcome Directors' support for the authorities' request for waiver of nonobservance of performance criteria, and the completion of the sixth review under the PRGF-supported program.

## ADDRESSING POLICY CHALLENGES AHEAD

6. Prospects for the Malian economy remain favorable, with real GDP projected to grow at 4 ½ percent and inflation expected to be contained around 2 percent. In addition, comfortable levels of reserves will be maintained and external debt kept around the low level it reached after Mali benefited from MDRI debt relief. Against this background, Mali is still faced with daunting policy challenges, including weak economic diversification, significant capacity constraints, and high vulnerability to shocks. My Malian authorities are determined to address these challenges, and in their endeavors, they will continue to value Fund advice in its core areas of expertise.

### Fiscal Policy and Reform

7. On the revenue side, the authorities will continue implementing measures aimed at enhancing revenue mobilization. These will include close monitoring and streamlining of tax exemptions, phase-out of discretionary exemptions granted for certain goods and improvements in the effectiveness of tax agencies and the efficiency of taxation. In this regard, notable steps have already been taken to accord only legally backed exemptions and strengthen customs administration through the introduction of anti-fraud techniques and the use of actual values of petroleum products in customs operations.

8. On the expenditure side, it is the authorities' intention to continue to abide by the need for prudence in the conduct of fiscal policy. For the current fiscal year, the authorities have thus far managed to keep current and capital expenditures in check, at levels well below initial program projections. While endeavoring to make higher room for poverty reducing expenditures, they will stand ready, if additional external financing is unavailable, to make necessary adjustments in nonpriority expenditures with a view to meeting fiscal targets, limiting recourse to domestic financing, and ensuring full financing of the 2008 budget. In the same vein, a governmental initiative supported by a number of development partners is underway to facilitate stronger involvement of local administrations in the process of decision-making on public spending, which will contribute to boosting pro-poor expenditure.

9. Improving public finance management and fiscal transparency will continue to rank high on the authorities' agenda. The existing government's action plan for the improvement and modernization of public finances has benefited from the conclusions of the Public Expenditure and Financial Accountability analysis completed early this year. The plan will continue to be refined with a view to better integrating all phases of the budget execution process.

**Financial Sector Development**

10. In view of the enormous scope for further financial sector development in Mali and the significant vulnerabilities facing this sector, the ongoing regional FSAP and the upcoming bilateral FSAP mission will be welcome. In particular, these missions could be useful in better identifying and addressing vulnerabilities in the financial sector while providing, if warranted, guidance for updating the financial sector development strategy that was recently finalized by the authorities in close collaboration with the Fund and Bank staffs. As the World Bank is also involved in the sector, notably through its financial sector development project, there will be scope for continuous, close coordination between the Bretton-Woods Institutions in Mali. Going forward, it will be important for the staffs to keep in mind the need to avoid duplicating efforts, to take into account implementation capacity constraints, to exercise caution in integrating FSAP recommendations into future program conditionality, and to ascertain that consistent policy advice is provided in the context of these various initiatives.

**Privatization Program**

11. The authorities remain committed to a prompt but effective implementation of the privatization program. At this stage, it is expected that privatization of a number of public enterprises, including the BIM, the cotton company, CMDT, and the state telecommunications company, SOTELMA, will be finalized in 2008, as initially scheduled. A series of measures are being taken by the authorities to improve the long-term financial situation of *Énergie du Mali (EDM)* prior to finalizing the process of re-privatization of the

company. Given previous unsuccessful privatization attempts and the fact that most companies destined to privatization currently face a difficult financial situation, the authorities are determined to press forward with their privatization agenda while paying due attention to need to maximize its effectiveness. Within the timeframe already set for the privatization program, it will therefore be useful that staff advice in the context of the next IMF-supported program be consistent with the pace at which the authorities wish to implement this program, so as to achieve this objective.

**Fostering Growth for Further Poverty Reduction**

12. Under past and current PRGF arrangements, Mali has achieved and maintained macroeconomic stabilization and kept its fiscal program on track. Key structural conditions were implemented, albeit with delay in some cases. Yet, available evidence shows that the incidence of poverty in Mali has only declined from 68.3 percent in 2001 to 59.2 percent in 2005. While appreciable, this rate of poverty reduction falls short of the authorities' original objective, as set forth in their first Poverty Reduction Strategy Paper (PRSP), due to a number of factors which include the insufficient rate of economic growth.

13. Another key challenge facing the authorities is thus to foster growth and to translate sound economic performance into significant poverty reduction. In order to address this challenge, the authorities and staff concur that stronger private sector-led growth and public sector performance will be of critical importance. Staff indicates however that economic growth will be short of the PRS' 7 percent target in view of current trends and reform plans. Yet, the authorities have developed in the second PRSP a credible strategy which, in their view, will contribute to accelerating economic growth by increasing the focus on sectors with strong growth potential and addressing impediments to strong growth. In the context of the successor Fund arrangement and technical assistance to Mali, it will therefore be useful to put more emphasis on these issues and to provide appropriate staff advice in the Fund's core areas of competence in support of the authorities' strategy and reform plans, as spelled out in Mali's second PRSP.

**SUCCESSOR FUND ARRANGEMENT**

14. It is the stated intention of the Malian authorities to maintain closer program relationship with the Fund. While the authorities have expressed their preference for a new PRGF-supported program, they are still in the process of exploring the most suitable form of program engagement with the Fund in light of Mali's specific circumstances. Ultimately, their ambition is to graduate from the use of Fund resources and request a Fund arrangement under the PSI. However, based on their ongoing assessment of current circumstances, if a PSI is proven unwarranted at this stage, they envisage to continue their relationship with the Fund in the form of a new PRGF arrangement.