

Mali: Seventh Review Under the Extended Credit Facility and Request for a new Three-Year Arrangement Under the Extended Credit Facility—Staff Report; Joint IDA/IMF Debt Sustainability Analysis; Informational Annex; Statement by IMF Staff Representative; Statement by Alternate Executive Director for Mali; and Press Releases

In the context of the seventh review under the Extended Credit Facility and request for a new three-year arrangement under the Extended Credit Facility, the following documents have been released and are included in this package:

- The staff report for the seventh review under the Extended Credit Facility and request for a new three-year arrangement under the Extended Credit Facility, prepared by a staff team of the IMF, following discussions that ended on September 26, 2011, 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 November 23, 2011. 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.
- Joint IDA/IMF Debt Sustainability Analysis
- Informational Annex
- A statement by IMF staff representative
- A statement by the Alternate Executive Director for Mali
- A press release issued on December 12, 2011, after the Executive Board's completion of the seventh and final review of the arrangement under the Extended Credit Facility
- A press release issued on December 27, 2011, after the Executive Board's approval of a new arrangement under the Extended Credit Facility

The documents below have been separately released:

Letter of intent sent to the IMF by Mali's authorities*
Memorandum of economic and financial policies *
Technical memorandum of understanding*

* Also included in the 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

Seventh Review Under the Extended Credit Facility and Request for a New Three-Year Arrangement Under the Extended Credit Facility

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

Approved by Roger Nord and Thomas Dorsey

November 23, 2011

Discussions. The discussions were held in Bamako during September 5–16, 2011, and continued in Washington during September 23–26. The staff team comprised of Mr. Josz (head), Ms. Farahbaksh, and Messrs. Hitaj (all AFR), Nguenang (FAD), Féler (resident representative) and Traoré (local economist). Mr. Belhocine (FAD) participated in the discussions held in Washington. The team met with the Prime Minister, the Minister of Finance and Economy, the Deputy Minister in charge of the Budget, the National Director of the regional central bank (BCEAO), as well as well as representatives from the private sector, trade unions, civil society, and the donor community.

ECF arrangement. The three-year arrangement under the Extended Credit Facility (ECF) was approved on May 28, 2008, in the amount equivalent to SDR 27.99 million (30 percent of quota). The fifth review was completed on January 26, 2011, when the arrangement was extended until end-December 2011. The sixth review was completed on June 13, 2011, when its access was augmented by SDR 25 million (27 percent of quota). The authorities are requesting the eighth and last disbursement under the arrangement (SDR 6 million).

Successor ECF. In the attached Letter of Intent (LOI) and Memorandum of Economic and Financial Policies (MEFP), the authorities are requesting approval of a successor three-year arrangement under the ECF, in the amount equivalent to SDR 30 million (32 percent of quota) in support of their new strategy to increase growth and reduce poverty, and the first disbursement under the new arrangement (SDR 6 million).

Staff views. Based on the strong program implementation and the authorities' policy intentions, the staff recommends completion of the seventh review of the current ECF arrangement and approval of the authorities' request for a new three-year ECF arrangement.

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ACRONYMS

ACCT	Central Treasury Accounting Office
AFRITAC	West Africa Regional Technical Administration Center
BCEAO	Central Bank of West African States
BHM	Housing Bank of Mali
CFAF	CFA francs
CMDT	Malian Textile Company of Mali
DeMPA	Debt Management Performance Assessment
DGD	Directorate General of Customs
DGDP	Directorate General of Public Debt
DGI	Directorate General of Taxation
DGE	Large-sized Business Taxpayers Office
DME	Medium-sized Business Taxpayers Office
DNDC	National Directorate of State Properties and Property Titles
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
EDM	State Utility Company
EITI	Extractive Industry Transparency Initiative
EPA	Ex-Post Assessment
FSAP	Financial Sector Assessment Program
GFSM	Government Financial Statistics Manual
G-PRSP	Growth and Poverty Reduction Strategy Paper
HIPC	Highly Indebted Poor Countries
MEFP	Memorandum of Economic and Financial Policies
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
OMH	National Housing Authority
PAGAM-GFP	Government Action Program for Improving and Modernizing Public Financial Management
PC	Performance criterion
PFM	Public Financial Management
PGT	General Payment Office
RGD	General Revenue Collection Office
SMEs	Small and medium-sized enterprises
SOTELMA	Telecommunication Company of Mali
TMU	Technical Memorandum of Understanding
TOFE	Central Government Consolidated Financial Operations Table
UNDP	United Nations Development Program
VAT	Value-added tax
WAEMU	West African Economic and Monetary Union

Executive Summary

Strong program performance has contributed to a favorable macroeconomic outcome in 2011. All performance criteria (PC) and indicative targets through end-June were observed, except for the indicative target on priority spending that the authorities have committed to meet by year-end. All measures subject to end-June structural benchmarks were observed, except for the base-broadening tax reform, on which the authorities will undertake further efforts during their proposed successor arrangement.

The authorities are requesting approval of a successor three-year arrangement under the Extended Credit Facility (ECF), in the amount equivalent to SDR 30 million (32 percent of quota) in support of their new strategy to increase growth and reduce poverty. This access will act as a buffer against the volatility of the prices of gold, cotton (Mali's main exports), oil, and foodstuffs, to which Mali's economy remains vulnerable.

Under the new ECF program, the authorities plan to implement an ambitious program of economic and financial policies that builds on the lessons learned from the Ex-Post Assessment from longer-term program engagement (EPA) and the inclusive conference on Mali's challenges and opportunities organized in Bamako in March 2011. In this context, they will:

- implement sustainable fiscal policies that will avoid crowding out of the private sector while maintaining debt sustainability;
- create fiscal space for infrastructure spending by increasing tax revenue, allocating an envelope of non-concessional borrowing equivalent to 1 percent of GDP to infrastructure investment projects with a high rate of return, improving public investment selection and implementation, and eliminating the deficits of the public and private sector pension funds;
- consolidate progress in public financial management (PFM) through measures enhancing budget preparation, monitoring, execution, and audit, and improving cash management; and
- improve the business environment, with reforms sustaining the stability, and increasing the access to, the financial sector, strengthening the cotton and electricity sectors, and enhancing governance.

On the basis of the authorities' achievements and policy intentions, the staff recommends completion of the seventh and last review of the current ECF arrangement, and approval of a new three-year ECF arrangement.

I. BACKGROUND

1. **The presidential and parliamentary elections are scheduled for mid-2012 in the context of a deteriorating security situation in northern Mali.** A constitutional reform package, which includes the creation of an upper house of Parliament, an audit court, as well as independent media and election watchdogs, is to be held together with these elections. The security situation remains tense in northern Mali, where terrorism activities have been reported, and a number of Tuareg fighters have returned from Libya.

2. **The authorities intend to continue the ongoing economic and financial reforms in cooperation with the Fund.** They have stressed that launching a successor arrangement ahead of the presidential and legislative elections would be an opportunity to lock in prudent macroeconomic policies, while preparing the ground for ambitious structural reforms by the next administration. The authorities also want to use the momentum, generated by the inclusive conference, organized in Bamako last March, to build domestic ownership of the new program. At the Bamako Conference, participants representing a broad range of opinions from the government, Parliament, the private sector, trade unions, civil society, and the technical and financial partners engaged in wide-ranging discussions on economic performance in recent years, as well as on the key challenges ahead.¹

3. **Initiation of the new ECF program will coincide with the launch of the third growth and poverty reduction strategy (G-PRSP III) for 2012-17.** The 2010 Annual Progress Report (APR) on Mali's second G-PRSP II for 2007-11 highlights progress in most social indicators, while indicating the need to improve the targeting and quality of expenditures.² The G-PRSP III has been prepared in collaboration with civil society, the private sector, and development partners (MEFP, ¶9). Its objectives are to promote inclusive growth, equitable access to quality social services, and good governance.

II. RECENT ECONOMIC DEVELOPMENTS, PROSPECTS AND PROGRAM IMPLEMENTATION

4. **In 2011, the economy is expected to stay on a robust growth trajectory with low inflation** (Figure 1, Tables 1 and 2). Despite a stagnant gold production, real GDP is projected to grow by 5.4 percent in 2011 due to a strong cotton production (+67 percent). Good overall agriculture production due to favorable rainfall has kept inflation low (3 percent on average expected for 2011, and 2.5 percent on average observed for the 12-month period ending in October 2011). The increase in international oil prices has had little impact on inflation due to the government's policy to limit the pass-through on domestic oil prices (¶5).

¹ [IMF Press Release No. 11/94: The Bamako Conference Calls for Stronger and Inclusive Growth in Mali in the Context of Strengthened Partnership.](#)

² Mali: Poverty Reduction Strategy Paper—2010 Progress Report (forthcoming).

5. **Fiscal performance has been consistent with program targets during the first half of 2011** (Table 4; MEFP, ¶6). The tax revenue target was met owing to the over-performance of corporate income taxes that more than exceeded the under-performance of oil tax revenue. This under-performance was the result of the authorities' practice of cutting taxes on retail petroleum products in order to limit the pass-through of international oil prices into domestic prices. Expenditure was under executed due to a cabinet reshuffle in April 2011 and replacement of senior staff in line ministries.

6. **In November 2011, Parliament approved a supplementary budget that is closely aligned with the program's objectives** (Tables 3-5; MEFP, ¶8). The supplementary budget aims at a basic fiscal deficit³ objective of 2.5 percent of GDP, while aligning expenditure execution with the priorities set forth in the GPRSP-II (¶3). It targets a tax-to-GDP ratio of 14.3 percent, while providing for sufficient resources to reimburse VAT credits accumulated in 2011 and to pay the VAT arrears generated in previous years. In case revenue falls short of programmed amounts, the authorities have committed to cut non-priority spending in order to achieve the program's underlying basic fiscal deficit and net domestic financing targets (proposed performance criteria; MEFP, Table 3).

7. **The balance of payments is projected to strengthen owing to the improvement in the terms of trade, but will still show a small overall deficit in 2011** (Figure 1 and Table 7). The current account balance, including grants, should stay at 7.5 percent of GDP, as the positive impact of high gold and cotton prices is offset by an increase in transport costs owing to the post-electoral crisis in Côte d'Ivoire during the first six months of 2011 and a reduction in grants and remittances. The capital and financial account surplus, composed mostly of aid and foreign direct investment, is projected to increase to 7.0 percent of GDP. As a result, the overall balance of payments deficit will be reduced to about 0.5 percent of GDP (\$52 million), financed by a draw down on the foreign exchange reserves of the BCEAO.

8. **Money supply increased more than GDP during the first nine months of 2011 driven by domestic credit** (Table 8). Credit to the private sector increased by 24 percent, driven mainly by increased commercial bank lending to trade and mining sectors.

9. **While the banking sector is well capitalized, the share of non-performing loans remains high** (Table 9). The capital adequacy ratio of the banking system decreased slightly to 15 percent during the first half of 2011 due to the seasonal increase in lending to agriculture, but remained well above the minimum level (8 percent). The share of non-performing loans to total loans (over 20 percent, out of which banks provisioned about 60 percent) remained high, which weighed on lending rates (about 10 percent). The banking

³ As defined in footnote 6.

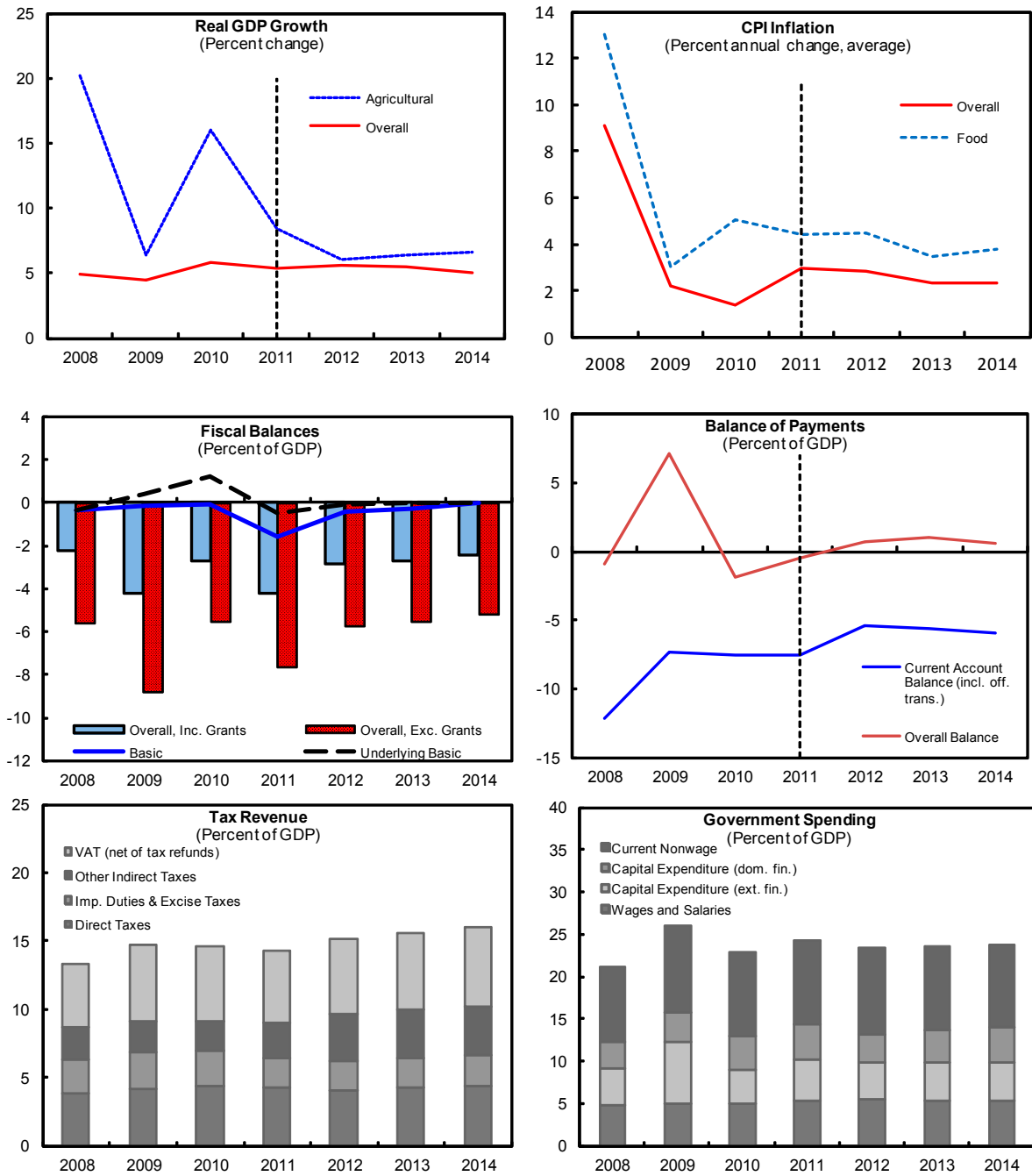
sector is exposed to spillovers from the post-electoral crisis in Côte d'Ivoire and the events in Libya.⁴

10. **All performance criteria and all but one indicative targets at end-June 2011 were met** (MEFP, Table 1 and ¶6). The only exception was the indicative floor on priority spending, which was missed by 0.4 percent of GDP due to the overall under-execution of public spending (¶5). The authorities have committed to fully execute priority spending by year-end.

11. **On the structural front, three of the four measures subject to structural benchmarks for the 7th review have been implemented** (MEFP, Table 2 and ¶7). The tax reform annexed to the draft 2012 budget fell short of the base-widening objective of the seventh review benchmark. Further efforts toward rationalizing the tax system and reducing exemptions will be made during the next arrangement under the ECF.

⁴ As of end-September 2011, the banking system was exposed to Côte d'Ivoire mainly through holdings of government securities (amounting to about 2 percent of GDP, or 60 percent of banking sector equity) and to Libya via the presence of two small banks owned by the Libyan government.

Figure 1. Mali: Macroeconomic Developments, 2008-14



Source: Malian authorities; and IMF staff estimates.

III. POLICIES GOING FORWARD—PILLARS OF A NEW ECF ARRANGEMENT

12. **Mali's medium-term macroeconomic outlook is favorable but subject to downside risks** (Figure 1, Text Table 1 and Tables 1–8). Real GDP growth is projected to hover above 5 percent, driven by the agricultural and gold sectors. Gold output will be boosted by the coming on stream of new mines in 2012–13, but will start declining in 2014. Average inflation is projected to stay below the WAEMU's convergence target of 3 percent, provided that rainfall remains favorable. The overall balance of payments is projected to move to a surplus during 2012–14 as gold production increases. The fiscal position should improve as the fiscal stimulus financed by the privatization revenue of the telecom company SOTELMA is phased out. However, this outlook is subject to downside risks, as the agricultural sector remains highly vulnerable to adverse weather conditions. Also, the external position could weaken substantially in the event of a sharp reversal of the terms of trade improvements observed since 2008.

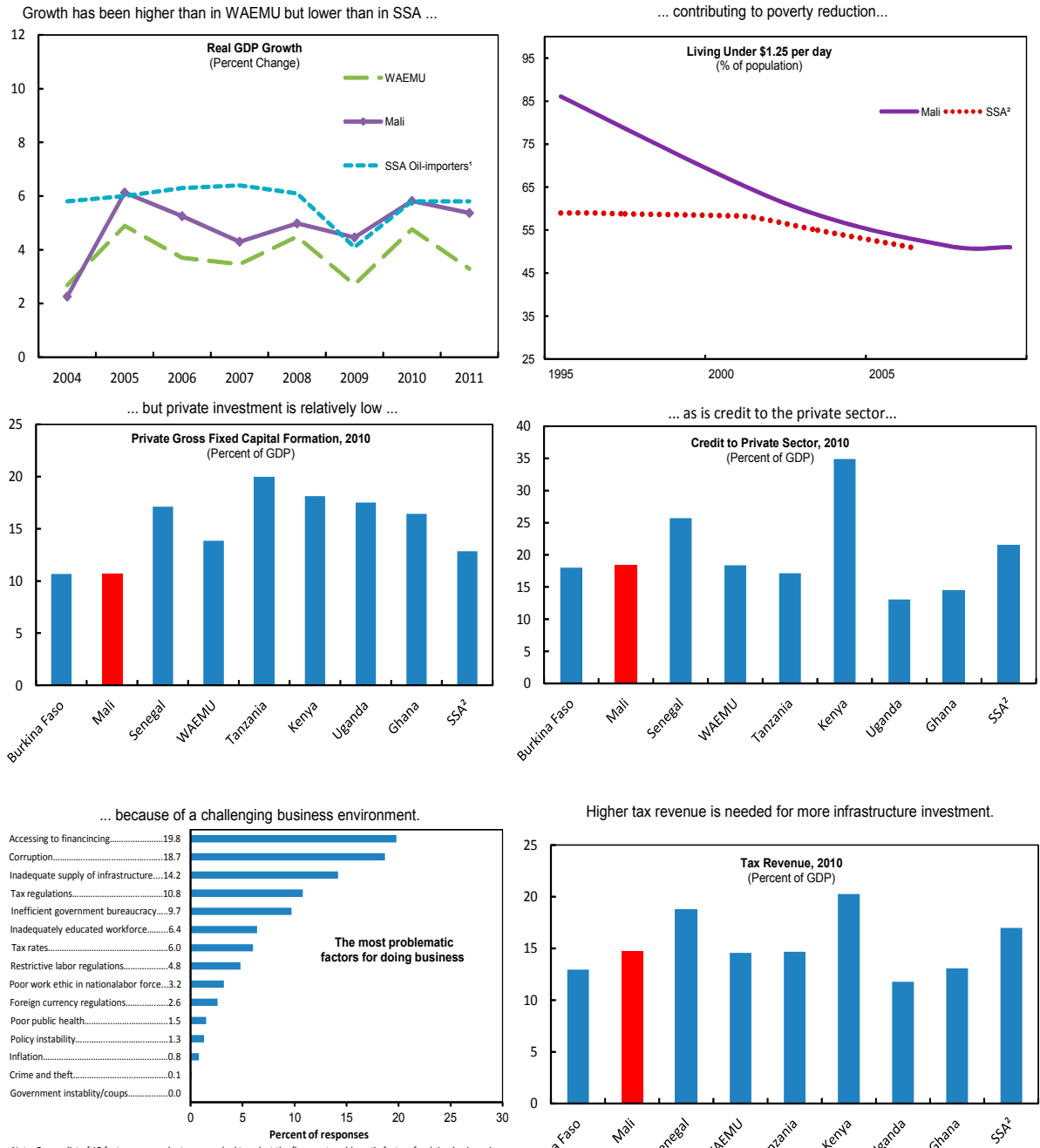
Text Table 1. Mali: Key Economic Indicators, 2008–14								
	2008	2009	2010	2011		2012	2013	2014
			Est.	Prog. ¹	Rev. prog.	Prog.	Proj.	
(in percent of GDP, unless otherwise indicated)								
Real GDP growth	5.0	4.5	5.8	5.3	5.4	5.6	5.4	5.1
Consumer price inflation (average)	9.1	2.2	1.4	3.5	3.0	2.8	2.3	2.4
Revenue	15.5	17.1	17.3	16.7	16.7	17.6	18.1	18.5
<i>of which</i> : Tax revenue	13.3	14.7	14.6	14.3	14.3	15.1	15.6	16.1
Grants	3.4	4.6	2.9	3.3	3.5	2.9	2.8	2.8
Total expenditure and net lending	21.2	25.9	22.9	24.2	24.4	23.4	23.6	23.7
Overall balance (payment order basis, including grants)	-2.2	-4.2	-2.7	-4.2	-4.2	-2.9	-2.7	-2.4
Basic fiscal balance (WAEMU def.) ²	-0.3	-0.1	-0.1	-1.6	-1.6	-0.4	-0.3	0.0
Underlying basic fiscal balance (WAEMU def.) ³	-0.3	0.4	1.3	-0.5	-0.5	-0.1	0.0	0.0
Total public debt	22.6	24.7	28.7	27.5	26.6	27.8	28.4	29.1
Current external balance (including official transfers)	-12.2	-7.3	-7.5	-7.7	-7.5	-5.4	-5.6	-5.9
Overall balance of payments	-0.8	7.2	-1.9	-1.0	-0.5	0.8	1.0	0.6
Sources: Malian authorities; and IMF staff estimates and projections.								
¹ IMF Country Report No. 11/141: Mali —Sixth Review Under the ECF.								
² Defined in Table 3, footnote 4.								
³ Defined in Table 3, footnote 3.								

13. **The new program for 2012–14 draws lessons from the findings of the conference held in March in Bamako and from the ex-post assessment of longer-term program engagement (EPA)** (Figure 2 and MEFP, ¶11). Both the Bamako Conference (¶2) and the EPA⁵ concluded that Mali's Fund-supported programs have succeeded in maintaining

⁵ [IMF Country Report No. 11/153. Mali: Ex Post Assessment of Longer-Term Program Engagement.](#)

macroeconomic stability and in making progress towards the Millennium Development Goals. But they have been less successful in diversifying the economy, increasing tax revenue beyond 15 percent of GDP, and boosting annual output growth beyond 5 percent, all this while population has been growing rapidly (by about 3.6 percent a year). The main impediment to higher growth is a poor business environment, marked by weak physical infrastructure, shallow financial intermediation, a persistently high incidence of corruption and a feeble judicial system, which have resulted in a relatively low level of private sector investment.

Figure 2. Mali: Achievements and Challenges



Note: From a list of 15 factors, respondents were asked to select the five most problematic factors for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.
 Source: The Africa Competitiveness Report 2011 © World Economic Forum, the World Bank and the African Development Bank

Source: Malian authorities; and IMF staff estimates

¹ SSA excludes South Africa and Nigeria.

² SSA Oil-importing countries excludes South Africa.

14. **Drawing on the conclusions of the Bamako conference and the EPA, the new program focuses on:** (i) implementing sustainable fiscal policies; (ii) creating fiscal space for infrastructure spending; (iii) consolidating progress in public financial management; and (iv) promoting private sector development by improving the business environment.

A. Implementing Sustainable Fiscal Policies

15. **The government will continue to implement sustainable fiscal policies in accordance with its commitments within the framework of its participation in the WAEMU (MEFP, ¶13).** In particular, it will adopt and implement a fiscal policy that aims at maintaining the basic fiscal balance⁶ equal or greater than zero, thereby minimizing the need for borrowing on the regional financial market to finance the budget. Fiscal policy will also aim at keeping the overall fiscal balance (including externally financed capital expenditure) path in line with debt sustainability (¶19).

16. **The program will continue to accommodate a temporary deviation of the basic fiscal balance from zero, while the one-off revenue from the SOTELMA privatization is being spent mostly on capital expenditure (MEFP, ¶14).** Since 2009, the fiscal stimulus financed with revenue from the privatization of the telecommunications company SOTELMA has set the basic fiscal balance on a trajectory that diverges from zero (Text Table 1). During 2012-14, fiscal policy will aim to keep the underlying basic fiscal balance (excluding expenditure financed by the SOTELMA privatization revenue) close to zero. The program calls for a close alignment with the G-PRSP III, and includes floors on priority spending (proposed indicative target; MEFP, Table 3).

17. **The draft 2012 budget submitted to Parliament is closely aligned with the program objectives as well as the next G-PRSP priorities (Text Table 2, MEFP, ¶¶ 15-16).** It targets a small underlying basic fiscal deficit (0.1 percent of GDP) and an overall fiscal deficit compatible with debt sustainability (3.1 percent of GDP). In line with the program's objective to create fiscal space for infrastructure spending, tax revenue is expected to increase by 0.8 percent of GDP owing mainly to buoyant indirect taxes expected from the gold sector, but also to tax policy measures⁷ and progress in tax administration. On

⁶ The program definition of the basic fiscal balance is aligned to the new WAEMU definition of the basic fiscal balance that will enter into effect in 2012. In 2011, the program definition is: total revenue minus domestically financed expenditure (i.e. revenue and expenditure under the authorities' control). Starting in 2012, the program definition will change to the new WAEMU definition: revenue *plus general budgetary grants* minus domestically financed expenditure.

⁷ The revenue loss of the reduction in the corporate income tax rate (from 35 percent to 30 percent, in accordance with the WAEMU directives) is more than compensated by the revenue gain from the increase in excise duties on gold production (from 3 to 5 percent), and the introduction of a 5 percent VAT rate on computer and solar energy equipment.

the expenditure side, the program's spending envelope is aligned with the objectives of the G-PRSP, with social and infrastructure spending accounting for about 2/3 of overall spending. Current expenditure will increase by 0.5 percent of GDP because of recruitment of education, health, and security staff, and higher seeds and fertilizer subsidies to boost agricultural output.⁸ But capital expenditure will decrease by 1.5 percent of GDP owing to the phasing out of capital spending financed with SOTELMA privatization revenue, and a possible reduction of aid because of the fiscal tightening in advanced countries.

Text Table 2. Mali: Central Government Consolidated Financial Operations, 2010-12					
	2010	2011		2012	
	Est.	Prog. ¹	Rev. Prog.	Prog.	(b) - (a)
			(a)	(b)	
	(in percent of GDP)				
Total revenue and grants	20.2	20.0	20.2	20.5	0.3
Tax revenue	14.6	14.3	14.3	15.1	0.8
<i>of which</i> : Tax refund	-0.1	-0.7	-0.7	-0.7	0.0
Nontax revenue ²	2.7	2.4	2.4	2.5	0.1
Grants	2.9	3.3	3.5	2.9	-0.6
Total expenditure and net lending (payment orders)	22.9	24.2	24.4	23.4	-1.0
Current expenditure	12.9	13.8	14.0	14.5	0.5
Capital expenditure	7.9	8.9	9.0	7.5	-1.5
Externally financed	4.0	4.7	4.9	4.3	-0.5
Domestically financed	3.9	4.2	4.1	3.2	-1.0
Adjustment to cash basis ³	-1.8	-0.2	-0.2	-0.3	-0.1
Overall fiscal balance (cash)	-4.4	-4.4	-4.3	-3.1	1.2
External financing	2.8	2.7	2.7	2.3	-0.4
Domestic financing	1.6	1.7	1.7	0.8	-0.8
<i>Memorandum items</i>					
Basic fiscal balance (WAEMU def.) ⁴	-0.1	-1.6	-1.6	-0.4	1.2
Underlying basic fiscal balance (WAEMU def.) ⁵	1.3	-0.5	-0.5	-0.1	0.4

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

¹ IMF Country Report No. 11/141: Mali —Sixth Review Under the ECF.

² Including Special funds and annexed budgets.

³ Including variation of arrears.

⁴ Defined in Table 3, footnote 4.

⁵ Defined in Table 3, footnote 3.

⁸ Given the growing cost of seeds and fertilizer subsidies (0.6 percent of GDP in the draft 2012 budget), by end-February 2012, the Minister of Economy and Finance will prepare a plan to reform these subsidies, with a view to limiting their impact on the government budget (MEFP, ¶16).

B. Creating Fiscal Space for Infrastructure Spending

18. **Over the course of the program, the authorities will implement far-reaching tax policy and tax administration reforms in order to increase tax revenue by at least 0.5 percent of GDP per year** (MEFP, ¶¶18-21). First, in order to build political support for a reduction in tax exemptions, the authorities will compile an inventory of all exemptions included in the tax, customs, mining, and investment codes and other legislation. Starting in 2013, they will present the fiscal costs associated with these exemptions in the budget (proposed structural benchmark; MEFP, Table 4).⁹ Second, in order to build consensus for a reduction in energy price subsidies, the authorities will also present in the budget the fiscal costs resulting from the non-adjustment of domestic energy prices to international prices,¹⁰ will elaborate proposals to adjust domestic energy prices to international oil prices (proposed structural benchmarks; MEFP, Table 4), and will design targeted cash transfers in close collaboration with the World Bank in order to reduce the risk of social tensions in the urban areas associated with oil or food price increases. Third, the authorities will study the feasibility of introducing more progressivity in the tax regime of mining companies to capture excess profits when prices are very high. Finally, the authorities will continue to implement far-reaching reforms in tax and customs administration including: the completion of reforms to strengthen the VAT administration; the creation of an interdepartmental tax intelligence unit to identify under-reporting tax payers; and the overhaul of the large- and medium-tax payers' offices (proposed structural benchmarks; MEFP, Table 4).

19. **The authorities plan to resort to limited non-concessional borrowing for high return infrastructure investment projects** (MEFP, ¶¶ 22-26). The updated Debt Sustainability Analysis (DSA) concludes that the risk of debt distress remains moderate.¹¹ Debt sustainability remains sensitive to the price of gold (whose production will decline over the medium term), the cost of borrowing, and the implementation of sustainable fiscal policies. Nonetheless, there is scope for borrowing of about CFAF 51 billion (\$100 million or 1 percent of GDP) on non-concessional terms. Therefore, given the uncertainties about the medium-term exports outlook, the authorities have committed to continue limiting their recourse to external financing to grants and concessional loans, except for an envelope of

⁹ In 2010, exemptions on taxes collected by customs amounted to 2 percent of GDP (out of which about 40 percent was for applying the mining and investment codes, 37 percent for implementing government decisions to promote imports of new vehicles and the privatization of SOTELMA, and 23 percent for exempting imports of donor-funded projects).

¹⁰ In view of the small pass-through of international oil prices in domestic oil prices and the absence of adjustment of electricity prices in 2011, staff estimates that the authorities will lose about 0.6 percent of GDP in oil tax receipts in 2011, and will have to transfer about 0.4 percent of GDP to the state-electricity company to keep it afloat.

¹¹ Mali: Joint IMF/IDA Debt Sustainability Analysis for Low Income Countries (forthcoming).

CFAF 51 billion during 2012-14, which will be tied to infrastructure investments with a high rate of return (proposed continuous PC; MEFP, Table 3). They have not yet identified such projects, but will do so in the coming months and will choose those yielding the highest rate of return for which no concessional financing is available. The authorities and staff will periodically review the size of the non-concessional borrowing envelope under the program and the modalities of its use, in light of the results of the annual DSA updates and the progress in project identification, implementation, and evaluation.

20. **The efficiency of infrastructure spending shall be increased through improvements in public investment project selection and management** (MEFP, ¶¶ 27-28). By end-February 2012, the authorities will analyze the current procedures for selecting public investment projects, with a view to elaborating and implementing an action plan to strengthen the selection, budgeting, implementation, and ex-post evaluation of these projects over the course of the program (proposed structural benchmark; MEFP, Table 4). Starting in 2013, they will gradually bring their procedures for planning and executing multi-annual investment budget allocations up to the standard of the WAEMU directives (proposed structural benchmark, MEFP, Table 4).

21. **The authorities will take measures to eliminate the deficits of the civil servants' and private sector employees' pension funds** (MEFP, ¶35). Based on recent actuarial studies, in the absence of reforms, the combined deficits of these two systems could reach 2 percent of GDP in 2015. The government has submitted a draft law to Parliament regarding the reform of the civil servants' pension fund in 2008. In cooperation with the World Bank and based on the reforms adopted by Parliament, the government will develop and implement a reform strategy to eliminate the deficits of the two pension funds.

C. Consolidating Progress in Public Financial Management

22. **Building on the progress achieved during the previous ECF arrangement, the authorities will continue ongoing reforms in the area of public financial management (PFM)** (MEFP, ¶¶ 29-34). The authorities will continue to implement their rolling action plan updated in close collaboration with donors, with a view to enhancing budget preparation, monitoring, execution, and audit, and improving cash management. Under the program, the authorities will take the necessary steps to establish a single treasury account at the BCEAO. Based on an impact study of the closure of the more than 3,400 government accounts in commercial banks, the Treasury will transfer funds deposited in its accounts at seven commercial banks to the BCEAO by end-December 2011 (proposed structural benchmark; MEFP, Table 4). The authorities will also implement WAEMU's PFM directives into Malian law, including by stopping the validation of payment orders of any budget year by end-January of the following year. They will use the new budget accounting software to track payments, with a view to avoiding the buildup of domestic arrears. Finally, they will also strengthen their oversight mechanism and accelerate the production of government audited accounts.

23. **In view of their plan to resort to limited non-concessional borrowing, the authorities are committed to improve debt management** (MEFP, ¶¶23, 26 and 33). They have begun addressing weaknesses in domestic debt recording by setting up and updating a database of all domestic debt contracted or guaranteed by the government. By end-June 2012, the authorities intend to develop a medium-term debt management strategy using the results of the forthcoming World Bank Debt Management Performance Assessment (DeMPA). In the meantime, the authorities will begin conducting their own DSA, starting in 2012.

D. Promoting Private Sector Development by Improving the Business Environment

24. **In the financial sector, the authorities will continue to safeguard the banking sector soundness, and improve the sector's contribution to investment and long-term growth** (MEFP, ¶¶ 39-43). They will closely monitor developments in the financial position of the banking sector, particularly regarding the spillovers from the post-electoral crisis in Côte d'Ivoire and the events in Libya. The authorities will take measures to improve the contribution of the financial sector to growth. Priorities include: (i) the promotion of noncash means of payment; (ii) the establishment of a registry of bank credit guarantees at the BCEAO; (iii) the completion of the privatization of the cotton ginning company (one of the largest borrower from the banking system) and of the loss-making housing bank; (iv) the reform of land titles and registration, with a view to creating collateral for bank lending; and (v) the strengthening of supervision of the burgeoning microfinance institutions.

25. **The authorities intend to complete the privatization of the Malian Textile Company (CMDT)** (MEFP, ¶44). Following a tender, six potential investors have come forward, three made an offer and an investor has been selected to take over two of the four regional branches of the CMDT. The government intends to finalize negotiations with the selected investor by end-2011, and design a new strategy for the branches for which there were no bids.

26. **The authorities are taking measures to develop the electricity sector** (MEFP, ¶¶ 45-46). Electricity tariffs have increased by only 4 percent in nominal terms since 2004, while international oil prices have doubled. As a result, the electricity company (EDM) recorded a loss of about 0.3 percent of GDP in 2010, and is expected to generate further losses of 0.4 percent of GDP in 2011 and 2012 as oil remains a key source of power generation. Under its electricity pricing policy, the government has included annual transfers of 0.4 percent of GDP in the 2011 supplementary budget and the 2012 draft budget. This financial support will, at best, prevent a further increase in EDM short-term debt with local banks and suppliers (1.2 percent of GDP at end-June 2011). The authorities will review the 2012 transfer amount in March 2012 in light of EDM's financial situation and the price indexation mechanism that will be finalized with the support of the World Bank. The authorities are also implementing a strategy to increase electricity production by

connecting to the grid in Côte d'Ivoire and developing Mali's hydroelectric potential with the World Bank's assistance.

27. **The authorities will take measures to strengthen Mali's governance** (MEFP, ¶¶ 47-49). Mali has achieved compliance with the Extractive Industries Transparency Initiative (EITI) in August 2011, and the government will implement all measures necessary to maintain its status of compliance. To improve Mali's competitiveness and business climate, the government will redouble efforts to improve governance by drawing lessons from the strategies already implemented in order to develop a new anti-corruption strategy in 2012, with the aim of implementing it over the coming years.

IV. PROGRAM MODALITIES AND RISKS

28. **The new three-year arrangement would be supported by access to SDR 30 million (32 percent of quota).** Such access would be disbursed in seven installments (Table 12) and act as a buffer against the volatility of the prices of gold, cotton, oil, and foodstuffs, to which Mali's economy remains vulnerable. The proposed new arrangement would become effective in December 2011 after the final disbursement and expiration of the current ECF arrangement (Table 11).¹² It would have semi-annual reviews. The 2012 program will be evaluated based on PCs at end-December 2011, end-June 2012 and end-December 2012, continuous PCs, and indicative targets for end-March and end-September 2012 (MEFP, Table 3), and structural benchmarks in areas that are critical for the program's success (MEFP, Table 4). The PCs and indicative targets are defined in the Technical Memorandum of Understanding (TMU).

29. **Mali's capacity to repay the Fund is adequate but there are risks to program implementation.** Debt service to the Fund will absorb a minimal fraction of government revenue and exports (Table 10) and Mali's risk of debt distress is moderate (¶19). But the pace of fiscal consolidation or structural reform implementation could slow down owing to the political cycle, higher-than-budgeted security spending to address terrorism threats, or higher demand for public services by a fast growing population. A deterioration of the fiscal situation in donor countries could reduce external aid.

V. STAFF APPRAISAL

30. **Program performance continues to be strong in 2011.** All PCs and indicative targets for end-June were met, except for the indicative target on priority spending due to the overall under execution of public spending. All measures subject to end-June structural

¹² Since a member cannot have two ECF arrangements effective at the same time under the Poverty Reduction and Growth Trust Instrument, a draft proposed decision approving the new ECF arrangement will be circulated to the Board for adoption after the current ECF arrangement expires upon the making of the eighth and last disbursement there under.

benchmarks were observed, except one. The reform of the tax system proposed in the 2012 budget law fell short of the base-broadening objectives of the program, and further efforts toward rationalizing the tax system and reducing exemptions will have to be pursued under the proposed successor arrangement. The end-year targets are within reach. The authorities need to accelerate priority expenditures to bring them back on track.

31. **The new program for 2012-14 draws lessons from the EPA, and enjoys ownership.** Building on the achievements of previous programs in the area of macroeconomic stability, the program includes ambitious reforms to create fiscal space for infrastructure investment and improve the business environment, with a view to fostering the diversification of the economy. The need for such reforms were not only identified in the EPA, but also underscored by participants to the Bamako Conference. The program also reflects the priorities of the new G-PRSP that the authorities will adopt soon.

32. **The draft 2012 budget is a first step towards meeting the objectives of the new program.** On the revenue side, the budget is in line with the program objective of increasing tax revenue by at least 0.5 percent of GDP resulting from high revenue expected from the gold sector and reforms in tax administration. On the expenditure side, the budget is aligned with the priorities of the new G-PRSP, but increased attention should be paid to the quality of expenditure, notably the targeting and sustainability of input subsidies to agriculture. The fiscal balance targets are compatible with the program objectives of avoiding crowding out the private sector and preserving debt sustainability.

33. **Steadfast implementation of tax policy and tax administration reforms will be essential to meet the program's revenue objective.** Durable gains in tax revenue will need to come from the reduction of tax exemptions, the implementation of a gradual pass-through of international oil prices to domestic energy prices, and the overhaul of the large and medium tax payers' offices, with a view to broadening the tax basis.

34. **Selecting high yielding infrastructure investment projects will be key to making good use of the non-concessional borrowing envelope under the program.** The internal rate of return of the projects should exceed the cost of borrowing. Financing most of the external borrowing needs through grants and concessional loans remains warranted, owing to sensitivity of the debt sustainability to an exports shock and a hardening of financing terms.

35. **Further progress in PFM reforms will be instrumental to create fiscal space for infrastructure investment.** The establishment of the treasury single account will strengthen the mobilization of domestic resources. The elimination of the deficits of the civil servants' and private sector employees' pension funds will free resources for priority spending including infrastructure investment.

36. **Implementing financial, cotton and electricity sector reforms and improving governance will be critical for private sector development.** The authorities need to

continue to closely monitor the fallout from the crisis in Côte d'Ivoire and Libya on the financial sector, and take measures to improve access to bank financing. They should complete the long-awaited privatization of the cotton ginning company, prepare the state housing bank for sale, implement vigorously a strategy to boost the capacity of the electricity company while ensuring its financial viability, and take steps to reduce corruption.

37. Based on the strong program implementation and the authorities' policy intentions, the staff recommends completion of the seventh review of the current ECF arrangement and approval of the authorities' request for a new three-year ECF arrangement.

Table 1. Mali: Selected Economic and Financial Indicators, 2008-14

	2008	2009	2010	2011		2012	2013	2014
				Est.	Prog. ¹ Rev. prog.			
(annual percentage change)								
National income and prices								
Real GDP	5.0	4.5	5.8	5.3	5.4	5.6	5.4	5.1
GDP deflator	8.8	3.6	4.0	4.4	4.1	2.5	2.4	2.4
Consumer price inflation (average)	9.1	2.2	1.4	3.5	3.0	2.8	2.3	2.4
External sector (percent change)								
Terms of trade (deterioration -)	36.3	15.9	-9.0	12.7	14.0	2.7	3.2	0.9
Real effective exchange rate (depreciation -)	8.0	0.3	-6.3	...	...	...	...	...
Money and credit (contribution to broad money growth)								
Credit to the government	-3.2	-13.9	2.5	6.1	6.7	3.0	1.2	-1.1
Credit to the economy	5.2	7.2	8.4	8.5	6.6	6.0	5.6	7.1
Broad money (M2)	0.5	16.0	9.0	10.8	11.5	12.7	10.6	8.2
(in percent of GDP, unless otherwise indicated)								
Investment and saving								
Gross domestic investment	19.0	20.3	18.4	20.4	20.5	20.0	21.8	23.2
Of which : government	7.5	10.8	7.9	8.9	9.0	7.5	8.3	8.7
Gross national savings	6.9	13.0	11.0	12.6	13.0	14.6	16.2	17.3
Of which : government	0.6	0.5	1.6	2.3	2.3	0.7	1.5	2.0
Gross domestic savings	5.2	12.6	9.8	12.8	13.0	15.4	17.4	18.3
Central government finance								
Revenue	15.5	17.1	17.3	16.7	16.7	17.6	18.1	18.5
Grants	3.4	4.6	2.9	3.3	3.5	2.9	2.8	2.8
Total expenditure and net lending	21.2	25.9	22.9	24.2	24.4	23.4	23.6	23.7
Overall balance (payment order basis, including grants)	-2.2	-4.2	-2.7	-4.2	-4.2	-2.9	-2.7	-2.4
Basic fiscal balance (WAEMU def.) ²	-0.3	-0.1	-0.1	-1.6	-1.6	-0.4	-0.3	0.0
Underlying basic fiscal balance (WAEMU def.) ³	-0.3	0.4	1.3	-0.5	-0.5	-0.1	0.0	0.0
Domestic debt ⁴	1.9	2.1	4.4	3.7	4.0	4.2	3.9	3.6
External sector								
Current external balance (including official transfers)	-12.2	-7.3	-7.5	-7.7	-7.5	-5.4	-5.6	-5.9
Current external balance (excluding official transfers)	-13.4	-9.2	-9.2	-9.0	-9.0	-6.8	-6.8	-7.1
Exports of goods and services	29.2	23.7	24.9	26.8	27.5	29.6	29.9	28.4
Imports of goods and services	43.0	31.4	33.5	34.3	35.0	34.2	34.3	33.3
Debt service to exports of goods and services	3.7	4.2	2.9	3.2	4.0	3.8	2.3	2.7
External debt	20.7	22.6	24.4	23.8	22.7	23.7	24.6	25.5
Memorandum items:								
Nominal GDP (CFAF billions)	3,913	4,233	4,657	5,104	5,109	5,529	5,969	6,421
Overall balance of payments (US\$ millions)	-74.5	646.5	-174.5	-102.9	-51.8	89.6	131.1	84.3
Money market interest rate in percent (end of period)	6.0	4.0	4.1	...	...	...	...	...
Gross international reserves (US\$ millions)								
Central Bank of West African States (BCEAO)	11,300	13,200	12,875	...	...	...	...	...
in percent of broad money	56.0	69.3	57.9	...	...	...	...	...
in months of imports of g. and s.	5.8	6.5	6.1	...	...	...	...	...
BCEAO Mali (imputed) ⁵	1,033	1,602	1,295	1,240	1,341	1,432	1,541	1,602
in percent of broad money	48.6	60.6	49.6	41.5	42.9	41.1	40.3	39.0
US\$ exchange rate (end of period)	481.5	449.3	496.2	...	...	...	...	...
Gold Price (US\$/fine ounce London fix)	872	973	1,225	1,427	1,582	1,758	1,760	1,790
Petroleum price (crude spot)(US\$/bbl)	97.0	61.8	79.0	107.2	103.2	100.0	99.5	97.5

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

¹ IMF Country Report No. 11/141: Mali —Sixth Review Under the ECF.

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

³ Excluding spending financed by the revenue from the privatization of the telecom company SOTELMA.

⁴ Includes BCEAO statutory advances, government bonds, treasury bills, and other debts.

⁵ For 2009, reflects new SDR allocation and privatization receipts of SOTELMA.

Table 2. Mali: National Accounts, 2008-14

	Share ¹	2008	2009	2010	2011		2012	2013	2014
					Est.	Prog. ² Rev. Prog.				Prog.	Proj.
(annual percentage change, at constant prices)									
Primary sector	32.6	13.2	5.6	11.4	6.5	6.9	5.4	5.6	5.7
Agriculture	19.1	20.2	6.4	16.0	8.3	8.5	6.1	6.4	6.6
Food crops, excluding rice	13.6	14.4	5.6	14.0	6.3	6.3	6.3	6.3	6.3
Rice	3.1	48.5	6.0	24.0	5.8	5.5	5.8	5.8	5.8
Industrial agriculture, excluding cotton	1.4	22.0	9.0	9.5	5.0	5.0	7.8	7.8	7.8
Cotton	1.0	-16.8	16.8	6.5	60.0	67.0	4.0	9.8	11.9
Livestock	8.5	4.0	4.2	4.3	2.8	4.0	4.4	4.4	4.4
Fishing and forestry	5.0	3.7	5.3	4.5	4.6	4.6	3.7	3.7	3.7
Secondary sector	20.4	-4.6	3.5	-2.1	5.4	4.5	8.9	7.1	3.9
Mining	6.7	-6.4	1.5	-14.3	3.3	0.1	10.0	10.0	-2.0
Industry	6.9	-14.4	0.9	0.1	6.0	7.4	10.4	3.9	5.7
Agrobusiness	2.6	-20.0	8.0	4.0	4.0	10.0	5.4	4.5	4.3
Textile	3.0	-34.0	5.0	4.9	12.0	5.1	29.0	4.0	9.8
Others	1.3	16.2	-9.2	-8.4	4.0	5.4	2.6	3.0	3.7
Energy	1.9	10.0	10.0	10.0	9.0	8.0	9.4	9.4	9.4
Construction and public works	4.9	4.5	6.0	7.0	5.0	5.0	5.6	5.6	5.6
Tertiary sector	36.9	4.3	3.5	4.6	4.2	4.4	4.9	4.9	4.9
Transportation and telecommunications	5.6	10.0	1.9	5.0	5.5	5.5	5.5	5.5	5.5
Trade	14.3	4.4	4.5	5.5	4.5	4.5	6.5	6.5	6.5
Financial services	0.8	2.0	3.5	3.5	3.0	3.0	3.8	3.8	3.8
Other nonfinancial services	6.9	1.0	5.3	4.0	3.5	5.0	4.0	4.0	4.0
Public administration	9.7	2.0	1.9	3.0	3.0	3.0	2.0	2.0	2.0
Banking services	-0.4	5.5	4.0	5.0	5.0	8.0	8.0	8.0	8.0
Indirect taxes	10.1	-2.0	5.9	4.2	4.3	4.3	2.4	3.0	5.6
GDP (market prices)	100.0	5.0	4.5	5.8	5.3	5.4	5.6	5.4	5.1
(in percent of nominal GDP)									
National accounts									
Gross domestic investment		19.0	20.3	18.4	20.4	20.5	20.0	21.8	23.2
Gross national savings		6.9	13.0	11.0	12.6	13.0	14.6	16.2	17.3
Current account balance (including official transfers)		-12.2	-7.3	-7.5	-7.7	-7.7	-6.9	-5.7	-5.9
<i>Memorandum items:</i>									
Nominal GDP (in CFAF billions)		3,913	4,233	4,657	5,104	5,109	5,529	5,969	6,421
GDP deflator (annual percent change)		8.8	3.6	4.0	4.4	4.1	2.5	2.4	2.4

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

¹ Share of 2007 Nominal GDP.² IMF Country Report No. 11/141: Mali —Sixth Review Under the ECF.

Table 3. Mali: Central Government Consolidated Financial Operations, 2008-14

	2008	2009	2010 Est.	2011		2012 Prog.	2013 Proj.	2014 Proj.
				Prog. ¹	Rev. prog.			
(in CFAF billions)								
Revenue and grants	741.5	918.9	940.0	1,019.3	1,030.5	1,132.8	1,248.6	1,368.6
Total revenue	607.3	725.0	806.3	852.5	851.8	972.2	1,078.9	1,189.6
Budgetary revenue	540.6	653.2	727.6	781.0	780.3	894.8	994.6	1,098.9
Tax revenue	519.4	624.3	681.8	727.9	731.1	836.2	931.2	1,030.7
Direct taxes	149.7	177.1	204.6	214.1	216.9	224.5	254.9	279.7
Indirect taxes	369.7	447.2	477.2	513.8	514.2	611.7	676.3	751.0
VAT	200.8	247.4	261.8	300.7	309.4	340.1	379.3	421.8
Excises on petroleum products	35.2	23.1	25.5	24.1	4.0	7.0	7.6	8.1
Import duties	64.3	90.1	94.6	98.4	110.0	113.3	122.9	140.3
Other indirect taxes	91.9	93.6	102.3	127.5	127.7	191.3	209.8	227.2
Tax refund	-22.5	-7.0	-6.9	-37.0	-37.0	-40.0	-43.2	-46.5
Nontax revenue	21.2	28.9	45.8	53.1	49.2	58.6	63.4	68.3
Special funds and annexed budgets	66.7	71.8	78.7	71.5	71.5	77.4	84.3	90.7
Grants	134.2	193.9	133.7	166.9	178.8	160.6	169.7	179.0
Projects	54.6	96.5	57.2	83.7	83.7	85.9	92.7	99.8
Budgetary support	79.6	97.4	76.5	83.2	95.1	74.7	77.0	79.3
Of which: general	25.0	51.9	54.9	47.1	49.2	46.4	46.4	46.4
Of which: sectoral	54.6	45.5	21.6	36.1	45.9	28.3	30.6	32.9
Total expenditure and net lending (payment orders)	828.2	1,097.8	1,064.4	1,235.3	1,244.3	1,291.7	1,408.1	1,522.8
Budgetary expenditure	753.9	1,004.4	971.0	1,154.9	1,175.9	1,216.3	1,323.7	1,432.1
Current expenditure	459.1	549.0	601.2	703.0	714.8	800.1	828.5	875.1
Wages and salaries	186.0	213.5	231.8	270.2	269.8	306.8	323.1	340.4
Goods and services	164.7	190.2	213.2	232.5	233.5	250.5	260.3	282.3
Transfers and subsidies	94.3	129.6	137.1	175.3	183.5	209.7	215.8	220.5
Interest	14.1	15.7	19.1	25.1	28.1	33.1	29.3	31.9
Of which: domestic	1.6	3.3	6.1	8.0	11.0	13.6	13.8	13.8
Capital expenditure	294.9	455.4	369.8	451.9	461.1	416.2	495.3	556.9
Externally financed	172.8	303.2	187.6	239.4	249.2	240.4	266.6	286.7
Domestically financed	122.1	152.2	182.2	212.4	211.9	175.8	228.7	270.2
Special funds and annexed budgets	66.7	71.8	78.7	71.5	71.5	77.4	84.3	90.7
Net lending	7.6	21.6	14.7	8.9	-3.1	-2.0	0.0	0.0
Overall fiscal balance (excl. grants)	-220.9	-372.8	-258.1	-382.8	-392.5	-319.4	-329.2	-333.2
Overall fiscal balance (incl. grants)	-86.7	-178.9	-124.4	-216.0	-213.8	-158.8	-159.5	-154.1
Variation of arrears	0.0	-59.1	-29.0	-12.3	-12.3	-14.2	0.0	0.0
Adjustment to cash basis	49.2	33.1	-53.3	4.2	4.2	0.0	-21.3	5.7
Overall balance (cash basis, incl. grants)	-37.5	-204.8	-206.7	-224.1	-221.9	-173.0	-180.7	-148.4
Financing	37.5	204.8	206.7	224.1	221.9	173.0	180.7	148.4
External financing (net)	82.5	180.3	131.2	137.6	136.2	126.5	161.6	168.8
Loans	99.9	200.8	152.6	164.4	165.1	168.3	185.3	196.2
Project loans	70.8	161.1	108.8	119.7	119.7	126.2	143.3	154.1
Of which: non-concessional	0.0	0.0	0.0	0.0	0.0	0.0	25.5	25.5
Budgetary loans	29.1	39.7	43.8	44.7	45.4	42.1	42.1	42.1
Amortization	-28.3	-33.5	-32.4	-40.8	-42.9	-53.3	-23.8	-27.4
Debt relief	10.9	13.0	11.0	14.0	14.0	11.6	0.0	0.0
Domestic financing (net)	-45.0	24.5	75.5	86.5	85.7	46.5	19.2	-20.3
Banking system	-31.7	-142.8	96.0	79.2	87.3	43.5	19.2	-20.3
Central bank	...	...	...	...	78.8	18.5	19.2	-20.3
Commercial banks	...	...	...	...	8.6	25.1	0.0	0.0
Privatization receipts	39.1	180.4	0.2	3.3	3.3	0.0	0.0	0.0
Non-bank financing	-52.4	-13.1	-20.8	4.0	-4.9	3.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items</i>								
Basic fiscal balance ²	-37.3	-58.1	-59.5	-129.4	-129.4	-67.5	-62.6	-46.4
Underlying basic fiscal balance ³	-37.3	-33.7	3.6	-73.5	-73.5	-51.5	-46.4	-46.4
Basic fiscal balance (WAEMU def.) ⁴	-12.3	-6.2	-4.6	-82.3	-80.1	-21.1	-16.2	0.0
Underlying basic fiscal balance (WAEMU def.) ³	-12.3	18.2	58.5	-26.4	-24.3	-5.1	0.0	0.0
General budgetary assistance	54.1	91.6	98.7	91.8	94.7	88.5	88.5	88.5
Spending financed by SOTELMA priv. revenue	0.0	24.5	63.1	55.9	55.9	16.0	16.2	0.0
Nominal GDP	3,913	4,233	4,657	5,104	5,109	5,529	5,969	6,421

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

¹ IMF Country Report No. 11/141: Mali —Sixth Review Under the ECF.² Total revenue, plus revenue from HIPC debt relief, minus total expenditure and net lending excluding externally financed capital spending.³ Excluding spending financed by the revenue from the privatization of the telecom company SOTELMA.⁴ Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending, excluding externally financed capital spending.

Table 4. Mali: Central Government Consolidated Financial Operations, 2011

	March		June		September	December	
	Prog. ¹	Est.	Prog. ²	Est.	Prog. ²	Prog. ²	Rev. Prog.
	(in CFAF billions)						
Revenue and grants	283.6	226.2	487.8	525.7	745.9	1,019.3	1,030.5
Total revenue	199.1	192.9	399.5	433.3	617.2	852.5	851.8
Budgetary revenue	181.3	169.2	365.9	386.9	565.4	781.0	780.3
Tax revenue	173.7	160.8	341.0	369.8	526.9	727.9	731.1
Direct taxes	51.1	48.1	100.6	124.5	155.2	214.1	216.9
Indirect taxes	122.6	112.7	240.4	245.3	371.7	513.8	514.2
VAT	69.0	67.2	141.3	145.9	218.0	300.7	309.4
Excises on petroleum products	5.4	1.8	11.3	2.7	17.5	24.1	4.0
Import duties	24.0	24.8	46.2	52.4	71.3	98.4	110.0
Other indirect taxes	31.9	22.2	59.9	48.7	92.4	127.5	127.7
Tax refund	-7.7	-3.3	-18.5	-4.4	-27.6	-37.0	-37.0
Nontax revenue	7.5	7.9	25.0	15.4	38.5	53.1	49.2
Special funds and annexed budgets	17.9	23.7	33.6	46.4	51.8	71.5	71.5
Grants	84.5	33.3	88.2	92.5	128.7	166.9	178.8
Projects	38.7	15.0	41.8	43.4	62.7	83.7	83.7
Budgetary support	45.8	18.3	46.4	49.1	66.0	83.2	95.1
Of which: general	17.2	8.1	17.8	27.3	34.4	47.1	49.2
Of which: sectoral	28.6	10.2	28.6	21.8	31.6	36.1	45.9
Total expenditure and net lending (payment order basis)	331.4	211.0	618.1	534.7	924.1	1,235.3	1,244.3
Budgetary expenditure	311.5	187.9	580.0	489.8	865.6	1,154.9	1,175.9
Current expenditure	160.3	120.8	343.5	286.2	522.2	703.0	714.8
Wages and salaries	63.7	56.3	127.6	124.0	198.9	270.2	269.8
Goods and services	53.3	32.4	116.3	77.8	174.4	232.5	233.5
Transfers and subsidies	37.4	25.1	87.6	71.6	131.4	175.3	183.5
Interest	5.9	7.0	12.1	12.7	17.5	25.1	28.1
Of which: domestic	2.5	4.2	2.5	5.5	4.4	8.0	11.0
Capital expenditure	151.2	53.6	236.5	174.7	343.4	451.9	461.1
Externally financed	104.6	23.1	130.3	63.2	184.1	239.4	249.2
Domestically financed	46.6	15.2	106.2	66.0	159.3	212.4	211.9
Special funds and annexed budgets	17.9	23.7	33.6	46.4	51.8	71.5	71.5
Net lending	2.0	-0.6	4.5	-1.5	6.7	8.9	-3.1
Overall fiscal balance (excl. grants)	-132.2	-18.1	-218.5	-101.5	-306.9	-382.8	-392.5
Overall fiscal balance (incl. grants)	-47.8	15.2	-130.3	-9.0	-178.1	-216.0	-213.8
Variation of arrears	-5.2	0.0	-12.3	0.0	-12.3	-12.3	-12.3
Adjustment to cash basis	-80.0	-56.4	-18.1	-33.1	-43.8	4.2	4.2
Overall balance (cash basis, incl. grants)	-132.9	-41.2	-160.7	-42.1	-234.2	-224.1	-221.9
Financing	132.9	41.2	160.7	42.1	234.2	224.1	221.9
External financing (net)	62.5	20.0	76.5	55.5	103.0	137.6	136.2
Loans	65.5	23.1	93.3	63.2	123.3	164.4	165.1
Project loans	37.4	23.1	59.8	63.2	89.8	119.7	119.7
Budgetary loans	28.1	0.0	33.5	0.0	33.5	44.7	45.4
Amortization	-4.6	-4.5	-23.8	-14.7	-30.8	-40.8	-42.9
Debt relief	1.6	1.4	7.0	7.0	10.5	14.0	14.0
Domestic financing (net)	70.5	21.2	84.2	-13.5	131.3	86.5	85.7
Banking system	59.4	73.1	80.5	79.1	125.8	79.2	87.3
Central bank	...	32.8	...	51.1	...	...	78.8
Commercial banks	...	40.3	...	28.0	...	...	8.6
Privatization receipts	0.0	0.0	1.7	0.0	2.5	3.3	3.3
Non-bank financing	11.1	4.8	2.0	-61.6	3.0	4.0	-4.9
Statistical discrepancy	...	-56.7	...	-31.0	...	...	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items</i>							
Basic fiscal balance ³	-26.0	21.9	-81.3	14.3	-112.3	-129.4	-129.4
Underlying basic fiscal balance ⁴	-17.0	23.3	-53.3	34.3	-70.3	-73.5	-73.5
External budget support	73.9	18.3	79.9	49.1	99.5	127.9	140.5
Government bank and market financing	79.2	79.0	78.4	81.9	122.6	74.9	74.1
Spending financed by SOTELMA priv. revenue	9.0	1.3	28.0	20.0	41.9	55.9	55.9

Sources: Ministry of Finance; and IMF staff projections.

¹ IMF Country Report No. 11/37: Mali —Fifth Review Under the ECF.² IMF Country Report No. 11/141: Mali —Sixth Review Under the ECF.³ Total revenue, plus revenue from HIPC debt relief, minus total expenditure and net lending, excluding externally financed capital spending. □⁴ Excluding spending financed by the revenue from the privatization of the telecom company SOTELMA.

Table 5. Mali: Central Government Consolidated Financial Operations, 2008-14

	2008	2009	2010 Est.	2011		2012 Prog.	2013 Proj.	2014 Proj.
				Prog. ¹	Rev. Prog.			
(in percent of GDP)								
Revenue and grants	19.0	21.7	20.2	20.0	20.2	20.5	20.9	21.3
Total revenue	15.5	17.1	17.3	16.7	16.7	17.6	18.1	18.5
Budgetary revenue	13.8	15.4	15.6	15.3	15.3	16.2	16.7	17.1
Tax revenue	13.3	14.7	14.6	14.3	14.3	15.1	15.6	16.1
Direct taxes	3.8	4.2	4.4	4.2	4.2	4.1	4.3	4.4
Indirect taxes	9.4	10.6	10.2	10.1	10.1	11.1	11.3	11.7
VAT	5.1	5.8	5.6	5.9	6.1	6.2	6.4	6.6
Excises on petroleum products	0.9	0.5	0.5	0.5	0.1	0.1	0.1	0.1
Import duties	1.6	2.1	2.0	1.9	2.2	2.0	2.1	2.2
Other indirect taxes	2.3	2.2	2.2	2.5	2.5	3.5	3.5	3.5
Tax refund	-0.6	-0.2	-0.1	-0.7	-0.7	-0.7	-0.7	-0.7
Nontax revenue	0.5	0.7	1.0	1.0	1.0	1.1	1.1	1.1
Special funds and annexed budgets	1.7	1.7	1.7	1.4	1.4	1.4	1.4	1.4
Grants	3.4	4.6	2.9	3.3	3.5	2.9	2.8	2.8
Projects	1.4	2.3	1.2	1.6	1.6	1.6	1.6	1.6
Budgetary support	2.0	2.3	1.6	1.6	1.9	1.3	1.3	1.2
Of which: general	0.6	1.2	1.2	0.9	1.0	0.8	0.8	0.7
Of which: sectoral	1.4	1.1	0.5	0.7	0.9	0.5	0.5	0.5
Total expenditure and net lending (payment order basis)	21.2	25.9	22.9	24.2	24.4	23.4	23.6	23.7
Budgetary expenditure	19.3	23.7	20.8	22.6	23.0	22.0	22.2	22.3
Current expenditure	11.7	13.0	12.9	13.8	14.0	14.5	13.9	13.6
Wages and salaries	4.8	5.0	5.0	5.3	5.3	5.5	5.4	5.3
Goods and services	4.2	4.5	4.6	4.6	4.6	4.5	4.4	4.4
Transfers and subsidies	2.4	3.1	2.9	3.4	3.6	3.8	3.6	3.4
Interest	0.4	0.4	0.4	0.5	0.5	0.6	0.5	0.5
Of which: domestic	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.2
Capital expenditure	7.5	10.8	7.9	8.9	9.0	7.5	8.3	8.7
Externally financed	4.4	7.2	4.0	4.7	4.9	4.3	4.5	4.5
Domestically financed	3.1	3.6	3.9	4.2	4.1	3.2	3.8	4.2
Special funds and annexed budgets	1.7	1.7	1.7	1.4	1.4	1.4	1.4	1.4
Net lending	0.2	0.5	0.3	0.2	-0.1	0.0	0.0	0.0
Overall fiscal balance (excl. grants)	-5.6	-8.8	-5.5	-7.5	-7.7	-5.8	-5.5	-5.2
Overall fiscal balance (incl. grants)	-2.2	-4.2	-2.7	-4.2	-4.2	-2.9	-2.7	-2.4
Variation of arrears	0.0	-1.4	-0.6	-0.2	-0.2	-0.3	0.0	0.0
Adjustment to cash basis	1.3	0.8	-1.1	0.1	0.1	0.0	-0.4	0.1
Overall balance (cash basis, incl. grants)	-1.0	-4.8	-4.4	-4.4	-4.3	-3.1	-3.0	-2.3
Financing	1.0	4.8	4.4	4.4	4.3	3.1	3.0	2.3
External financing (net)	2.1	4.3	2.8	2.7	2.7	2.3	2.7	2.6
Loans	2.6	4.7	3.3	3.2	3.2	3.0	3.1	3.1
Project loans	1.8	3.8	2.3	2.3	2.3	2.3	2.4	2.4
Of which: non-concessional	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.4
Budgetary loans	0.7	0.9	0.9	0.9	0.9	0.8	0.7	0.7
Amortization	-0.7	-0.8	-0.7	-0.8	-0.8	-1.0	-0.4	-0.4
Debt relief	0.3	0.3	0.2	0.3	0.3	0.2	0.0	0.0
Domestic financing (net)	-1.2	0.6	1.6	1.7	1.7	0.8	0.3	-0.3
Banking system	-0.8	-3.4	2.1	1.6	1.7	0.8	0.3	-0.3
Central bank	...	...	...	...	1.5	0.3	0.3	-0.3
Commercial banks	...	...	...	...	0.2	0.5	0.0	0.0
Privatization receipts	1.0	4.3	0.0	0.1	0.1	0.0	0.0	0.0
Non-bank financing	-1.3	-0.3	-0.4	0.1	-0.1	0.1	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items</i>								
Basic fiscal balance ²	-1.0	-1.4	-1.3	-2.5	-2.5	-1.2	-1.0	-0.7
Underlying basic fiscal balance ³	-1.0	-0.8	0.1	-1.4	-1.4	-0.9	-0.8	-0.7
Basic fiscal balance (WAEMU def.) ⁴	-0.3	-0.1	-0.1	-1.6	-1.6	-0.4	-0.3	0.0
Underlying basic fiscal balance (WAEMU def.) ³	-0.3	0.4	1.3	-0.5	-0.5	-0.1	0.0	0.0
General budgetary assistance	1.4	2.2	2.1	1.8	1.9	1.6	1.5	1.4
Spending financed by SOTELMA priv. revenue	0.0	0.6	1.4	1.1	1.1	0.3	0.3	0.0
Nominal GDP (in billions of CFAF)	3,913	4,233	4,657	5,104	5,109	5,529	5,969	6,421

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

¹ IMF Country Report No. 11/141: Mali — Sixth Review Under the ECF.

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

³ Excluding spending financed by the revenue from the privatization of the telecom company SOTELMA.

⁴ Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending, excluding externally financed capital spending.

Table 6. Mali: Central Government Operations, GFSM 2001 Classification¹, 2008-14

	2008	2009	2010	2011	2012	2013	2014
			Est.	Rev. prog.	Prog.	Proj.	
(in CFAF billions)							
Revenue	752.4	931.9	951.0	1,044.5	1,144.4	1,248.6	1,368.6
Taxes	519.4	624.3	681.8	731.1	836.2	931.2	1,030.7
Grants	145.1	206.9	144.7	192.7	172.2	169.7	179.0
Current	25.0	51.9	54.9	49.2	46.4	46.4	46.4
Capital	120.1	155.0	89.8	143.5	125.8	123.3	132.6
Other revenue	87.9	100.7	124.5	120.7	136.0	147.7	158.9
Expenditure	820.6	1,076.2	1,049.7	1,247.4	1,293.7	1,408.1	1,522.8
Expense	525.8	620.8	679.9	786.3	877.5	912.8	965.8
Compensation of employees	186.0	213.5	231.8	269.8	306.8	323.1	340.4
Use of goods and services	164.7	190.2	213.2	233.5	250.5	260.3	282.3
Interest	14.1	15.7	19.1	28.1	33.1	29.3	31.9
Subsidies	0.0	4.0	13.5	25.8	30.0	32.4	34.8
Grants	75.3	88.9	100.3	110.3	129.9	141.4	153.3
Other expense	85.7	108.5	102.1	118.9	127.2	126.3	123.0
Net acquisition of nonfinancial assets	294.9	455.4	369.8	461.1	416.2	495.3	556.9
Gross Operating Balance	226.6	311.1	271.1	258.2	266.9	335.8	402.8
Net lending (+)/borrowing (-)	-68.2	-144.3	-98.7	-202.9	-149.2	-159.5	-154.1
Net financial transactions	-68.2	-144.3	-98.7	-202.9	-149.2	-159.5	-154.1
Net acquisition of financial assets	8.0	51.0	-2.0	-87.4	-18.0	-15.4	22.4
Domestic	8.0	51.0	-2.0	-87.4	-18.0	-15.4	22.4
Currency and deposits	39.5	209.8	-17.0	-55.9	-16.0	-15.4	22.4
Loans (net lending)	7.6	21.6	14.7	-3.1	-2.0	0.0	0.0
Equity and investment shares (privatization proceeds)	-39.1	-180.4	11.2	-3.3	0.0	0.0	0.0
Other accounts receivable	...	...	-10.9	-25.1	0.0	0.0	0.0
Net incurrence of liabilities	76.2	195.3	96.8	115.5	131.2	144.1	176.5
Domestic	-8.8	26.5	-26.4	-32.1	12.5	-21.3	5.7
Debt securities and loans	-6.1	16.3	113.1	-4.6	27.5	0.0	0.0
Other accounts payable	-2.7	10.2	-139.4	-27.5	-15.0	-21.3	5.7
Foreign	85.0	168.8	123.1	147.7	118.7	165.4	170.8
<i>Memorandum items:</i>							
Change in net worth: Transactions	-68.2	-144.3	-98.7	-202.9	-149.2	-159.5	-154.1
Nominal GDP	3,912.8	4,232.9	4,657.1	5,109.4	5,529.3	5,969.4	6,421.4

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

¹ Government Finance Statistics Manual (<http://www.imf.org/external/pubs/ft/gfs/manual/>).

Table 7. Mali: Balance of Payments, 2008–14

	2008	2009	2010 Est.	2011		2012 Prog.	2013 Proj.	2014
				Prog. ¹	Rev. Prog.			
(in CFAF billions)								
Current account balance								
Excluding official transfers	-523.7	-391.2	-426.3	-460.4	-457.8	-374.1	-408.7	-457.3
Including official transfers	-476.2	-308.9	-348.3	-393.5	-383.4	-300.4	-332.8	-379.2
Trade balance	-284.7	-100.2	-155.7	-80.4	-90.2	53.8	83.9	52.0
Exports, f.o.b.	939.1	837.7	969.9	1,192.7	1,202.7	1,423.6	1,565.2	1,599.3
Cotton fiber	91.2	66.8	73.6	174.0	130.1	128.3	135.1	150.3
Gold	645.9	635.5	737.3	870.4	910.1	1,114.0	1,236.5	1,242.5
Other	202.0	135.4	159.1	148.4	162.4	181.3	193.6	206.5
Imports, f.o.b.	-1,223.8	-937.9	-1,125.6	-1,273.1	-1,292.9	-1,369.8	-1,481.3	-1,547.4
Petroleum products	-261.2	-211.8	-289.2	-402.6	-366.2	-378.0	-403.8	-410.2
Foodstuffs	-153.0	-147.0	-162.4	-161.5	-178.8	-202.3	-217.5	-227.7
Other	-809.5	-579.0	-674.0	-709.1	-747.8	-789.5	-860.1	-909.5
Services (net)	-255.2	-222.5	-246.2	-303.4	-292.1	-310.2	-344.6	-364.7
Credit	203.4	167.3	188.4	176.2	201.3	211.0	219.4	226.3
Debit	-458.7	-389.9	-434.6	-479.5	-493.4	-521.1	-564.0	-591.0
<i>Of which</i> : freight and insurance	-250.8	-173.3	-247.0	-293.8	-298.4	-316.1	-347.5	-363.0
Income (net)	-140.0	-215.8	-173.1	-229.5	-225.3	-280.0	-311.7	-310.8
<i>Of which</i> : interest due on public debt	-16.2	-12.4	-13.0	-17.1	-17.1	-19.5	-15.5	-18.1
Transfers (net)	203.7	229.6	226.7	219.8	224.2	235.9	239.7	244.4
Private transfers (net)	156.2	147.3	148.8	153.0	149.8	162.2	163.8	166.2
Official transfers (net)	47.5	82.3	77.9	66.9	74.5	73.7	75.9	78.1
<i>Of which</i> : budgetary grants	25.0	46.1	54.9	47.1	49.2	46.4	46.4	46.4
Capital and financial account	423.1	648.8	262.1	344.2	359.3	342.0	394.2	419.0
Capital account (net)	158.2	194.4	123.4	128.1	137.8	123.2	133.0	143.1
<i>Of which</i> : project grants	109.2	143.8	78.8	119.8	129.5	114.2	123.3	132.6
Financial account	264.9	454.4	138.7	202.2	221.5	218.8	261.2	275.9
Private (net)	194.1	244.7	7.5	78.6	85.3	92.3	99.6	107.2
Direct investment (net)	80.5	353.8	91.1	77.3	83.9	90.8	98.1	105.5
Portfolio investment private (net)	3.4	4.4	1.2	1.3	1.3	1.4	1.5	1.7
Other private capital flows	110.2	-113.6	-84.8	0.0	0.0	0.0	0.0	0.0
Official (net)	70.8	209.8	120.2	123.6	122.2	115.0	161.6	168.8
Disbursements	99.9	200.8	152.6	164.4	165.1	168.3	185.3	196.2
Budgetary	29.1	39.7	43.8	44.7	45.4	42.1	42.1	42.1
Project related	70.8	161.1	108.8	119.7	119.7	126.2	143.3	154.1
Monetary authority	0.0	52.5	0.0	0.0	0.0	0.0	0.0	0.0
Amortization due on public debt	-29.1	-43.5	-32.4	-40.8	-42.9	-53.3	-23.8	-27.4
Errors and omissions	19.9	-35.0	10.3	0.0	0.0	0.0	0.0	0.0
Overall balance	-33.2	304.5	-86.2	-49.3	-24.1	41.7	61.4	39.8
Financing	33.2	-304.5	86.2	49.3	24.1	-41.7	-61.4	-39.8
Foreign assets (net)	22.3	-316.7	75.2	35.3	10.1	-53.2	-61.4	-39.8
<i>Of which</i> : IMF (net)	13.4	0.0	2.9	17.6	25.4	5.0	3.8	2.1
HIPC Initiative assistance	10.9	12.2	11.0	14.0	14.0	11.6	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(in percent of GDP, unless otherwise indicated)								
Current account balance								
Excluding official transfers	-13.4	-9.2	-9.2	-9.0	-9.0	-6.8	-6.8	-7.1
Including official transfers	-12.2	-7.3	-7.5	-7.7	-7.5	-5.4	-5.6	-5.9
(annual percentage change)								
External trade								
Export volume index	-4.3	-11.5	0.9	0.5	2.0	22.1	7.5	2.5
Import volume index	50.3	-11.7	-4.6	6.2	8.5	12.2	9.4	5.8
Export unit value	29.0	0.8	14.5	21.0	21.9	-3.1	2.3	-0.4
Import unit value	-5.4	-13.0	25.8	7.3	6.9	-5.6	-0.8	-1.3
Terms of trade	36.3	15.9	-9.0	12.7	14.0	2.7	3.2	0.9

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

¹ IMF Country Report No. 11/141: Mali—Sixth Review Under the ECF.

Table 8. Mali: Monetary Survey, 2008-14

	2008	2009	2010	2011		2012	2013	2014	
				Est.	Sept. Est.				Prog. ¹	Rev. Prog.
(in CFAF billions)									
Net Foreign Assets	496.4	742.4	726.0	719.0	676.8	701.9	755.2	816.5	856.4
BCEAO	467.1	638.3	552.2	587.4	502.9	528.1	581.3	642.7	682.5
Commercial Banks	29.4	104.0	173.8	131.6	173.8	173.8	173.8	173.8	173.8
Net Domestic Assets	527.2	445.5	568.0	677.8	757.0	741.4	871.1	981.5	1,089.5
Credit to the government (net)	-156.2	-299.0	-269.9	-221.7	-190.7	-182.5	-139.0	-119.8	-140.2
BCEAO	5.5	-113.4	-74.1	-53.7	...	4.7	23.2	42.3	22.0
Commercial banks	-161.7	-185.5	-195.7	-168.5	...	-187.2	-162.1	-162.1	-162.1
Other	0.0	-0.1	-0.1	0.4	...	0.0	0.0	0.0	0.0
Credit to the economy	671.2	745.0	845.3	940.6	955.1	931.3	1,017.5	1,108.7	1,237.1
Other items (net)	12.2	-0.5	-7.4	25.4	-7.4	-7.4	-7.4	-7.4	-7.4
Money supply (M2)	1,023.6	1,187.9	1,294.5	1,396.8	1,433.8	1,443.3	1,626.3	1,798.0	1,945.9
Currency outside banks	317.1	304.5	314.5	380.5	348.0	350.7	395.1	436.8	472.8
Bank deposits	706.6	883.4	980.0	1,016.3	1,085.8	1,092.6	1,231.1	1,361.2	1,473.1
Memorandum item:									
Base Money (M0)	491.1	541.2	545.1	597.3	687.9	607.8	684.8	757.2	819.4
Gross international reserves BCEAO	497.5	719.7	642.6	677.8	594.4	619.6	667.8	724.2	759.0
in percent of broad money	48.6	60.6	49.6	48.5	41.5	42.9	41.1	40.3	39.0
(in percent of beginning-of-period broad money) ²									
Contribution to growth of broad money ²									
Money supply (M2)	0.5	16.0	9.0	12.8	10.8	11.5	12.7	10.6	8.2
Net foreign assets	-2.9	24.0	-1.4	-4.9	-3.8	-1.9	3.7	3.8	2.2
BCEAO	0.6	16.7	-7.3	-2.4	-3.8	-1.9	3.7	3.8	2.2
Commercial banks	-3.6	7.3	5.9	-1.7	0.0	0.0	0.0	0.0	0.0
Net domestic assets	3.5	-8.0	10.3	17.7	14.6	13.4	9.0	6.8	6.0
Credit to the central government	-3.2	-13.9	2.5	2.2	6.1	6.7	3.0	1.2	-1.1
Credit to the economy	5.2	7.2	8.4	14.5	8.5	6.6	6.0	5.6	7.1
Other items net	1.5	-1.2	-0.6	1.0	0.0	0.0	0.0	0.0	0.0
(annual percent change, unless otherwise specified)									
Memorandum items:									
Money supply (M2)	0.5	16.0	9.0	12.8	10.8	11.5	12.7	10.6	8.2
Base money (M0)	5.0	10.2	0.7	8.7	10.8	11.5	12.7	10.6	8.2
Credit to the economy	8.5	11.0	13.5	23.6	13.0	10.2	9.3	9.0	11.6
Velocity (GDP/M2)	3.8	3.6	3.6	3.7	3.6	3.5	3.4	3.3	3.3
Money Multiplier (M2/M0)	2.1	2.2	2.4	2.3	2.1	2.4	2.4	2.4	2.4
Currency outside banks / M2	31.0	25.6	24.3	27.2	24.3	24.3	24.3	24.3	24.3

Sources: BCEAO; and Fund staff estimates and projections.

¹ IMF Country Report No. 11/141: Mali —Sixth Review Under the ECF.² For September 2011, in percent of end-September 2010 broad money.

Table 9. Mali: Financial Soundness Indicators for the Banking Sector, 2007-11¹

	2007	2008	2009	2010	2011 ²
	(in percent)				
Capital					
Capital to risk-weighted assets	10.8	11.4	9.9	16.9	15.0
Tier 1 capital to risk-weighted assets	9.9	10.5	9.4	15.4	...
Capital (net worth) in percent of assets	5.6	6.0	5.7	9.2	...
Sectoral distribution of credit to the economy					
Agriculture	7.7	7.5	4.2	2.5	2.8
Minining sector, manufacturing, and public sector enterprises	13.9	13.8	14.9	14.6	16.4
Building and construction	1.9	2.4	2.4	4.2	3.8
Wholesale and retail trade	42.8	43.6	45.4	41.6	46.1
Other activities	33.7	33.0	32.4	37.4	30.9
Asset quality					
Non-performing loans to total loans	25.1	25.3	21.9	21.5	...
Non-performing loans to total loans (net of provisioning)	10.7	9.3	9.1	8.8	9.2
Provisions to gross non-performing loans	65.5	66.9	59.5	64.0	63.3
Provisions to gross loans	16.1	15.4	14.8	13.5	13.7
Earnings and profitability					
Return on assets (ROA)	-0.8	0.8	0.6	1.4	...
Return on equity (ROE)	-14.0	12.9	10.0	15.2	...
Liquidity					
Liquid assets to total assets	40.7	43.8	48.9	50.6	...
Liquid assets to short term liabilities	81.5	84.0	61.2	92.9	...
Ratio of deposits to assets	81.4	73.6	73.0	75.4	...
Ratio of loans to deposits	83.7	90.7	71.1	69.8	68.4
Memorandum items³					
Deposit rate	4.8	5.0	4.7	4.9	4.9
Lending rate	10.0	9.8	9.4	9.3	9.4

Source: BCEAO, and IMF staff estimates.

¹ Ratios calculated on the basis of average stocks of the period.

² As of end-June 2011.

³ Average.

Table 10. Mali: Indicators of Capacity to Repay the Fund, 2011-24¹

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	(in millions of SDRs)													
Fund obligations based on existing credit														
Principal	0.5	1.2	2.9	5.2	5.7	8.2	9.8	8.1	5.8	5.2	2.3	0.0	0.0	0.0
Charges and interest	0.0	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Fund obligations based on existing and prospective credit														
Principal	0.5	1.2	2.9	5.2	5.7	8.2	12.6	12.5	11.8	12.4	9.5	4.4	2.8	1.2
Charges and interest	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total obligations based on existing and prospective credit														
In millions of SDRs	0.5	1.4	3.1	5.4	5.9	8.4	12.8	12.7	11.9	12.5	9.6	4.5	2.9	1.3
In billions of CFA francs	0.7	1.9	4.2	7.3	7.8	11.1	16.9	16.7	15.8	16.5	12.6	5.9	3.8	1.6
In percent of government revenue	0.1	0.2	0.4	0.6	0.6	0.8	1.1	1.0	0.9	0.8	0.6	0.3	0.1	0.1
In percent of exports of goods and services	0.1	0.1	0.2	0.4	0.4	0.6	0.8	0.8	0.7	0.8	0.6	0.3	0.2	0.1
In percent of debt service	1.3	2.5	7.9	12.2	12.1	15.8	22.2	20.3	17.1	16.2	11.1	4.6	2.7	1.1
In percent of GDP	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.0	0.0
In percent of quota	0.6	1.5	3.4	5.8	6.3	9.0	13.7	13.6	12.8	13.4	10.3	4.8	3.1	1.3
Outstanding Fund credit ²														
In millions of SDRs	66.3	73.1	78.2	81.0	75.4	67.2	54.6	42.1	30.3	17.9	8.4	4.0	1.2	0.0
In billions of CFA francs	48.9	54.1	58.2	60.7	56.8	50.9	41.4	31.9	22.9	13.6	6.4	3.0	0.9	0.0
In percent of government revenue	5.7	5.6	5.4	5.1	4.4	3.6	2.7	1.9	1.3	0.7	0.3	0.1	0.0	0.0
In percent of exports of goods and services	3.5	3.3	3.3	3.3	3.0	2.6	2.1	1.6	1.1	0.6	0.3	0.1	0.0	0.0
In percent of debt service	85.8	72.4	109.6	102.2	87.5	72.4	54.3	38.6	24.9	13.3	5.6	2.4	0.6	0.0
In percent of GDP	1.0	1.0	1.0	0.9	0.8	0.7	0.5	0.4	0.2	0.1	0.1	0.0	0.0	0.0
In percent of quota	71.1	78.4	83.8	86.8	80.8	72.0	58.5	45.1	32.5	19.2	9.0	4.3	1.3	0.0
Disbursements and Repurchases														
Disbursements	34.5	6.8	5.1	2.8	-5.7	-8.2	-12.6	-12.5	-11.8	-12.4	-9.5	-4.4	-2.8	-1.2
Repayments and Repurchases	35.0	8.0	8.0	8.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	0.5	1.2	2.9	5.2	5.7	8.2	12.6	12.5	11.8	12.4	9.5	4.4	2.8	1.2
<i>Memorandum items:</i>	(in CFAF billions, unless otherwise indicated)													
Nominal GDP	5,109	5,529	5,969	6,421	6,901	7,421	7,978	8,578	9,217	9,908	10,656	11,467	12,344	13,295
Exports of goods and services	1,404	1,635	1,785	1,826	1,881	1,945	1,997	2,057	2,126	2,191	2,266	2,350	2,447	2,556
Government revenue	852	972	1,079	1,190	1,288	1,400	1,520	1,652	1,795	1,952	2,123	2,312	2,520	2,748
Debt service	57	75	53	59	65	70	76	83	92	102	114	127	140	152

Sources: IMF staff estimates and projections.

¹ The projections from 2011 onwards reflect the proposed new program and the associated disbursement schedule.

² Total debt service includes IMF repurchases and repayments.

Table 11. Mali: Schedule of Disbursements Under the Current ECF Arrangement, 2008-11

Amount	Available date	Conditions for disbursement
SDR 12.99 million	May 28, 2008	Executive Board approval of the three year ECF arrangement.
SDR 5.00 million	December 10, 2008	Observance of the performance criteria for June 30, 2008, and completion of the first review under the arrangement.
SDR 2.00 million	July 6, 2009	Observance of the performance criteria for December 31, 2008, and completion of the second review under the arrangement.
SDR 2.00 million	February 3, 2010	Observance of the performance criteria for June 30, 2009, and completion of the third review under the arrangement.
SDR 2.00 million	July 16, 2010	Observance of the performance criteria for December 31, 2009, and completion of the fourth review under the arrangement.
SDR 2.00 million	January 26, 2011	Observance of the performance criteria for June 30, 2010, and completion of the fifth review under the arrangement.
SDR 21.00 million	June 13, 2011	Observance of the performance criteria for December 31, 2010, and completion of the sixth review under the arrangement.
SDR 6.00 million	December 12, 2011	Observance of the performance criteria for June 30, 2011, and completion of the seventh review under the arrangement.

Source : IMF staff estimates and projections.

Table 12. Mali: Proposed Schedule of Disbursements Under A New ECF Arrangement, 2011-14¹

Amount	Available date	Conditions for disbursement
SDR 6.00 million	December 19, 2011	Executive Board approval of the three year ECF arrangement.
SDR 4.00 million	June 1, 2012	Observance of the performance criteria for December 31, 2011, and completion of the first review under the arrangement.
SDR 4.00 million	December 1, 2012	Observance of the performance criteria for June 30, 2012, and completion of the second review under the arrangement.
SDR 4.00 million	June 1, 2013	Observance of the performance criteria for December 31, 2012, and completion of the third review under the arrangement.
SDR 4.00 million	December 1, 2013	Observance of the performance criteria for June 30, 2013, and completion of the fourth review under the arrangement.
SDR 4.00 million	June 1, 2014	Observance of the performance criteria for December 31, 2014, and completion of the fifth review under the arrangement.
SDR 4.00 million	December 1, 2014	Observance of the performance criteria for June 30, 2014, and completion of the sixth review under the arrangement.

Source : IMF staff estimates and projections.

¹ Since a member cannot have two ECF arrangements effective at the same time under the Poverty Reduction and Growth Trust Instrument , a draft proposed decision approving the new ECF arrangement will be circulated to the Board for adoption after the current ECF arrangement expires upon the making of the eighth and last disbursement there under (Table 11).

Table 13. Mali: Millennium Development Goals 1990-2009

	1990	1995	2000	2005	2008	2009
Goal 1: Eradicate extreme poverty and hunger	2015 target = halve 1990 poverty and malnutrition rates					
Employment to population ratio, 15+, total (%)	48	48	49	47	47	47
Employment to population ratio, ages 15-24, total (%)	38	39	40	36	35	35
GDP per person employed (constant 1990 PPP \$)	1,874	1,929	2,094	2,463	2,608	2,608
Income share held by lowest 20%	7	5	6	7	7	..
Malnutrition prevalence, weight for age (% of children under 5)	..	38	30	28	28	..
Poverty gap at \$1.25 a day (PPP) (%)	13	53	26	19	19	..
Poverty headcount ratio at \$1.25 a day (PPP) (% of population)	40	86	61	51	51	..
Vulnerable employment, total (% of total employment)	..	96	..	87	..	..
Goal 2: Achieve universal primary education	2015 target = increase net enrollment to 100					
Literacy rate, youth female (% of females ages 15-24)	..	..	17	31	31	..
Literacy rate, youth male (% of males ages 15-24)	..	..	32	47	47	..
Persistence to last grade of primary, total (% of cohort)	..	..	76	74	76	77
Primary completion rate, total (% of relevant age group)	9	..	31	44	57	59
Total enrollment, primary (% net)	..	..	45	61	75	77
Goal 3: Promote gender equality and empower women	2015 target = increase education ratio to 100					
Proportion of seats held by women in national parliaments (%)	..	2	12	10	10	10
Ratio of female to male primary enrollment (%)	60	68	74	78	83	84
Ratio of female to male secondary enrollment (%)	49	49	55	61	64	65
Ratio of female to male tertiary enrollment (%)	16	..	47	53	45	41
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	..	27	..	35	..	..
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	55	73	68	71
Mortality rate, infant (per 1,000 live births)	131	122	113	106	103	101
Mortality rate, under-5 (per 1,000)	255	233	213	195	194	182
Goal 5: Improve maternal health	2015 target = reduce 1990 maternal mortality by three-fourths					
Adolescent fertility rate (births per 1,000 women ages 15-19)	..	191	190	188	161	179
Births attended by skilled health staff (% of total)	..	40	41	49	49	..
Contraceptive prevalence (% of women ages 15-49)	..	7	8	8	8	..
Maternal mortality ratio (estimate, per 100,000 live births)	1,200	1,100	980	880	..	830
Pregnant women receiving prenatal care (%)	..	94	57	70	70	..
Unmet need for contraception (% of married women ages 15-49)	..	26	29	31	31	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases	2015 target = begin to reverse AIDS and other major diseases					
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	..	32	32	..
Condom use, female (% of females ages 15-24)	..	3	3	4	4	..
Condom use, male (% of males ages 15-24)	..	26	26	29	29	..
Incidence of tuberculosis (per 100,000 people)	275	287	300	313	322	324
Prevalence of HIV, total (% of population ages 15-49)	0	2	2	1	2	1
Tuberculosis case detection rate (all forms)	12	11	13	13	21	16
Goal 7: Ensure environmental sustainability						
CO2 emissions (kg per PPP \$ of GDP)	0	0	0	0	0	0
CO2 emissions (metric tons per capita)	0	0	0	0	0	0
Forest area (% of land area)	12	..	11	11	10	10
Improved sanitation facilities (% of population with access)	26	29	32	35	36	36
Improved water source (% of population with access)	29	36	44	51	60	56
Terrestrial protected areas (% of total surface area)	..	..	..	..	2	..
Goal 8: Develop a global partnership for development						
Net ODA received per capita (current US\$)	55	57	34	59	76	..
Internet users (per 100 people)	0	0	0	1	2	2
Mobile cellular subscriptions (per 100 people)	0	0	0	6	27	25
Telephone lines (per 100 people)	0	0	0	1	1	1
Other						
Fertility rate, total (births per woman)	7	7	7	7	7	..
GNI per capita, Atlas method (current US\$)	260	240	230	390	580	570
Gross capital formation (% of GDP)	23	23	25	23	23	22
Life expectancy at birth, total (years)	44	46	47	49	48	51
Literacy rate, adult total (% of people ages 15 and above)	..	..	19	26	26	..

Source: World Bank, World Development Indicators (<http://ddp-ext.worldbank.org/ext/ddpreports>).

APPENDIX I. LETTER OF INTENT

Bamako, November 23, 2011

Madame Christine Lagarde
Managing Director
International Monetary Fund
Washington, DC 20431
USA

Dear Madame Lagarde:

1. The sixth review of our economic and financial program, supported by an arrangement under the Extended Credit Facility (ECF), was completed favorably by the IMF Executive Board on June 13, 2011.
2. The attached Memorandum on Economic and Financial Policies (MEFP) describes recent developments in the Malian economy and the progress made in implementing our program in 2011. This memorandum also sets out the economic and financial policies that the Malian government intends to pursue over the next three years.
3. The government's ongoing efforts to strengthen the tax and customs administration and to control public expenditure enabled it to meet all the performance criteria and indicative targets for end-June 2011, with the exception of the floor on social spending. These outlays fell short of the programmed amount on account of the cabinet reshuffle in April 2011, which delayed the execution of the budget. In addition, the government implemented all of the measures associated with structural benchmarks for end-September 2011, except for the reform of the tax system. In fact, the reform proposed in the draft 2012 budget law does not meet the initially envisaged objectives in regard to modernization and the reduction of exemptions. Additional preparatory work will be required in the months ahead in order to prepare a reform that truly meets the objectives in question.
4. For the next three years, the government has designed a program of economic and financial policies based on the lessons learned from the recent Ex post assessment of longer term program engagement (EPA) in Mali, and from the Conference on the Major Challenges and Economic Opportunities facing Mali held in Bamako on March 18-19, 2011, when all development stakeholders in Mali had an opportunity to express their views on the objectives of a new program. Based on the findings from the EPA and the Bamako Conference, the program aims to: (i) implement sustainable fiscal policies; (ii) create fiscal space for infrastructure expenditure; (iii) consolidate progress in public financial management; and

(iv) promote the development of the private sector by improving the business environment. This program is also aligned with the priorities of the new growth and poverty reduction strategy paper (G-PRSP) for the period 2012-17 which is currently being finalized in conjunction with civil society, the private sector, and the technical and financial partners.

5. In view of our overall achievements, and based on the measures spelled out in the attached MEFP, we request the favorable conclusion of the seventh and final review of our ECF-supported program and the eighth and last disbursement under the arrangement (SDR 6 million). In addition, we request a new three-year ECF-supported arrangement entailing SDR 30 million in access to IMF resources to help us cope with the volatility of prices of gold, cotton, oil, and foodstuffs, to which Mali's economy remains vulnerable, and the first disbursement under the new arrangement (SDR 6 million).

6. The government believes that the measures and policies described in the attached MEFP are appropriate for attaining the objectives of its program for the next three years. It will take any additional steps necessary to that end. Mali will consult with the IMF on the adoption of such measures and before any revision of the policies described in the attached MEFP, in accordance with the IMF's policies on such consultations. The government will provide Fund staff with any required information referred to in the Technical Memorandum of Understanding concerning progress made under the program. During the program, the government will not introduce or strengthen any exchange controls, multiple exchange rate practices, or import restrictions for balance of payments purposes, or conclude any bilateral payment agreements that are inconsistent with Article VIII of the Fund's Articles of Agreement.

7. The government intends to make public the contents of the IMF staff report, including this letter, the attached MEFP, the Technical Memorandum of Understanding, as well as the informational annex and the debt sustainability analysis. It therefore authorizes the IMF to publish these documents on its website following the conclusion of the seventh review by the IMF Executive Board.

Sincerely yours,

/s/

Lassine Bouaré
Minister of Economy and Finance

Attachments:

- Memorandum on Economic and Financial Policies
- Technical Memorandum of Understanding

ATTACHMENT I. MEMORANDUM ON ECONOMIC AND FINANCIAL POLICIES

1. The present memorandum on economic and financial policies (MEFP) describes recent developments in Mali and the outlook in 2011 in the context of the seventh and final review of Mali's three-year 2008-11 arrangement under the Extended Credit Facility (ECF), and Mali's economic and financial policies for 2012-14 under a new three-year ECF arrangement.

I. RECENT ECONOMIC DEVELOPMENTS, PERFORMANCE RELATIVE TO THE PROGRAM, AND OUTLOOK IN 2011

2. In 2011, real GDP growth is projected at 5.4 percent, thanks to the continuing growth expected in all sectors of the economy and the strong recovery in cotton production (+ 67 percent). The satisfactory agricultural season, which has benefited from favorable rainfall and positive conditions for the crop season, including the government's financial support for farmers in the form of input subsidies, is expected to keep inflation at 3 percent.

3. The balance-of-payments current-account deficit (including grants) is expected to reach 7.5 percent of GDP. The favorable impact of rising gold and cotton prices should more than outweigh rising oil prices and transportation costs. This deficit will be almost entirely financed by net capital inflows, primarily through foreign aid and foreign direct investment. As a result, the overall balance-of-payments result is expected to record a deficit of CFAF 24 billion (US\$52 million), financed by a draw down on the foreign exchange reserves of the Central Bank of West African States (BCEAO).

4. The money supply is anticipated to increase by 11.5 percent in 2011, driven by credit to the private sector and credit to the government.

5. The latest available data on financial sector stability indicate that uses of funds grew faster than capital, resulting in a capital adequacy ratio of 15 percent during the first half of 2011, relative to 16.9 percent in 2010. This reflects the lending cycle, especially for the agriculture sector (loans for inputs and seasonal lending), which are awarded in the first half of the year, and are repaid during the last quarter. All banks, except for one, meet the minimum level of capital, which was increased to CFAF 5 billion at end-2010. The stock of non-performing loans (net of provisions) stood at 9 percent of total loans (net of provisions), while provisioning rate remained at 63 percent.

6. Most program targets for end-June 2011 related to government finances were met. The basic fiscal balance (¶13) recorded a surplus of CFAF 14 billion (0.3 percent of GDP) even though a deficit of CFAF 81 billion (1.6 percent of GDP) had been programmed. The underlying basic fiscal balance (excluding spending financed by income from the privatization of SOTELMA) also recorded a decline (surplus of CFAF 34 billion or 0.7 percent of GDP) relative to the programmed amount (deficit of CFAF 53 billion or 1.1 percent of GDP). This was due to the favorable performance of tax receipts, control of

the wage bill, and under-execution of other current expenditures and domestically financed capital expenditures, including those executed through SOTELMA privatization income, because of the cabinet reshuffle in April 2011 and the replacement of senior managers. Consequently, all performance criteria and indicative targets for end-June were observed, except for the floor for priority expenditure, where there was an execution shortfall in common with other domestically funded expenditure. This shortfall will be eliminated by year-end.

7. The government has completed the implementation of one measure originally scheduled for the sixth program review and three of the four measures planned for the seventh program review:

- By depositing (as of June 1, 2011) to the Treasury's account at the BCEAO revenues earmarked for refunding VAT credits, the government has implemented a system for the timely management and payment of VAT credits for legitimate claims (structural benchmark for the sixth review).¹
- The General Directorate of Public Debt (DGDP) has created a database, which includes: (i) all domestic borrowing agreements signed by the government, identifying the stock of debt at end-2010 in addition to the quarterly schedule of repayments of principal and interest; and (ii) the debts guaranteed by the government (structural benchmark for the seventh review, Table 2).
- Since May 31, 2011, changes have been made to the TOFE to improve the presentation of domestic financing (structural benchmark for the seventh review, Table 2).
- A study on the impact of transfer of deposits of public entities (except for project accounts, whose creation is provided for in agreements signed with the technical and financial partners) at the commercial banks to a Single Treasury Account at the BCEAO was completed on September 15, 2011 (structural benchmark for the seventh review, Table 2).
- The reform of the tax system proposed in the 2012 budget law failed to meet all the objectives of the structural benchmark for the seventh review (Table 2). The General Directorate of Taxes (DGI) requires more time to prepare a reform that further streamlines and modernizes the tax laws, including through a reduction in exemptions.

¹ See [Mali -- Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding, May 26, 2011](#), ¶19 and Table 2.

8. Through end-2011, the authorities will retain the objectives adopted in the supplementary budget approved by Parliament on November 11, 2011, summarized in the MEFP of May 26, 2011 (¶¶15-17) ¹. The 2011 supplementary budget law aims at achieving a level of net tax revenue of at least 14.3 percent of GDP, while making provisions for adequate resources to refund VAT credits in 2011 as well as the VAT credit arrears generated in previous fiscal years (¶20). It is also designed to curb the deficit in the basic balance and the underlying basic balance to, respectively, 2.5 and 1.4 percent of GDP, while aligning expenditure execution with the priorities set forth in the Growth and Poverty Reduction Strategy Paper (G-PRSP, ¶9). The September 2011 budget review has identified a risk of a shortfall in the payment of dividends of gold companies in 2011 compared to the amount envisaged in the supplementary budget. If this risk materializes, the government will make adjustments to non-priority expenditures, with a view to achieving the objectives set forth in the supplementary budget law with respect to the underlying basic balance and net domestic financing for the government by banks and the financial market (Table 3).

II. PROGRAM IN 2012-14

9. As with previous programs, the G-PRSP will serve as a framework for economic, financial, and sectoral policies implemented in 2012-17. The preparation of a third G-PRSP is a participatory process and encompasses civil society, the private sector, and the technical and financial partners. The objectives of the G-PRSP III are: to promote rapid, diversified, sustainable, job-creating, and income-generating growth; to lay the groundwork for development and equitable access to quality social services; and to ensure institution-building and good governance. The G-PRSP III is expected to be finalized by end-2011, but its objectives have already been taken into account in preparing the draft budget law for 2012 (¶16).

10. In spite of an uncertain international environment, Mali's macroeconomic outlook appears favorable. Real GDP growth is projected to exceed 5 percent per year, thanks to increases in gold and agricultural production. Gold output will be boosted by high gold prices as well as 10 percent annual increases in production expected in 2012 and 2013. Agricultural production will continue to benefit from favorable conditions for the crop year, including government support for farmers through cotton input subsidies. Provided rainfall remains favorable, annual inflation should remain below the West African Economic and Monetary Union (WAEMU) convergence criterion of 3 percent. The overall balance of payments is expected to improve and turn into a surplus in 2012 and thereafter, thanks to increases in gold and cotton production. Although this outlook is favorable, the Malian economy remains vulnerable to the vagaries of the climate and volatility in the prices of gold and cotton, which constitute the bulk of the country's exports.

11. The program for 2012-14 draws lessons from the Ex-Post Assessment (EPA) of the IMF's longer-term program engagement in Mali ², and the Conference on the Major Challenges and Economic Opportunities facing Mali, held in Bamako on March 18-19, 2011.³ During this conference, a number of participants from the government, Parliament, the private sector, trade unions, civil society, and the technical and financial partners engaged in wide-ranging discussions on economic performance in recent years, as well as on the key challenges ahead. Both the EPA and the conference found that Mali's Fund-supported programs have successfully maintained macroeconomic stability and ensured progress toward achievement of the MDGs. However, the EPA and the conference also found that these programs have been less successful in terms of diversifying the economy, mobilizing tax revenues beyond 15 percent of GDP, or in raising economic growth in real terms beyond 5 percent per year, at a time when population growth has continued at a rapid pace (exceeding 3.6 percent per year). According to the EPA and the conference, the major impediment to growth is the challenging business climate characterized by inadequate physical infrastructure facilities (transport, electricity, etc.), shallow financial intermediation, a weak judicial system, and unsatisfactory number of skilled labor. These constraints have kept private investment at relatively low levels compared to those achieved in comparable countries.

12. Drawing on the lessons learned from the EPA and the conference, the program is designed to: (i) implement sustainable fiscal policies; (ii) create fiscal space for infrastructure spending; (iii) consolidate progress in public financial management; and (iv) promote private sector development by improving the business environment.

A. Implement Sustainable Fiscal Policies

13. The government intends to continue implementing sustainable fiscal policies in accordance with its commitments within the framework of its participation in the WAEMU. In particular, in 2012, the government will seek to adopt and implement a fiscal policy designed to keep the basic fiscal balance equal or superior to zero in line with the new definition adopted by the WAEMU in 2009.⁴

14. In 2012, the government will continue to spend the bulk of the receipts from the privatization of the telecommunications company SOTELMA on capital projects selected in 2009 and implemented since then (Table 6). As a result, the basic balance will continue to temporarily record a trajectory that deviates from the zero or surplus level required by the WAEMU convergence criterion. While spending SOTELMA privatization earnings, the government undertakes to ensure that the underlying basic balance (excluding expenditures

² [IMF Country Report No. 11/153. Mali: Ex Post Assessment of Longer-Term Program Engagement.](#)

³ [IMF Press Release No. 11/94: The Bamako Conference Calls for Stronger and Inclusive Growth in Mali in the Context of Strengthened Partnership.](#)

financed by SOTELMA privatization receipts) stays close to zero. In addition, the government will seek to maintain the overall fiscal balance (including project grants, sectoral budget assistance, and externally financed capital expenditure) at a sustainable level, as indicated by the Debt Sustainability Analysis (DSA) performed annually in cooperation with IMF and World Bank staff.

15. The expenditures executed in the context of the budget laws will reflect the priorities of the PRSP (¶9). To demonstrate its determination to implement these priorities, the government will ensure that expenditures in social sectors stay above a floor (proposed indicative target, Table 3).

16. In the context of its commitments, the government has submitted to Parliament a draft budget law for 2012, which is summarized below:

- The level of projected tax revenues is CFAF 836 billion (15.1 percent of GDP). The key tax measures proposed in the draft budget law are as follows: lower the corporate income tax rate from 35 to 30 percent; raise excise taxes on gold production from 3 to 5 percent; and introduce a reduced VAT rate of 5 percent on computer equipment and equipment associated with the generation of solar energy. The draft law also provides for adequate funding for repayment of VAT credits (¶20). This revenue target is based on a level of taxation assessed on petroleum products at least equivalent to the level observed during the first quarter of 2011. If the government decides to implement a lower level of oil taxation for economic or social reasons, it will adapt revenue or non priority expenditure to keep the underlying basic balance at the level specified in the draft 2012 budget law.
- The proposed level of domestically funded expenditure is CFAF 1051 billion (19 percent of GDP). The expenditure mix is in line with the objectives set forth in the G-PRSP, with 34 percent devoted to strengthening the social sector, 32 percent to developing infrastructure and the productive sectors, and 19 percent to governance and public administration. The draft budget law contains a CFAF 30 billion allocation to subsidize agricultural inputs. This amount will be revised in March 2012 at the time of the budget review carried out with Fund staff. Given the growing cost of the commitments undertaken by the government in this area, by end-February 2012, the

⁴ Through 2011, the basic balance under the program is defined as follows: revenue (including resources from the HIPC Initiative but excluding grants) less current expenditure and domestically financed capital expenditure, i.e., the difference between revenue and expenditure under the control of the government. Beginning in 2012, the definition of basic balance under the program will be aligned with the new WAEMU definition of basic balance, namely: revenue (including resources from the HIPC Initiative *plus grants intended for general budget assistance*) less current expenditure and domestically financed capital expenditure.

Minister of Economy and Finance will prepare a proposed reform of these subsidies, with a view to limiting their impact on the government budget.

- Consequently, the projected basic fiscal deficit is CFAF 21 billion (0.4 percent of GDP), the underlying basic deficit is CFAF 5 billion (0.1 percent of GDP), and the overall fiscal deficit inclusive of grants is CFAF 173 billion (3.1 percent of GDP).

B. Create Fiscal Space for Infrastructure Spending

17. The government intends to implement the reforms needed to enhance domestic and external resource mobilization and improve the infrastructure required for private sector development. These reforms will focus on tax policy, tax and customs administration, use of non-concessional borrowing, and management of public investment.

Reform tax policy and the tax, customs, and government property administration, with a view to enhancing tax revenue

18. The government undertakes to raise the tax-to-GDP ratio by at least 0.5 percent of GDP annually by implementing tax reforms designed to broaden the tax base, and continuing the reforms undertaken by DGI, the General Directorate of Customs (DGD), the National Directorate of Government Property and the Land Registry (DNDC), in order to enhance revenue collection (proposed performance criterion, Table 3).

Reform tax policy

19. Tax measures will be as follows:

- *Ensure that the draft budget laws for 2012-2014 introduce measures designed to enhance revenue mobilization, while streamlining and modernizing the tax laws, including through a reduction in exemptions;*
- *Identify and phase out exemptions:*
 - prepare, by end-February 2012, a comprehensive list of all of the exemptions included in the General Tax Code and Customs Code, the Investment Code, the Mining Code, and all other laws incorporating tax benefits;
 - starting with the 2013 budget, ensure that draft budget laws incorporate a table indicating all exemptions included in the General Tax Code, the Customs Code, the Investment Code, the Mining Code, and all other laws or government decisions incorporating tax benefits, as well as their legal basis and date of implementation, together with an estimate of the losses these exemptions entail for government revenue (proposed structural benchmark, Table 4); and
 - phase out exemptions to the extent possible.

- *Design and implement a strategy to adjust domestic energy prices (petroleum products and electricity) to reflect trends in international prices.* This strategy includes the following features:
 - starting with the 2013 budget, ensure that draft budget laws include an estimate of the impact on the government budget resulting from failure to adjust petroleum related products and electricity prices (proposed structural benchmark, Table 4);
 - by end-February 2012, prepare proposals to adjust domestic energy prices to reflect trends in international prices (proposed structural benchmark, Table 4); and
 - with assistance from World Bank staff, prepare transfers targeted at the most vulnerable segments of the population, which could be stepped up in the event of increases in food or energy prices, with a view to easing the social tensions potentially associated with an upturn in such prices.
- *Analyze the advisability of introducing a surcharge on profits resulting from exceptionally high prices in the tax regime governing mining companies,* in an effort to improve the tax pressure on mining rents while preserving incentives for engaging in mining operations.

Reform tax, customs, and government property administrations

20. *Priority will be attached to implementing the reforms initiated in 2011 to achieve sustainable improvements in the operation of the VAT,* which accounts for about 40 percent of tax revenue. Accordingly, the following measures have been adopted:

- A Treasury account was opened at the BCEAO on January 18, 2011 to receive (a) the entire VAT receipts paid by the mining companies on their imports, and (b) 10 percent of VAT receipts paid by domestic operators. The monthly funding of this account by the DGI and DGD began on June 1, 2011 (¶7). The use of this account is reserved for refunds of VAT credits. This practice helps ensure effective and regular refunding of VAT credits owed to mining companies on their imports and to all other enterprises generating VAT credits, in accordance with WAEMU legislation. The amounts of VAT credits owed to gold and non-gold companies in 2011 are estimated at CFAF 21 billion and CFAF 12 billion, respectively, in the draft 2011 supplementary budget law (¶8). The VAT credits owed to gold and non-gold companies are estimated at CFAF 23 billion and CFAF 13 billion, respectively, in the draft 2012 budget law (¶16), and will be reviewed in March 2012 at the time of the budget review carried out with Fund staff.

- The DGI has estimated the value of VAT credits accumulated as of December 31, 2010 that remains to be refunded by the government at CFAF 16.7 billion, of which CFAF 6.2 billion have been confirmed. In the supplementary budget law for 2011, the government has allocated CFAF 10 billion (¶8), and in the draft 2012 budget law, it has allocated CFAF 6.7 billion to refund these credits (¶16).
 - On May 31, 2011, the authorities ended the import tax regime at the reduced 6 percent rate without entitlement to a VAT credit, which had benefited two gold mining companies, as well as the VAT exemption enjoyed by their subcontractors. This means that all gold mining companies and their subcontractors have been subject to the standard VAT regime at the sole rate of 18 percent since June 1.
 - As of December 31, 2011, the system of withholding of VAT at source will end, except for the Treasury. The Treasury will terminate withholding of VAT at source by December 31, 2012.
 - As of January 1, 2013, the threshold for the application of VAT will be raised from CFAF 30 million to CFAF 50 million to simplify the collection of VAT in coordination with the change in the business turnover thresholds of the Large Business Taxpayers Office (DGE) and the Medium-Sized Business Taxpayers Office (DME) explained below (proposed structural benchmark, Table 4).
21. The DGI, DGD, and DNDC will pursue their efforts to improve the tax, customs, and government property administrations by:
- *Changing the business turnover thresholds for DGE and DME, with a view to streamlining taxpayer administration.* To improve taxpayer management and increase the number of taxpayers managed by the DGE and the DME, the threshold of business turnover for the DGE will be raised from CFAF 500 million to CFAF 1 billion beginning in January 1, 2013, while the threshold for the DME will be lowered from CFAF 150 million to CFAF 100 million beginning in January 1, 2012, and to CFAF 50 million beginning in January 1, 2013 (proposed structural benchmark, Table 4). This reform will make it possible to improve the management and supervision of firms by the DGE, achieve rapid increases in the numbers of taxpayers managed by the DME, and improve VAT management by entrusting this function in its entirety to the DGE and the DME.
 - *Improving the SYGTAS taxpayer registration system.* The SYGTAS databank contains numerous data entry errors, which will be remedied with donor assistance.
 - *Improving the administration of taxpayers managed by the DGE.* The DGI: (i) will take all necessary steps to require payment of taxes via bank transfer for all firms

managed by the DGE by January 1, 2013; and (ii) will implement a system for filing on line, with the aim of obtaining ISO certification for the DGE.

- *Improving taxpayers administration managed by the DME.* The DGI will continue to focus on enhancing the functioning of the DME, adopting the following measures: (i) strengthen its portfolio to raise the number of its taxpayers from less than 800 in 2011 to at least 1500 by end-September 2012; (ii) reduce the rate of VAT not filed to below 10 percent by end-2012, and below 5 percent by end-2013; and (iii) raise the rate of coverage of tax audits to at least 20 percent of its portfolio. The DGI will focus on improving the office premises and increasing staff at the DME.
- *Promoting taxpayer compliance.* In October 2011, the DGI published on the Minister of Economy and Finance's website the list of taxpayers managed by the DGE and DME respectively, and will keep this list regularly updated, so that the general public can see for itself the results of efforts made to broaden the tax base.
- *Implementing automatic targeted customs audits by June 30, 2012.* To that end, the DGD has set up a technical Risk Management Section, which completed all the necessary preparatory tasks in 2011.
- *Modernizing the DNDC.* In 2011, the DNDC carried out a study to determine the potential for government property revenue and to enhance the collection of such revenue, and conducted a study to prepare and implement a computerization plan. The DNDC will pursue its efforts to set up a land registry, and will implement a secure archiving system.
- *Introducing multidisciplinary audits.* A tax intelligence unit will be set up by end-February 2012 to strengthen tax audits and identify new taxpayers by using all the taxpayer or economic transaction databases available at the DGI, the DGD, the DNDC, and the directorate responsible for government procurement (proposed structural benchmark, Table 4).
- *Improving the recording of tax revenues in the accounts.* The Treasury's new integrated accounting application and its interface with the DGD (ASYCUDA) and DGI (SIGTAS) applications will be put into operation in the District of Bamako revenue collection office (RGD) in January 2012.

Use non-concessional borrowing with caution

22. The most recent debt sustainability analysis carried out with Fund and World Bank staff found that Mali's risk of debt distress remains moderate and that there is room for borrowing of up to CFAF 51 billion (US\$100 million, or 1 percent of GDP) on non-concessional terms for high-yield infrastructure investments during 2012-14. This analysis

also confirms that debt sustainability remains highly sensitive to the prices of gold (production of which will decline in the medium term), the financial terms of borrowing, and the pursuit of sustainable fiscal policies.

23. Henceforth, the government reaffirms its commitment to meet all its external financing needs through grants and borrowing for which the grant element amounts to at least 35 percent, except for an envelope of CFAF 51 billion, which will be devoted to high-yield infrastructure investments during 2012-14 (proposed continuous performance criterion, Table 3). The authorities will review the size of this envelope at the time of the annual debt sustainability analyses, conducted in cooperation with IMF and World Bank staff, particularly in light of the authorities' performance in selecting high-yield public investment projects. As early as in 2012, the authorities will produce their own debt sustainability analysis in preparation for these analyses, with assistance from IMF and World Bank staff.

24. The authorities will inform the Fund staff about their plans to borrow non-concessionally. The government will provide a description of the projects for financing and their returns, including the feasibility studies. The government will account for the utilization of the funds and the implementation status of the projects in their MEFPs under the program.

25. To minimize the cost of non-concessional borrowing, ensure that the returns on projects for investment in infrastructure financed by such borrowing exceed their cost, and to maximize the returns on such projects, the authorities will adopt the following measures:

- identify those infrastructure projects that yield potentially the greatest returns;
- carry out economic and technical feasibility studies for these projects;
- choose among the most viable projects ; and
- identify the most affordable financing possible for these projects: if possible with a grant element greater than or equal to 35 percent, otherwise with a grant element of 20 percent or more, or the best possible financial terms.

26. To prepare for cautious use of medium-term non-concessional borrowing, the government will adopt the following measures: (i) prepare a medium-term debt management strategy by end-June 2012 with technical assistance from the IMF and the World Bank under the Debt Management Performance Assessment (DeMPA) program; (ii) implement this strategy; and (iii) obtain a rating from a rating agency with the assistance of UNDP by end-2014.

Improve public investment management

27. By end-February 2012, the authorities will analyze the strengths and weaknesses of the current process for the selection, budgeting, implementation monitoring, and ex post assessment of projects for public investment in infrastructure, with a view to designing and

implementing an action plan for building capacity in this area during 2013-14 (proposed structural benchmark, Table 4).

28. Without waiting for the results of this analysis, the following measures will be adopted, with a view to gradually improving the procedures for budgeting and monitoring the execution of investment appropriations.

- *The draft 2013 budget law will introduce commitment authorizations (AE) and payment appropriations (CP) related to three-year public investment expenditures. On this basis, the Ministry of Economy and Finance will make arrangements to track the utilization of AE and CP in the PRED5 expenditure management software.*
- *A procedure for carrying forward CP will be implemented in a transitional manner in preparation for the full implementation of the system of carry-forwards included in WAEMU directives. During this transitional period, CP will be carried forward, provided that such carry-forwards are secured (i.e., covered by appropriate financing arrangements or budget savings in the following year), and specified in the cash flow plan of the following year. Carrying forward unsecured CP up to a maximum of 10 percent of initial appropriations will be allowed, subject to the availability of financing resources in the cash-flow plan of the following year. CP pertaining to expenditures validated but for which no payment orders have been issued are carried forward on a priority basis, up to the limit of the above-mentioned ceiling; above that ceiling, the authorities must prepare a supplementary budget law. The procedures for carrying forward CP will include: a decree adopted by the Cabinet prior to January 31 of the following year, which will indicate; (i) CP for which no payment orders have been issued on December 31, but have been cancelled and carried forward into the following fiscal year based on conditions specified above; and (ii) CP that have been cancelled and not carried forward. (proposed structural benchmark, Table 4).*
- *By 2014, a procedure for carrying-forward CP will be put into practice, which provides for full implementation of the system of carry-forwards specified by WAEMU directives, permitting only the carry-forward of CP secured and provided for in the cash-flow plan.*

C. Consolidate Progress in Public Financial Management

29. The results of the Public Expenditure and Financial Accountability (PEFA) assessment completed in 2011 show that progress has been made in the public expenditure management system in Mali, particularly with respect to budget credibility and comprehensiveness, and the preparation of budget laws. Nonetheless, the findings also point to persistent weaknesses related to monitoring of back taxes and domestic payments arrears, cash flow management, accounting, and external auditing.

30. To build on the progress made thus far, the government is pursuing the implementation of its action plan to improve and modernize public financial management (PAGAM-GFP II) covering the period 2011-15. The actions in PAGAM-GFP II are organized around four strategic objectives: sustainable optimization of revenues; budget preparation and execution consistent with international standards; accountability of stakeholders and enhancing the transparency of public finance; and further decentralization. The implementation of the PAGAM will continue to guide the government's actions in improving PFM.

Improve public debt and public expenditure management and the transparency of government finance

31. The PAGAM-GFP II action plan reflects the government's desire to play a leading role in transposing and implementing WAEMU directives related to public expenditure management. To the extent possible, the government is committed to incorporating into Malian laws and regulations the WAEMU Directives No. 5 to 10 of 2009 on transparency, budgets, public accounting, budget nomenclature, the government's chart of accounts, and the TOFE by December 31, 2011, and to begin implementing these provisions beginning in 2012.

32. Pursuant to these directives, with reference to budget execution for 2011, no further payment orders will be accepted after December 31, 2011, no further payments will be validated after January 31, 2012, and all spending executed through exceptional procedures will be regularized before January 31, 2012. In this way, the supplementary budget period will be limited to accounting operations, and an end-of-operations circular was published on September 30, 2011 specifying deadlines for expenditure commitments, with a view to ensuring that all payment orders are stopped by December 31, 2011.

33. Under the program, the government intends to complete the following ongoing actions to improve budget presentation and execution, liquidity, and domestic debt management, and to strengthen accounting, external auditing, and government finance statistics:

- *The draft 2012 budget law includes all government expenditures and resources and in particular the taxes levied on wages, the proceeds from which will be earmarked for the Malian Housing Office (Office Malien de l'Habitat [OMH]).*
- *Changes in appropriations adopted during the year will be reported on a consolidated basis in the draft supplementary budgets or budget review laws. All regulatory measures to alter budget appropriations during the year (decrees concerning advances, transfers, payment orders, carry-forwards, cancellations, credit funds, etc.) will be provided as reference information attached to the first draft supplementary budget law following the adoption of the measure in question, or if*

there is no such supplementary budget, they will be attached to the draft budget review law (*loi de règlement*) for the corresponding fiscal year.

- *A Single Treasury Account (STA, Compte unique du Trésor) at the BCEAO will be put in place by end-2011.* A study on the impact of transferring to the BCEAO the more than 3400 accounts of public entities at commercial banks (except for project accounts whose creation is explicitly provided for in agreements signed with technical and financial partners) was completed on September 15, 2011 (structural benchmark, Table 2). This study found that 7 banks could withstand the immediate transfer of these accounts to the BCEAO, without compromising their liquidity ratios, but 6 banks would see their ratios deteriorate below the required minimum. Accordingly, the authorities have decided to transfer the accounts (except for project accounts) of the RGD, the Office of the Paymaster General of the Treasury (PGT), the Central Accounting Agency of the Treasury (ACCT) and the accounting units of the Regional Treasurers/Paymasters (TPR) in Mopti and Sikasso with the above-mentioned 7 banks to the BCEAO by end-2011 (proposed structural benchmark, Table 4). A strategy for transferring the accounts in the other 6 banks will be approved by March 2012, as will the strategy for transferring the accounts (except for project accounts) of other administrations and administrative public agencies at all commercial banks to the BCEAO. The terms on which the bank accounts of public entities may be opened, operated, and closed will be approved by the Minister of Economy and Finance by end-December 2011. The Ministry of Economy and Finance will propose an agreement regarding the maintenance of the Single Treasury Account to the BCEAO by December 31, 2011.
- *Management of domestic debt will be strengthened.* The Minister of Economy and Finance has entrusted the DGDP with the task of preparing a comprehensive list of all the agreements related to domestic debt and the commitments to guarantee domestic debt given by the government in an effort to include their repayment schedules in the public debt database and in the budget laws (¶7). The DGDP has begun taking inventory of all agreements related to domestic debt at local banks. This work has already made it possible to identify direct and indirect obligations of the government to the banking sector in the amount of CFAF 163 billion (3.2 percent of GDP) at end-June 2011, including CFAF 24 billion (0.5 percent of GDP) in amounts that are due and outstanding. A payment timetable is currently being negotiated with creditors, for which CFAF 2.3 billion have been allotted in the draft 2011 supplementary budget law, and CFAF 7.5 billion in the draft 2012 budget law.
- *The quality of accounts will be gradually improved.* Abnormal balances identified on current accounts, third party accounts, and financial accounts in the general balance sheets of the ACCT, the PGT, and the RGD have begun to be rectified. The abnormal

balances found in the above-mentioned accounts for FY 2011 will be cleared by end-March 2012.

- *The production and auditing of annual government accounts will be accelerated.* The Accounts Section of the Supreme Court is implementing a strategy to clear accounts on the basis of the assessment of the status of accounts produced by the National Directorate of the Treasury and Public Accounting (DNTCP). For public accounts prior to 1992, the government has adopted a draft validation law on June 29, 2011 and submitted it to Parliament. The Account Section has examined the public accounts for the fiscal years 1992-2008. Parliament has voted on the final accounting law (*loi de règlement*) for FY 2008. The government has submitted the draft final accounting law for 2008 to Parliament. The Accounts Section is engaged in reviewing the final accounting review law for 2009. The government will adopt the draft final accounting law for FY 2010 by end-2011. The same approach will be used for later fiscal years, in accordance with the WAEMU Directives.
- *Further action will be taken to improve government finance statistics.* As of May 31, 2011, changes have been made to the TOFE as specified in the May 26, 2011 Technical Memorandum of Understanding (TMU, ¶23; structural benchmark, Table 2). Efforts will be made to reduce the statistical discrepancy between the overall balance recorded and its financing. Starting with the TOFE at end-December 2011, the Ministry of Economy and Finance and the BCEAO will work closely together to allow the BCEAO to produce a net government position (narrowly defined) encompassing the transactions set forth in the TOFE (TMU, ¶6).
- *Monitoring of payment lags will be strengthened to prevent creation of arrears.* The expenditure management software (PRED5) will be used to track delays in execution of payment orders, and to ensure that payments are made within 90 days after expenditure validation. Monthly tables will be generated for this purpose.

Strengthen internal and external controls

34. Internal and external oversight mechanisms have identified numerous administrative shortcomings in public financial management. At the internal level, the Office for General Control of Public Services has highlighted the lack of manuals of procedure and their insufficient use in government. To correct these deficiencies, the government has adopted a national internal control strategy, covering the period 2011-15, that will be implemented with assistance from technical and financial partners. At the external level, the Office of the Auditor General has drawn attention to large sums that remain to be collected by the Public Treasury. Furthermore, the Accounts Section of the Supreme Court will be converted into an Audit Office in accordance with a WAEMU directive, and its number of staff will be increased.

Establish financial stability for the CMSS and INPS

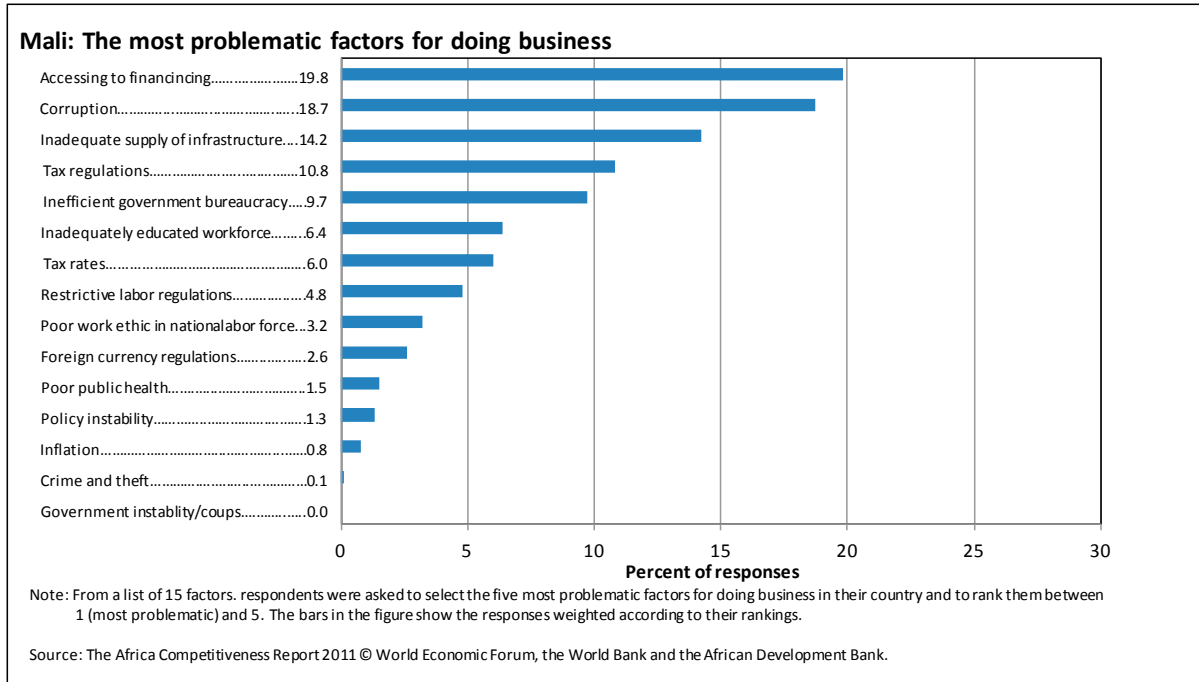
35. The government intends to ensure the financial stability of the Malian Social Security Fund (*Caisse Malienne de Sécurité Sociale* [CMSS]), which manages the pension system and disability insurance plan for civil servants, and the National Social Insurance Institute (*Institut National de Prévoyance Sociale* [INPS]), which manages the pension plan, disability insurance, and family benefits for private sector employees. According to the recent actuarial studies (2005 and 2010 for the CMSS, 2066 for the INPS), in the absence of reforms, deficits of these two entities could reach 1 percent of GDP each in 2015. The government has submitted a draft law to Parliament in 2008 to reform the CMSS. Depending on the reforms adopted by Parliament and the analytical work in progress with technical assistance from the World Bank, the government will develop and implement measures to reform these two institutions in order to eliminate their deficits over the medium term, while creating fiscal space for priority spending, including improving the country's infrastructures (¶¶17-28).

Improve macroeconomic statistics

36. The government has adopted a master plan for statistics development to support economic reforms through the production of accurate, serviceable, and timely statistics. The government is committed to improving the institutional and regulatory framework for the statistical system, strengthening its capacities in terms of skilled human resources, and improving the quality and accessibility of public statistics, with assistance from the technical and financial partners (including the IMF). The government will prepare an action plan to implement the measures deriving from the study on the institutional reform of the national statistical system by end-December 2011.

D. Promote Private Sector Development by Improving the Business Environment

37. According to the latest Africa Competitiveness Report, produced jointly by the World Economic Forum, the World Bank, and the African Development Bank, the main obstacles to private sector development in Mali are access to financing, corruption, inadequate supply of infrastructure (including in the energy sector), complex tax regulations, government bureaucracy, and low skills level in the labor force.



38. The government plans to implement measures aimed at mobilizing resources for infrastructure investment and simplifying tax legislation (¶¶17-28). Other measures described below are also being envisaged, with a view to maintaining the stability of the financial sector and improving access to bank financing, improving the financial situation and production capacity of the cotton and energy sectors, strengthening the level of training of the labor force, and reducing corruption.

Maintain financial system stability and improve access to bank financing

39. *The government will closely monitor developments regarding the financial position of the banking system, particularly related to spillovers from the post-electoral crisis in Côte d'Ivoire and the events in Libya.* WAEMU institutions and governments are negotiating a restructuring plan for WAEMU bank claims on Côte d'Ivoire. This plan includes the immediate payment of capitalized interest to banks and the restructuring of the outstanding securities. If needed, the Monetary Policy Committee will decide on the eligibility of these securities for refinancing at the BCEAO. The government will also pay close attention to the situation of the two Libyan-owned medium-sized banks in collaboration with the WAEMU monetary authorities.

40. *The government will complete the restructuring of the housing bank (BHM).* Implementation of the restructuring plan, adopted on December 30, 2009, calls for divestment of the government's equity stake in the bank in 2012. With the support of the World Bank, the government issued a call for tenders to recruit an investment bank and a law firm to implement the privatization successfully. In the interim, the Ministry of Economy and Finance and the BCEAO, within the scope of its responsibilities in the area of prudential

control, are closely following the BHM's operations to ensure that the government resources made available to it through the recapitalization process (CFAF 11 billion in 2010) and from the national budget to finance social housing (amounting to CFAF 7 billion in 2011) actually result in productive loans.

41. *The government will continue to implement its financial sector development strategy adopted in 2008* taking into account the Financial Sector Assessment Program (FSAP) recommendations for Mali and the WAEMU zone from the same year. The strategy has four main pillars:

- strengthening and developing the banking and capital markets sector;
- strengthening and developing nonbanking financial institutions;
- consolidating, strengthening, and developing the microfinance sector; and
- improving the legal and judicial framework.

42. Taking into account the lessons learned from the conference entitled "Mali: Challenges and Economic Opportunities" from March 18 and 19, 2011 (¶10), the government intends to implement the following measures:

- *With a view to encouraging bank financing of the development of the country's enormous agricultural potential, a strategy for reforming the land tenure and land registration regime will be devised in 2012. Reforms will be implemented in 2013-14, and will aim at establishing land titles that could be used for obtaining bank mortgage loans.*
- *With a view to strengthening access to bank financing for small and medium-sized enterprises (SMEs) in 2012, the Ministry of Economy and Finance, in collaboration with the BCEAO, will conduct a feasibility study on the creation of a registry of bank guarantees. This registry will be accessible to all and will serve as a tool to facilitate the speedy realization of guarantees in case of nonpayment of bank loans, similar to the systems successfully established in comparable countries. The registry will be created, if possible, in 2013-14.*

43. *The government will continue to implement the action plan adopted by the WAEMU Council of Ministers in September 2007 in order to increase utilization rate of banking services in the WAEMU area from less than 10 percent in 2007 to 20 percent in 2012. To that end, several actions have been taken or are being planned by the various participants in the financial system, namely:*

- launch by the BCEAO of a credit bureau for delinquent payments in July 2010, aimed at restoring public confidence in the use of cashless means of payment;

- application by banks of legal provisions concerning the right to an account for all persons able to justify regular income of at least CFAF 50,000 (\$100);
- adoption by Parliament, at its session of May 20, 2010, of a law on punishing offenses related to checks, bank cards and other electronic payment instruments and processes;
- holding of a planned outreach campaign on the use of electronic payment means in October 2011 in Mali;
- ongoing promotion of electronic money by all banks;
- training of all staff in financial administrations in the new payment systems;
- inclusion of legal and regulatory texts on payment systems and payment means in the training programs for judicial officers and judges; and
- increasing awareness of electronic money through its use for some payments, such as salaries and pensions, toll rates/weigh station fees, and other taxes, customs duties, and fees.

Reform of the cotton sector

44. *The government plans to complete the privatization of the Malian Textiles Company (CMDT).* Upon completion of the call for tenders, six investors expressed interest, three submitted a bid, and one investor was chosen to buy two of the four regional subsidiaries of the CMDT. The government intends to finalize negotiations with the investor selected by end 2011. Following the negotiations, the government will formalize its strategy concerning the subsidiaries for which buyers are yet to be found. The government will ensure that this privatization operation takes place under optimal conditions conducive to the economic and financial sustainability of the cotton sector.

Reform of the electric power sector

45. *The government will honor its commitments to the national electric power generation company, Energie du Mali (EDM).* Since the early 2000s, the government has been implementing an electricity pricing policy, which includes the option of adjusting the electric power prices to reflect changes in the firm's operating costs or paying a subsidy to EDM so that it can meet its objectives. In implementing this policy, the government has made three price adjustments since 2003 (two decreases of 10 percent in 2003 and of 8 percent in 2004, respectively, and a 4 percent increase in 2009), despite the doubling of the international price of petroleum products since 2004. Rising oil prices, the rapid increase in the share of thermal generation in the power generation mix, and operational difficulties at EDM have contributed to a loss of CFAF 13.9 billion in 2010, and to the annual loss projections for 2011 and 2012, estimated at around CFAF 20 billion.

46. *Under its electricity pricing policy, the government has included annual transfers of CFAF 20 billion in the 2011 supplementary budget law and the 2012 draft budget to improve the financial situation of EDM.* These transfers are necessitated by the decision to stabilize electricity prices, and support efforts to ensure the recovery of the sector's financial soundness. In 2012, part of these transfers (CFAF 5 billion) will be financed by proceeds from the privatization of SOTELMA for investment financing (Table 6). The 2012 transfer amount will be reviewed in March 2012 in light of EDM's financial situation and the price indexation mechanism for public utility companies, which will be finalized with the support of the World Bank, and will be put in place by the Electricity and Water Regulatory Commission (CREE). The government will either apply the price adjustment mechanism or decide, when necessary, on budget transfers to bolster the financial situation of EDM in 2012. In the interim, the government will continue to pay its electricity bills on a regular basis, and will implement its development strategy for the sector through grid extension, interconnection with neighboring countries, and a diversification of the generation mix, in cooperation with the World Bank.

Developing human resources

47. To improve the level of training in the labor force, the government will strengthen its efforts in the areas of education and vocational training in conjunction with technical and financial partners competent in these areas.

Reducing corruption

48. Motivated by its determination to make the mining sector an engine of development and a means of combating poverty, Mali applied to join the Extractive Industries Transparency Initiative (EITI) in 2006 and was designated an EITI compliant country in August 2011, joining the ranks of ten other countries, of which five are Sub-Saharan African countries. The government will take every step to maintain its EITI compliant status.

49. Aware of the perception that corruption is one of the main obstacles to private sector development, in drawing up its new strategy for 2012 to combat corruption, the government will draw on the lessons learned from the strategies already implemented, and will strive hard to implement the new strategy over the coming years.

III. PROGRAM MONITORING

50. The program at end-2011 and in 2012 will be evaluated on the basis of performance criteria at end-December 2011, performance criteria at end-June 2012 and end-December 2012, and indicative targets for end-March and end-September 2012 (Table 3), continuous performance criteria (Table 3) and structural benchmarks (Table 4). The performance criteria and indicative targets are defined in the Technical Memorandum of Understanding (TMU), which also specifies the nature and frequency of the data reporting required assuring the proper monitoring of the program. Discussions for the first review of the program will focus on the preparation of formulas for adjusting domestic oil and electricity prices in line with international oil prices. The expected review dates for the first, second and third reviews associated with the end-December 2011, end-June 2012 and end-December 2012 performance criteria are, respectively June 1 and December 1, 2012 and June 1, 2013.

Table 1. Mali: Quantitative Performance Criteria and Indicative Targets, 2011¹

	March		Est.	Status	June			Status	Sep.
	Indicative targets ²	Adjusted targets			Performance criteria ³	Adjusted targets	Prel.		Indicative targets ³
(in CFAF billions)									
Performance criteria									
Government bank and market financing (ceiling) ⁴	118.4	110.3	79.0	Met	78.4	92.0	81.9	Met	122.6
Cumulative increase in external payments arrears (ceiling) ⁵	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0
New external borrowing at terms of one year or more contracted or guaranteed by the government on nonconcessional terms (ceiling) ⁵	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0
New short-term external credits (less than one year) contracted or guaranteed by the government on nonconcessional terms (ceiling) ⁵	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0
Gross tax revenue (floor)	181.4	...	164.1	Not met	359.5	...	374.2	Met	554.5
Indicative targets									
Basic fiscal balance (floor) ⁶	-26.0	...	21.9	Met	-81.3	...	14.3	Met	-112.3
Basic fiscal balance, underlying (floor) ⁷	-17.0	...	23.3	Met	-53.3	...	34.3	Met	-70.3
Priority spending (floor)	50.8	...	53.2	Met	152.8	...	134.6	Not met	252.4
Memorandum items:									
External budget support ⁸	73.9	...	18.3		79.9	...	49.1		99.5
Pending bills reduction	-80.0	...	-56.4		-18.1	...	-33.1		-43.8
Tax refunds	-7.7	...	-3.3		-18.5	...	-4.4		-27.6
Arrears payment	-5.2	...	0.0		-12.3	...	0.0		-12.3

Sources: Malian authorities; and IMF staff projections.

¹ Cumulative figures from the beginning of the year. Noncontinuous targets at end-March and end-September are indicative targets.

See Technical memorandum of understanding (TMU) for definitions.

² IMF Country Report No. 11/37: Mali—Fifth Review Under the Extended Credit Facility (ECF).

³ IMF Country Report No. 11/141: Mali—Sixth Review Under the ECF.

⁴ The targets for this performance criterion or indicative target are subject to adjustment for external budget support, reduction of pending bills, tax refunds, and arrears payment. See TMU for more details.

⁵ These performance criteria will be monitored on a continuous basis from the beginning of the year.

⁶ Total revenue, plus revenue from HIPC debt relief, minus total expenditure and net lending excluding externally financed capital spending.

⁷ Excluding expenditure financed with revenue from the privatization of SOTELMA.

⁸ As defined in paragraph 6 of TMU of May 26, 2011.

Table 2. Mali: Structural Benchmarks for the Seventh Review Under the ECF Program in 2011

Measures	Macroeconomic rationale	Timing	Status
In the context of the seventh program review			
Prepare a database of: (i) all the domestic debt contracts signed by the government including the stock of the debt at end-2010, and the quarterly interest payments and amortization due; and (ii) the debts guaranteed by the government.	Strengthen domestic debt management.	30-Jun	Met
Present the Central Government Consolidated Financial Operation (TOFE) at end-March 2011 according to the presentation described in paragraph 23 of the Technical Memorandum of Understanding (TMU).	Strengthen fiscal transparency.	31-May	Met
Do a study to analyze the impact of transferring all outstanding balances of accounts held by line ministries in commercial banks, except of accounts established by contracts with donors in the context of externally-financed projects, to the Treasury Single Account at the BCEAO.	Strengthen cash management.	30-Sep	Met
Introduce in the draft 2012 budget law a reform of the tax system, aiming at a greater mobilization of revenue while ensuring greater rationalization and modernization of the tax laws, including through a reduction of tax exemptions.	Strengthen revenue mobilization and the business environment.	30-Sep	Partially met

Source: Malian authorities.

Table 3. Mali: Quantitative Performance Criteria and Indicative Targets for December 2011 and 2012 ¹

	2011	2012			Dec. Performance criteria
	Dec. Performance criteria	March Indicative targets	June Performance criteria	Sep. Indicative targets	
(in CFAF billions)					
Performance criteria					
Government bank and market financing (ceiling) ²	74.1	63.4	70.7	82.8	63.8
Cumulative increase in external payments arrears (ceiling) ³	0.0	0.0	0.0	0.0	0.0
New external borrowing contracted or guaranteed by the government on nonconcessional terms (ceiling) ^{3 4}	0.0	51.1	51.1	51.1	51.1
Gross tax revenue (floor)	768.0	219.1	438.1	657.2	876.2
Indicative targets					
Basic fiscal balance (floor)	-129.4	-0.8	-7.9	-6.2	-21.1
Basic fiscal balance, underlying (floor)	-73.5	3.2	0.1	5.8	-5.1
Priority spending (floor)	352.0	61.2	135.4	250.1	405.3
<i>Memorandum items:</i>					
External budget support	140.5	17.3	27.1	80.4	88.5
Pending bills reduction	4.2	-41.3	-20.3	-46.9	0.0
Tax refunds	-37.0	-10.0	-20.0	-30.0	-40.0
Arrears payment	-12.3	-3.6	-7.1	-10.7	-14.2

Sources: Malian authorities; and IMF staff projections.

¹ Cumulative figures from the beginning of the year. Noncontinuous targets at end-March and end-September are indicative targets.

See Technical memorandum of understanding (TMU) for definitions.

² The targets for this performance criterion or indicative target are subject to adjustment for external budget support, reduction of pending bills, tax refunds, and arrears payment. See TMU for more details.

³ These performance criteria will be monitored on a continuous basis since the beginning of the year.

⁴ Ceiling starts in 2012 and applies for the period 2012-14.

Table 4. Mali: Structural Benchmarks for the First and Second ECF Program Reviews

Measures	Timing	Macroeconomic rationale
In the context of the first review of the program		
Transfer the accounts (except the project-accounts) from the District of Bamako's tax collections office (RGD), the General Payments Office (PGT), the Central Accounting Agency of the Treasury (ACCT) and the accounting units of the Regional Treasurers-Paymasters (TPR) in Mopti and Sikasso, that are held in commercial banks, to the BCEAO, as indicated in ¶133, third indent, of the MEFP.	31-Dec-11	Improve cash management
Prepare formulas to adjust domestic oil and electricity prices to international oil prices.	29-Feb-12	Increase tax revenue
Set up a tax intelligence unit which brings together staff from the Directorate General of Taxes (DGI) and the Directorate General of Customs (DGD) to collect information and conduct joint inspections using, in particular, the databases of the tax and customs authorities as well as the public spending agencies, in order to audit tax returns and identify new taxpayers.	29-Feb-12	Increase tax revenue
Analyse the strengths and weaknesses of the current process of selection, budgeting, implementation monitoring, and ex-post evaluation of public infrastructure investment projects, and make recommendations to improve this process.	29-Feb-12	Improve public investment management
In the context of the second review of the program		
Introduce in the draft budget law for 2013 submitted to Parliament a Table listing: (i) all the exemptions included in the General Tax Code, the Customs Code, the Investment Code, the Mining Codes and all other laws and government decisions which provide tax advantages; (ii) their legal basis and date of enactment; and (iii) an estimation of the resulting cost in foregone fiscal revenue.	30-Sep-12	Increase tax revenue
Introduce in the draft budget law for 2013 submitted to Parliament a Table presenting an estimate of the fiscal cost of not adjusting oil and electricity prices to international oil prices.	30-Sep-12	Increase tax revenue and reduce transfers
Implement the budgeting of commitment authorizations (AE) and payment appropriations (CP) pertaining to the three-year public investment expenditures, consistent with the modalities explained in ¶128, indents one and two, of the MEFP.	30-Sep-12	Improve public investment management
Adopt the regulatory texts which would establish the business turnover threshold at the Large-sized Taxpayers Office (DGE) at CFAF 1 billion and at the Medium-sized Taxpayers Office (DME) at CFAF 50 million and raise the VAT threshold to CFAF 50 million starting January 1st, 2013.	31-Oct-12	Increase tax revenue

Table 5. Mali: Central Government Consolidated Financial Operations, 2012

	March	June	September	December
	Prog.	Prog.	Prog.	Prog.
(in CFAF billions)				
Revenue and grants	288.9	570.3	861.2	1,132.8
Total revenue	243.1	486.1	729.2	972.2
Budgetary revenue	223.7	447.4	671.1	894.8
Tax revenue	209.1	418.1	627.2	836.2
Direct taxes	56.1	112.3	168.4	224.5
Indirect taxes	152.9	305.9	458.8	611.7
VAT	85.0	170.1	255.1	340.1
Excises on petroleum products	1.8	3.5	5.3	7.0
Import duties	28.3	56.7	85.0	113.3
Other indirect taxes	47.8	95.7	143.5	191.3
Tax refund	-10.0	-20.0	-30.0	-40.0
Nontax revenue	14.7	29.3	44.0	58.6
Special funds and annexed budgets	19.3	38.7	58.0	77.4
Grants	45.8	84.2	132.1	160.6
Projects	21.5	43.0	64.4	85.9
Budgetary support	24.4	41.3	67.6	74.7
Of which: general	17.3	27.1	46.4	46.4
Of which: sectoral	7.1	14.2	21.2	28.3
Total expenditure and net lending (payment order basis)	324.2	648.3	972.5	1,291.7
Budgetary expenditure	305.3	610.6	916.0	1,216.3
Current expenditure	200.0	400.0	600.1	800.1
Wages and salaries	76.7	153.4	230.1	306.8
Goods and services	62.6	125.3	187.9	250.5
Transfers and subsidies	52.4	104.9	157.3	209.7
Interest	8.3	16.5	24.8	33.1
Of which: domestic	3.4	6.8	10.2	13.6
Capital expenditure	105.3	210.6	315.9	416.2
Externally financed	60.1	120.2	180.3	240.4
Domestically financed	45.2	90.4	135.6	175.8
Special funds and annexed budgets	19.3	38.7	58.0	77.4
Net lending	-0.5	-1.0	-1.5	-2.0
Overall fiscal balance (excl. grants)	-81.1	-162.2	-243.3	-319.4
Overall fiscal balance (incl. grants)	-35.3	-78.0	-111.3	-158.8
Variation of arrears	-3.6	-7.1	-10.7	-14.2
Adjustment to cash basis	-41.3	-20.3	-46.9	0.0
Overall balance (cash basis, incl. grants)	-80.2	-105.4	-168.9	-173.0
Financing	80.2	105.4	168.9	173.0
External financing (net)	21.1	43.4	99.1	126.5
Loans	31.5	63.1	128.6	168.3
Project loans	31.5	63.1	94.6	126.2
Of which: non-concessional	0.0	0.0	0.0	0.0
Budgetary loans	0.0	0.0	34.0	42.1
Amortization	-13.3	-26.7	-40.0	-53.3
Debt relief	2.9	7.0	10.5	11.6
Domestic financing (net)	59.0	62.0	69.8	46.5
Banking system	58.3	60.6	67.6	43.5
Central bank	4.6	9.2	13.8	18.5
Commercial banks	53.7	51.3	53.7	25.1
Privatization receipts	0.0	0.0	0.0	0.0
Non-bank financing	0.7	1.5	2.2	3.0
Financing gap	0.0	0.0	0.0	0.0
<i>Memorandum items</i>				
Basic fiscal balance (WAEMU def.) ¹	-0.8	-7.9	-6.2	-21.1
Underlying basic fiscal balance (WAEMU def.) ²	3.2	0.1	5.8	-5.1
External budget support	17.3	27.1	80.4	88.5
Government bank and market financing	63.4	70.7	82.8	63.8

Sources: Ministry of Finance; and IMF staff projections.

¹ Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending, excluding externally financed capital spending.

² Excluding spending financed by the revenue from the privatization of the telecom company SOTELMA.

Table 6. Use of Revenue from the Sale of 51 percent of the Telecom Company SOTELMA
(in CFAF millions)

	2009		2010		2011		2012	2013	Total
	Prog.	Real.	Prog.	Real.	Prog.	Real. June	Prog.	Proj.	
Fiscal consolidation	40,000	9,451	2,000	30,548	0	0	0	0	39,999
Economic operators (in 2010, payment of the 2009 pending bills)	24,000	0	0	24,000	0	0	0	0	24,000
Banks	16,000	9,451	2,000	6,548	0	0	0	0	15,999
Human resource development	1,000	0	11,253	5,304	8,209	3,536	0	0	13,513
Youth, education, jobs	0	0	9,300	3,784	7,409	2,536	0	0	11,193
Higher education	0	0	3,900	884	4,427	1,536	0	0	5,311
Construction of university facilities in Bamako and Ségou	0	0	3,188	884	3,880	1,536	0	0	4,764
Establishment of research competitiveness fund	0	0	500	0	500	0	0	0	500
Université de Bamako interconnection	0	0	212	0	47	0	0	0	47
Secondary education, professional training, youth, and jobs	0	0	5,400	2,900	2,982	1,000	0	0	5,882
Building financial capacities of the Youth Employment Agency (APEJ)	0	0	4,400	2,900	2,482	1,000	0	0	5,382
Building and equipment for technical schools and IFP ¹	0	0	1,000	0	500	0	0	0	500
Health and social development	1,000	0	1,953	1,520	800	1,000	0	0	2,520
Supplemental funding for construction of Mopti Hospital	0	0	1,000	0	0	1,000	0	0	1,000
Supplemental funding for construction of Sikasso Hospital	1,000	0	0	1,000	0	0	0	0	1,000
Computer equipment, mandatory health insurance	0	0	953	520	800	0	0	0	1,320
Infrastructure and equipment	0	0	7,747	3,119	15,430	1,647	0	0	18,549
Roads and bridges	0	0	3,375	1,637	4,613	1,647	0	0	6,250
Kayes: Paving of 6 km of Bafoulabé-Mahina road□	0	0	1,000	500	0	0	0	0	500
Koulikoro: Paving of 5 km of roads□	0	0	1,000	500	0	0	0	0	500
Kidal: Paving of 5 km of roads□	0	0	375	0	1,250	0	0	0	1,250
Bamako: Construction of Yirimadio hospital access road□	0	0	1,000	637	363	363	0	0	1,000
Sikasso: Bridge over the Baoulé between Manankoro-Tienfinzo	0	0	0	0	3,000	1,284	0	0	3,000
Communication and transportation	0	0	4,372	1,482	10,817	0	0	0	12,299
1 outdoor broadcasting van, 12 cameras□	0	0	1,950	660	1,284	0	0	0	1,944
1 production van with four cameras□	0	0	700	0	881	0	0	0	881
1 audio production and broadcasting van□	0	0	45	45	469	0	0	0	514
1 Fly and vehicle accessories□	0	0	108	108	252	0	0	0	360
1 terrestrial broadcasting station□	0	0	669	669	931	0	0	0	1,600
Acquisition of second national television (ORTM) channel□	0	0	0	0	4,000	0	0	0	4,000
Acquisition of 2 flatboats for the Malian Navigation Company (COMANAV)□	0	0	900	0	3,000	0	0	0	3,000
Agricultural development	0	0	13,675	5,709	6,495	2,500	7,000	0	19,204
Municipal works	0	0	3,330	1,509	2,237	2,500	2,000	0	6,009
Maintenance upgrade outreach infrastructures Niger Office	0	0	4,100	4,100	0	0	0	0	4,100
Contribution to National Agricultural Development Fund	0	0	5,000	0	3,812	0	0	0	3,812
Support for development/assistance measures	0	0	445	0	445	0	0	0	445
PRODEVALAIT ²	0	0	800	100	1	0	0	0	101
ALATONA project	0	0	0	0	0	0	5,000	0	5,000
Improving living conditions	0	0	18,206	11,515	12,161	7,616	0	0	23,676
Contribution to the National Fund for Local Government Investment □	0	0	6,000	3,390	10,000	3,519	0	0	13,390
Rehabilitation of military barracks□	0	0	3,292	3,292	1,721	440	0	0	5,013
Social-interest housing program□	0	0	6,500	2,500	359	3,657	0	0	6,157
Development of Diafrana Ko□	0	0	1,614	1,533	81	0	0	0	1,614
Construction of the fiftieth anniversary monument □	0	0	800	800	0	0	0	0	800
Financial support for development of small and medium-size enterprises	0	0	0	0	6,000	0	4,000	0	10,000
Establishment of a private sector guarantee fund□	0	0	0	0	3,000	0	2,000	0	5,000
Establishment of a national investment fund□	0	0	0	0	3,000	0	2,000	0	5,000
Economic reform and improved governance	0	0	6,900	6,900	0	0	5,000	0	11,900
Restructuring of the government-controlled mortgage bank (BHM)	0	0	5,000	5,000	0	0	0	0	5,000
Support for the national civil-registration census (RAVEC)	0	0	1,900	1,900	0	0	0	0	1,900
Support for EDM	0	0	0	0	0	0	5,000	0	5,000
Miscellaneous projects³	0	0	0	0	7,579	0	0	0	7,579
Public investments in partnership with donors and lenders	0	0	0	0	0	4,716	0	0	4,716
Establishment of the technology hub	0	0	0	0	0	0	0	0	0
Connection of secondary cities to the national road network, over 100 Km	0	0	0	0	0	0	0	0	0
Construction of a second bridge in Kayes	0	0	0	0	0	0	0	0	0
Improvement and development of the Lake Faguibine System	0	0	0	0	0	0	0	0	0
Improvement of the Bamako Sénoú industrial park	0	0	0	0	0	0	0	0	0
Implementation of modern land register for the cities of Bamako and Kati	0	0	0	0	0	0	0	0	0
Strengthening logistical capacities of the armed forces and regional governments	0	0	0	0	0	2,216	0	0	2,216
Loan to COVEC for sport facility	0	0	0	0	0	2,500	0	0	2,500
Restructuring plan	15,000	15,032	0	0	0	0	0	0	15,032
Amount still to be allocated	0	0	0	0	0	0	0	16,231	16,231
Total	56,000	24,483	59,781	63,094	55,874	20,015	16,000	16,231	180,398

Sources: Malian authorities; and IMF staff projections.

¹ IFP: Professional training institutions

² Project to Develop and Promote Dairy Production in Mali.

³ Includes Kenie area development, industrial zone promotion, and mining research.

ATTACHMENT II. TECHNICAL MEMORANDUM OF UNDERSTANDING

1. This memorandum of understanding defines the performance criteria and indicative targets for the program supported by the Extended Credit Facility (ECF) in 2011 and 2012, presented in Table 3 of the Memorandum on Economic and Financial Policies (MEFP). It also specifies the frequency and deadlines for reporting data to the staff of the International Monetary Fund (IMF) for program-monitoring purposes.

I. DEFINITIONS

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

II. PERFORMANCE CRITERIA AND INDICATIVE TARGETS

3. Except as noted, the following financial targets will constitute performance criteria for end-December 2011, end-June and end-December 2012, and indicative targets for end-March and end-September 2012.

A. Ceiling on Net Domestic Financing of the Government by Banks and the Financial Market

4. **Net domestic financing of the government by banks and the financial market** is defined as the sum of (i) the narrow net government position (NGP) as defined below, and (ii) financing of the government through the issuance (net of redemptions) of securities to legal entities or individuals outside the banking system or to nonresident banks domiciled in the West African Economic and Monetary Union (WAEMU).

5. The **broad NGP** is defined as the balance between government claims and debts vis-à-vis the central bank and commercial banks. The scope of the net government position is that used by the Central Bank for West African States (BCEAO) pursuant to WAEMU provisions. It implies a broader definition of the government than that specified in paragraph 2 and includes local governments and certain government administrative agencies and projects. Government claims include the CFAF cash balance, postal checking accounts, secured liabilities, and all deposits of government agencies with the BCEAO and commercial banks, with the exception of government industrial and commercial agencies (EPIC) and public enterprises, which are excluded from the calculation. Government debts to the banking system include all debts to these same financial institutions. Deposits of the Cotton Stabilization Fund and government securities held outside the Malian banking system are not

included in the calculation of the net government position. The net government position vis-à-vis the State is calculated by the BCEAO.

6. The **narrow NGP** is defined as the net balance between government debts and claims on the central bank and commercial banks. The definition of government to which the narrow NGP refers is explained in paragraph 2. The narrow NGP is calculated by the BCEAO.

Adjusters

7. The ceiling on net domestic financing of the government by banks and the financial market will be adjusted upward if **external budget support** falls short of program projections. Through December 31, 2011, budget support is defined as grants, loans, and debt relief operations (excluding project loans and grants, IMF resources, and debt relief under the HIPC Initiative, but including general and sectoral budget support). Beginning in January 2012, external budget support is defined as grants, loans, and debt relief operations (excluding project loans, project grants, sectoral grants, IMF resources, and debt relief under the HIPC Initiative, but including general budget support grants and loans). The adjustment factor will be applied at the rate of 100 percent up to a threshold of CFAF 25 billion and at the rate of 0 percent for larger amounts.

8. The ceiling on net domestic financing of the government by banks and the financial market will be adjusted upward (downward) if the **net reduction in pending bills** exceeds (is less than) the programmed amounts (MEFP, Table 3). Pending bills are defined as payment orders not paid by the DNTCP in the context of budget execution or on miscellaneous correspondent and depositor accounts, regardless of their age.

9. Finally, the ceiling on net domestic financing of the government by banks and the financial market will be adjusted upward (downward) for the **payment of VAT credits, other tax refunds, and audited arrears from fiscal years prior to 2011** exceeding (under) the programmed amounts (MEFP, Table 3).

B. Non-accumulation of External Public Payments Arrears

10. The stock of external payments arrears is defined as the sum of payments due but not paid on external liabilities of the government and the external debt owed or guaranteed by the government. The definition of external debt provided in paragraph 11(a) applies here.

11. During the program, the government undertakes not to accumulate external payments arrears (except with regard to debt being renegotiated or rescheduled). The performance criterion on the non-accumulation of external payments arrears will be applied on a continuous basis throughout the program period.

C. Ceilings on Non-Concessional External Debt with a Maturity of One Year or More and on Short-Term External Debt Contracted or Guaranteed by the Government and/or Public Enterprises

12. **Definition of debt.** For the purposes of the relevant performance criterion, the definition of debt is set out in Executive Board Decision No.6230-(79/140), Point 9, as revised on August 31, 2009 (Decision No. 14416-(09/91):

(a) Debt is understood to mean a direct, i.e., not contingent, liability, created under a contractual agreement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

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

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

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

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

13. **Debt guarantees.** For the purposes of the relevant performance criterion, the guarantee of a debt arises from any explicit legal obligation of the government to service a debt in the event of nonpayment by the debtor (involving payments in cash or in kind).

14. **Debt concessionality.** A debt is considered concessional if it includes a grant element of at least 35 percent;¹ the grant element is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt.² The discount rates used for this purpose are the currency specific commercial interest reference rates (CIRRs), published by OECD.³ For debt with a maturity of at least 15 years, the ten-year-average CIRR is used to calculate the PV of debt and, hence, its grant element. For debt with a maturity of less than 15 years, the six-month average CIRR is used. The margins for differing repayment periods (0.75 percent for repayment periods of less than 15 years, 1 percent for 15 to 19 years, 1.15 percent for 20 to 29 years, and 1.25 percent for 30 years or more) are added to the ten-year and six-month CIRR averages.

15. **External debt.** For the purposes of the relevant performance criterion, external debt is defined as debt borrowed or serviced, or requiring repayment, in a currency other than the CFA franc. This definition also applies to debt among WAEMU countries.

16. **Debt-related performance criterion.** The relevant performance criterion applies to the contracting and guaranteeing of new non-concessional external debt by the government, Energie du Mali (EDM), and the Compagnie Malienne des Textiles (CMDT), insofar as the government is a majority shareholder. The criteria apply to debt and commitments contracted or guaranteed for which value has not yet been received. The criteria also apply to private debt for which official guarantees have been extended and which, therefore, constitute a contingent liability of the government. These performance criteria are monitored on a continuous basis. No adjuster will be applied to these criteria.

17. **Special provisions.** The performance criterion does not apply to: i) debt rescheduling transactions of debt existing at the time of the approval of the arrangement; ii) short-term external debt (maturity of less than one year) related to imports; iii) external debt of the CMDT guaranteed by cotton export proceeds; and iv) short-term external debt (maturity of less than one year) contracted by EDM to finance the purchase of petroleum products.

18. **Reporting requirements.** The government will report any new external borrowing and its terms to Fund staff as soon as external debt is contracted or guaranteed by the

¹ The following reference on the IMF website creates a link to a tool that allows for the calculation of the grant element of a broad range of financing packages: <http://www.imf.org/external/np/pdr/conc/calculator>.

² The calculation of concessionality will take into account all aspects of the debt agreement, including maturity, grace period, payment schedule, upfront commissions, and management fees.

³ For debts in foreign currencies for which the OECD does not calculate a CIRR, calculation of the grant element should be based on the composite CIRR (weighted average) of the currencies in the SDR basket.

government, but no later than within two weeks of such external debt being contracted or guaranteed.

D. Floor on Gross Tax Revenue

19. Gross tax revenue of the government is defined as the revenue appearing in the TOFE and includes all tax revenue in the national budget, before deduction of tax refunds generated during the year, particularly accumulated VAT credits.

E. Floor on the Basic Fiscal Balance

20. Through December 31, 2011, the basic fiscal balance is defined as the difference between total net revenue, excluding grants and privatization receipts, and total expenditure cleared for payment plus net lending, excluding capital expenditure financed by foreign creditors or donors and HIPC expenditure.

21. Beginning in January 2012, the basic fiscal balance will be defined as the difference between total net revenue, plus general budget support grants and HIPC resources, and total expenditure cleared for payment plus net lending, excluding capital expenditure financed by foreign creditors or donors, pursuant to the definition of basic fiscal balance in the WAEMU texts (WAEMU Additional Act No. 05/2009/CCEG/UEMOA of March 17, 2009, amending Act No. 4/1999 pertaining to the Convergence, Stability, Growth, and Solidarity Pact).

Adjuster

22. Beginning in January 2012, the floor on the basic fiscal balance will be adjusted downward if general budget support grants fall short of program projections. The adjuster will be applied at the rate of 100 percent up to a threshold of CFAF 25 billion and at a rate of 0 percent for larger amounts.

F. Floor on the Basic Fiscal Balance Excluding Expenditure Financed with SOTELMA Privatization Receipts

23. The basic fiscal balance excluding expenditure financed with SOTELMA privatization receipts is defined in accordance with the basic fiscal balance defined in paragraphs 20 and 21, less expenditure financed with SOTELMA privatization receipts drawn from the special account at the BCEAO.

Adjuster

24. Beginning in January 2012, the floor on the basic fiscal balance excluding expenditure financed with SOTELMA privatization receipts will be adjusted downward if general budget support grants fall short of program projections. The adjuster will be applied at the rate of 100 percent up to a threshold of CFAF 25 billion and at a rate of 0 percent for larger amounts.

G. Floor on Priority Poverty-Reducing Expenditure

25. Priority poverty-reducing expenditure is defined as the sum of the expenditure of the Ministry of Elementary Education, the Ministry of Secondary and Higher Education and Scientific Research, the Ministry of Health, and the Ministry of Social Development. It excludes capital expenditure financed by external technical and financial partners in the form of projects.

III. STRUCTURAL MEASURES

26. Information on the introduction of measures constituting structural benchmarks will be sent to IMF staff no later than two weeks after the date set for their implementation.

27. As of May 31, 2011, **changes** will be made **to the Central Government Consolidated Financial Operations Table (TOFE)** as described below. Revenues and expenditures recorded in suspense accounts will be recorded above the line as revenues or expenditures not accounted for. As part of the adjustment to cash basis, a distinction will be made between transactions under previous fiscal years and transactions under the current fiscal year, as well as, in the latter case, a distinction between the “float” (less than three months) and types of arrears (more than three months) with respect to budget expenditures (including VAT credits and calls upon guarantees and pledges). Within the entry “net domestic financing,” a distinction will be made between bank financing, privatization income, and other financing sources. Bank financing includes changes in the net government position vis-à-vis the central bank, the IMF, and resident commercial banks. In showing operations with commercial banks, a distinction will be made between the Treasury, the National Social Insurance Administration (INPS), and other government entities. Within Treasury transactions, deposits and withdrawals on the SOTELMA privatization income account will be specifically identified. Other financing will consist mainly of checks that have not been cashed, advance tax installments received in the current year for the following year, the regularization of advance tax installments received the previous year for the current year, operations with nonresident WAEMU creditors, and changes in deposits from Treasury correspondents.

IV. ADDITIONAL INFORMATION FOR PROGRAM MONITORING

28. To facilitate program monitoring, the government will provide IMF staff with the information indicated in the following summary table.

Summary of Reporting Requirements

Type of data	Tables	Frequency	Reporting deadline
Real sector	National accounts	Annual	End of year + 9 months
	Revisions of the national accounts	Variable	8 weeks following the revision
	Disaggregated consumer price indexes	Monthly	End of month + 2 weeks
Government finances	Broad net government position (including the position of other government agencies' accounts with the banking system); narrow net government position; and breakdown of nonbank financing	Monthly	End of month + 3 weeks (provisional); end of month + 6 weeks (final)
	Balance of the account recording SOTELMA privatization receipts on deposit with the BCEAO	Monthly	End of month + 3 weeks
	Central government TOFE and consolidated TOFE	Monthly	End of month + 3 weeks (provisional); end of month + 6 weeks (final)
	Budget execution through the expenditure chain, as recorded in the automated system	Monthly	End of month + 2 weeks
	Breakdown of the revenue and expenditure recorded in the TOFE	Monthly	End of month + 6 weeks
	Separate report on HIPC-financed expenditure	Monthly	End of month + 6 weeks
	Execution of the capital budget	Quarterly	End of quarter + 8 weeks
	Tax revenue as recorded in the TOFE showing tax refunds (including VAT credits)	Monthly	End of month + 6 weeks
	Wage bill as recorded in the TOFE	Monthly	End of month + 6 weeks
	Basic fiscal balance as recorded in the TOFE	Monthly	End of month + 6 weeks
	Customs exemptions	Monthly	End of month + 4 weeks
	Order setting the prices of petroleum products, tax revenue from petroleum products, and total exemptions granted	Monthly	End of month

Type of data	Tables	Frequency	Reporting deadline
	Imports of petroleum products by type and point of entry	Monthly	End of month + 2 weeks
	Expenditure cleared for payment but not paid 90 days after issuance of the payment order	Monthly	End of month + 1 week
Monetary and financial data	Summary accounts of the BCEAO, summary accounts of banks, accounts of monetary institutions	Monthly	End of month + 4 weeks (provisional); end of month + 8 weeks (final)
	Foreign assets and liabilities and breakdown of other items net of the BCEAO and of commercial banks	Monthly	End of month + 8 weeks
	Lending and deposit interest rates, BCEAO policy rate, BCEAO reserve requirements	Monthly	End of month + 4 weeks
	Bank prudential ratios	Monthly	End of month + 6 weeks
Balance of payments	Balance of payments	Annual	End of year + 12 months
	Revisions of the balance of payments	Variable	8 weeks following each revision
External debt	Breakdown of all new external borrowing	Monthly	End of month + 4 weeks
	Debt service, indicating amortization, interest expenses, and relief obtained under the HIPC Initiative	Monthly	End of month + 4 weeks
	Draft agreements for loans on non-concessional terms and description of projects to be financed by non-concessional borrowing, including their feasibility studies	As soon as available, and well before the loan agreements are signed	
Budget Directorate	Priority poverty-reducing expenditure as defined in ¶ 25.	Quarterly	End of quarter + 4 weeks

INTERNATIONAL DEVELOPMENT ASSOCIATION
AND
INTERNATIONAL MONETARY FUND

MALI

**Joint IDA/IMF Debt Sustainability Analysis Under the Debt Sustainability
Framework for Low-Income Countries**

Prepared by the staffs of the World Bank and the International Monetary Fund

Approved by Roger Nord and Thomas Dorsey
and Eduardo Ley and Marcelo Giugale (World Bank)

November 23, 2011

Mali's risk of debt distress continues to be assessed as moderate—unchanged from the previous Debt Sustainability Analysis (DSA). Like in the previous assessment, debt sustainability remains mostly sensitive to an export shock, owing to the expected decline in gold exports in the medium term and the uncertain prospects for export diversification, and a hardening of financial terms. There is scope for borrowing of about 1 percent of GDP that may fall short of the 35 percent grant element under the IMF and the World Bank policy, tied to infrastructure investment projects with a high rate of return. Nonetheless, given the uncertainties about the medium term exports outlook, the government should continue to limit most of its recourse to external financing to grants and concessional loans.

I. BACKGROUND

A. Recent Developments in Public External Debt

1. **As a result of the enhanced Highly Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI), Mali's stock of external debt has declined significantly.** Mali's stock of public and publicly guaranteed external debt declined from 103 percent of GDP in 2000 to 19 percent in 2006 owing to enhanced HIPC debt relief in 2002 and MDRI debt relief in 2006 (Text Table 1). At end-2010, it had increased to 24.4 percent of GDP owing mainly to new loans by the International Development Association (IDA), the African Development Bank (ADB), the Islamic Development Bank (IsDB) and the IMF (mainly through an allocation of SDR 74 million in 2009). All of Mali's external debt is public and the bulk is owed to multilateral creditors, mainly IDA, AfDB and IsDB.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total	1939.7	1968.6	1156.1	1169.4	1184.5	1474.3	606.4	697.8	810.8	955.2	1134.1
(percent of GDP)	102.6	89.0	52.0	47.7	45.0	50.9	18.9	20.4	20.7	22.6	24.4
Multilateral	1434.9	1503.9	824.5	741.5	878.3	1198.8	357.3	447.6	615.9	766.8	895.8
IMF 1/	105.9	110.1	100.1	94.5	78.8	65.7	4.1	6.1	18.6	67.6	72.1
World Bank/IDA	327.6	343.3	106.0	176.5	268.3	383.5	83.8	216.3	262.5	313.2	413.6
African Development Bank	391.8	328.9	116.0	239.2	289.4	379.7	121.4	133.7	112.3	136.3	157.7
Islamic Development Bank	50.0	45.0	40.5	36.4	54.7	63.9	31.4	57.3	96.3	111.8	113.8
Others	559.6	676.5	461.9	154.9	187.0	290.6	64.0	109.1	129.1	137.9	138.6
Bilateral	498.2	459.0	328.4	423.5	301.9	270.0	246.9	247.7	194.9	188.4	235.8
Paris Club official debt	141.7	127.4	30.6	7.6	16.9	17.7	13.0	15.6	4.4	4.4	10.2
Non-Paris Club official debt	356.5	331.6	297.8	415.9	285.0	252.3	233.8	177.7	145.3	184.0	225.5
Other Creditors	7.3	7.4	4.3	4.4	4.4	5.5	2.3	2.5	2.8	2.9	2.6

Source: Malian authorities, staff estimates.
1/ Includes August 2009 SDR allocation.

B. Recent Developments in Public Domestic Debt

2. **Mali's domestic public debt is small** (4.4 percent of GDP in 2010, Text Table 2). It is composed of treasury bills and bonds issued on the regional market of the West African Economic and Monetary Union (WAEMU), and commercial banks' loans. Domestic debt has more than doubled in 2010 compared with 2009 mainly as a result of new issuances of treasury bills and bonds (CFAF 99 billion), but also owing to an inventory of all loans contracted or guaranteed by the government that the authorities have been conducting as part of their plan to strengthen debt management.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total	20.8	58.5	48.7	37.5	36.0	61.6	45.4	80.2	74.1	90.3	203.4
(percent of GDP)	1.1	2.6	2.2	1.5	1.4	2.1	1.4	2.3	1.9	2.1	4.4
Debt to the Central Bank	3.0	25.8	25.1	23.1	20.3	17.9	15.3	13.1	10.7	8.3	5.8
Central Bank Statutory Advances	0.0	23.2	23.2	21.7	19.7	17.5	15.3	13.1	10.7	8.3	5.8
Other debt to the Central Bank	3.0	2.6	1.9	1.4	0.6	0.4	0.0	0.0	0.0	0.0	0.0
Debt to the banking sector	17.8	32.7	23.6	14.4	15.7	43.6	30.0	67.1	63.4	82.0	197.5

Source: Malian authorities, staff estimates.

C. Debt Burden Thresholds Under the Debt Sustainability Framework

3. **Mali is a medium policy performer for the purpose of determining the debt burden thresholds under the Debt Sustainability Framework (DSF).** Mali's rating on the World Bank's Country Policy and Institutional Assessment (CPIA) averaged 3.65 (on a scale of 1 to 6) during 2008–10, making it a medium policy performer. The corresponding external public debt burden thresholds are shown in Text Table 3.

Text Table 3. External Public Debt Burden Thresholds for "Medium Policy Performers" under the Debt Sustainability Framework	
Present value of external debt in percent of:	
GDP	40
Exports	150
Revenue	250
External debt service in percent of:	
Exports	20
Revenue	30

II. BASELINE SCENARIO UNDERLYING THE DEBT SUSTAINABILITY ANALYSIS

4. **The central feature of Mali's medium- and long-term macroeconomic outlook is the steady decline of annual gold production expected to be compensated only in part by other exports.** The baseline scenario assumes a continuation of trend growth as

Box 1. Mali: Macroeconomic Assumptions Underlying the Baseline Scenario, 2011–31

- **Real GDP** growth is projected to average 5.2 percent per year, slightly above the trend observed during the last 10 years (5.0 percent). Gold output is expected to decline by about 2 percent annually starting in 2014. Higher agricultural production is expected to outweigh this decline over time owing to cotton and other agricultural sector reforms. With population growth currently over 3.6 percent, the baseline scenario thus assumes low per capita income growth (and therefore no decline in the grant element of lending).
- **Consumer price inflation** is projected to remain below the WAEMU convergence criterion of 3 percent.
- **Fiscal policy.** The basic fiscal balance (revenue plus budgetary grants minus domestically financed expenditure) is expected to be equal to or greater than zero in order to meet the WAEMU convergence criterion. Tax revenue and domestically financed expenditure are expected to increase in sync by about 6 percent of GDP during 2011-31. Therefore, there is no recourse to domestic borrowing to finance the budget, except for rolling over current stock of domestic debt at market rates. In 2009–13, the basic fiscal balance departs slightly from that underlying trend as a temporary fiscal stimulus of about 4 percent of GDP is being implemented with the proceeds of the privatization of the state telecom company SOTELMA. Starting in 2014, the overall fiscal deficit (excluding grants) is projected to remain around 5.2 percent of GDP, and to be financed by external loans for 50 percent and grants for the balance.
- **Non-concessional borrowing.** Over the period 2012-14, about \$100 million (1 percent of GDP), or about 10 percent of total external borrowing, is assumed to be borrowed on commercial terms (8 percent interest rate, 10 year maturity) in order to finance infrastructure investment projects with a high rate of return. These projects remain to be identified. Starting in 2015, about 0.3 percent of GDP or 10 percent of total borrowing is assumed to continue to be on commercial terms. Public sector external debt is expected to carry an effective interest rate slightly above the historical average of 1.3 percent. No new domestic medium or long-term borrowing is assumed other than the rollover of treasury bills and bonds.
- **The non-interest current account deficit** is projected to stay close to the historic average (4.2 percent of GDP) over 2011–31. Gold exports volumes are expected to decline steadily over time, and the share of gold in total exports is projected to fall from 75 percent in 2011 to about 33 percent in 2031. This decline is projected to be compensated by a gradual increase of other exports (including food, cotton, and other minerals such as cement, phosphate, uranium, bauxite, iron ore, copper, nickel, oil) and a reduction of imports.

agriculture offsets the steady decline of gold production (Box 1). Inflation is expected to remain moderate as prudent fiscal policies are implemented with no recourse to domestic borrowing. The current account deficit is expected to remain stable, as the decline in gold exports is compensated by an increase of other exports including agricultural products and other minerals and a decrease in imports.

III. DEBT SUSTAINABILITY ANALYSIS

A. External Debt

5. **Under the baseline assumptions, all external debt and debt-service ratios remain below the policy-dependent thresholds throughout the projection period** (Figure 1). The present value (PV) of external debt is expected to climb from 16 percent of GDP in 2011 to 20 percent in 2031 (Figure 1b, Table 1a). As production from existing gold mines declines starting in 2014 and other exports' growth only partly compensates for that decline, the PV of the external debt-to-exports ratio is projected to increase from 59 percent in 2011 to 116 percent in 2031, below the threshold of 150 percent (Figure 1c, Table 1a). With projected increase in tax revenue by 6 percent of GDP during the projection period, the PV of the external debt-to-revenue ratio is projected to hover around 87-99 percent of GDP, which is significantly below the threshold of 250 percent (Figure 1d, Table 1a).

6. **Mali's external debt sustainability is mostly sensitive to an export shock and a hardening of financial terms, limiting the scope for non-concessional borrowing.** Under a bound test that reduces exports *growth* temporarily in 2012-13 with the effect of reducing exports *levels* permanently by 25 percent, the PV of the debt-to-exports ratio would exceed the threshold in the year 2020 and remain high until the end of the projection period (Figure 1c; Table 1b, Scenario B2). Under a hardening of financial terms, the PV of debt-to-exports ratio would breach the threshold by a large margin in the second half of the projection period and for a protracted period of time (Table 1b, Scenario A2). The sensitivity of Mali's external debt sustainability to an export shock and a hardening of financial terms and the uncertainties about the medium term exports outlook indicate that the scope for non-concessional borrowing is limited.

B. Public Debt

7. **The inclusion of domestic debt does not alter the assessment of Mali's debt sustainability.** Given the small size of Mali's domestic debt and the absence of recourse to domestic borrowing in the base line scenario, the public debt sustainability analysis closely mirrors the external debt sustainability analysis (Figure 2 and Table 2a). The PV of debt-to-GDP ratio hardly increases from 20 percent in 2011 to 21 percent in 2031.

8. **Mali's total public debt sustainability is most sensitive to a fiscal shock.** In particular, maintaining the fiscal impulse resulting from the spending of the SOTELMA

privatization income in 2011 through the projection period would sharply increase the PV of debt-to-GDP ratio to 37 percent in 2031 (Figure 2; Table 2b, Scenario A2).

C. Comparison with the Previous Debt Sustainability Analysis

9. **Mali's debt vulnerabilities have remained broadly unchanged since the 2010 DSA.** The baseline scenario remains broadly in line with the previous DSA.¹ As in last year's DSA, none of the debt indicators breach the external public debt burden thresholds throughout the projection period under the baseline scenario, and Mali's external debt sustainability remains mostly sensitive to an export shock and to a hardening of financial terms (¶6).

D. The Authorities' Views

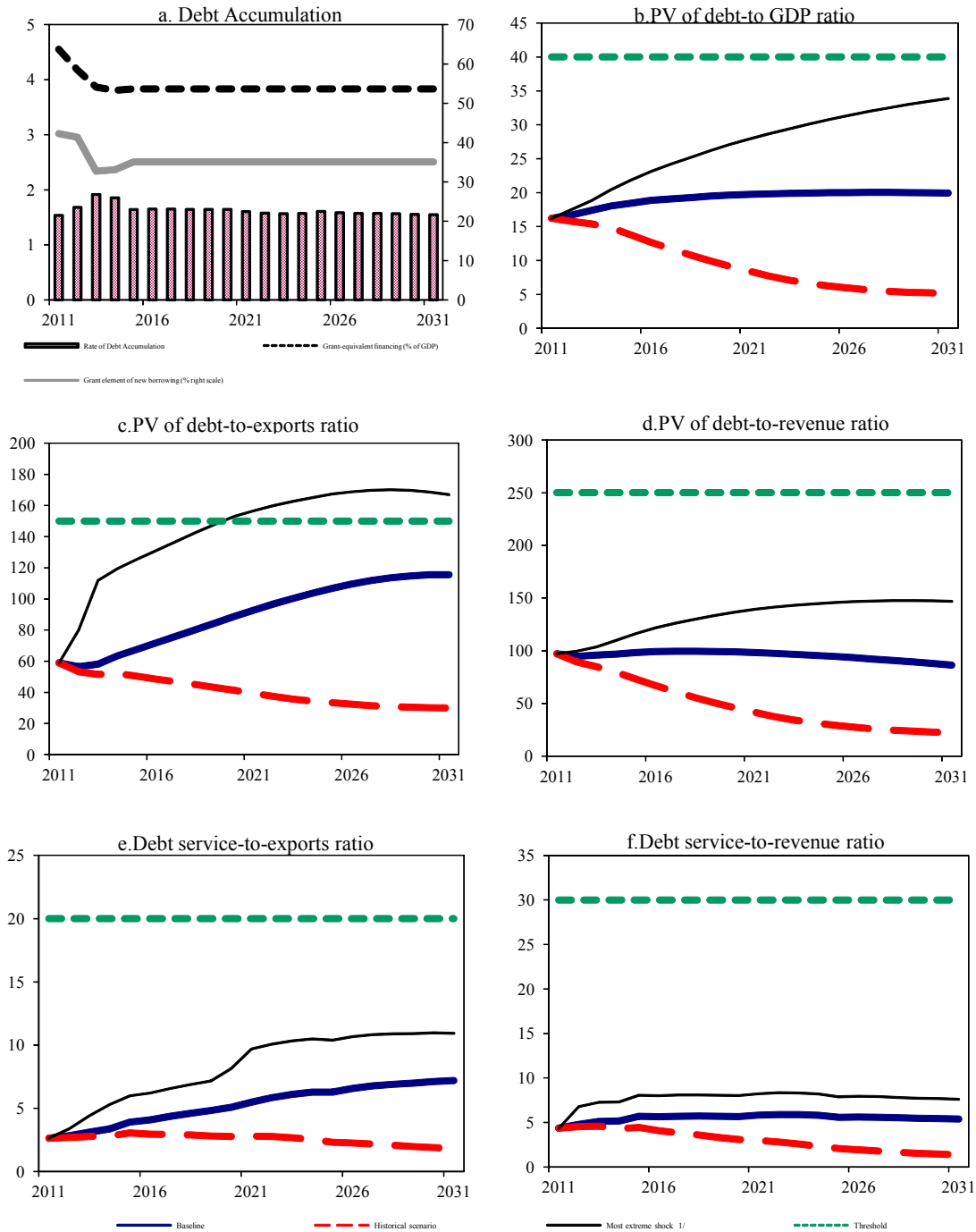
10. **The authorities broadly concurred with the results of the DSA analysis, while emphasizing risks.** They noted that the completion of projects that are at various stages of development for mining diversification (cement, phosphate, uranium, bauxite, iron ore, copper, nickel, oil ...) could lead to higher non-gold exports over the medium-term. At the same time, they also expressed concern that grants could turn out less favorable over the medium-term in case of a protracted slowdown in the economies of their traditional development partners.

IV. DEBT DISTRESS CLASSIFICATION AND CONCLUSIONS

11. **The DSA indicates that Mali remains at moderate risk of debt distress based on the external debt burden indicators.** As in last year's DSA, none of the debt burden thresholds are breached over the 20-year projection period under the baseline scenario, and debt sustainability remains mostly sensitive to an export shock and to a hardening of financing terms. Given Mali's low level of external debt after enhanced HIPC and MDRI debt relief, there is scope for non-concessional borrowing of about \$100 million (1 percent of GDP) for a period of three years (2012-14) tied to investment in infrastructure projects with a high rate of return for which no concessional financing is available. But given the expected decline in gold exports in the medium term and the uncertain prospects for export diversification, Mali's debt sustainability needs to remain under close scrutiny. Therefore, the government should continue to limit most of its external borrowing to grants and concessional loans.

¹ IMF Country Report No.11/37, Mali - Fifth Review Under the Three-Year Arrangement Under the Extended Credit Facility - Staff Report; Joint IMF/IDA Debt Sustainability Analysis.

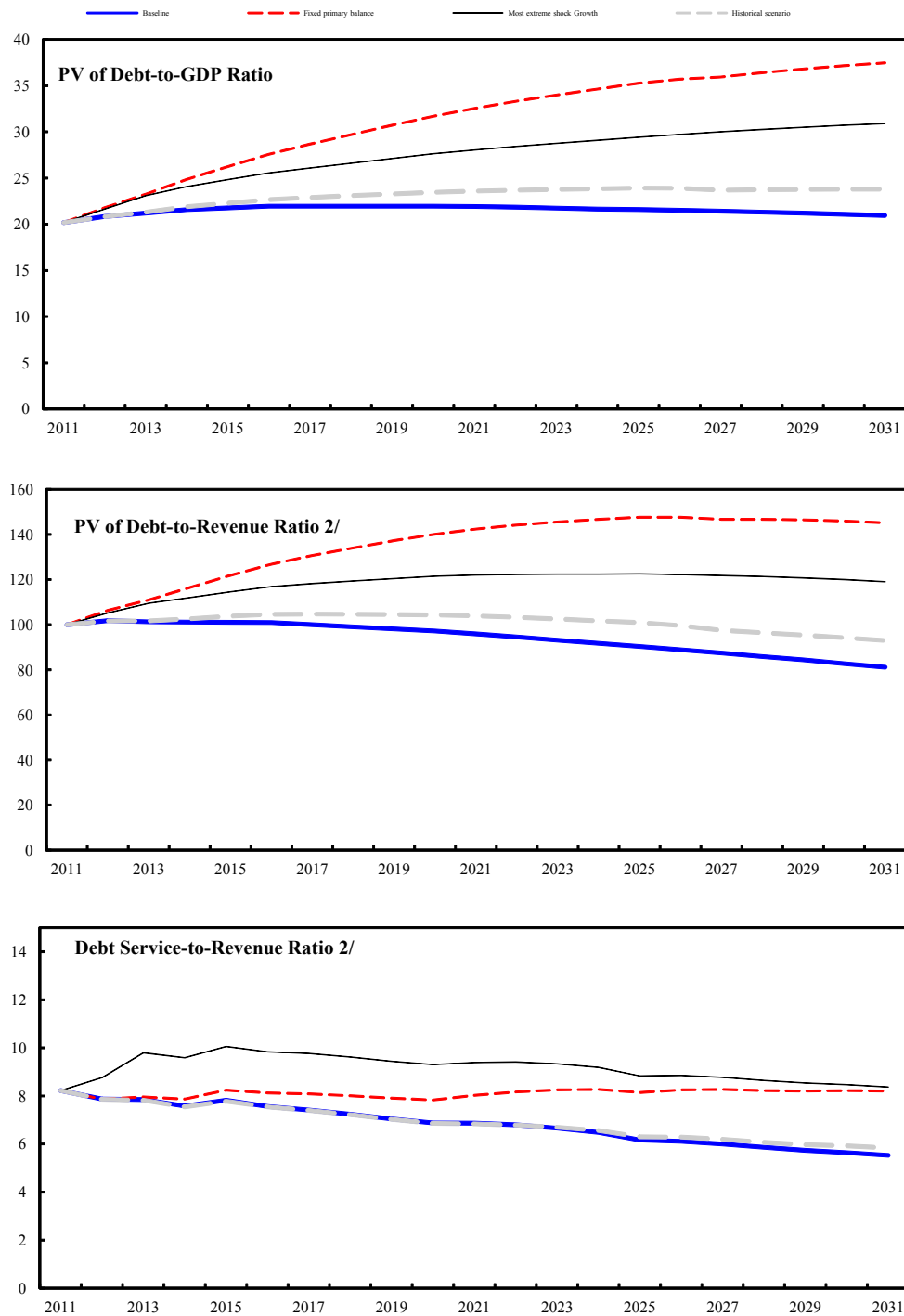
Figure 1.Mali: Indicators of Public Debt Under Alternative Scenarios, 2011-2031 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2021. In figure b. it corresponds to a Terms shock; in c. to a Exports shock; in d. to a Terms shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Figure 2.Mali: Indicators of Public Debt Under Alternative Scenarios, 2011-2031 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2021.

2/ Revenues are defined inclusive of grants.

Table 1a.: External Debt Sustainability Framework, Baseline Scenario, 2008-2031 1/
(In percent of GDP, unless otherwise indicated)

	Actual			Historical Average ^{6/}	Standard Deviation ^{6/}	Projections						2011-2016 Average		2017-2031 Average	
	2008	2009	2010			2011	2012	2013	2014	2015	2016	2021	2031		
External debt (nominal) 1/	20.7	22.6	24.4			22.7	23.7	24.6	25.5	26.2	26.8			28.5	29.3
o/w public and publicly guaranteed (PPG)	20.7	22.6	24.4			22.7	23.7	24.6	25.5	26.2	26.8			28.5	29.3
Change in external debt	1.4	1.8	1.8			-1.7	1.0	0.9	0.9	0.7	0.6			0.2	0.0
Identified net debt-creating flows	3.7	-4.9	2.8			2.2	0.6	0.7	1.0	1.5	1.6			1.7	1.2
Non-interest current account deficit	9.1	3.6	5.6	4.2	3.1	4.7	3.1	3.2	3.5	4.0	4.1			4.3	4.0
Deficit in balance of goods and services	13.8	7.6	8.6			7.5	4.6	4.4	4.9	5.2	5.5			6.8	7.3
Exports	29.2	23.7	24.9			27.5	29.6	29.9	28.4	27.3	26.2			21.3	17.2
Imports	43.0	31.4	33.5			35.0	34.2	34.3	33.3	32.5	31.7			28.0	24.6
Net current transfers (negative = inflow)	-5.2	-5.4	-4.9	-4.8	0.5	-4.4	-4.3	-4.0	-3.8	-3.7	-3.5			-2.9	-1.9
o/w official	-1.2	-1.9	-1.7			-1.5	-1.3	-1.3	-1.2	-1.2	-1.2			-1.2	-1.2
Other current account flows (negative = net inflow)	0.5	1.4	1.9			1.6	2.7	2.9	2.5	2.5	2.1			0.4	-1.5
Net FDI (negative = inflow)	-2.1	-8.4	-2.0	-2.9	2.0	-1.6	-1.6	-1.6	-1.6	-1.6	-1.6			-1.6	-1.6
Endogenous debt dynamics 2/	-3.3	-0.2	-0.9			-0.9	-0.9	-0.9	-0.8	-0.9	-0.9			-0.9	-1.1
Contribution from nominal interest rate	0.3	0.3	0.1			0.2	0.3	0.3	0.3	0.3	0.4			0.4	0.4
Contribution from real GDP growth	-0.8	-0.9	-1.3			-1.1	-1.2	-1.2	-1.2	-1.2	-1.2			-1.3	-1.5
Contribution from price and exchange rate changes	-2.8	0.4	0.2			...	...	...	...	...	...			...	...
Residual (3-4) 3/	-2.4	6.8	-1.0			-3.9	0.4	0.3	-0.1	-0.8	-1.0			-1.5	-1.3
o/w exceptional financing	-0.6	-0.3	-0.3			-0.3	-0.2	0.0	0.0	0.0	0.0			0.0	0.0
PV of external debt 4/	...	...	17.6			16.2	16.7	17.4	18.0	18.4	18.8			19.8	19.9
In percent of exports	...	...	70.6			59.0	56.4	58.1	63.4	67.7	71.9			92.9	115.6
PV of PPG external debt	...	...	17.6			16.2	16.7	17.4	18.0	18.4	18.8			19.8	19.9
In percent of exports	...	...	70.6			59.0	56.4	58.1	63.4	67.7	71.9			92.9	115.6
In percent of government revenues	...	...	101.4			97.3	94.9	95.9	97.0	98.4	99.4			98.5	86.5
Debt service-to-exports ratio (in percent)	3.4	2.7	2.3			2.6	2.8	3.1	3.4	3.9	4.1			5.5	7.2
PPG debt service-to-exports ratio (in percent)	3.4	2.7	2.3			2.6	2.8	3.1	3.4	3.9	4.1			5.5	7.2
PPG debt service-to-revenue ratio (in percent)	6.4	3.8	3.3			4.4	4.8	5.1	5.2	5.7	5.7			5.8	5.4
Total gross financing need (Billions of U.S. dollars)	0.7	-0.4	0.4			0.4	0.3	0.3	0.4	0.5	0.6			0.9	1.7
Non-interest current account deficit that stabilizes debt ratio	7.7	1.8	3.8			6.4	2.1	2.3	2.6	3.3	3.5			4.1	4.0
Key macroeconomic assumptions															
Real GDP growth (in percent)	5.0	4.5	5.8	5.0	2.6	5.4	5.6	5.4	5.1	5.1	5.1			5.3	5.4
GDP deflator in US dollar terms (change in percent)	16.9	-2.0	-1.0	7.7	8.5	10.9	2.4	1.6	1.5	1.5	1.5			3.2	2.3
Effective interest rate (percent) 5/	1.9	1.6	0.7	1.3	0.4	1.2	1.3	1.3	1.4	1.5	1.5			1.4	1.5
Growth of exports of G&S (US dollar terms, in percent)	34.8	-16.8	9.8	14.9	16.9	29.1	16.3	8.3	1.5	2.3	2.6			10.0	3.4
Growth of imports of G&S (US dollar terms, in percent)	48.4	-25.3	12.0	14.8	20.7	21.9	5.8	7.3	3.7	3.9	4.2			7.8	5.0
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	42.3	41.4	32.7	33.2	35.1	35.1			36.6	35.1
Government revenues (excluding grants, in percent of GDP)	15.5	17.1	17.3			16.7	17.6	18.1	18.6	18.7	19.0			20.1	23.0
Aid flows (in Billions of US dollars) 7/	0.5	0.8	0.6			0.7	0.7	0.8	0.8	0.8	0.9			1.3	2.8
o/w Grants	0.3	0.4	0.3			0.4	0.3	0.4	0.4	0.4	0.4			0.6	1.3
o/w Concessional loans	0.2	0.4	0.3			0.4	0.4	0.4	0.4	0.4	0.5			0.7	1.4
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			4.6	4.2	3.9	3.8	3.8	3.8			3.8	3.8
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			76.0	69.9	64.7	64.9	66.5	66.5			66.5	66.5
Memorandum items:															
Nominal GDP (Billions of US dollars)	8.8	9.0	9.4			11.0	11.9	12.7	13.6	14.5	15.5			22.2	47.1
Nominal dollar GDP growth	22.7	2.4	4.8			16.8	8.1	7.1	6.7	6.6	6.7			8.7	7.6
PV of PPG external debt (in Billions of US dollars)	...	...	1.6			1.8	2.0	2.2	2.4	2.7	2.9			4.4	9.4
(PVt-PVt-1)/GDPt-1 (in percent)	...	...	...			1.5	1.7	1.9	1.9	1.6	1.6			1.7	1.6
Gross workers' remittances (Billions of US dollars)	0.4	0.5	0.4			0.5	0.5	0.5	0.6	0.6	0.6			0.7	1.0
PV of PPG external debt (in percent of GDP + remittances)	...	...	16.8			15.5	16.0	16.7	17.3	17.7	18.1			19.2	19.5
PV of PPG external debt (in percent of exports + remittances)	...	...	59.4			50.8	49.1	50.9	55.4	59.1	62.8			80.9	102.8
Debt service of PPG external debt (in percent of exports + remittances)	...	...	2.0			2.3	2.5	2.7	2.9	3.4	3.6			4.8	6.4

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

4/ Assumes that PV 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 PV of new debt).

Table 1b.Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2011-2031
(In percent)

	Projections							
	2011	2012	2013	2014	2015	2016	2021	2031
PV of debt-to GDP ratio								
Baseline	16	17	17	18	18	19	20	20
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	16	16	15	15	14	13	8	5
A2. New public sector loans on less favorable terms in 2011-2031 2	16	18	19	20	22	23	28	34
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	16	17	18	19	19	20	21	21
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	16	20	26	26	26	26	25	22
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	16	17	18	19	19	20	21	21
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	16	17	18	19	19	20	20	20
B5. Combination of B1-B4 using one-half standard deviation shocks	16	18	20	21	21	21	22	20
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	16	24	24	25	26	27	28	28
PV of debt-to-exports ratio								
Baseline	59	56	58	63	68	72	93	116
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	59	53	52	52	50	48	39	30
A2. New public sector loans on less favorable terms in 2011-2031 2	59	59	63	72	80	88	131	196
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	59	56	58	63	67	72	93	115
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	59	80	112	119	125	131	157	167
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	59	56	58	63	67	72	93	115
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	59	58	61	66	70	75	95	116
B5. Combination of B1-B4 using one-half standard deviation shocks	59	67	75	81	86	91	113	133
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	59	56	58	63	67	72	93	115
PV of debt-to-revenue ratio								
Baseline	97	95	96	97	98	99	98	87
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	97	90	85	80	73	67	42	22
A2. New public sector loans on less favorable terms in 2011-2031 2	97	100	104	110	116	122	139	147
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	97	97	100	101	103	104	103	90
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	97	113	141	139	139	138	127	95
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	97	98	101	102	104	105	104	91
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	97	98	100	101	102	103	101	87
B5. Combination of B1-B4 using one-half standard deviation shocks	97	103	111	111	112	112	107	89
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	97	134	135	137	139	140	139	122

Table 1b.Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2011-2031 (continued)
(In percent)

Debt service-to-exports ratio								
Baseline	3	3	3	3	4	4	5	7
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	3	3	3	3	3	3	3	2
A2. New public sector loans on less favorable terms in 2011-2031 2	3	3	3	3	4	4	7	11
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	3	3	3	3	4	4	5	7
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	3	3	4	5	6	6	10	11
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	3	3	3	3	4	4	5	7
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	3	3	3	3	4	4	6	7
B5. Combination of B1-B4 using one-half standard deviation shocks	3	3	4	4	5	5	7	8
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	3	3	3	3	4	4	5	7
Debt service-to-revenue ratio								
Baseline	4	5	5	5	6	6	6	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	4	5	5	4	4	4	3	1
A2. New public sector loans on less favorable terms in 2011-2031 2	4	5	5	5	6	6	7	8
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	4	5	5	5	6	6	6	6
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	4	5	6	6	7	7	8	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	4	5	5	5	6	6	6	6
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	4	5	5	5	6	6	6	5
B5. Combination of B1-B4 using one-half standard deviation shocks	4	5	5	5	6	6	6	6
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	4	7	7	7	8	8	8	8
<i>Memorandum item:</i>								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	29	29	29	29	29	29	29	29

Sources: Country authorities; and staff estimates and projections.

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.

Table 2a.Mali: Public Sector Debt Sustainability Framework, Baseline Scenario, 2008-2031
(In percent of GDP, unless otherwise indicated)

	Actual			Average ^{5/}	Standard Deviation ^{5/}	Estimate						Projections			
	2008	2009	2010			2011	2012	2013	2014	2015	2016	2011-16 Average	2021	2031	2017-31 Average
Public sector debt 1/	22.6	24.7	28.7			26.6	27.8	28.4	29.1	29.5	29.9		30.6	30.3	
o/w foreign-currency denominated	20.7	22.6	24.4			22.7	23.7	24.6	25.5	26.2	26.8		28.5	29.3	
Change in public sector debt	0.9	2.1	4.0			-2.1	1.2	0.6	0.6	0.4	0.4		0.1	-0.1	
Identified debt-creating flows	-1.9	-4.4	1.9			-1.1	0.3	0.3	0.1	0.1	0.0		-0.3	-0.4	
Primary deficit	1.9	3.9	2.4	2.4	0.9	3.7	2.4	2.1	1.9	1.9	1.9	2.3	1.9	1.9	
Revenue and grants	19.0	21.7	20.2			20.2	20.5	21.0	21.4	21.5	21.7		22.8	25.8	
of which: grants	3.4	4.6	2.9			3.5	2.9	2.8	2.8	2.8	2.8		2.8	2.8	
Primary (noninterest) expenditure	20.8	25.6	22.6			23.9	22.8	23.1	23.2	23.4	23.6		24.7	27.8	
Automatic debt dynamics	-1.1	-2.6	0.2			-3.6	-1.3	-1.4	-1.3	-1.3	-1.3		-1.6	-1.8	
Contribution from interest rate/growth differential	-1.2	-0.8	-1.3			-1.4	-1.3	-1.3	-1.3	-1.4	-2.1		-1.5	-1.1	
of which: contribution from average real interest rate	-0.2	0.1	0.0			0.0	0.1	0.1	0.1	0.0	-0.6		0.0	0.5	
of which: contribution from real GDP growth	-1.0	-1.0	-1.4			-1.5	-1.4	-1.4	-1.4	-1.4	-1.4		-1.5	-1.6	
Contribution from real exchange rate depreciation	0.1	-1.8	1.5			-2.2	0.0	0.0	0.0	0.1	0.7		...	...
Other identified debt-creating flows	-2.7	-5.6	-0.7			-1.2	-0.7	-0.5	-0.5	-0.5	-0.5		-0.5	-0.5	
Privatization receipts (negative)	-1.0	-4.3	0.0			-0.1	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	
Debt relief (HIPC and other)	-1.7	-1.4	-0.7			-1.2	-0.7	-0.5	-0.5	-0.5	-0.5		-0.5	-0.5	
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	
Residual, including asset changes	2.9	6.5	2.2			-1.0	0.9	0.3	0.6	0.4	0.4		0.3	0.2	
Other Sustainability Indicators															
PV of public sector debt	...	...	21.9			20.2	20.8	21.2	21.6	21.8	21.9		21.9	20.9
o/w foreign-currency denominated	...	...	17.6			16.2	16.7	17.4	18.0	18.4	18.8		19.8	19.9
o/w external	...	...	17.6			16.2	16.7	17.4	18.0	18.4	18.8		19.8	19.9
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...
Gross financing need 2/	2.9	5.2	4.2			6.4	4.9	4.7	4.3	4.3	4.2		3.9	3.6	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	108.6			100.0	101.7	101.3	101.1	101.1	100.9		95.9	81.1
PV of public sector debt-to-revenue ratio (in percent)	...	...	126.7			121.0	118.6	117.1	116.3	116.1	115.8		109.3	90.9
o/w external 3/	...	...	101.4			97.3	94.9	95.9	97.0	98.4	99.4		98.5	86.5
Debt service-to-revenue and grants ratio (in percent) 4/	5.5	3.4	5.6			8.2	7.9	7.8	7.6	7.8	7.6		6.9	5.5	
Debt service-to-revenue ratio (in percent) 4/	6.7	4.3	6.6			9.9	9.2	9.1	8.7	9.0	8.7		7.8	6.2	
Primary deficit that stabilizes the debt-to-GDP ratio	1.0	1.8	-1.6			5.8	1.2	1.5	1.2	1.4	1.4		1.8	2.1	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	5.0	4.5	5.8	5.7	2.6	5.4	5.6	5.4	5.1	5.1	5.1	5.3	5.1	5.4	
Average nominal interest rate on forex debt (in percent)	1.9	1.6	0.7	1.3	0.4	1.2	1.3	1.3	1.4	1.5	1.5	1.4	1.5	1.5	
Average real interest rate on domestic debt (in percent)	-6.3	0.9	2.7	0.5	3.7	1.2	4.2	3.5	3.5	3.6	3.6	3.3	3.6	3.4	
Real exchange rate depreciation (in percent, + indicates depreciation)	0.5	-9.1	7.1	-4.6	9.3	-9.5	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	8.8	3.6	4.0	3.6	3.1	4.1	2.5	2.4	2.4	2.3	2.3	2.7	2.3	2.5	
Growth of real primary spending (deflated by GDP deflator, in percent)	-0.1	0.3	-0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
Grant element of new external borrowing (in percent)	...	...	...	...	...	42.3	41.4	32.7	33.2	35.1	35.1	36.6	35.1	35.1

Sources: Country authorities; and 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 2b.Mali: Sensitivity Analysis for Key Indicators of Public Debt 2011-2031

	Projections							
	2011	2012	2013	2014	2015	2016	2021	2031
PV of Debt-to-GDP Ratio								
Baseline	20	21	21	22	22	22	22	21
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	20	21	21	22	22	23	24	24
A2. Primary balance is unchanged from 2011	20	22	23	25	26	28	33	37
A3. Permanently lower GDP growth 1/	20	21	22	22	23	24	27	37
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2012-2013	20	22	23	24	25	26	28	31
B2. Primary balance is at historical average minus one standard deviations in 2012-2013	20	21	23	23	23	23	23	22
B3. Combination of B1-B2 using one half standard deviation shocks	20	21	22	23	23	24	25	26
B4. One-time 30 percent real depreciation in 2012	20	27	27	27	26	26	24	20
B5. 10 percent of GDP increase in other debt-creating flows in 2012	20	28	28	28	28	28	27	24
PV of Debt-to-Revenue Ratio 2/								
Baseline	100	102	101	101	101	101	96	81
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	100	102	102	103	104	105	104	93
A2. Primary balance is unchanged from 2011	100	106	111	116	122	127	142	145
A3. Permanently lower GDP growth 1/	100	103	103	104	106	108	117	142
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2012-2013	100	105	110	112	115	117	122	119
B2. Primary balance is at historical average minus one standard deviations in 2012-2013	100	105	108	107	107	107	100	83
B3. Combination of B1-B2 using one half standard deviation shocks	100	104	106	107	109	109	109	99
B4. One-time 30 percent real depreciation in 2012	100	132	128	124	122	119	103	79
B5. 10 percent of GDP increase in other debt-creating flows in 2012	100	136	134	132	130	129	118	92
Debt Service-to-Revenue Ratio 2/								
Baseline	8	8	8	8	8	8	7	6
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	8	8	8	8	8	8	7	6
A2. Primary balance is unchanged from 2011	8	8	8	8	8	8	8	8
A3. Permanently lower GDP growth 1/	8	8	8	8	8	8	8	8
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2012-2013	8	8	8	8	8	8	8	7
B2. Primary balance is at historical average minus one standard deviations in 2012-2013	8	8	8	8	8	8	7	6
B3. Combination of B1-B2 using one half standard deviation shocks	8	8	8	8	8	8	7	6
B4. One-time 30 percent real depreciation in 2012	8	9	10	10	10	10	9	8
B5. 10 percent of GDP increase in other debt-creating flows in 2012	8	8	9	9	9	8	8	6

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.

INTERNATIONAL MONETARY FUND

MALI

Seventh Review Under the Extended Credit Facility and Request for a New Three-Year Arrangement Under the Extended Credit Facility—Informational Annex

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

Approved by Roger Nord and Thomas Dorsey

November 23, 2011

- **Relations with the Fund.** Describes financial and technical assistance from the Fund and provides information on the safeguards assessment and exchange rate system.
- **Joint Management Action Plan (JMAP).** Describes the priorities and main activities of the World Bank Group and areas of cooperation with the IMF in their work with Malian authorities.
- **Statistical Issues.** Assesses the quality of economic statistics. Data provision for surveillance purposes is adequate overall, but weaknesses in a broad range of economic statistics are hampering the analyses of economic developments.

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I. MALI: RELATIONS WITH THE FUND
(As of October 31, 2011)

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

II. General Resources Account:	SDR Million	%Quota
Quota	93.30	100.00
Fund holdings of currency (Exchange Rate)	83.30	89.28
Reserve Tranche Position	10.00	10.72

III. SDR Department:	SDR Million	%Allocation
Net cumulative allocation	89.36	100.00
Holdings	73.40	82.14

IV. Outstanding Purchases and Loans:	SDR Million	%Quota
ECF Arrangements	54.32	58.23

V. Latest Financial Arrangements:

<u>Type</u>	<u>Date of Arrangement</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
ECF ^{1/}	May 28, 2008	Dec 31, 2011	52.99	46.99
ECF ^{1/}	Jun 23, 2004	Nov 30, 2007	9.33	9.33
ECF ^{1/}	Aug 06, 1999	Aug 05, 2003	51.32	51.32

^{1/} Formerly PRGF.

VI. Projected Payments to Fund ^{1/}

(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2011	2012	2013	2014	2015
Principal	0.53	1.20	2.90	5.20	5.67
Charges/Interest	0.01	0.18	0.17	0.16	0.15
Total	0.54	1.38	3.07	5.36	5.82

^{1/} When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

VII. Implementation of HIPC Initiative:

	Original Framework	Enhanced Framework	Total
I. Commitment of HIPC assistance			
Decision point date	Sep 1998	Sep 2000	
Assistance committed by all creditors (US\$ Million) ^{1/}	121.00	417.00	
Of which: IMF assistance (US\$ million)	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 Million)			
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. MDRI-eligible debt (SDR Million) ^{1/}	75.07
Financed by: MDRI Trust	62.44
Remaining HIPC resources	12.63
II. Debt Relief by Facility (SDR Million)	

Eligible Debt			
<u>Delivery</u>	<u>GRA</u>	<u>PRGT</u>	<u>Total</u>
<u>Date</u>			
January 2006	N/A	75.07	75.07

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

IX. Implementation of Post-Catastrophe Debt Relief (PCDR): Not Applicable

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).

X. Safeguards Assessments

The Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union (WAMU). The most recent safeguards assessment of the BCEAO was completed on March 1, 2010. The 2010 update assessment found that the BCEAO continues to have controls in place at the operational level. The overall governance framework needed nonetheless to be strengthened by the addition of an audit committee to ensure that the Board of Directors exercises appropriate oversight over the control structure, including the audit mechanisms and financial statements. The Institutional Reform of the WAEMU and the BCEAO completed after the approval of the safeguards report stipulated creation of the Audit Committee. Efforts to implement fully the International Financial Reporting Standards reporting framework should also be pursued.

XI. Exchange Rate Arrangement

Mali is a member of the 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.

Sharing a common trade policy with other members of WAEMU, Mali has shifted key trade policy-making to the sub-regional level. The common external tariff (CET) was adopted in January 2000. Mali complies with the union's tariff rate structure and has effectively dismantled internal tariffs. 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.

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

XII. 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 2010 Article IV consultation (IMF Country Report No. 10/255) on July 16, 2010. The next Article IV consultation is expected to be completed by July 2012.

XIII. Technical Assistance

Department	Type of Assistance	Time of Delivery	Purpose
FAD/AFRITAC	Staff/Expert	Sep. 2011	Establishment of a Single Treasury Account
STA	Expert	Jun. 2011	AFW-LTE: Real Sector Statistics /NA compilation techniques
STA	Expert	Jun. 2011	AFW : Follow up /TA on the current GFS and WAEMU GFS guideline implementation
AFRITAC	Expert	Apr. 2011	TOFE
FAD	Expert	Apr. 2011	Public Accounting, Fiscal Reporting, Cash Management
FAD	Expert	Mar. 2011	Public Accounting, Fiscal Reporting, Cash Management
FAD	Expert	Feb. 2011	Public Accounting, Fiscal Reporting, Cash Management
AFRITAC	Expert	Jan. 2011	National Accounts
AFRITAC	Expert	Sep. 2010	Tax Administration
FAD	Staff	Sep. 2010	Tax Policy
AFRITAC	Banking Supervision Advisor	Jun. 2010	Restructuring of a government owned bank
AFRITAC	Expert	May 2010	Program budgeting
AFRITAC	Expert	May 2010	Customs administration
AFRITAC	Expert	Apr. 2010	Land registry administration
MCM	Staff	Apr. 2010	Public Debt Management

FAD	Expert	Apr. 2010	Tax Administration
FAD	Expert	Mar. 2010	Expenditure administration
AFRITAC	STA Advisor	Feb. 2010	Compile the financing data of the TOFE
AFRITAC	STA Advisor	Aug. 2009	Workshop on the use of GFSM 2001 methodology to compile GFS data
FAD	Expert	Jun. 2009	Tax Administration
FAD	Expert	Nov. 2008	Help establish medium-size taxpayer unit

XIV. Resident Representative

Mr. Alain Feler has been the Fund Resident Representative in Bamako since November 2008.

**II. RELATIONS WITH THE BANK
THE JMAP BANK–FUND MATRIX**

Title	Products	Provisional Timing of Missions	Provisional Delivery Dates
A. Mutual Information on Relevant Work Programs			
Bank Work Program	Poverty Reduction Strategy Credit (PRSC – 6)	Identification: July 2011 Pre-appraisal: November 2011 Appraisal and negotiations: January/February 2012	March 2012
	Debt Management Performance Assessment (with input from AFRITAC West)	November/December 2011	April 2012
	Governance and Budget Decentralization Technical Assistance	Supervision: February 2012	April 2012
	Poverty and Gender Notes Economic Sector Work	Of the four pending notes, three will be reviewed in October/November 2011	December 2011
Fund Work Program	Article IV Consultation/ possibly first review of new ECF arrangement	March 2012	June 2012
B. Requests for Work Program Inputs			
Fund request to the Bank	Comments on the composition of the 2013 Budget and linkages between budget allocations and the G-PRSP	September 2012	December 2012
	Budgetary implications of pension system, social safety net, and electricity sector reforms	March 2012 September 2012	June 2012 December 2012
Bank request to the Fund	Information on recent macroeconomic developments, macroeconomic projections and analysis for 2012 and the medium term	November 2011	January 2012
		March 2012	June 2012
		September 2012	December 2012
C. Agreement on Joint Products			
Joint Work Program	Joint Bank-Fund Staff Advisory Note on G-PRSP III	March 2012	June 2012
	Joint Bank-Fund Debt Sustainability Analysis	September 2012	December 2012

III. MALI—STATISTICAL ISSUES APPENDIX (As of October 31, 2011)
A. Assessment of Data Adequacy for Surveillance
<p>General: Data provision has some shortcomings, but is broadly adequate for surveillance.</p>
<p>National Accounts: The economic accounts of Mali are prepared by the National Institute of Statistics (INSTAT), in accordance with the <i>System of National Accounts 1968 (SNA68)</i> and adapted to certain characteristics specific to Mali. They are compiled on an annual basis. There are, however, weaknesses in the accuracy, coverage, and timeliness of national accounts data. The main reason has been the inadequacy of source data, along with insufficient funding and technical staffing of the National Directorate of Statistics and Data Processing (DNSI). The work on implementing the <i>System of National Accounts 1993 (1993 SNA)</i> is ongoing, with the support of the West African Economic and Monetary Union (WAEMU) Commission and AFRITAC West. At this time, the new base year, 2006, has been completed, and 2007 is near completion. It is expected that a new national accounts series spanning 1997–2007 will be available by 2011.</p>
<p>Price statistics: In concert with other WAEMU member countries, the INSTAT has been compiling and publishing a harmonized consumer price index (CPI) for Bamako on a monthly basis since early 1998. The CPI was rebased in 2008, with a new basket of products and revised weights.</p>
<p>Government finance statistics: As part of the process of economic integration among the member countries of the WAEMU, the country has made significant progress in bringing its fiscal data in line with the common framework that has been developed with technical assistance from the Fund (the harmonized table of government financial operations—TOFE). However, further efforts are needed to improve the timeliness of the TOFE, and the consistency of some of its source data. Work is progressing with the assistance of STA and AFRITAC West to develop compiling tools, implement the regional harmonized fiscal framework (Directive TOFE n°10/2009/CM/WAEMU), and train the Malian officials on the <i>GFSM 2001</i> methodology. Fiscal data are disseminated on the Central Bank of West African States (BCEAO), and the INSTAT and the WAEMU’s website. The STA GFS advisor based in AFRITAC West has conducted 4 missions to Mali between February 2010 and May 2011. The main objective of these missions was to assist the authorities in the compilation of the financing data of the TOFE. Particular attention was given to the consistency between financing data and revenue and expenditure data. Public debt statistics are prepared and monitored the National Public Debt Directorate (NPDD). The NPDD uses CS-DRMS accounting software. Debt data and projections are of generally good quality, although there is scope for improving the presentation as well as the coverage of debt relief (multilateral and bilateral). A procedure for regularly updating exchange rate projections is needed as well as a full mastering of the software.</p>

Common Indicators Required for Surveillance

(As of October 31, 2011)

	Date of latest observation	Date received	Frequency of data⁷	Frequency of reporting⁷	Frequency of publication
Exchange Rates	Current	Current	D	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	Sep. 2011	Nov. 2011	M	M	M
Reserve/Base Money	Sep. 2011	Nov. 2011	M	M	M
Broad Money	Sep. 2011	Nov. 2011	M	M	M
Central Bank Balance Sheet	Sep. 2011	Nov. 2011	M	M	M
Consolidated Balance Sheet of the Banking System	Sep. 2011	Nov. 2011	M	M	M
Interest Rates ²	Current	Current	I	W	M
Consumer Price Index	Oct. 2011	Nov. 2011	M	M	M
Revenue, Expenditure, Balance and Composition of Financing ³ – General Government ⁴	N/A	N/A			
Revenue, Expenditure, Balance and Composition of Financing ³ – Central Government	Q2 2011	Sep. 2011	M	Q	A
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	2010	Sep. 2011	M	J	A
External Current Account Balance	2010	Sep. 2011	A	A	A
Exports and Imports of Goods and Services	2010	Sep. 2011	A	A	A
GDP/GNP	2010	Sep. 2011	A	A	Semi-A
Gross External Debt	2010	Sep. 2011	A	A	A
International Investment Position ⁶	2008	Apr. 2009	A	A	A

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

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

³ Foreign, domestic bank, and domestic nonbank financing.

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

⁵ Including currency and maturity composition.

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

⁷ Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).

Statement by the IMF Staff Representative on Mali

December 7, 2011

1. This statement provides information that has become available since the issuance of the staff report on November 28, 2011. The new information does not alter the thrust of the staff appraisal.
2. Inflation increased by 4.1 percent year-on-year in November owing to food prices, and by 2.7 percent on average for the 12-month period ending in November 2011.
3. Preliminary estimates indicate that all the indicative targets were met at end-September with one exception. The indicative floor on priority spending was missed by 0.4 percent of GDP due to the overall under-execution of public spending.
4. Seasonal rainfall has been much less favorable than expected in some parts of the country and harvests are likely to be significantly lower than usual. As a consequence, food security issues are emerging, potentially affecting about 3 million people. The authorities are taking emergency measures to provide food to regions at risk, in close cooperation with donors. The estimated budgetary cost of the measures that were not included in the 2011 budget is about CFA 5 billion (\$11 million or 0.1 percent of GDP) and will be financed by reallocating resources from under-executed non-priority spending. For 2012, the authorities are currently estimating the full cost of emergency measures needed to ensure food security for people at risk. They plan to request donors' financial support. This weather shock is likely to have a sizeable impact on growth and inflation in 2012; a full assessment and any revision of the program will be addressed on the occasion of the first review of the arrangement.

Statement by Ngueto T. Yambaye, Alternate Executive Director for Mali

December 7, 2011

My Malian authorities are appreciative of the valuable technical and financial assistance and policy advice they have received from the Fund in the context of recent programs. In order to consolidate the key achievements made over recent years, they are requesting a successor Extended Credit Facility (ECF) arrangement which will pave the way for continued macroeconomic stability and sustainable growth. The new arrangement is expected to draw lessons from past experience, as derived in the consultations between the authorities and the country's stakeholders and the recent Ex-post assessment of longer term program engagement (EPA) in Mali, and effectively support their efforts to promote a more vibrant private sector-led economy.

Recent Economic Developments and Performance under the Current ECF Arrangement

Recent economic developments in Mali were shaped by the uncertain external environment and weather conditions. In 2011, growth is estimated to remain robust, largely driven by production in the cotton sector, while inflation is forecast to be contained. The external current account balance is expected to stabilize, as the effects of higher gold and cotton prices are partly offset by lower grants and remittances.

Underlying the continued macroeconomic stability was the strong program performance during the period covered by the last review of the current ECF arrangement. On the quantitative front, all end-June 2011 performance criteria were met, reflecting the implementation of sound fiscal policies and debt management. However, one out of the three indicative targets was missed, as priority spending was slightly below its program floor due to delays in budget execution. Going forward, the magnitude of such spending is expected to be increased consistent with the authorities' poverty reduction strategy and the indicative target proposed under the new arrangement.

On the structural front, all but one structural benchmark were met, thus translating into better accounting of government's debt contracts and guarantees, improved presentation of fiscal tables, and detailed impact analysis of the transfer of public entities' accounts from commercial banks to the Treasury single account at the BCEAO. That said, it is noteworthy that the authorities intend to pursue the reform of the tax system in line with the spirit of the related structural benchmark that was missed.

In light of Mali's satisfactory performance under the Extended Credit Facility (ECF), I would appreciate Directors' support for the conclusion of the seventh and last review of the current ECF arrangement.

Policy and Reform Agenda under the New ECF Arrangement

Building on the priorities of the authorities' poverty reduction strategy for the period 2012-17, formal consultations with the country's various stakeholders, and the recommendations of the recent IMF staff's EPA, the new ECF-supported program aims to promote private sector development and the design and implementation of sound fiscal policies that help to fill the infrastructure gap and to further strengthen public financial management.

In the fiscal sector, preserving fiscal sustainability through the implementation of prudent policies has been and will remain a cornerstone of the authorities' policy framework. In this connection, the basic fiscal balance will continue to be kept in check while spending plans for the proceeds from the privatization of the telecommunication company, SOTELMA, will continue to be executed. In addition to these privatization receipts, the authorities envisage to carry forward a number of revenue-enhancing measures in order to create fiscal space, thereby accommodating the country's much-needed infrastructure investment. These will include steps to further strengthen tax and customs administrations, update tax legislation, and broaden the tax base, notably with the aim of increasing the ratio of tax revenues to GDP by at least 0.5 percent every year. In this connection, it is noteworthy that the draft 2012 budget law submitted to the parliament is aligned with program objectives on the revenue side, as it embodies the authorities' plans to boost revenue mobilization, notably through higher excise taxes on gold production and taxation of some previously VAT-exempt products—albeit at reduced rates.

Revenue performance will also benefit from the planned reduction of tax exemptions. In particular it is expected to be fueled by the recent phasing-out of the preferential import tax regime benefiting some gold mining companies and the value-added tax exemption granted to their subcontractors. Upon taking stock of the various tax exemptions granted by key tax codes early next year, the authorities will aim to evaluate their costs and draw the attention of parliamentarians on the related revenue losses, with the ultimate goal of reducing them.

The authorities plan to undertake a comprehensive reform of the small, medium and large taxpayers' offices with a view to improving the effectiveness of their operations. Most notably, this will involve streamlining these offices to make them more efficient and to increase the number of taxpayers under their respective jurisdictions. In parallel, steps will continue to be taken to ensure transparency in the management of the list of taxpayers, reduce tax evasion, improve tax audits, and enhance the interconnection between the Treasury and the tax and customs administrations.

The authorities continue to attach high importance to the preservation of debt sustainability. In this regard, the medium-term debt management strategy to be prepared in the first half of 2012 with the assistance of the Fund and the World Bank will be useful. More specifically, domestic debt management will build on the comprehensive database of domestic debt contracts and government guarantees that is being compiled by the office of public debt

management. As regards external debt management, the authorities take good note of the Fund and World Bank staffs' finding that there is scope for Mali to contract non-concessional financing up to about 1 percent of GDP without undermining debt sustainability. Going forward, they will prepare their own debt sustainability analysis and will review with the staffs the level of non-concessional borrowing consistent with debt sustainability.

The authorities' efforts to implement prudent debt management will be accompanied by a number of steps to revamp the process of selecting, budgeting, monitoring and assessing public investment projects. At the same time, steps will be taken to ensure that public investment spending will be subjected to improved budget planning and monitoring.

The implementation of the government's action plan to improve and modernize public financial management (PAGAM-GFP II) will continue over the period 2011-15. Progress will continue to be made toward the establishment of a Treasury Single Account (TSA) at the regional central bank (BCEAO). According to the study commissioned by the authorities, the transfer of the accounts held by public entities in commercial banks to the TSA could undermine the liquidity ratios of some banks while leaving those of other banks adequate. On this basis, the transfer will be phased starting with the accounts held by some key public entities in the latter banks while a strategy is being developed regarding the transfer of accounts opened in vulnerable banks.

More generally, both Malian and regional authorities are firmly determined to safeguard the stability of the financial sector and the banking system in particular. In this endeavor, the authorities stand ready to take necessary actions to mitigate the risks to this sector that stem from the spillover effects of the recent turmoil in some neighboring countries. The government's financial development strategy which builds on the FSAP will continue to guide the reform efforts to be made in the sector.

In the banking sector, the authorities remain committed to completing the restructuring of the housing bank (*Banque de l'Habitat du Mali*) and will continue to take steps to achieve this goal in consultation with the World Bank. Banking sector reform will also be geared toward improving small and medium-sized enterprises' access to credit. This will also be served well by the planned establishment of a registry of bank guarantees and reform of land tenure and registration system.

Finally, a number of other areas are covered by the authorities' reform efforts, including the reform of the cotton and energy sectors. In the cotton sector, the privatization of the textile company (CMDT) remains anchored in the authorities' reform agenda. It is also the authorities' intention to devise early in 2012 a proposed mechanism for adjusting domestic oil and electricity prices in line with international oil prices while protecting the most vulnerable segments of the population from rising food and energy prices. In the electricity sector, the steps that are currently being taken to boost production will help reduce fiscal risks arising from the sector.

Conclusion

As underscored by the EPA, Fund-supported programs have been instrumental in helping preserve macroeconomic stability in Mali. In this light, the Malian authorities are requesting Fund support to their continued reform efforts in the form of a new three-year ECF arrangement. This will go a long way toward maintaining a stable economic environment and achieving growth and poverty reduction objectives.

In view of Mali's good program performance under the current ECF arrangement and the policy objectives under the requested successor arrangement, I would appreciate Directors' favorable consideration of my authorities' request for a new arrangement under the ECF.



Press Release No. 11/464
FOR IMMEDIATE RELEASE
December 12, 2011

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Seventh and Final Review under the Extended Credit Facility Arrangement for Mali and Approves US\$ 9.3 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the seventh and final review of Mali's economic performance under the economic program supported by the Extended Credit Facility (ECF) arrangement. Completion of the review allows for the final disbursement to Mali of SDR 6 million (equivalent to about US\$9.3 million), bringing total disbursements under the arrangement to amount equivalent to SDR 52.99 million (equivalent to about US\$ 82.1 million).

The Executive Board approved a three-year arrangement under the ECF on May 28, 2008, in the amount equivalent to SDR 27.99 million (see [Press Release No. 08/126](#)). On January 26, 2011, the Board approved an extension of the arrangement until end-December 2011 (see [Press Release No. 11/20](#)). On June 13, 2011, the Board also approved an augmentation of access in an amount equivalent to SDR 25 million (about 27 percent of quota) to cushion the impact of the crises in Côte d'Ivoire and Libya.

Following the Executive Board discussion on Mali, Mr. Min Zhu, Deputy Managing Director and Acting Chair, issued the following statement:

“Macroeconomic performance under Mali's program has been strong. The economic outlook is positive, although subject to downside risks. Continued prudent macroeconomic policies and prompt implementation of structural reforms will be necessary to reduce the vulnerability to external shocks, diversify the economy, further raise economic growth, and reduce poverty.

“The authorities' program rests on ownership, and it is aligned with their growth and poverty reduction strategy. The authorities' priorities in the near-to-medium term remain macroeconomic stability, revenue mobilization, public financial management, and private sector development to promote sustained and diversified growth with debt sustainability.

“Fiscal policy remains focused on mobilizing additional revenue to finance social and infrastructure spending, and on maintaining borrowing requirements that are consistent with

private sector expansion and debt sustainability. Reforms to reduce tax exemptions, pass-through international oil prices increases to domestic energy prices, and modernize tax and customs administration will be given high priority. External financing needs will be met mainly through grants and concessional loans, although a limited amount of nonconcessional borrowing will be permitted to finance high-yield infrastructure projects. Public expenditure management will be strengthened to improve the quality of public spending.

“Quick progress will be needed to improve the business environment and spur private investment. Particularly important will be reforms in the financial, cotton, and electricity sectors. Key measures include strengthening financial supervision and regulation, and deepening the financial sector; completing the sale of the state housing bank and the cotton ginning company; and boosting the production capacity and financial soundness of the electricity company, complemented by a well-targeted social safety net”, Mr. Zhu added.



Press Release No. 11/487
FOR IMMEDIATE RELEASE
December 27, 2011

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Approves New US\$46.3 Million Extended Credit Facility Arrangement and US\$9.3 Million Disbursement for Mali

The Executive Board of the International Monetary Fund (IMF) today approved a new three-year, SDR 30 million (about US\$46.3 million) arrangement for Mali under the Extended Credit Facility (ECF) in support of the country's strategy to increase growth and reduce poverty. The amount approved under the new arrangement represents 32 percent of Mali's quota in the IMF. The Board's decision enables the immediate disbursement under the new arrangement of an amount equivalent to SDR 6 million (about US\$9.3 million).

A previous ECF arrangement for Mali expired on December 22, 2011, following the Board's completion on December 12, 2011 of the seventh and final review which allowed the disbursement of SDR 6 million (about US\$9.3 million), bringing total disbursements under that arrangement to SDR 52.99 million (about US\$81.73 million – see Press Release No. 11/464).

Economic Outlook

Mali's medium-term macroeconomic outlook is favorable, but subject to downside risks.

Real gross domestic product (GDP) growth is projected to hover above 5 percent, driven by the agricultural and gold sectors. Gold output will be boosted by the coming on stream of new mines in 2012-13, but will start declining in 2014.

Average inflation is projected to stay below the West African Economic and Monetary Union's convergence target of 3 percent, provided that rainfall remains favorable. The overall balance of payments is projected to move to a surplus during 2012-14 as gold production increases. The fiscal position should improve as the fiscal stimulus financed by the privatization revenue of the telecom company SOTELMA is phased out.

However, this outlook is subject to downside risks, as the agricultural sector remains highly vulnerable to adverse weather conditions. Also, the external position could weaken substantially in the event of a sharp reversal of the terms of trade improvements observed since 2008.

Program Summary

Under the new ECF arrangement, the authorities plan to implement an ambitious program of economic and financial policies that builds on the lessons learned from the Ex-Post Assessment of Mali's long-term program engagement (see [Country Report No. 11/153](#)) and the inclusive conference on Mali's challenges and opportunities organized in Bamako in March 2011 (see [Press Release No. 11/94](#)). In this context, they will:

- implement sustainable fiscal policies that will avoid crowding out of the private sector while maintaining debt sustainability;
- create fiscal space for infrastructure spending by increasing tax revenue, allocating an envelope of non-concessional borrowing equivalent to 1 percent of GDP to infrastructure investment projects with a high rate of return, improving public investment selection and implementation, and eliminating the deficits of the public and private sector pension funds;
- consolidate progress in public financial management through measures enhancing budget preparation, monitoring, execution, and audit, and improving cash management; and
- improve the business environment, with reforms sustaining the stability, and increasing the access to, the financial sector, strengthening the cotton and electricity sectors, and enhancing governance.