



MALI

June 2016

FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY AND REQUEST FOR EXTENSION, AUGMENTATION OF ACCESS AND MODIFICATION OF PERFORMANCE CRITERIA—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR MALI

In the context of the Fifth Review under the Extended Credit Facility Arrangement and Request for Extension, Augmentation of Access, and Modification of Performance Criteria, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 8, 2016, following discussions that ended on April 19, 2016, with the officials of Mali on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on May 25, 2016.
- A **Statement by the Executive Director** for Mali.

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

Letter of Intent sent to the IMF by the authorities of Mali*
Memorandum on Economic and Financial Policies by the authorities of Mali*
Technical Memorandum of Understanding*

*Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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IMF Executive Board Completes Fifth Review under the ECF Arrangement for Mali, Approves US\$26.9 Million Disbursement, Augments Access and Extends Arrangement

The Executive Board of the International Monetary Fund (IMF) today completed the Fifth Review of Mali's performance under an economic program supported by an Extended Credit Facility (ECF) arrangement.¹ The decision enables the disbursement of SDR 19 million (about US\$26.9 million), bringing total disbursements under the arrangement to SDR 41 million (about US\$58.1 million).

In addition, the Executive Board approved the authorities' request for a one-year extension of the ECF arrangement to December 17, 2017 and an augmentation of access by SDR 60 million for 2016 through 2017. The additional financing and time will help strengthen the country's efforts to implement the peace agreement, address related balance of payment needs and maintain program continuity. This will bring Mali's total access under the current arrangement to SDR 98 million (about US\$138.8 million). The Board also approved a request for the modification of the performance criteria for June 2016 on gross tax revenue and government financing.

The Executive Board approved the ECF arrangement for Mali on December 18, 2013 for the equivalent of SDR 30 million (about US\$42.5 million at the time, [see Press Release No. 13/524](#)).²

Following the Executive Board's discussion, Mr. Min Zhu, Deputy Managing Director and Acting Chair, made the following statement:

"The Malian authorities continue to make good progress with the implementation of their economic program. Growth is robust and inflation remains low, although security conditions continue to be a challenge.

"The recent strong increase in tax revenue reflects the authorities' efforts to improve compliance and broaden the tax base. A key challenge going forward is to sustain tax

¹ The [ECF](#) is a lending arrangement that provides sustained program engagement over the medium to long term in case of protracted balance of payments problems.

² For more detail on Mali's ECF and broader economic outlook, go to: www.imf.org/mali.

revenue growth, which is needed to help fund priority public expenditures while keeping the public finances on a strong footing. The authorities' program incorporates several measures to strengthen tax administration further. Increasing the effectiveness of tax audits, reducing exemptions, and reforming the system of incentives for tax inspectors will be important elements.

“The fiscal program for 2016 allows for a higher overall deficit, notably to accommodate peace-related needs. The authorities are committed to a gradual fiscal consolidation, consistent with their commitments to meet WAEMU criteria over the medium term. This will help ensure that Mali's public debt burden remains manageable. Further improvements to public financial management are necessary to support fiscal discipline. It is important in this context that the authorities fully implement the Treasury Single Account, complete the reform of the procurement code, and improve the financial position of the electricity company.

“Fiscal decentralization is central to the peace agreement, and the authorities' gradual approach is appropriate. The process would need to move in tandem with improvements in the administrative and absorptive capacities at the regional level. Government initiatives to strengthen audit and control mechanisms for the regions to foster transparency and accountability are also important in this regard.

“Efforts to address financial sector weaknesses are ongoing. Priorities include strengthening the balance sheet of the restructured housing bank, reforming the microfinance sector, and further modernizing the framework for anti-money laundering and combating the financing of terrorism.”



MALI

May 25, 2016

FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY AND REQUEST FOR EXTENSION, AUGMENTATION OF ACCESS AND MODIFICATION OF PERFORMANCE CRITERIA

KEY ISSUES

Context. The political situation has continued to stabilize, following the signing of the peace agreement in June 2015. However, security conditions remain fragile as jihadist groups that were not part of the agreement continue to perpetrate terrorist attacks on civilians and guerrilla attacks on UN and Malian forces. On the macroeconomic side, the recovery continued in 2015, with strong GDP growth, low inflation, and strengthening of the fiscal position. The near-term outlook is positive, with continued robust output growth, but subject to substantial risks owing mainly to the fragile security situation.

Program performance and 2016 fiscal program. Overall, program implementation in 2015 was strong. All performance criteria and indicative targets for the fifth review were observed, generally with significant margins. Strong revenue growth allowed for a larger reduction in the overall fiscal deficit than envisaged under the program. Two out of three structural benchmarks have been met (one with delay), and there has been progress toward meeting the third one. Progress has also been made in other structural reform areas. As envisaged at the time of the fourth review, the authorities have revised their 2016 fiscal program to accommodate increased spending to implement the peace agreement. The revised program proposed for 2016 features a higher fiscal deficit. The increase in the deficit would be financed primarily by tapping domestic and regional markets, with some contribution also from the Fund.

Requests for program extension and access augmentation. The authorities are requesting a one-year extension of the current Extended Credit Facility (ECF) arrangement, to December 2017. They also request an augmentation of access to Fund resources to help meet balance of payments needs derived from the additional, mostly peace-related expenditures. With the one-year program extension, the access augmentation would amount to the equivalent of SDR 60 million (32 percent of quota), bringing access under the ECF arrangement to SDR 98 million (52.5 percent of quota).

Approved By
**Roger Nord (AFR) and
 Peter Allum (SPR)**

Mission Staff team: Lisandro Abrego (head), Jemma Dridi, Sébastien Walker (all AFR), Moussé Sow (FAD), Abdoulaye Tall (IMF Resident Representative) and Bakary Traoré (IMF local economist in Bamako). Mission dates: April 4–19. The mission met with Boubou Cissé, Minister of Economy and Finance; Konzo Traoré, National Director, Central Bank of West African States (BCEAO); and other senior government officials.

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RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

1. Mali's political situation has continued to stabilize since the signing of a peace agreement in June 2015, but security conditions remain fragile. The peace agreement between the government and a number of rebel groups involves more decentralization, including the implementation of regional development projects, especially in the north of the country. The government has prepared a strategy to ensure effective implementation of these projects. The security situation remains fragile, however, as jihadist groups that were not part of the peace negotiations continue to attack UN and Malian forces (especially in the North) and stage terrorist attacks. Many civilians were killed in 2015 in terrorist attacks in Bamako (March and November) and Sevaré (August) by groups linked to al-Qaeda in the Islamic Maghreb.

2. Despite the challenging security conditions, the economic recovery has maintained momentum, although the external position has weakened (Tables 1–8). Real GDP growth reached 6 percent in 2015, underpinned by a buoyant agricultural sector. Increased area under cultivation and favorable rainfall boosted growth in agriculture to 12 percent. Inflation remained low (1 percent) despite the depreciation of the CFAF against the dollar, aided by a good harvest and falling international oil prices. In the external sector, the current account deficit rose to 5 percent of GDP in 2015,¹ as the positive impact of lower oil prices and higher volumes of gold exports was more than offset by a surge in imports associated with higher public investment and private consumption. On the fiscal side, strong tax revenue growth allowed a reduction in the overall deficit to 1¾ percent of GDP, despite a substantial increase in capital spending (see ¶7).

3. The short-term outlook is generally favorable. Although GDP growth is projected to decline in 2016—driven by slower growth in agricultural output—it would remain robust at 5.3 percent, still above its long-run historical average (about 4½ percent) as the economy continues to recover from the 2012–13 crisis. Improving terms of trade and fiscal stimulus are expected to support output growth. Inflation is projected to remain at 1 percent on the basis of normal food output growth and low global inflation. The external current account deficit is projected to widen to 6½ percent of GDP, reflecting continued strong import growth associated with a higher fiscal deficit and further increases in public investment (¶12), as well as continued accommodative monetary policy by the regional central bank (BCEAO).² With falling FDI inflows, Mali's reserve position at the BCEAO would continue to weaken but then start to recover over the medium term as import growth comes down with fiscal consolidation (Text Table 1).

¹ This and other GDP ratios mentioned in the Staff Report, including those in the tables, are based on the new national accounts. These feature an upward revision to nominal GDP of about 20 percent, which has a significant impact on, *inter alia*, key fiscal ratios. See Box 1 for additional details.

² See [IMF Country Report No. 16/96](#), West African Economic and Monetary Union—Staff Report for Common Policies of Member Countries (March 2016).

4. There are downside risks to this outlook. Setbacks in improving security, especially in Bamako, may dampen consumer and business confidence and derail the economic recovery while potentially affecting the public finances. Agricultural output remains vulnerable to adverse weather conditions. High dependence on gold and cotton exports leaves Mali's balance of payments exposed to international commodity price fluctuations.

5. Monetary conditions remain supportive of economic activity. In 2015 commercial banks continued to take advantage of the BCEAO's accommodative policy and resorted to financing on a scale that turned their net position with this institution negative. This allowed them to increase credit growth to 20 percent and to support the economic recovery. Credit growth is projected to decline in 2016, but would remain robust at 10 percent, supported by the BCEAO's continued accommodative monetary policy.

Text Table 1. Mali: Key Economic Indicators, 2014–21

	2014	2015	2016		2017	2018	2019	2020	2021
	Est.	Est.	Prog.	Rev. Prog.	Proj.				
	(in percent of GDP, unless otherwise indicated)								
Real GDP growth	7.0	6.0	5.4	5.3	5.2	4.8	4.7	4.7	4.7
Consumer price inflation (average)	0.9	1.4	2.8	1.0	1.3	1.7	2.1	2.4	2.5
Consumer price inflation (end of period)	1.2	1.0	1.0	1.0	1.5	1.9	2.2	2.5	2.5
Revenue	14.9	16.4	16.7	16.8	17.2	17.7	18.1	18.2	18.2
<i>of which</i> : Tax revenue	12.5	14.0	14.7	14.8	15.2	15.7	16.0	16.1	16.1
Grants	2.2	2.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total expenditure and net lending	20.0	20.9	21.5	23.1	23.2	23.3	23.1	23.1	23.1
Overall balance (payment orders)	-2.9	-1.8	-2.8	-4.3	-4.0	-3.6	-3.0	-3.0	-3.0
Overall balance (cash)	-2.4	-3.2	-3.0	-4.3	-3.9	-3.6	-3.1	-3.0	-2.8
Basic fiscal balance ¹	-1.2	0.5	-0.7	-2.0	-1.5	-0.9	0.0	0.0	0.0
Total public debt	27.3	31.3	30.0	30.4	31.1	32.1	33.3	34.0	35.0
Current external balance (including official transfers)	-4.7	-5.1	-3.3	-6.5	-6.7	-6.9	-6.8	-6.7	-6.5
Overall balance of payments	-2.5	-1.6	0.1	-1.3	-0.4	-0.3	0.0	0.1	0.2

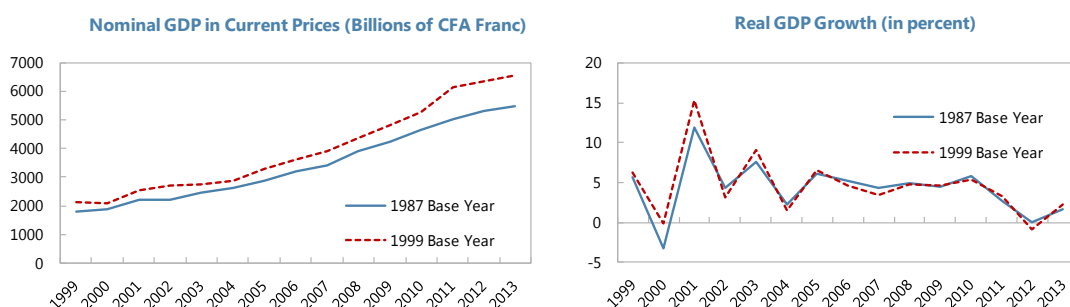
Sources: Malian authorities; and IMF staff estimates and projections.

¹ Defined in Table 3, footnote 3.

6. Bank financial soundness indicators have continued to improve, but non-performing loans (NPLs) remain high (Table 9). Banks strengthened their capital in 2015, which remains well above the regional required minimum (8 percent). Bank profitability has also improved. NPLs continued to decline, but are still high at 14.5 percent of total loans and are not fully provisioned (66.5 percent). A significant share of NPLs dates back to more than a decade ago, and is concentrated in the state-owned Malian Housing Bank (BHM), which has just been merged with another bank as part of the authorities' efforts to reduce financial sector risks (¶10).

Box 1. Mali: Rebasing of National Accounts

In 2015, the Malian National Institute of Statistics (INSTAT) completed a rebasing of national accounts (NA) statistics that led to an upward revision of nominal GDP by about 20 percent. The new data reflect improvements to the compilation methodologies and to data sources. Mali's new NA is now closer to the 1993 UN System of National Accounts. As part of the exercise, the base year was moved from 1987 to 1999.¹ The new data better capture the changes that have occurred in the sectoral composition of the economy in recent decades, and make better use of previously untapped sources. The new NA series produced by INSTAT covers the period 1999–2013, to which INSTAT has added provisional and estimated figures for 2014 and 2015, respectively.



Source: Malian authorities.

The higher nominal GDP has a substantial effect on key external and fiscal indicators, but leaves the fundamental policy assessment unchanged. The external and public debt-to-GDP ratios are lower by 5–6 percentage points, implying a still moderate level of indebtedness. Tax revenues are lower by about 2.5 percent of GDP, emphasizing the need for continued reform efforts to mobilize more revenue. Per capita income is improved but remains low.

	2011		2012		2013		2014	
	Old	New	Old	New	Old	New	Old	New
(In Percent of GDP)								
Public Finances								
Revenue (including grants)	20.9	17.1	17.4	14.6	20.7	17.4	20.3	17.1
of which: Tax Revenue	14.4	11.9	14.2	11.9	14.7	12.3	14.9	12.5
Expenditure	23.2	19.0	16.7	14.0	21.7	18.2	21.9	18.4
Overall Balance (incl. grants)	-4.1	-3.4	-1.1	-1.0	-2.8	-2.4	-3.4	-2.9
Overall Balance (excl. grants)	-8.0	-6.6	-1.4	-1.2	-6.2	-5.2	-6.0	-5.1
External Sector								
Current Account Balance (incl. grants)	-6.1	-5.1	-2.6	-2.2	-3.4	-2.9	-5.5	-4.7
Public Debt								
Domestic	4.7	3.9	4.3	3.6	5.8	4.9	7.4	6.3
External	25.8	20.1	25.4	21.8	24.8	21.5	29.2	21.0
Nominal GDP (billion, CFA franc)	5038	6124	5328	6352	5490	6544	5987	7114
Nominal GDP (billion, USD)	10.7	13.0	10.4	12.4	11.1	13.2	12.1	14.4
GDP per capita (USD)	741	901	703	838	726	866	768	913

Sources: Malian authorities; and IMF staff projections.

¹/INSTAT has started work to move to the 2015 base year and the 2008 SNA by 2017.

PROGRAM PERFORMANCE

7. All end-December 2015 performance criteria (PCs) and indicative targets (ITs) were met, generally with wide margins (MEFP, ¶16, and Table 1). Tax revenue rose by 1¾ percent of GDP (0.3 percent of GDP above the program target), allowing a reduction in the overall fiscal deficit (payment order basis) to 1¾ percent of GDP, compared to 2.1 percent of GDP under the program. The PC on government bank and market financing was also met with a significant margin. The continuous PCs on external payment arrears and contracting and guaranteeing of new external debt on non-concessional terms were also observed.³ The IT on the basic balance was comfortably met, leading to a basic balance surplus of ½ percent of GDP, aided also by debt relief from France. The IT on priority poverty-reducing expenditure was also observed.

8. Two out of three structural benchmarks set for the fifth program review have been met, one of them with delay (MEFP, ¶17, and Table 3). The public sector oversight agency conducted a second compliance audit of contracts covered by the “defense secret” or “essential government interests” exemptions for the period August-December 2015. Exempt contracts in 2015 amounted to CFAF 257 billion. In April 2016 the authorities completed the preparation of a report on the implementation of AFRITAC’s recommendations to strengthen the quality of the public debt database and adopted an action plan to continue implementing these recommendations. Progress has been made toward meeting the benchmark calling for the Finance Minister to appoint financial directors at line ministries, with the Council of Ministers’ adoption in March 2016 of a decree empowering the Finance Minister to make such appointments. The benchmark is expected to be met by end-June 2016.

9. Progress was also made in the implementation of other structural fiscal reforms. The authorities have taken steps to move forward with the process of reducing tax exemptions. This has involved conducting an audit of exemptions granted in 2013–15 and the process through which they were given, and publishing information on their terms and beneficiaries (MEFP, ¶116). The authorities have also continued with efforts to improve tax administration, which has resulted in an increase in the number of audits and the tax base, and has supported revenue growth (MEFP, ¶122). The government is also in the process of simplifying tax legislation to reduce the administrative burden both for the private sector and the tax department (MEFP, ¶118). Progress is also being made on modernizing the mining and petroleum codes to bring them in line with international standards, as well as on increasing transparency in these sectors. The latter has involved the publication of mining and petroleum contracts, and the feasibility studies pertaining to active mining companies (MEFP, ¶118). Steps have been taken to continue to improve public financial management, including in the areas of procurement and budget preparation and execution (MEFP, ¶¶28–31 and 33).

10. The restructuring of BHM has moved forward. BHM was merged with the stronger Malian Solidarity Bank (BMS) in March 2016 to create a new bank, the second largest in the country

³ Mali does not have any outstanding arrears to external creditors.

(MEFP, ¶150). The merger also involved a CFAF 15 billion increase in the capital of the new bank, contributed by the Malian Telecommunication Authority, the National Institute of Social Security, and the National Health Insurance Fund. This brought the public sector's capital share in the bank to 66 percent. The capital structure of the new bank also excludes all insolvent BHM shareholders. In a bid to further strengthen the balance sheet of the new bank given BHM NPLs, the authorities have started selling real estate used as collateral for NPLs.

11. New legislation on Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) was approved by Parliament in February 2016 (MEFP, ¶152). The new law follows WAEMU's provisions in the area and is not fully compliant with the Financial Action Task Force (FATF) standard, but it is still a step in the right direction and can help improve governance in the country. To the extent allowed by the WAEMU (which has harmonized AML/CFT legislation for the region), the government plans to amend this legislation to bring it in line with the FATF standard. It is also working on an action plan to implement the new legislation, giving consideration to recommendations from IMF technical assistance to improve governance.

POLICY DISCUSSIONS

A. Fiscal Policy and Reforms

The fiscal program for 2016

12. The revised program for 2016 provides for a loosening of the fiscal stance to accommodate new expenditures and help implement the regional development strategy, particularly in the North (MEFP ¶¶18 and 12). Moving forward with the implementation of this strategy is a key government commitment under the June 2015 peace agreement (APRM). At the time of the fourth program review, it was agreed that the authorities would prepare a supplementary 2016 budget—based on the results of the October 2015 Paris conference and a needs assessment for the North—to provide for new expenditures and help implement the regional development strategy.⁴ The revised program is based on the supplementary budget and incorporates additional spending of about 1½ percent of GDP, primarily allocated to investment projects.⁵ It targets an overall deficit of 4¼ percent of GDP (compared to 2¾ percent of GDP in the original program), which is consistent with a basic balance deficit of about 1½ percent of GDP (¾ percent of GDP in the original program). Given that a portion of the additional capital expenditure is temporary and tax revenue growth is expected to remain robust in coming years, the fiscal deficit is expected to start declining in 2017 and converge to 3 percent of GDP by 2019 as required by

⁴ [IMF Country Report No. 15/339](#), pp. 15–16.

⁵ The revised budget remains aligned with Mali's Strategic Framework for Economic Recovery and Sustainable Development. Following the results of the needs assessment for the North, the budget provides for CFAF 169 billion (2 percent of GDP) of total expenditure to support the implementation of the APRM, of which CFAF 126 billion are allocated to investment in transportation, energy, agriculture, and food security.

WAEMU commitments. This would allow the government to keep public debt at a moderate and sustainable level, while helping contain the external current account deficit against a backdrop of weakening terms of trade and declining gold exports.

13. The increase in the 2016 fiscal deficit would be covered mainly through higher domestic and regional financing. The authorities indicated that the October 2015 Paris Conference has not translated into additional donor financing for Mali. It appears that donors did not consider the Conference as a new-pledging event, but rather as an opportunity to know in greater detail about the authorities' regional development strategy and policies to implement it, and re-affirm their support to the country. To finance the additional spending, the authorities plan to tap domestic and regional markets for the equivalent of 0.8 percent of GDP. They expect to cover the remaining needs through increased use of IMF resources, for which they are requesting an augmentation of access (¶22). This would also help Mali respond to the concomitant higher external financing needs derived from a weaker current account.

Structural reforms

14. The authorities will continue to implement measures to improve tax administration to sustain revenue growth (MEFP, ¶15–19, 21–22). They will continue to work on increasing the coverage and effectiveness of tax audits and on broadening the tax base. They plan to reduce tax exemptions to a minimum, starting with discretionary exemptions. A series of measures are also being implemented to increase revenue collections at customs. These include increased use of tax intelligence information, improvement of information systems, stronger resource management, and other measure to reduce fraud. In addition, the authorities will adopt measures to increase compliance with the payment of taxes on rental income. They are taking steps to improve the efficiency of VAT collection, including by identifying new taxpayers using simplified tax returns for businesses, and avoiding accumulation of VAT credits by expanding the campaign of selective audits of these credits and streamlining the VAT refund process.

15. Reforming the incentive system for tax and customs inspectors is crucial to modernizing tax administration (MEFP, ¶20). Incentives for tax inspectors under the current system comprise a bonus for total tax revenue when the revenue target is met, and the sharing of any penalties imposed on taxpayers. Both components were raised in December 2015—the bonus from 0.6 percent to 0.9 percent, and the share of penalties from 28 percent to 45 percent. Although the overall size of these incentive payments is small relative to the economy (0.14 percent of GDP in 2015), they constitute a large share of their beneficiaries' income. Staff re-iterated that the sharing of penalties, in particular, has distortionary effects, potentially discouraging good tax administration practices and complicating human resource management. The incentives benefit both tax administration staff and other Finance Ministry staff, under a distribution formula that has remained somewhat opaque. Incentive payments are currently made in cash and are not taxed, and so far have not been clearly recorded in the fiscal accounts.

16. The authorities indicated that they are open to reforming this system. As a first step in the process, they will publish more information on the distribution of incentive payments among

Ministry of Finance staff, record these expenses appropriately in the fiscal accounts, and end the practice of making these payments in cash. The authorities also expressed willingness to reform the incentive system itself, and have requested IMF technical assistance (TA) to conduct a thorough study of the system and make specific reform proposals, as part of broader efforts to improve human resource management at the tax department. The authorities were not yet prepared to tax income from incentives, arguing that other countries in the region also exempt this income and that eliminating the exemption may lead to demands for applying the same treatment to other public servants (e.g., members of parliament and the military).

17. The authorities also plan to reform the pricing mechanism for domestic fuels products (MEFP, ¶17 and Table 3). Under the current pricing system, the extent to which changes in international fuel prices are passed on to consumers is discretionary, with the authorities adjusting excise taxes on fuels to limit changes in domestic prices. This mechanism allowed the government to keep most of the windfall from the recent decline in oil prices and effectively eliminate fuels subsidies. The authorities plan to reform this system by moving to an automatic pricing mechanism that will insulate oil-related revenue from international price fluctuations, while guarantying higher pass-through of international fuel prices to domestic petroleum product prices. This is important to protect revenue from this source when the current cycle turns and international oil prices start to increase again, and to tax and price fuels products adequately.

18. The government is moving forward with fiscal decentralization, a key component of the peace agreement (MEFP, ¶13). The latter envisages giving some regions, especially the North, more political and administrative autonomy to address historical grievances. As part of the strategy to implement decentralization, the government plans to increase the share of resources and responsibilities transferred to local governments, create new administrative regions, reinforce local governments' capacities to execute their budgets, and improve the contribution of local taxation to the financing the local governments. As envisaged in the APRM, the central government will transfer 30 percent of budget revenue to subnational governments by 2018. The 2016 supplementary budget raises transfers to subnational governments to 16.7 percent of budget revenue, from 12 percent in 2015.⁶ This follows the creation of two new regions in the Northern part of the country last year, and would also be accompanied by a transfer of expenditure responsibilities to subnational governments. The budget also provides resources for the financing of regional development projects in several sectors (see footnote 5), and increases the share of expenditure that benefits local governments but is executed at the central government level, which the authorities estimates at over 20 percent in 2016. The authorities reiterated their intention to implement decentralization gradually, given the limited administrative capacity of many subnational governments. They also indicated that the central government is improving auditing and control mechanisms for local government to strengthen accountability and ensure that resources are well-used. Efforts in this latter area are being supported by the World Bank.

⁶ The authorities plan to help achieve the 30 percent target partly by reassigning to the regions staff currently "decentralized".

19. The authorities will continue to implement measures to strengthen public financial management. The authorities will complete the transition toward the Treasury Single Account (TSA), including by moving deposits of administrative public institutions (EPAs) to the TSA, while strengthening the government's supervision of these entities (MEFP, ¶¶41–42 and Table 3). With assistance from the World Bank, the government will complete the reform of the procurement code started in 2015, by amending the code to limit the risk of incorrect interpretation of the provision on unsolicited bids (MEFP, ¶31). The authorities have also prepared a plan to clear the arrears of the state-owned electricity company (EDM) in 2016 and, with World Bank support, are adopting measures to strengthen EDM's finances and avoid the accumulation of new arrears by the company (MEFP, ¶51).

B. Financial Sector Reforms

20. The authorities are working on strengthening the new bank created through the merger of BHM and BMS, as well as the micro-finance sector. They see the BHM-BMS merger as a means of bolstering financial sector stability and reducing fiscal risks stemming from the weakness of the former BHM. They are now working on strengthening the new bank's balance sheet, which should help make this institution attractive to potential private investors and facilitate government divestiture over time. The authorities explained that the injection of new capital into the new bank, even if from state sources, is a first step in the process of strengthening it, which is being accompanied by the cleaning up of its balance sheet. In response to staff concerns about the use of social security funds for the capital injection, they indicated that the new bank is strong, making the investments by social security entities sound. Having started with the sale of real estate used as collateral for loans that went bad, the authorities are working on developing a strategy for reducing non-collateralized NPLs. With support from the World Bank, the government is also implementing a comprehensive action plan to reform the micro-finance sector, which includes inter alia auditing institutions and tightening supervision in the sector (MEFP, ¶50).

PROGRAM ISSUES

21. The authorities are requesting a one-year extension of the ECF arrangement, to December 17, 2017. The extension will help them to continue adequately to respond to the needs stemming from implementation of the peace accord and the decentralization process—including by catalyzing external budget support—while maintaining fiscal discipline and advancing their reform agenda. Moreover, Mali's economic and social fragilities highlight the importance of maintaining program continuity.

22. The authorities are also requesting an augmentation of access. They ask for an increase in access by the equivalent of SDR 60 million, spread evenly over 2016–17 (Table 10). The resulting augmentation would bring Mali's access under the current arrangement to a total of SDR 98 million, or 52.5 percent of quota. The augmentation will help meet government and balance of payments financing needs derived mainly from the execution of expenditures linked to the peace agreement. Looking further ahead, Mali faces a protracted balance of payment problem, reflecting relatively

high current account deficits (from weaker terms of trade and declining gold exports). Fiscal consolidations and tighter monetary policy would help contain the current account deficit, but this would remain sizeable. Staff urged the authorities to meet peace-agreement and other needs, including those related to security, with grants or highly concessional loans to the extent possible. The authorities indicated that government financing plans are broadly in line with this. While recognizing the significant support that donors already provide to Mali on security, they saw scope for donors to channel through the budget resources for allocation to security needs⁷

23. Mali's capacity to repay the Fund is adequate (Table 11). Mali has relatively light external and public debt burdens, and obligations to the Fund based on existing and prospective credit, measured in relation to official reserves or exports of goods and services are modest. Also, the requested augmentation of access would not materially affect Mali's capacity to repay the Fund. Outstanding Fund credit would pick up to 82 percent of quota in 2017, before it starts declining to below 50 percent over the medium term.

24. Program modalities under the proposed extension of the arrangement would be the same as under the current arrangement. Quarterly indicative targets with semi-annual PCs and reviews will continue to be used to monitor program implementation. PCs and structural benchmark are now proposed through end-December 2016. In light of the revised fiscal program, the authorities also request a modification of the performance criteria for end-June on government financing and gross tax revenue.

25. The program remains subject to several risks. A deterioration of security conditions would likely have macroeconomic effects, including lower GDP growth and tax revenues as well as higher security spending. Renewed governance lapses and the failure to make progress in deepening PFM reforms could curtail or delay donor support. This, in turn, could limit the government's ability to make progress on solidifying the foundations of the 2015 peace agreement. The increased reliance on domestic and regional financing also poses a risk to the program, notably if the BCEAO were to adopt a less accommodating monetary stance. To safeguard priority social and security-related programs against such events, the authorities are urged to develop contingency plans for reprioritizing expenditures, should the need arise.

TECHNICAL ASSISTANCE

26. Staff and the authorities discussed technical assistance priorities for FY2017. These include further capacity development in PFM, revenue administration and debt management, as well as support to a future reform of the system of incentives for tax inspectors and improvement of human resource management by the tax department. The authorities have also requested TA to

⁷ Donor budget support in 2016–17 is expected to average 1 percent of GDP, and overall external support to the government 4½ percent of GDP. A large volume of military and security assistance is also provided off-budget (especially by France and the United Nations). This was estimated at 6½ percent of GDP in 2015, and is projected to rise to about 7 percent in 2016.

develop quarterly national accounts. The authorities are also interested in increased hands-on training to further support capacity development and the implementation of TA recommendations. While supporting the authorities' TA requests, staff underscores the importance of political support, staffing, and other resources that may be needed to maximize benefits from Fund TA.

STAFF APPRAISAL

27. The economic recovery has maintained momentum, and the short-term outlook is favorable. In 2015 growth picked up on the back of strong agricultural performance, while inflation remained subdued. Prospects for 2016 are favorable, with solid output growth supported by improving terms of trade and strong domestic demand growth, and continued low inflation.

28. Program performance was strong in 2015. All performance criteria and indicative targets for December were met, often with large margins, and most structural benchmarks set for the fifth review have been implemented, albeit with some delay. Progress has also been made on various other structural reform areas, including tax administration, PFM, and the financial sector. Continued strong program performance is key to maintain macroeconomic stability, enhance policy credibility, and continue to improve the conditions for economic growth.

29. The 2016 program provides an adequate basis for fiscal policy in the context of pressing spending needs. The program tries to accommodate Mali's public investment, peace-related and security needs, and incorporates a significant but feasible increase in tax revenue. Staff sees the increase in the deficit in 2016 as temporary and envisages a gradual reduction in its level to meet WAEMU commitments over the medium term. This will ensure that public debt remains manageable while maintaining space for priority expenditures to respond to both temporary and structural needs. Continued strong growth in tax revenue will be key to balancing these objectives.

30. Further improvements in tax administration are crucial to sustain revenue growth over the medium term. It is important to sustain recent efforts to increase tax compliance and broaden the tax base. Staff welcomes the authorities' plans to increase the coverage and effectiveness of tax audits while reducing discretionary tax exemptions and other exemptions with weak economic rationales. It is also crucial to move forward with plans to reform the system of incentives for tax and customs inspectors, starting with steps to increase its transparency and adoption of other good practices, including the appropriate recording of related expenses in the fiscal accounts. The adoption of a less discretionary pricing mechanism for petroleum products would also help protect tax revenue while ensuring that these products are adequately priced.

31. The authorities' gradual approach to implementing fiscal decentralization seems appropriate. Decentralization is a key component of the June 2015 peace agreement and it is important that the government continues to move forward with this commitment. At the same time, the decentralization process itself and the transfer of resources to subnational governments would need to proceed gradually and in line with improvements in the regions' administrative and absorptive capacities. This would help make the financial burden for the central government more

manageable and protect the quality and efficiency of spending at the regional level. The government's initiatives to strengthen audit and control mechanisms for the regions, to foster transparency and accountability, are also an important element.

32. Continued improvements in public financial management are needed to support fiscal discipline. Staff welcomes the authorities' commitments to complete the implementation of the TSA and further strengthen the procurement code. It also supports the authorities' plan to clear the arrears of the electricity company this year, and the adoption of measures to strengthen the company's finances.

33. The authorities' recent measures to address weaknesses in the financial sector are welcome. The government has made tangible progress with the restructuring of BHM. It would be important to continue strengthening the balance sheet of the new bank to make it attractive to potential private investors. Staff also encourages the authorities to continue implementing the action plan to reform the microfinance sector and to take steps to further strengthen the AML/CFT framework.

34. The fragile security conditions continue to pose a risk to the short-term economic outlook and the program. The authorities face a challenging situation whose deterioration can affect economic growth and the fiscal accounts. Risks also arise from Mali's high vulnerability to poor weather conditions and changes in the external environment, given its strong reliance on agriculture and a few export products. A relatively strong reliance on domestic and regional financing also constitutes a program risk. Building fiscal buffers, including the development of plans to reprioritize spending, to respond to contingencies that could emanate from unfavorable developments in these areas would be important.

35. Staff recommends completion of the fifth review under the ECF arrangement. Staff also supports the authorities' request for an augmentation of access, a one-year extension of the arrangement through December 17, 2017, and the modification of performance criteria for end-June 2016.

Table 1. Mali: Selected Economic and Financial Indicators, 2013–21

	2013	2014	2015	2016		2017	2018	2019	2020	2021
		Est.	Est.	Prog. ¹	Rev. Prog.		Projections			
(Annual Change in percentage)										
National income and prices										
Real GDP	2.3	7.0	6.0	5.4	5.3	5.2	4.8	4.7	4.7	4.7
GDP deflator	0.7	1.6	2.8	2.4	1.9	0.9	0.1	-0.1	2.5	2.2
Consumer price inflation (average)	-0.6	0.9	1.4	2.8	1.0	1.3	1.7	2.1	2.4	2.5
Consumer price inflation (end of period)	0.0	1.2	1.0	1.0	1.0	1.5	1.9	2.2	2.5	2.5
External sector (percent change)										
Terms of trade (deterioration -)	-17.7	8.0	2.1	-2.6	5.7	-0.2	-5.8	-4.7	-3.1	-1.4
Real effective exchange rate (depreciation -)	0.6	1.8	-3.7	...	...	...	...	...	...	...
Money and credit (contribution to broad money growth)										
Credit to the government	-2.7	0.8	1.6	5.2	8.7	6.1	4.2	1.0	1.1	0.4
Credit to the economy	7.5	12.4	14.6	6.0	8.7	5.5	5.5	5.4	5.7	6.3
Broad money (M2)	7.4	7.1	13.2	12.2	13.4	10.8	10.5	7.0	7.3	7.2
(Percent of GDP unless otherwise indicated)										
Investment and saving										
Gross domestic investment	17.8	17.6	17.4	29.1	19.4	19.6	19.4	19.3	19.3	19.3
<i>Of which</i> : government	6.0	6.5	7.3	7.7	9.3	9.5	9.3	9.2	9.2	9.2
Gross national savings	14.9	12.9	12.3	25.8	12.9	12.9	12.5	12.5	12.7	12.8
<i>Of which</i> : government	0.6	0.8	2.1	1.1	1.7	2.2	2.5	3.0	3.0	3.0
Gross domestic savings	10.5	9.0	10.3	15.8	11.9	12.0	11.2	11.1	11.4	11.5
Central government finance										
Revenue	14.5	14.9	16.4	16.7	16.8	17.2	17.7	18.1	18.2	18.2
Grants	2.8	2.2	2.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total expenditure and net lending	19.7	20.0	20.9	21.5	23.1	23.2	23.3	23.1	23.1	23.1
Overall balance (payment order basis, including grants)	-2.4	-2.9	-1.8	-2.8	-4.3	-4.0	-3.6	-3.0	-3.0	-3.0
Overall balance (cash basis, including grants)	-2.4	-2.4	-3.2	-3.0	-4.3	-3.9	-3.6	-3.1	-3.0	-2.8
Basic fiscal balance (WAEMU def.) ²	-0.7	-1.2	0.5	-0.7	-2.0	-1.5	-0.9	0.0	0.0	0.0
External sector										
Current external balance, including official transfers	-2.9	-4.7	-5.1	-3.3	-6.5	-6.7	-6.9	-6.8	-6.7	-6.5
Current external balance, excluding official transfers	-12.4	-12.7	-13.4	-11.1	-15.1	-14.7	-14.3	-14.0	-13.3	-13.0
Exports of goods and services	24.9	22.5	21.4	20.8	19.9	19.4	17.7	17.4	16.7	16.1
Imports of goods and services	39.9	38.0	36.9	34.2	36.5	35.5	34.1	33.5	32.0	30.9
Debt service to exports of goods and services	2.3	3.5	6.5	3.6	4.4	4.4	4.9	5.2	6.0	6.5
External debt (end period)	21.5	21.0	24.1	23.3	23.6	24.1	25.1	26.3	27.0	28.0
Memorandum items:										
Nominal GDP (CFAF billions)	6,544	7,114	7,748	8,312	8,312	8,820	9,250	9,672	10,375	11,103
Overall balance of payments (US\$ millions)	-174.5	-353.5	-209.8	7.6	-180.3	-64.9	-40.4	3.7	12.5	31.5
Public Debt (Percent of GDP)	26.4	27.3	31.3	30.0	30.4	31.1	32.1	33.3	34.0	35.0
Domestic debt (end period) ³	4.9	6.3	7.2	6.8	6.8	7.0	7.0	7.0	7.0	7.0
US\$ exchange rate (end of period)	478.7	532.0	603.1	...	...	...	...	...	...	...
Gold Price (US\$/fine ounce London fix)	1,411	1,266	1,160	1,158	1,219	1,231	1,234	1,243	1,255	1,277
Petroleum price (crude spot)(US\$/bbl)	104	96	51	50	35	41	45	48	49	51

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

¹ IMF Country Report No. 15/339, Mali: Fourth Review Under the Extended Credit Facility Arrangement.² Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending excluding foreign-financed capital spending.³ Includes BCEAO statutory advances, government bonds, treasury bills, and other debts.

Table 2. Mali: National Accounts, 2012–16

	2012	2013	2014	2015	2016
			Est.	Est.	Rev.Prog.
	(Annual growth rate, constant prices)				
Primary sector	9.3	-3.7	8.7	7.6	5.3
Crops	15.0	-9.9	15.3	12.1	7.6
Food crops	15.5	-11.6	13.8	16.1	7.8
Export crops	12.1	-0.8	22.6	-5.8	6.5
Livestock	4.6	0.8	5.0	4.4	3.6
Fishing and forestry	6.6	2.4	3.6	4.7	3.4
Quarrying	17.6	-10.1	3.9	4.1	6.7
Secondary sector	-9.3	2.1	10.9	-1.1	5.1
Gold (mining & processing)	5.6	-1.1	-2.2	-5.3	-1.4
Manufacturing	2.8	1.4	16.4	-5.7	4.3
Agribusiness	-10.0	10.0	32.8	-11.0	6.0
Textile	26.4	-10.9	27.2	62.8	2.0
Utilities	5.2	7.5	11.3	7.9	9.5
Construction and public works	-34.7	3.0	7.0	6.3	7.5
Tertiary sector	-2.6	7.0	5.2	7.4	6.0
Transportation and telecommunications	8.3	10.5	7.4	10.6	8.3
Trade	-7.7	5.9	3.4	4.3	5.8
Financial services	15.6	1.8	4.0	6.0	3.4
Other nonfinancial services	-1.0	6.6	4.6	6.4	4.3
Public administration	-7.2	0.7	6.2	10.4	4.3
Indirect taxes and Interior VAT	-5.3	4.4	1.0	10.7	2.8
GDP at market prices	-0.8	2.3	7.0	6.0	5.3
National accounts	(Percent of GDP, unless otherwise indicated)				
Gross domestic investment	17.2	17.8	17.6	17.4	19.4
Gross national savings	15.0	14.9	12.9	12.3	12.9
Current account balance (including official transfers)	-2.2	-2.9	-4.7	-5.1	-6.5
<i>Memorandum items:</i>					
Nominal GDP (in CFAF billions)	6,352	6,544	7,114	7,748	8,312
GDP deflator (annual % change)	4.6	0.7	1.6	2.8	1.9

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

Table 3. Mali: Consolidated Fiscal Transactions of the Government, 2013–21
(in billions of CFAF)

	2013	2014		2015		2016		2017	2018	2019	2020	2021
		Est.	Prog. ¹	Est.	Prog. ¹	Rev. Prog.	Prog.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue and grants	1,137.2	1,215.1	1,406.5	1,481.1	1,555.0	1,562.4	1,699.0	1,825.8	1,947.4	2,095.4	2,242.4	
Total revenue	951.2	1,057.6	1,219.0	1,273.4	1,387.0	1,395.3	1,520.8	1,638.8	1,751.9	1,885.7	2,022.5	
Budgetary revenue	842.7	940.8	1,114.0	1,134.2	1,282.0	1,290.3	1,409.4	1,522.0	1,629.7	1,754.7	1,882.2	
Tax revenue	804.5	890.5	1,064.4	1,082.5	1,222.4	1,230.7	1,343.2	1,449.2	1,550.1	1,665.2	1,782.0	
Direct taxes	258.1	324.0	349.9	330.8	390.9	390.2	434.5	488.2	520.5	553.8	599.9	
<i>Of which: Gold sector</i>	71.0	56.2	51.2	46.0	63.5	63.5	67.6	69.8	73.3	74.2	76.6	
Indirect taxes	546.4	566.5	714.5	751.7	831.6	840.6	908.7	961.0	1,029.6	1,111.4	1,182.1	
VAT	325.7	335.0	397.0	411.3	445.4	445.4	490.4	516.3	549.1	595.5	634.9	
Excises on petroleum products	22.3	27.8	71.5	93.1	86.9	97.9	95.7	101.3	111.6	122.1	129.6	
Import duties	111.8	115.5	134.8	141.8	155.1	155.1	169.2	182.5	199.8	213.0	228.5	
Other indirect taxes	146.9	149.9	187.6	189.5	215.6	213.6	225.0	236.1	247.6	265.1	279.1	
<i>Of which: Gold sector</i>	55.3	51.9	49.7	55.5	63.9	63.9	64.1	67.3	66.1	64.9	64.9	
Tax refund	-60.3	-61.7	-76.5	-84.0	-71.4	-71.4	-71.6	-75.1	-78.6	-84.3	-90.2	
Nontax revenue	38.2	50.2	50.4	51.7	70.3	59.6	66.2	72.7	79.7	89.4	100.2	
<i>Of which: Gold sector</i>	17.4	7.2	12.0	0.0	8.3	8.3	9.1	9.8	10.8	11.6	11.8	
Special funds and annexed budgets	108.5	116.8	105.0	139.2	105.0	105.0	111.4	116.9	122.2	131.1	140.3	
Grants	186.0	157.5	187.5	207.7	168.0	167.1	178.3	187.0	195.5	209.7	219.9	
Projects grants	56.6	61.6	34.6	98.1	83.2	92.0	88.3	92.6	96.9	103.9	111.2	
Budgetary support	120.1	96.0	110.4	67.1	84.7	75.1	89.9	94.3	98.6	105.8	108.7	
<i>Of which: General</i>	110.8	70.2	74.0	46.4	67.3	55.7	71.4	74.9	78.3	84.0	85.4	
<i>Of which: Sectoral</i>	9.3	25.8	36.4	20.7	17.4	19.4	18.5	19.4	20.3	21.8	23.3	
Debt cancellation	0.0	0.0	42.5	42.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total expenditure and net lending (payment orders basis)	1,292.4	1,419.9	1,567.8	1,622.3	1,785.5	1,919.6	2,050.5	2,156.5	2,236.0	2,401.5	2,570.3	
Budgetary expenditure	1,190.1	1,308.4	1,467.8	1,488.0	1,684.6	1,818.7	1,943.2	2,039.7	2,113.9	2,270.4	2,430.1	
Current expenditure	800.5	848.1	985.9	922.0	1,045.4	1,045.9	1,108.2	1,177.7	1,220.2	1,311.2	1,406.0	
Wages and salaries	290.8	313.4	367.0	358.2	402.3	411.0	428.4	449.3	469.7	503.9	539.3	
Goods and services	239.6	240.5	290.6	260.9	298.1	295.1	314.9	345.6	346.7	372.2	398.7	
Transfers and subsidies	237.7	252.4	276.7	257.0	290.0	283.7	313.0	326.7	342.9	368.4	395.0	
Interest	32.4	41.7	51.6	45.9	55.0	56.1	51.9	56.1	60.8	66.7	73.1	
<i>Of which: domestic</i>	14.0	24.5	28.3	22.9	28.9	30.0	30.7	32.2	33.6	36.1	38.6	
Capital expenditure	389.6	460.3	524.5	566.0	639.3	772.8	835.0	861.9	893.7	959.2	1,024.1	
Externally financed	161.0	190.5	208.9	281.1	252.6	280.5	306.4	340.5	387.8	427.2	458.6	
Domestically financed	228.6	269.8	315.6	284.9	386.7	492.3	528.6	521.4	505.9	532.0	565.4	
Special funds and annexed budgets	108.5	116.8	105.0	139.2	105.0	105.0	111.4	116.9	122.2	131.1	140.3	
Net lending	-6.2	-5.4	-5.0	-4.9	-4.1	-4.1	-4.1	0.0	0.0	0.0	0.0	
Overall fiscal balance (excl. grants)	-341.2	-362.3	-348.8	-348.8	-398.5	-524.3	-529.7	-517.7	-484.1	-515.7	-547.8	
Overall fiscal balance (incl. grants)	-155.1	-204.7	-161.3	-141.1	-230.5	-357.2	-351.5	-330.7	-288.7	-306.1	-328.0	
Variation of arrears	6.0	-50.4	-46.9	-37.2	-31.5	-21.5	-7.6	-8.3	-8.3	-7.8	1.5	
<i>Of which: Domestic</i>	7.5	-50.4	-46.9	-37.2	-31.5	-21.5	-7.6	-8.3	-8.3	-7.8	1.5	
<i>Of which: External (Interest)</i>	-1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Adjustment to cash basis	-8.1	85.0	-67.7	-69.8	9.1	19.3	15.1	3.1	0.1	6.4	17.2	
Overall balance (cash basis, incl. grants)	-157.2	-170.1	-275.9	-248.1	-252.8	-359.4	-344.0	-335.9	-296.9	-307.4	-309.3	
Financing	157.3	175.6	275.9	248.7	252.8	359.4	344.0	335.9	296.9	307.4	309.3	
External financing (net)	103.9	70.5	122.4	145.0	141.9	159.1	188.5	217.3	256.4	271.2	295.6	
Loans	134.7	119.5	203.1	225.2	182.6	199.8	232.1	262.6	306.4	339.8	365.2	
Project loans	95.1	103.1	137.9	160.5	151.9	169.1	199.5	228.4	270.7	301.5	324.2	
<i>Of which: non-concessional</i>	0.0	0.0	0.0	0.0	83.3	83.3	83.3	83.3	0.0	0.0	0.0	
Budgetary loans	39.6	16.4	65.1	64.7	30.7	30.7	32.6	34.2	35.7	38.3	41.0	
Amortization	-42.9	-52.0	-97.5	-97.5	-58.4	-58.4	-61.5	-63.3	-67.0	-68.6	-69.5	
Debt relief	25.6	14.9	16.8	17.4	17.7	17.7	17.8	18.1	17.0	0.0	0.0	
Variation of External Arrears (Principal)	-13.5	-11.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Domestic financing (net)	53.4	105.1	153.6	103.7	111.0	200.3	155.5	118.6	40.5	36.2	13.6	
Banking system	-23.1	61.6	117.5	58.9	116.5	193.7	155.5	118.6	40.5	36.2	13.6	
Central bank	-75.5	-65.8	-2.1	23.0	-0.1	25.4	21.7	-10.4	-56.5	-41.4	-27.5	
Commercial banks	29.4	80.3	119.6	7.9	116.6	168.3	133.8	129.0	37.0	77.6	41.1	
Adjustment ²	-23.0	47.1	0.0	-28.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Privatization receipts	55.1	0.0	-13.5	-11.4	-17.5	-17.5	0.0	0.0	0.0	0.0	0.0	
Non-bank financing	21.4	43.5	49.6	56.2	12.0	24.1	0.0	0.0	60.0	0.0	0.0	
Financing gap	0.0	-5.5	0.0	-0.6	0.0	0.0	0.0	28.0	0.0	0.0	0.0	
<i>Memorandum items</i>												
Basic fiscal balance ³	-43.7	-86.7	-49.0	38.5	-61.0	-170.4	-134.1	-84.2	-1.0	-4.6	-3.8	
Tax and non tax revenue from gold sector	143.6	115.4	112.9	101.5	135.8	135.8	140.8	146.8	150.1	150.8	153.3	
Total official assistance (loans and grants)	320.7	277.0	390.5	432.9	350.6	366.9	410.4	449.6	501.9	549.5	585.1	
Nominal GDP	6,544	7,114	7,748	7,748	8,312	8,312	8,820	9,250	9,672	10,375	11,103	

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

¹ IMF Country Report No. 15/339, Mali: Fourth Review Under the Extended Credit Facility Arrangement.

² Adjustment to account for the difference between the definitions of the government in the fiscal table and the monetary situation.

³ 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, 2015
(in billions of CFAF)

	March		June		September		December	
	Prog. ¹	Est.	Prog. ¹	Est.	Prog. ¹	Est.	Prog. ²	Est.
Revenue and grants	312.6	320.0	691.3	727.3	1,060.8	1,070.0	1,406.5	1,481.1
Total revenue	267.1	285.0	605.1	634.0	913.2	920.3	1,219.0	1,273.4
Budgetary revenue	240.9	251.6	552.5	569.7	834.3	815.9	1,114.0	1,134.2
Tax revenue	228.6	247.1	525.7	529.6	794.2	774.2	1,064.4	1,082.5
Direct taxes	68.9	80.6	177.6	181.3	244.9	247.9	349.9	330.8
Indirect taxes	159.6	176.7	348.1	348.3	549.3	576.7	714.5	751.7
VAT	94.6	95.7	191.2	203.5	298.5	303.7	397.0	411.3
Excises on petroleum products	6.8	20.5	38.4	43.9	55.5	65.0	71.5	93.1
Import duties	36.6	30.0	66.4	64.5	104.2	102.0	134.8	141.8
Other indirect taxes	43.6	30.5	90.6	74.5	147.8	106.1	187.6	189.5
Tax refund	-22.0	-10.2	-38.6	-38.1	-56.7	-50.5	-76.5	-84.0
Nontax revenue	12.3	4.7	26.8	40.0	40.1	41.7	50.4	51.7
Special funds and annexed budgets	26.3	33.2	52.6	64.3	78.9	104.3	105.0	139.2
Grants	45.4	35.0	86.2	93.3	147.6	147.7	187.5	207.7
Projects	30.5	0.0	46.3	13.0	69.4	39.8	34.6	98.1
Budgetary support	15.0	35.0	39.9	37.8	78.1	67.4	110.4	132.6
General	6.9	14.3	19.3	17.2	45.5	46.7	74.0	46.4
Sectoral	8.1	20.7	20.7	20.7	32.7	20.7	36.4	20.7
Debt cancellation	0.0	0.0	0.0	42.5	0.0	42.5	42.5	42.5
Total expenditure and net lending (payment order basis)	435.2	220.9	856.1	561.1	1,284.4	989.4	1,567.8	1,622.3
Budgetary expenditure	411.1	188.7	806.1	499.0	1,209.2	738.5	1,467.8	1,488.0
Current expenditure	253.1	171.8	516.2	389.5	757.0	634.5	985.9	922.0
Wages and salaries	87.4	76.9	183.5	160.4	275.3	257.8	367.0	358.2
Goods and services	67.8	40.6	145.3	105.2	218.0	164.9	290.6	260.9
Transfers and subsidies	88.7	41.6	161.9	101.5	225.4	179.7	276.7	257.0
Interest	9.1	12.7	25.4	22.3	38.4	32.1	51.6	45.9
Of which: domestic	3.3	7.9	14.2	12.0	21.2	16.4	28.3	22.9
Capital expenditure	158.0	16.9	290.0	109.5	452.2	254.1	524.5	566.0
Externally financed	97.5	0.0	127.3	65.2	215.5	154.3	208.9	281.1
Domestically financed	60.5	16.9	162.7	44.3	236.7	99.8	315.6	284.9
Special funds and annexed budgets	26.3	33.2	52.6	64.3	78.9	104.3	105.0	139.2
Net lending	-2.1	-1.0	-2.7	-2.2	-3.8	-3.6	-5.0	-4.9
Overall fiscal balance (excl. grants)	-168.1	64.1	-251.0	72.8	-371.2	-69.1	-348.8	-348.8
Overall fiscal balance (incl. grants)	-122.6	99.1	-164.8	166.1	-223.6	80.7	-161.3	-141.1
Variation of arrears	-5.1	-3.0	-4.6	-37.4	-6.9	-9.2	-46.9	-37.2
Adjustment to cash basis	-50.5	-122.6	0.0	-131.4	0.0	-123.0	-67.7	-69.8
Overall balance (cash basis, incl. grants)	-178.2	-26.5	-169.4	-2.7	-230.5	-51.5	-275.9	-248.1
Financing	178.2	26.5	169.4	-18.1	230.5	61.2	276.0	248.7
External financing (net)	48.4	22.0	68.6	24.3	113.2	82.4	122.4	145.0
Loans	57.9	26.0	86.3	80.9	139.4	146.2	203.1	225.2
Project loans	57.9	0.0	60.3	51.5	113.4	110.3	137.9	160.5
Of which: non-concessional	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Budgetary loans	0.0	26.0	26.0	29.3	26.0	35.9	65.1	64.7
Amortization	-15.5	-5.3	-30.2	-69.2	-39.9	-77.6	-97.5	-97.5
Debt relief	6.0	1.2	12.4	12.6	13.6	13.8	16.8	17.4
Variation of External Arrears (Principal)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing (net)	129.9	4.5	100.8	-42.4	117.3	-21.2	153.6	103.7
Banking system	119.3	93.3	87.4	40.8	116.6	85.8	117.5	58.9
Central bank	-2.9	87.1	-2.0	83.0	-1.1	68.3	-2.1	23.0
Commercial banks	122.2	6.2	89.4	-4.2	117.7	17.6	119.6	7.9
Adjustment ³	0.0	0.0	0.0	38.0	0.0	-38.1	0.0	-28.0
Privatization receipts	0.0	0.0	-13.5	-5.6	-13.5	-3.9	-13.5	-11.4
Non-bank financing	10.6	-88.8	26.9	-77.6	14.3	-65.5	49.6	56.2
Financing gap	0.0	0.0	0.0	-20.8	0.0	9.7	0.0	0.6
<i>Memorandum items</i>								
Basic fiscal balance ⁴	-57.7	79.6	-92.1	167.8	-96.6	145.8	-49.2	38.5
Government bank and market financing	127.0	67.2	122.7	42.4	146.8	101.8	171.7	115.3

Sources: Ministry of Finance; and IMF staff projections.

¹ IMF Country Report No. 15/151, Mali: Third Review Under the Extended Credit Facility Arrangement.

² IMF Country Report No. 15/339, Mali: Fourth Review Under the Extended Credit Facility Arrangement.

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

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 5. Mali: Consolidated Fiscal Transactions of the Government, 2013–21
(percent of GDP)

	2013	2014	2015		2016		2017	2018	2019	2020	2021
		Est.	Prog. ¹	Est.	Prog. ¹	Rev. Prog.		Projections			
Revenue and grants	17.4	17.1	18.2	19.1	18.7	18.8	19.3	19.7	20.1	20.2	20.2
Total revenue	14.5	14.9	15.7	16.4	16.7	16.8	17.2	17.7	18.1	18.2	18.2
Budgetary revenue	12.9	13.2	14.4	14.6	15.4	15.5	16.0	16.5	16.9	16.9	17.0
Tax revenue	12.3	12.5	13.7	14.0	14.7	14.8	15.2	15.7	16.0	16.1	16.1
Direct taxes	3.9	4.6	4.5	4.3	4.7	4.7	4.9	5.3	5.4	5.3	5.4
<i>Of which: Gold sector</i>	1.1	0.8	0.7	0.6	0.8	0.8	0.8	0.8	0.8	0.7	0.7
Indirect taxes	8.4	8.0	9.2	9.7	10.0	10.1	10.3	10.4	10.6	10.7	10.6
VAT	5.0	4.7	5.1	5.3	5.4	5.4	5.6	5.6	5.7	5.7	5.7
Excises on petroleum products	0.3	0.4	0.9	1.2	1.0	1.2	1.1	1.1	1.2	1.2	1.2
Import duties	1.7	1.6	1.7	1.8	1.9	1.9	1.9	2.0	2.1	2.1	2.1
Other indirect taxes	2.2	2.1	2.4	2.4	2.6	2.6	2.6	2.6	2.6	2.6	2.5
<i>Of which: Gold sector</i>	0.8	0.7	0.6	0.7	0.8	0.8	0.7	0.7	0.7	0.6	0.6
Tax refund	-0.9	-0.9	-1.0	-1.1	-0.9	-0.9	-0.8	-0.8	-0.8	-0.8	-0.8
Nontax revenue	0.6	0.7	0.7	0.7	0.8	0.7	0.8	0.8	0.8	0.9	0.9
<i>Of which: Gold sector</i>	0.3	0.1	0.2	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Special funds and annexed budgets	1.7	1.6	1.4	1.8	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Grants	2.8	2.2	2.4	2.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Projects grants	0.9	0.9	0.4	1.3	1.0	1.1	1.0	1.0	1.0	1.0	1.0
Budgetary support	1.8	1.3	1.4	0.9	1.0	0.9	1.0	1.0	1.0	1.0	1.0
General	1.7	1.0	1.0	0.6	0.8	0.7	0.8	0.8	0.8	0.8	0.8
Sectoral	0.1	0.4	0.5	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Debt cancellation	0.0	0.0	0.5	0.5	0.0	0.0	0.0	0.0			
Total expenditure and net lending (payment order basis)	19.7	20.0	20.2	20.9	21.5	23.1	23.2	23.3	23.1	23.1	23.1
Budgetary expenditure	18.2	18.4	18.9	19.2	20.3	21.9	22.0	22.0	21.9	21.9	21.9
Current expenditure	12.2	11.9	12.7	11.9	12.6	12.6	12.6	12.7	12.6	12.6	12.7
Wages and salaries	4.4	4.4	4.7	4.6	4.8	4.9	4.9	4.9	4.9	4.9	4.9
Goods and services	3.7	3.4	3.8	3.4	3.6	3.6	3.6	3.7	3.6	3.6	3.6
Transfers and subsidies	3.6	3.5	3.6	3.3	3.5	3.4	3.5	3.5	3.5	3.6	3.6
Interest	0.5	0.6	0.7	0.6	0.7	0.7	0.6	0.6	0.6	0.6	0.7
<i>Of which: domestic</i>	0.2	0.3	0.4	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3
Capital expenditure	6.0	6.5	6.8	7.3	7.7	9.3	9.5	9.3	9.2	9.2	9.2
Externally financed	2.5	2.7	2.7	3.6	3.0	3.4	3.5	3.7	4.0	4.1	4.1
Domestically financed	3.5	3.8	4.1	3.7	4.7	5.9	6.0	5.6	5.2	5.1	5.1
Special funds and annexed budgets	1.7	1.6	1.4	1.8	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Net lending	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall fiscal balance (excl. grants)	-5.2	-5.1	-4.5	-4.5	-4.8	-6.3	-6.0	-5.6	-5.0	-5.0	-4.9
Overall fiscal balance (incl. grants)	-2.4	-2.9	-2.1	-1.8	-2.8	-4.3	-4.0	-3.6	-3.0	-3.0	-3.0
Variation of arrears	0.1	-0.7	-0.6	-0.5	-0.4	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1
<i>Of which: Domestic</i>	0.1	-0.7	-0.6	-0.5	-0.4	-0.3	-0.1	-0.1	-0.1	-0.1	0.0
<i>Of which: External (Interest)</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjustment to cash basis	-0.1	1.2	-0.9	-0.9	0.1	0.2	0.2	0.0	0.0	0.1	0.2
Overall balance (cash basis, incl. grants)	-2.4	-2.4	-3.6	-3.2	-3.0	-4.3	-3.9	-3.6	-3.1	-3.0	-2.8
Financing	2.4	2.5	3.6	3.2	3.0	4.3	3.9	3.6	3.1	3.0	2.8
External financing (net)	1.6	1.0	1.6	1.9	1.7	1.9	2.1	2.3	2.7	2.6	2.7
Loans	2.1	1.7	2.6	2.9	2.2	2.4	2.6	2.8	3.2	3.3	3.3
Project loans	1.5	1.4	1.8	2.1	1.8	2.0	2.3	2.5	2.8	2.9	2.9
<i>Of which: non-concessional</i>	0.0	0.0	0.0	0.0	1.0	1.0	0.9	0.9	0.0	0.0	0.0
Budgetary loans	0.6	0.2	0.8	0.8	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Amortization	-0.7	-0.7	-1.3	-1.3	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.6
Debt relief	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.0
Variation of External Arrears (Principal)	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0			
Domestic financing (net)	0.8	1.5	2.0	1.3	1.3	2.4	1.8	1.3	0.4	0.3	0.1
Banking system	-0.4	0.9	1.5	0.8	1.4	2.3	1.8	1.3	0.4	0.3	0.1
Central bank	-1.2	-0.9	0.0	0.3	0.0	0.3	0.2	-0.1	-0.6	-0.4	-0.2
Commercial banks	0.4	1.1	1.5	0.1	1.4	2.0	1.5	1.4	0.4	0.7	0.4
Adjustment ²	-0.4	0.7	0.0	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts	0.8	0.0	-0.2	-0.1	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0
Non-bank financing	0.3	0.6	0.6	0.7	0.1	0.3	0.0	0.0	0.6	0.0	0.0
Financing gap	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0
Memorandum items											
Basic fiscal balance ³	-0.7	-1.2	-0.6	0.5	-0.7	-2.0	-1.5	-0.9	0.0	0.0	0.0
Tax and non tax revenue from gold sector	2.2	1.6	1.5	1.3	1.6	1.6	1.6	1.6	1.6	1.5	1.4
Total official assistance (grants plus loans)	4.9	3.9	6.9	5.6	4.2	4.4	4.7	4.9	5.2	5.3	5.3
Nominal GDP (in billions of CFAF)	6,544	7,114	7,748	7,748	8,312	8,312	8,820	9,250	9,672	10,375	11,103

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

¹ IMF Country Report No. 15/339, Mali: Fourth Review Under the Extended Credit Facility Arrangement.

² Adjustment to account for the difference between the definitions of the government in the fiscal table and the monetary situation.

³ Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending.

Table 6. Mali: Central Government Consolidated Financial Operations, 2016

(in billions of CFAF)

	March		June		September		December
	Prog. ¹		Prog. ¹	Rev. Prog.	Prog. ¹	Rev. Prog.	Proposed Prog.
Revenue and grants	336.9		745.7	728.8	1,151.6	1,129.4	1,562.4
Total revenue	324.9		709.3	691.3	1,036.2	1,016.9	1,395.3
Budgetary revenue	299.0		655.4	640.6	959.4	939.7	1,290.3
Tax revenue	287.0		619.3	604.9	915.0	894.5	1,230.7
Direct taxes	91.1		214.0	207.1	300.8	292.6	390.2
Indirect taxes	195.8		405.3	397.8	614.2	601.9	840.6
VAT	100.8		215.5	216.7	330.2	328.4	445.4
Excises on petroleum products	22.7		46.1	49.1	63.1	70.6	97.9
Import duties	36.6		74.2	73.5	115.1	114.4	155.1
Other indirect taxes	53.2		104.5	94.0	157.7	141.0	213.6
Tax refund	-17.5		-35.0	-35.5	-52.0	-52.4	-71.4
Nontax revenue	12.1		36.1	35.7	44.4	45.3	59.6
Special funds and annexed budgets	25.9		53.9	50.7	76.8	77.2	105.0
Grants	11.9		36.4	37.5	115.4	112.5	167.1
Projects	8.6		29.5	28.2	44.5	46.8	92.0
Budgetary support	3.3		6.9	9.4	70.8	65.7	75.1
General	0.0		0.0	0.0	64.0	55.7	55.7
Sectoral	3.3		6.9	9.4	6.8	10.0	19.4
Total expenditure and net lending (payment order basis)	423.5		913.0	970.5	1,315.6	1,395.6	1,919.6
Budgetary expenditure	398.4		861.3	921.9	1,242.0	1,321.5	1,818.7
Current expenditure	268.9		564.2	569.1	802.7	805.5	1,045.9
Wages and salaries	100.6		201.2	205.5	301.7	308.3	411.0
Goods and services	74.5		149.1	147.6	223.6	221.3	295.1
Transfers and subsidies	85.5		188.2	189.5	242.5	240.2	283.7
Interest	8.3		25.8	26.4	34.9	35.7	56.1
Of which: domestic	1.8		13.2	13.8	15.7	16.5	30.0
Capital expenditure	129.5		297.1	352.9	439.3	516.1	772.8
Externally financed	32.8		103.7	106.7	149.3	146.8	280.5
Domestically financed	96.7		193.4	246.2	290.0	369.2	492.3
Special funds and annexed budgets	25.9		53.9	50.7	76.8	77.2	105.0
Net lending	-0.8		-2.2	-2.2	-3.2	-3.2	-4.1
Overall fiscal balance (excl. grants)	-98.6		-203.7	-279.2	-279.4	-378.6	-524.3
Overall fiscal balance (incl. grants)	-86.7		-167.2	-241.6	-164.1	-266.1	-357.2
Variation of arrears	-18.3		-36.5	-26.5	-34.0	-24.0	-21.5
Adjustment to cash basis	-15.7		-31.5	-25.4	-11.2	-3.1	19.3
Overall balance (cash basis, incl. grants)	-120.7		-235.3	-293.6	-209.2	-293.2	-359.4
Financing	120.7		235.3	293.6	209.3	293.2	359.4
External financing (net)	12.1		51.7	53.6	80.9	74.1	159.1
Loans	20.8		70.7	72.7	110.1	103.4	199.8
Project loans	20.8		67.3	69.2	97.9	90.0	169.1
Of which: non-concessional	20.8		41.7	41.7	62.5	62.5	83.3
Budgetary loans	0.0		3.5	3.5	12.2	13.4	30.7
Amortization	-10.0		-31.9	-31.9	-43.3	-43.3	-58.4
Debt relief	1.2		12.9	12.9	14.1	14.1	17.7
Variation of External Arrears (Principal)	0.0		0.0	0.0	0.0	0.0	0.0
Domestic financing (net)	108.6		183.6	239.9	128.4	219.1	200.3
Banking system	88.7		154.3	201.1	121.9	183.4	193.7
Central bank	-0.3		0.8	13.8	-0.6	12.9	25.4
Commercial banks	89.0		153.5	187.3	122.5	170.5	168.3
Adjustment ²	0.0		0.0	0.0	0.0	0.0	0.0
Privatization receipts	-8.8		-17.5	-17.5	-17.5	-17.5	-17.5
Non-bank financing	28.7		46.8	56.3	24.0	53.1	24.1
Financing gap	0.0		0.0	0.0	0.0	0.0	0.0
<i>Memorandum items</i>							
Basic fiscal balance ³	-64.6		-87.1	-159.6	-52.1	-162.0	-170.4
Government bank and market financing	125.2		216.9	278.2	169	251.7	259.3

Sources: Ministry of Finance; and IMF staff projections.

¹ IMF Country Report No. 15/339, Mali: Fourth Reviews Under the Extended Credit Facility Arrangement.² Adjustment to account for the difference between the definitions of the government in the fiscal table and the monetary situation.³ Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending, excluding externally financed capital spending.

Table 7. Mali: Balance of Payments, 2013–21

	2013	2014	2015		2016		2017	2018	2019	2020	2021
		Est.	Prog. ¹	Est.	Prog. ¹	Rev. Prog.		Projections			
(Billions of CFAF)											
Current account balance											
Excluding official transfers	-814.2	-903.7	-1,050.4	-1,037.4	-924.3	-1,255.1	-1,293.3	-1,326.2	-1,350.9	-1,382.4	-1,445.3
Including official transfers	-188.8	-333.9	-354.7	-394.9	-276.0	-543.5	-591.1	-635.3	-662.2	-695.0	-721.1
Trade balance	-126.5	-251.1	-240.9	-232.4	-75.9	-306.3	-328.8	-461.8	-508.5	-531.4	-575.5
Exports, f.o.b.	1,419.5	1,374.4	1,425.5	1,429.2	1,513.1	1,425.4	1,466.3	1,391.9	1,428.2	1,464.8	1,506.7
Cotton fiber	176.8	166.7	174.6	183.1	195.0	140.1	153.9	177.0	198.2	216.6	221.3
Gold	964.5	917.7	918.5	963.8	986.8	1,003.8	1,006.6	880.2	865.0	849.9	849.5
Other	278.2	290.0	332.5	282.2	331.3	281.5	305.8	334.7	365.0	398.3	435.9
Imports, f.o.b.	-1,546.1	-1,625.4	-1,666.4	-1,661.5	-1,588.9	-1,731.7	-1,795.1	-1,853.7	-1,936.7	-1,996.2	-2,082.2
Petroleum products	-434.3	-434.8	-326.3	-363.8	-291.3	-322.0	-346.4	-352.4	-388.4	-407.3	-424.4
Foodstuffs	-231.6	-248.7	-300.0	-283.8	-275.6	-310.8	-317.3	-331.6	-341.9	-354.1	-373.2
Other	-880.1	-941.9	-1,040.1	-1,013.9	-1,022.0	-1,098.9	-1,131.3	-1,169.7	-1,206.4	-1,234.9	-1,284.5
Services (net)	-854.1	-850.1	-977.1	-972.2	-1,035.6	-1,072.1	-1,096.0	-1,048.3	-1,047.0	-1,058.3	-1,075.4
Credit	211.7	225.6	203.7	227.8	214.1	232.7	241.3	249.8	258.8	268.0	277.7
Debit ²	-1,065.9	-1,075.7	-1,180.8	-1,200.0	-1,249.7	-1,304.8	-1,337.3	-1,298.1	-1,305.7	-1,326.3	-1,353.1
Of which: freight and insurance	-319.7	-299.9	-360.9	-307.5	-344.1	-329.9	-341.9	-353.1	-368.9	-380.2	-396.6
Income (net)	-213.7	-190.0	-254.6	-233.3	-274.2	-279.5	-274.7	-245.6	-244.8	-244.2	-247.7
Of which: interest due on public debt	-18.4	-17.2	-23.3	-23.0	-26.1	-26.1	-21.3	-24.0	-27.2	-30.6	-34.5
Transfers (net)	1,005.5	957.2	1,117.9	1,043.1	1,109.8	1,114.4	1,108.3	1,120.4	1,138.1	1,138.9	1,177.5
Private transfers (net)	380.2	387.4	422.2	400.6	461.4	402.7	406.1	429.5	449.4	451.5	453.3
Official transfers (net) ²	625.4	569.8	695.7	642.5	648.4	711.6	702.2	690.9	688.7	687.4	724.2
Of which: budgetary grants	110.8	70.2	111.9	46.4	67.3	75.1	89.9	94.3	98.6	105.8	108.7
Capital and financial account	120.1	175.3	397.5	281.0	280.4	437.0	553.1	611.6	664.3	702.2	739.4
Capital account (net)	107.0	95.9	194.6	174.7	125.3	110.6	108.1	113.4	118.5	127.1	136.1
Debt forgiveness	25.5	14.9	43.0	59.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: project grants	56.6	61.6	129.0	98.1	100.7	92.0	88.3	92.6	96.9	103.9	111.2
Financial account	13.2	79.4	202.9	106.3	155.1	326.4	445.0	498.2	545.8	575.1	603.3
Private (net)	-63.5	-63.7	55.1	-101.0	29.1	99.6	183.7	203.9	207.1	197.3	193.6
Direct investment (net)	150.7	70.9	106.3	60.8	110.3	61.9	65.7	68.9	72.1	77.3	78.6
Portfolio investment private (net)	-1.0	-1.5	-1.1	-1.3	-1.2	-1.4	0.0	0.0	0.0	0.0	0.0
Other private capital flows	-213.2	-133.1	-50.0	-160.5	-80.0	39.0	118.0	135.0	135.0	120.0	115.0
Official (net)	75.2	52.7	146.0	127.7	124.2	141.4	170.6	199.3	239.4	271.2	295.6
Disbursements	134.7	119.5	243.6	225.2	182.6	199.8	232.1	262.6	306.4	339.8	365.2
Budgetary	39.6	16.4	64.9	64.7	30.7	30.7	32.6	34.2	35.7	38.3	41.0
Project related	95.1	103.1	178.6	160.5	151.9	169.1	199.5	228.4	270.7	301.5	324.2
Amortization due on public debt	-42.9	-52.0	-97.5	-97.5	-58.4	-58.4	-61.5	-63.3	-67.0	-68.6	-69.5
Errors and omissions	-17.5	-15.9	0.0	-10.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-86.2	-174.5	42.8	-124.0	4.4	-106.5	-38.1	-23.7	2.2	7.2	18.3
Financing	86.2	174.5	-42.8	124.0	-4.4	106.5	38.1	23.7	-2.2	-7.2	-18.3
Foreign assets (net)	60.6	159.6	-59.6	107.2	-22.2	88.7	20.2	-22.4	-19.2	-15.6	-18.3
Of which: IMF (net)	18.8	4.3	1.9	1.9	-0.1	25.4	21.7	-10.4	-11.3	-12.4	-11.3
HIPC Initiative assistance	25.6	14.9	16.8	16.8	17.7	17.7	17.8	18.1	17.0	8.3	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	28.0	0.0	0.0	0.0
(in percent of GDP, unless otherwise indicated)											
Current account balance											
Excluding official transfers	-12.4	-12.7	-13.6	-13.4	-11.1	-15.1	-14.7	-14.3	-14.0	-13.3	-13.0
Including official transfers	-2.9	-4.7	-4.6	-5.1	-3.3	-6.5	-6.7	-6.9	-6.8	-6.7	-6.5
(annual percentage change)											
External trade											
Export volume index	7.1	-2.3	4.8	6.7	3.1	-1.7	4.3	-0.6	5.4	4.9	2.5
Import volume index	0.5	12.8	9.1	5.9	6.4	8.0	5.0	2.6	2.5	2.4	2.6
Export unit value	-14.3	-1.5	1.7	-1.4	-3.0	2.0	-1.5	-5.3	-2.8	-2.4	0.2
Import unit value	4.1	-8.8	-5.7	-3.4	-0.4	-3.5	-1.3	0.6	1.9	0.7	1.6
Terms of trade	-17.7	8.0	7.9	2.1	-2.6	5.7	-0.2	-5.8	-4.7	-3.1	-1.4

Sources: Malian authorities and IMF staff estimates and projections.

¹ IMF Country Report No. 15/339, Mali: Fourth Review Under the Extended Credit Facility Arrangement.² Includes financing by the international community for imports of security services in relation to the foreign military intervention in the country.

Table 8. Monetary Survey, 2013–21

	2013	2014		2015		2016	2017	2018	2019	2020	2021
		Est.	Prog. ¹	Est.	Rev. Prog.							Projections
(Billions of CFAF)											
Net Foreign Assets	758	623	683	536	447	427	449	468	484	502	
BCEAO	482	322	382	215	126	106	128	147	163	181	
Commercial Banks	277	301	302	321	321	321	321	321	321	321	
Net Domestic Assets	1,087	1,354	1,571	1,702	2,089	2,385	2,658	2,856	3,082	3,321	
Credit to the government (net)	-101	-86	31	-55	139	294	413	443	479	493	
BCEAO	0	-66	-68	-43	-17	4	-6	-63	-104	-131	
Commercial banks, net	-101	-20	99	-12	156	290	419	506	583	624	
Other	0	0	0	0	0	0	0	0	0	0	
Credit to the economy	1,228	1,458	1,558	1,747	1,942	2,081	2,236	2,404	2,594	2,819	
Other items (net)	-41	-18	-19	9	9	9	9	9	9	9	
Money supply (M2)	1,845	1,977	2,254	2,237	2,536	2,811	3,107	3,324	3,566	3,823	
Currency outside banks	509	443	506	407	462	512	566	605	649	696	
Bank deposits	1,337	1,533	1,749	1,830	2,075	2,299	2,541	2,719	2,917	3,127	
Memorandum item:											
Base Money (M0)	742	715	815	751	852	944	1,043	1,116	1,198	1,284	
Gross international reserves BCEAO	613	465	525	369	269	239	251	259	262	275	
in percent of broad money	33.2	23.5	23.3	16.5	10.6	8.5	8.1	7.8	7.3	7.2	
(in percentage of beginning of period broad money)											
Contribution to growth of broad money											
Money supply (M2)	7.4	7.1	14.0	13.2	13.4	10.8	10.5	7.0	7.3	7.2	
Net foreign assets	3.6	-7.3	3.0	-4.4	-4.0	-0.8	0.8	0.6	0.5	0.5	
BCEAO	-3.5	-8.6	3.0	-5.4	-4.0	-0.8	0.8	0.6	0.5	0.5	
Commercial banks	7.1	1.3	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net domestic assets	3.8	14.5	11.0	17.6	17.3	11.6	9.7	6.4	6.8	6.7	
Credit to the central government	-2.7	0.8	5.9	1.6	8.7	6.1	4.2	1.0	1.1	0.4	
Credit to the economy	7.5	12.4	5.1	14.6	8.7	5.5	5.5	5.4	5.7	6.3	
Other items net	-1.0	-3.6	0.0	1.4	0.0	0.0	0.0	0.0	0.0	0.0	
(Annual growth rate)											
Memorandum items:											
Money supply (M2)	7.4	7.1	14.0	13.2	13.4	10.8	10.5	7.0	7.3	7.2	
Base money (M0)	1.3	-3.7	14.0	14.6	13.4	10.8	10.5	7.0	7.3	7.2	
Credit to the economy	11.7	18.7	6.9	19.9	11.1	7.2	7.4	7.5	7.9	8.7	
Velocity (GDP/M2)	3.5	3.6	2.8	3.5	3.3	3.1	3.0	2.9	2.9	2.9	
Money Multiplier (M2/M0)	2.5	2.8	2.8	3.0	3.0	3.0	3.0	3.0	3.0	3.0	
Currency outside banks / M2	27.6	22.4	22.4	18.2	18.2	18.2	18.2	18.2	18.2	18.2	

Sources: BCEAO; and Fund staff estimates and projections.

¹ IMF Country Report No. 15/339, Mali: Fourth Review Under the Extended Credit Facility Arrangement.

Table 9. Mali: Financial Soundness Indicators for the Banking Sector, 2008–15

	2008	2009	2010	2011	2012	2013	2014				2015			
							March	June	Sep.	Dec.	March	June	Sep.	Dec.
(in percent)														
Capital														
Capital to risk-weighted assets	9.8	7.7	13.7	11.7	11.4	12.9	13.4	13.8	13.9	14.5	14.7	15.2	15.5	14.8
Tier 1 capital to risk-weighted assets	9.0	7.2	12.7	10.8	10.0	12.2	12.1	12.6	12.5	13.1	13.3	13.9	14.2	13.4
Capital (net worth) in percent of assets	6.2	4.6	7.5	8.3	7.7	7.9	7.6	7.5	7.6	7.1	7.5	7.9	7.9	7.4
Sectoral distribution of credit to the economy														
Agriculture and fishing	12.8	7.9	1.6	11.7	10.9	6.5	4.3	1.4	0.6	5.5	3.1	1.1	0.3	4.3
Mining sector	0.2	0.2	0.1	0.1	3.8	4.7	3.9	4.0	3.9	3.4	3.8	3.6	3.2	2.6
Manufacturing	7.4	5.9	7.3	8.0	9.6	11.1	8.0	12.2	11.1	12.7	12.5	13.4	12.6	12.1
Electricity, gas, and water	3.9	4.3	11.1	10.0	6.4	9.6	11.0	12.0	11.6	11.9	12.7	9.5	10.5	9.6
Building and construction	1.6	1.6	4.3	4.4	5.0	3.8	4.7	4.9	5.9	4.9	4.9	6.3	6.4	7.0
Wholesale and retail trade, hotels and restaurants	38.7	37.4	44.4	43.3	44.6	45.2	44.7	42.0	43.6	40.9	43.5	45.8	46.8	45.5
Transportation, warehouses, communications	14.1	11.3	8.8	7.1	5.6	9.3	13.6	13.0	12.1	10.1	8.3	8.9	9.7	8.8
Insurance, real estate, and services for enterprises	14.1	18.8	14.9	9.8	8.2	5.7	6.0	6.3	6.9	6.9	7.4	6.6	5.9	6.3
Collectives and social services	7.3	14.6	7.6	5.6	5.8	4.0	3.7	4.1	4.1	3.6	3.7	4.6	4.5	3.7
Asset quality														
Non-performing loans to total loans	23.1	25.4	22.1	18.0	21.0	19.3	20.0	18.9	18.0	15.9	17.2	16.4	17.2	14.5
Non-performing loans to total loans (net of provisioning)	9.5	11.6	8.5	6.5	8.7	8.3	8.6	7.7	7.3	5.6	6.7	6.0	7.2	5.4
Provisions to gross non-performing loans	66.9	59.5	64.0	69.3	65.0	62.0	62.3	64.3	64.1	68.6	65.5	67.3	62.6	66.5
Earnings and profitability														
Return on assets (ROA)	0.8	0.6	1.4	1.7	1.3	1.2	...	...	...	1.1	...	...	...	1.6
Return on equity (ROE)	10.4	6.8	8.6	14.9	12.5	14.1	...	...	...	16.0	...	...	...	21.5
Liquidity														
Liquid assets to total assets	37.9	33.8	32.7	36.7	34.8	34.4	47.6	48.2	48.3	51.8	49.0	51.0	50.0	51.1
Liquid assets to short term liabilities	84.0	61.2	92.9	89.4	90.0	98.0	92.1	92.9	93.3	95.6	92.6	96.1	92.1	88.4
Ratio of loans to deposits	77.5	72.2	82.6	88.0	88.5	89.7	90.2	88.6	89.6	87.8	85.4	83.5	83.4	87.4
Memorandum items ¹														
Deposit rate	1.9	1.9	1.9	1.8	1.9	1.8	...	...	...	1.8	...	...	...	1.8
Lending rate	9.8	9.7	9.4	9.3	8.9	9.5	...	...	...	8.2	...	...	...	7.8

Source: BCEAO, and IMF staff estimates.

¹ Average

Table 10. Mali: Schedule of Disbursements Under the ECF Arrangements, 2013–17¹

Amount	In percent of quota ²	Available date	Conditions for disbursement
SDR 6 million	3.2	December 18, 2013	Executive Board approval of the three year ECF arrangement.
SDR 4 million	2.1	May 1, 2014	Observance of December 31, 2013 and continuous performance criteria, and completion of the first review under the arrangement.
SDR 4 million	2.1	November 1, 2014	Observance of June 30, 2014 and continuous performance criteria, and completion of the second review under the arrangement.
SDR 4 million	2.1	May 1, 2015	Observance of December 31, 2014 and continuous performance criteria, and completion of the third review under the arrangement.
SDR 4 million	2.1	November 1, 2015	Observance of June 30, 2015 and continuous performance criteria, and completion of the fourth review under the arrangement.
SDR 19 million	10.2	May 1, 2016	Observance of December 31, 2015 and continuous performance criteria, and completion of the fifth review under the arrangement.
SDR 19 million	10.2	November 1, 2016	Observance of June 30, 2016 and continuous performance criteria, and completion of the sixth review under the arrangement.
SDR 19 million	10.2	May 1, 2017	Observance of December 31, 2016 and continuous performance criteria, and completion of the seventh review under the arrangement.
SDR 19 million	10.2	November 1, 2017	Observance of June 30, 2017 and continuous performance criteria, and completion of the eighth review under the arrangement.
Total for ECF arrangement	52.5		

Sources: IMF staff estimates and projections.

¹ Includes proposed augmentation.

² Using the new quota under the 14th General Review of Quotas (SDR 186.6 million).

Table 11. Mali: Indicators of Capacity to Repay the Fund, 2015–22¹

	2015	2016	2017	2018	2019	2020	2021	2022
	(Millions of SDRs, unless noted otherwise)							
Fund obligations based on existing credit								
Principal	5.7	7.2	11.6	12.7	13.8	15.2	13.5	9.4
Charges and interest	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Fund obligations based on existing and prospective credit ²								
Principal	5.7	7.0	11.6	12.7	13.8	15.2	15.4	18.9
Charges and interest	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.2
Total obligations based on existing and prospective credit								
In millions of SDRs	5.7	7.1	11.6	12.7	14.1	15.5	15.7	19.1
In billions of CFA francs	4.7	5.8	9.5	10.4	11.5	12.6	12.8	15.6
In percent of government revenue	0.4	0.4	0.6	0.6	0.7	0.7	0.6	0.8
In percent of exports of goods and services	0.3	0.4	0.6	0.6	0.7	0.7	0.7	0.8
In percent of debt service	3.0	3.2	6.1	5.0	3.8	3.8	3.4	4.1
In percent of GDP	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
In percent of quota	6.1	7.6	12.5	13.6	15.1	16.6	16.8	20.5
Outstanding Fund credit ¹								
In millions of SDRs	95.4	126.4	152.8	140.1	126.3	111.1	95.7	76.8
In billions of CFA francs	78.9	104.1	125.4	114.8	103.3	90.5	78.0	62.6
In percent of government revenue	6.2	7.5	8.2	7.0	5.9	4.8	3.9	3.1
In percent of exports of goods and services	4.8	6.3	7.3	7.0	6.1	5.2	4.4	3.4
In percent of debt service	51.5	58.2	79.6	55.2	34.1	27.3	20.5	16.4
In percent of GDP	1.0	1.3	1.4	1.2	1.1	0.9	0.7	0.5
In percent of quota ³	102.2	67.7	81.9	75.1	67.7	59.5	51.3	41.1
Disbursements and Repurchases								
Disbursements	2.4	31.0	26.4	-12.7	-13.8	-15.2	-15.4	-18.9
Repayments and Repurchases	8.0	38.0	38.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	5.7	7.0	11.6	12.7	13.8	15.2	15.4	18.9
Memorandum items:	(in CFAF billions, unless otherwise indicated)							
Nominal GDP	7,748	8,312	8,820	9,250	9,672	10,375	11,103	11,866
Exports of goods and services	1,657	1,658	1,708	1,642	1,687	1,733	1,784	1,867
Government revenue	1,273	1,387	1,521	1,639	1,752	1,886	2,022	2,022
Debt service	153	179	157	208	302	332	381	381

Sources: IMF staff estimates and projections.

¹ Total debt service includes IMF repurchases and repayments.

² Includes future disbursements proposed in Table 10.

³ Using the new quota under the 14th General Review of Quotas (SDR 186.6 million).

Appendix I. Letter of Intent

Bamako, May 25, 2016

Madame Christine Lagarde
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431
U.S.A.

Dear Madame Managing Director:

1. On December 18, 2013, the Executive Board of the International Monetary Fund (IMF) approved a three-year arrangement under the Extended Credit Facility (ECF) for Mali in an amount equivalent to SDR 30 million. The arrangement aims at supporting the government's policies to maintain macroeconomic stability and revive growth in 2014–16, with broad-based support from technical and financial partners for the country's renewal following the 2012 security and political crisis.
2. The attached Memorandum of Economic and Financial Policies (MEFP) discusses recent developments in Mali's economy and progress made in implementing our policies in 2015 and over the first few months of 2016. As explained in the MEFP, all performance criteria and indicative targets at December 31 were met as well as all continuous performance criteria. One out of three of the measures subject to structural benchmarks was implemented, a second one was implemented with delay, and the third one will now be implemented by end-June 2016. In light of the budget execution during the last six months of 2015 and since then, the objectives of our budgetary programming for end-2016 approved at the time of the fourth review under the ECF arrangement are within our grasp.
3. In 2016, the government has prepared a supplementary budget to reflect additional expenditures (1.6 percent of GDP) mostly stemming from the implementation of the 2015 Agreement for Peace and Reconciliation in Mali, including higher current spending (wages and salaries for military and other civil servants, transfers, and subsidies) and increased capital spending (investment projects in infrastructure, education, and energy). The fiscal deficit, (payment order basis, including grants) amounts to 4.3 percent of GDP.
4. This MEFP also outlines the other economic and financial policies that the Malian government undertakes to implement this year in order to maintain macroeconomic stability, consolidate the economic recovery, step up the implementation of reforms with a view to improving public financial management, and facilitate private-sector development.

5. As a result, the government requests completion of the fifth review under the ECF arrangement and the disbursement of the sixth tranche of the equivalent of SDR 19 million. The government further requests modification of the performance criteria for June 2016 on gross tax revenue and government bank and market financing. To consolidate progress made and continue the implementation of reforms, particularly in strengthening domestic resources mobilization and the management of public finances, the government is also seeking a one-year extension of the current ECF arrangement to December 17, 2017 and an augmentation of the resources available under this arrangement by the equivalent of SDR 60 million- for an overall access equivalent to SDR 98 million. This will help the government to address a larger balance of payment need generated by recent shocks, including the impact of the security situation and peace building efforts, and will help to accommodate the extension of the arrangement.
6. The government believes that the policies set forth in the attached MEFP are adequate to achieve the objectives of the program but will take any further measures that may become appropriate for this purpose. The government will consult with the IMF on the adoption of these measures and in advance of the revisions to the policies contained in the MEFP in accordance with the IMF's policies on such consultation.
7. The government will continue to provide IMF staff with any relevant information referred to in the Technical Memorandum of Understanding (TMU) concerning progress made under the program.
8. The government intends to make public the content of the IMF staff report, including this letter, the MEFP, and the attached TMU. It therefore authorizes the IMF to publish these documents on its website once the IMF Executive Board approves the fifth review of the arrangement under the ECF.

Very truly yours,

/ s /

Boubou Cissé
Minister of Economy and Finance

Attachments:

- I. Memorandum of Economic and Financial Policies
- II. Technical Memorandum of Understanding

Attachment I. Memorandum on Economic and Financial Policies

1. This Memorandum on Economic and Financial Policies (MEFP) presents recent developments and performance with respect to Mali's program of economic and financial policies implemented in connection with the arrangement under the Extended Credit Facility (ECF).

ECONOMIC DEVELOPMENTS IN 2015, OUTLOOK, AND PROGRAM PERFORMANCE

A. Economic Developments in 2015 and Outlook for 2016

2. Real GDP growth is estimated at 6 percent in 2015, helped by the strong performance in agriculture and the strengthening of the tertiary sector. This mostly reflects favorable rainfall, increases in the area under cultivation, and the provision of agricultural inputs at the start of the growing season. Tertiary sector production is also expected to increase by 6 percent, driven by increased activity in the telecommunications and non-market services sectors. Although GDP growth is projected to decrease somewhat in 2016—driven by slower growth in agricultural output—it would remain robust at 5.3 percent. Consumer price inflation reached 1.5 percent at end-2015 and is projected to remain subdued at 1 percent on the basis of normal food output growth and low global inflation.

3. The current account deficit (including grants) of the balance of payments widened to 5 percent of GDP, compared to the program forecast of 2.3 percent and the 2014 figure of 4.7 percent. This came about in the wake of declining gold prices and increased imports associated with strong economic growth, which more than offset the impact lower import bill of petroleum products. The current account deficit is expected to widen to 5.7 percent of GDP in 2016, driven by declining gold exports and strong import growth from increased public capital spending, which are expected to offset the effect of lower oil prices. The current account deficit is expected to be financed essentially by net capital inflows, mainly in the form of foreign aid and foreign direct investment. The overall balance of payments is projected to post a deficit of about CFAF 106 billion (US\$ 179 million), resulting in a decline in international reserves at the Central Bank of West African States (BCEAO).

4. In the banking sector, the risk-weighted capital ratio increased from 14 percent in December 2014 to 14.8 percent in December 2015. Despite the increase in non-performing loans between 2014 and 2015, due to the greater increase in outstanding loans relative to non-performing loans, the gross and net portfolio deterioration rates of credit institutions have improved reaching respectively 14.5 percent and 5.4 percent at end-2015, compared to 15.9 percent and 5.6 percent at end 2014. The financial stability of the micro-finance sector continued to improve, with the share of non-performing loans declining from 13.3 percent to 7.4 percent over the same period.

5. Total revenue and grants increased by 2 percent of GDP. Tax revenue increased by 1.5 percent of GDP, reflecting a favorable oil product taxation more than offsetting the

underperformance in direct taxes collection. Grants disbursements increased by 0.5 percent of GDP, essentially due to increase in project grants; while budget support (general and sectoral) declined significantly. Total expenditures and net lending increased by 0.9 percent of GDP, driven mainly by higher execution of externally financed capital spending (0.9 percent of GDP). The overall fiscal deficit (payment order basis, including grants) is estimated at 1.8 percent of GDP, compared to 2.9 percent of GDP in 2014. In the meantime, the cash basis fiscal deficit stood at 3.2 percent of GDP, against 2.4 percent of GDP in 2014, due mainly to the clearance of arrears accumulated in 2014. In 2015, the government has accumulated no arrears, reflecting its efforts to support businesses' cash flows and reduce banks' stock of nonperforming loans. The basic fiscal balance¹ shows a surplus of 0.5 percent of GDP, notably reflecting French debt relief from France.

B. Performance with Respect to ECF-Supported Policies

6. All of the performance criteria and indicative targets in 2015 were met (Table 1):
- The ceiling on net domestic financing of the government by banks and the financial market was met with a large margin. Considering the adjustors provided in the Technical Memorandum of Understanding (TMU),² net domestic financing of the government by banks and the financial market was exceeded by CFAF 81 billion, aided by the clearance of arrears.
 - The zero ceiling on the cumulative increase in external payment arrears was met.
 - The ceiling of CFAF 250 billion on new external loans contracted or guaranteed by the government on non-concessional terms was met. The government did not contract or guarantee any non-concessional external loans.
 - The floor on gross tax revenue was met. Gross tax revenue totaled CFAF 1,167 billion, exceeding the program total by CFAF 23 billion.
 - The floor on the basic fiscal balance was met. Considering the adjustors provided in the TMU,³ the floor was exceeded by CFAF 75 billion (0.5 percent of GDP).
 - The floor on priority poverty-related spending, i.e., domestically financed spending on education (basic, secondary, and tertiary), scientific research, health, and social development sectors (excluding transfers to the *Malian Social Security Fund (CMSS)*) was met. The floor was exceeded by roughly CFAF 9 billion.

¹ The basic budget balance is the difference between total revenue and expenditures under the authorities' direct control; in other words, revenue (including resources from the Heavily Indebted Poor Countries Initiative) plus grants used for general budget support less current expenditure and domestically financed capital expenditure.

² See [IMF Country Report No. 15/151](#), page 68, ¶¶ 7–9.

³ See [IMF Country Report No. 15/151](#), page 67, ¶¶ 22–23.

7. One out of the three measures defined as structural benchmarks was implemented by the agreed date (Table 3). Another one was implemented after the agreed date, and steps have been taken toward meeting the third benchmark.

- The public sector oversight agency (Inspector General of the Public Sector, CGSP) conducted a second compliance audit of contracts covered by the “defense secret” or “essential government interests” exemptions pursuant to Decree 2014-764/P-RM of October 9, 2014 establishing procedures applicable to procurements of goods, services, and works exempt from the public contracts code. The audit covered the period August-December 2015 and was completed in February as envisaged in the program.
- The Government adopted an action plan to implement AFRITAC’s recommendations to strengthen the quality of the public debt database, but work is still pending on implementing the recommendations. It has also prepared, in April, a report on the implementation of these recommendations.
- To improve compliance with budgetary rules, the government adopted in the Council of Ministers, on March 30, 2016, the decree granting the Minister in charge of Finances the power to appoint directors of finance and equipment. As of that date, the appointment of directors of finance and equipment is made by the Council of Ministers on proposal of the Minister in charge of Finances. The Minister of Finance will start appointing these directors by end-June 2016.

ECONOMIC AND FINANCIAL POLICIES FOR 2016

8. The 2016–18 Strategic Framework for Economic Recovery and Sustainable Development (CREDD) approved in March 2016; the 2013–18 Government Action Program (PAG) adopted in April 2013; and the Agreement for Peace and Reconciliation in Mali (APRM) signed in Bamako on May 15, 2015 and completed on June 20, 2015, serves as reference framework for 2016-18 economic and financial policies:

- The objective of the CREDD is to make possible the achievement of the Sustainable Development Goals (SDG) by 2030 based on potential, capacities for resilience for peace and security, and inclusive development in favor of a reduction in poverty and inequalities. It is based on three pillars: (i) promoting inclusive and sustainable growth (ii) improving access to basic social services, (iii) strengthening institutional and sustainable development.
- The PAG, prepared through a process involving all the ministries, focuses on six areas: establishing strong, credible institutions; restoring the security of persons and property throughout the national territory; implementing a proactive national reconciliation policy; rebuilding Malian schools; building an emerging economy; and implementing a proactive social development policy.
- The APRM provides for the creation of a Northern Regions Development Zone and the development of a specific development strategy to bring the northern regions' development indicators to the same levels as those of Mali’s other regions. The government has been

working on preparing this strategy based on the needs assessment for the northern regions conducted jointly by the World Bank, the African Development Bank, and the Islamic Development Bank. A donor conference was held on October 22, 2015 in Paris to establish the Sustainable Development Fund, which will be the financial instrument for the development strategy.

9. The government intends to continue implementing its program to: (i) support growth through a prudent fiscal policy while giving preference to the economic recovery through structuring investments and priority sustainable development spending; (ii) improve public financial management from the revenue as well as the expenditure side; and (iii) modernize the business environment to encourage private sector development and improve competitiveness.

A. Macro-Fiscal Framework for 2016

10. The government intends to continue implementing sustainable fiscal policies in accordance with its commitments within the WAEMU's multilateral surveillance framework. It will thus ensure to maintain the overall fiscal balance (including grants) at a level consistent with maintaining public debt sustainability aiming to meet the community's convergence criterion of 3 percent of GDP by 2019.

11. The government proposes the following budget framing in 2016 for its ECF-supported program.⁴ A total of CFAF 1562.0 billion (16.7 percent of GDP) is provided for total revenue and grants under the supplementary. Net tax revenue amounts to CFAF 1231.8 billion (14.8 percent of GDP), and CFAF 165.9 billion (2.0 percent of GDP) are expected as grants disbursements. The revised budget provides also sufficient room for VAT credit reimbursement. The proposed expenditure is CFAF 1918.2 billion (23.0 percent of GDP), against CFAF 1,786 billion (22.5 percent of GDP) in the initial program for 2016. Domestically financed expenditure amounts to CFAF 1639.1 billion (20.0 percent of GDP). The resulting overall fiscal deficit (payment order basis, including grants) is CFAF 358.2 billion (4.3 percent of GDP), whereas the basic fiscal deficit which is CFAF 169.3 billion (2.0 percent of GDP).

12. Following the results of the needs assessment for the North and the Paris conference, the supplementary budget for 2016 provides for CFAF 189.4 billion (US\$321 million or 2 percent of GDP) of total expenditure to support the implementation of the Accord for Peace and Reconciliation in Mali (APRM). Domestically financed spending is expected to increase by CFAF 102 billion, combined with a reduction of CFAF 49 billion in external financing. Of the additional spending, CFAF 92 billion from domestic resources are allocated to the implementation of the peace accord, including the decentralization reform and the funding of emergency measures; and CFAF 126 billion are allocated to investment projects in the transportation, energy, agriculture, and food security sectors.

⁴ The budget framing is identical to the framing used as the basis for the 2016 draft budget submitted to the National Assembly, with one exception: the expenditures financed by grants and project loans are included at 75 percent of the amounts provided in the draft budget in light of the historical execution rates for these expenditures.

13. As provided by the APRM, the government undertakes to transfer 30 percent of budget revenue to the subnational jurisdictions (*collectivités territoriales*) by 2018. The 2016 supplementary budget increases the decentralized expenditure to 16.7 percent, whereas the share of expenditure executed by the central government and benefiting the local jurisdictions (*dépenses déconcentrées*) is estimated at 23.1 percent. As part of the strategy to continue the implementation of the decentralization reform, the government intends to (i) increase the share of resources and responsibilities transferred to the local jurisdictions in 2017, (ii) strengthen the decentralization process through regionalization and deconcentration, (iii) implement the contract-plans State-Regions/District of Bamako (CPER), and (iv) improve the contribution of local taxation to the financing the local authorities.

B. Improve Public Financial Management

14. The government will continue to improve public financial management, in particular by remedying the weaknesses identified by the 2010 PEFA assessment and technical assistance missions from the IMF Fiscal Affairs Department. A new PEFA assessment covering 2013–15 is currently being prepared.

Increase revenue mobilization by broadening the tax base

15. The government is targeting an increase in tax revenue of $\frac{3}{4}$ percent of GDP in 2016 (performance criterion, Table 2), mainly by implementing reforms to expand the tax base. The government is expanding the reforms undertaken by the DGI, the DGD, and the National Directorate of Government Property and Lands (DNDC) and intends to transform the culture of the revenue collecting units, in particular through ethical standards and performance-based management. In cooperation with economic partners, the government also intends to undertake efforts to improve the revenue-collecting agencies' civic-mindedness in regard to taxes.

Strengthen tax administration

16. The government will continue to phase out exemptions. To support this process, it is implementing the following measures:

- Inclusion of tables as annexes to the draft budgets identifying each exemption provided by Mali's tax legislation (the General Tax Code, the Customs Code, the Petroleum Code, the Investment Code, the Mining Code, the law governing property development, and all other tax legislation) and the estimated loss of revenue for the government.⁵
- Analysis of the central database of tax and customs exemptions to identify the total amount of exemptions by type of tax and by legal and regulatory source, expiration date,

⁵ In 2014, tax expenditures representing exemptions totaled CFAF 203 billion (US\$351 million or 3.4 percent of GDP), of which CFAF 147 billion (2.4 percent of GDP) for taxes collected by the DGI and CFAF 59 billion (1 percent of GDP) for taxes collected by the DGD of which CFAF 37 billion in VAT (US\$63 million or 0.6 percent of GDP).

beneficiaries, and any other relevant information that was finalized in 2014.⁶ In February 2016, the DGI prepared a memorandum analyzing the exemptions compiled in the database by type of tax, legal or regulatory basis, economic sector, and expiration date; and the amount of the exemptions in 2015 for each of the above categories, identifying options to reduce the expenditures. The CAISFF, after having had the data checked by the DGI and the DGD, has published on the MEF's website a list of beneficiaries of tax exemptions (including those granted by the DGD) and the duration of the exemptions, replacing the name of the beneficiaries with a unique identifier. It will also publish the associated tax expenditures for 2016 by March 2017.

- To reduce tax and customs fraud, propose to TFPs the elimination of tax exemptions for projects they finance; in 2014, these exemptions represented CFAF 45 billion (US\$91 million, or 0.8 percent of GDP), of which CFAF 26 billion for the DGI and CFAF 19 billion for the DGD.
 - Continue efforts to control discretionary exemptions and gradually reduce to a minimum the exemptions provided under Mali's tax legislation, beginning with the 2016 budget. Discretionary exemptions have been provisionally estimated at CFAF 38 billion (0.4 percent of GDP) for 2015. The DGI is currently working on fine tuning this estimate, which could be revised upward. The government plans to reduce these exemptions by about one-half this year.
 - Contract the services of a private firm to audit the amounts and terms under which exemptions were granted from taxes collected by the DGI and the DGD in 2014 and 2015 by August 31, 2016 (structural benchmark, Table 3). The government will examine the recommendations from this audit and will decide on their implementation in consultation with the IMF.
17. To protect tax revenue from petroleum products,⁷ the government is implementing the following measures:
- calculation of retail petroleum product prices based on actual market values of imported products, as provided by Community's legislation; determination of the loss of revenue or potential revenue attributable to setting retail prices below the prices indicated by that calculation; and publication of this presentation of the price structure;
 - a pricing mechanism that ensures that changes in the cost of imported petroleum products are fully reflected in pump prices within a margin of 3 percent per month (proposed

⁶ Of the CFAF 147 billion (corresponding to 452 tax exemptions) identified by the DGI in 2014, VAT exemptions represented 86 percent; financial transactions tax (TAF) exemptions, 10 percent; and corporate income tax exemptions, 4 percent. The tax expenditures by legal basis were as follows: General Tax Code (CGI), 52 percent; mining codes, 20 percent; ministerial decisions, 18 percent; Investment Code, 7 percent; specific agreements, 2 percent; public contracts, grants, and externally financed NGOs, 1 percent.

⁷ Since 2005, tax revenue from petroleum products has declined from 3 percent of GDP in 2005 to less than 1 percent of GDP in 2012. In 2014, they increased to 1.5 percent of GDP. See [IMF Country Report No. 14/31. Mali – Automatic Fuel Pricing Mechanism; Technical Assistance Report; International Monetary Fund; Fiscal Affairs Department](#); Figure 6, p. 17.

structural benchmark, Table 3).⁸ In so doing, by December 31, 2016, the government will determine and fix the level of tax (TIPP) consistent with the appropriate domestic prices for petroleum products. This would ensure the protection of revenue from these products and the pass-through of changes in international prices to domestic fuel prices. Implementation of this mechanism could be re-assessed, in consultation with the IMF, in the event of successive, particularly steep increases in petroleum product costs;

- presentation in budget laws of the potential loss of revenue on petroleum products during the preceding year.

18. The government is in the process of simplifying tax laws to reduce to a minimum the administrative burden of tax returns for operators and tax collection for the DGI. The simplification involves taxes assessed on actual income (the ordinary tax applied to large taxpayers and the simplified version applied to medium-size taxpayers), the alternative minimum business tax (*impôt synthétique*) (AMBT) applied to small taxpayers, the tax on wages and salaries, employer contributions, real property taxes, the tax on securities, and the financial transactions tax. The government will conduct all relevant preliminary studies and consultations to continue implementing the simplification efforts. Simplification of the AMBT in the 2015 budget, including replacement of the schedule of rates with a single rate of 3 percent of turnover, serves as a model in this area. The 2016 budget provides for a reduction of VAT prepayments from 12 to 4 for taxpayers who pay the simplified tax on actual income.

19. With assistance from the IMF Topical Trust Fund on Managing Natural Resource Wealth, the government intends to increase receipts from mining and petroleum resources while improving the competitiveness of the business environment in Mali. The plan involves modernizing the mining and petroleum codes to bring them in line with current international standards. Following the enactment of a new Petroleum Code promulgated in July 2015, the government will introduce amendments to the 2012 Mining Code by June 30, 2016. The amendments include reducing the tax stability period from 30 to 15 years, in line with the average length of time deposits are exploited. To increase the government's share of income from mining operations, the government plans to retain specialized firms to audit mining contracts and identify any cases of tax avoidance and tax optimization.⁹ It is also strengthening the capacities of DGI and DNDC staff in auditing the companies' tax returns, dealing with transfer pricing, and handling dispute settlements. Finally, to increase transparency in the mining sector, in 2015 the government published all mining and petroleum contracts on the Ministry of Mines's website, and the feasibility studies pertaining to companies currently in the production phase.¹⁰

20. Having a sound system of incentives for tax and customs inspectors, Treasury staff, and staff of the Ministry of Government Domains and Land Affairs (*Domaines de L'État et des Affaires*

⁸ See [IMF Country Report No. 14/31](#), p. 23, ¶22.

⁹ A similar plan will be followed for telephone companies.

¹⁰ See <http://www.mines.gouv.ml/>

Foncières) is key to the modernization of tax administration and broadening the tax base to make revenue growth sustainable over time. The government is prepared to gradually reform the current system to support the achievement of these objectives. As a first step in this process, the government will take measures to further increase the current system's transparency. To this end, the expenditures linked to the sharing of penalties, fines, surcharges, confiscations, and premiums will be appropriately recorded in the fiscal accounts. The Government will ensure the publication (including in the *Journal Officiel*) of information related to the incentives containing the criteria and scale for their distribution, as well as other relevant information. The government will also take the necessary steps to ensure that income from penalties and premiums is no longer paid in cash. To proceed with an in-depth analysis of the current system within a regional perspective, the government has requested technical assistance from the IMF's Fiscal Affairs Department to conduct a specific study and make recommendations to reform the system. This study will also assess whether income from penalties and premiums should be brought into the tax base.

21. The DGI, the DGD, the DNDC, and the Directorate General of Government Property Administration (DGABE) will continue their efforts to improve tax, customs, and public property administration in order to expand the tax base and increase tax yields:

- *Implementation of multidisciplinary audits.*
 - The Joint Economic and Financial Intelligence and Investigation Committee (CMRIEF) were established in March 2012 to improve the effectiveness of tax audits and identify new taxpayers using, notably, all available databases of taxpayers and economic operators.
 - By comparing imports declared to the DGD and turnover reported to the DGI, the CMRIEF determined that over 80 percent of importers, or roughly 1,000 businesses, appear to have understated their turnover to the DGI in 2009–11 by an estimated total of CFAF 500 billion per year. In June 2015, the DGI issued tax adjustment notices to 139 taxpayers for a total of CFAF 273 billion (4.2 percent of GDP), of which CFAF 30 billion (0.5 percent of GDP) was recovered following the verification program. The DGI has updated the analysis for the years 2012–2014. A comparison of figures for imports declared to the DGD and revenues declared to the DGI suggests that about 59 percent of importers would have understated the revenues they declared to the DGI. Following these findings, the DGI issued tax adjustment notices for a total of CFAF 122 billion, of which 68 billion (0.9 percent of GDP) was recovered.
 - By comparing the public contract amounts in the DGMP database with turnover reported to the DGI, the CMRIEF determined that over 90 percent of government contractors, or roughly 450 businesses, reported turnover that appears to be lower than the value of the contracts awarded to them in 2010 and 2011. In 2015, the DGI issued tax adjustment notices to 101 taxpayers for total at CFAF 50 billion (0.6 percent of GDP). Of these taxpayers, 58 received confirmations for an amount of CFAF 10.2 billion, of which CFAF 7.1 billion was recovered following the verification program.
 - The DGI has added these importers to its audit program, beginning with the businesses with the largest amounts apparently underreported in absolute terms. It regularly

submits reports of the interim results of the audit program to the Council of Ministers. Since the second half of 2014, the DGI has included the recipients of government contracts in its audit program and provided an interim reports on this subject to the Council of Ministers in September 2015 and February 2016.

- *Improving DGI effectiveness*
 - *Change in the DGE and DME turnover thresholds to streamline taxpayer administration.* To improve management of taxpayers and expand the number of taxpayers managed by the DGE and the DME, the Council of Ministers adopted an order raising the DGE turnover threshold from CFAF 500 million to CFAF 1 billion, and another order reducing the DME turnover threshold from CFAF 100 million to CFAF 50 million as of January 1, 2016. This change seeks to improve the DGE's management and control of businesses, quickly increase the number of taxpayers managed by the DME, and improve management of the VAT by assigning all responsibility for this tax to the DGE and the DME effective December 31, 2016, given that the annual turnover threshold for payment of VAT is CFAF 50 million.
 - *Promoting tax compliance.* The DGI continues to publish on the MEF website regular updates of the lists of taxpayers managed by the DGE and DME,¹¹ so that the public can appreciate the results of efforts to expand the tax base. As of March 2014, the DGE handled 474 taxpayers, the DME handled 1,411 taxpayers, and the tax centers (CDIs) for the six communes of Bamako handled 49,665 taxpayers. As of December 2015, the figures increased, respectively, to 552 for the DGE, 1,847 for the DME, and 61,282 for the Bamako CDI.
 - *Increase in the number of taxpayers managed by the DME.* Using mainly the results of audits arranged following the CMRIEF reports, the DGI increased the number of taxpayers managed by the DME to over 2,250 by end-2015. The aim is to increase the share of DME revenue to DGI revenue from 5.2 percent in 2014 to 10 percent as quickly as possible. To achieve this objective, the DGI is working on an institutional reform to convert the DME into one or more medium-size taxpayer centers (CME), which will come under the supervision of the Bamako District Directorate of Taxes beginning [month], 2016.
 - *Introducing the capability to pay taxes to the DGE and DME via bank transfer.* To simplify and ensure the security of tax payments, the DGI is taking steps to gradually allow DGE and DME taxpayers to pay their taxes by bank transfer. As of end-2015, about 80 such taxpayers paid their taxes by bank transfer. By August 31, 2016, the DGI undertakes to conduct communication and other awareness-raising activities to increase the share of taxpayers managed by the DGE who pay taxes through bank transfers. The DGI will also work with BCEAO and banks to ensure the safety and traceability of

¹¹ http://www.dgi.gouv.ml/contenu_documentation.aspx?type=4.

operations which will contribute to increasing the number of companies which pay by bank transfer.

- *Enhancing the accountability of tax collectors.* The government undertakes to enact measures to convert tax collectors, who are de facto government accountants, into full-fledged government accounting officers, so that they fully assume their tax collection responsibilities.
- *More-effective tax audits.* The DGI increased the proportion of large businesses audited annually from 19 percent in 2014 to 23 percent in 2015, and it aims to raise this proportion to 30 percent in 2016. It also increased the ratio of medium-size businesses audited annually from 14 percent in 2014 to 18 percent in 2015, and it is targeting a ratio of 25 percent for 2016. It is worth noting that the increases in the proportion of large and medium-size business audited annually has taken place in the context of a raising tax base—the number for the former rose from 474 in 2014 to 552 in 2015, and that for the latter from 1,411 to 1,847. The DGI reduced the non-filer rate among medium-size businesses from 25 percent in 2014 to less than 19 percent in 2015, and it is targeting a further reduction to less than 10 percent in 2016. The DGI reduced the non-filer rate among taxpayers managed by CDIs from 35 percent in 2014 to 28 percent in 2015, and has set itself the objective of reducing this rate to less than 15 percent in 2016.
- To increase the revenue from taxes on income from real estate the DGI undertakes to (i) improve the identification of leased buildings and (ii) implement measures with regard to communication and the raising of awareness about the obligation to declare rent on property and to pay applicable taxes. The Government undertakes to raise awareness among Diplomatic Organizations, Cooperation Agencies, and international NGOs, etc., about the need to communicate to the DGI information about the rent paid on buildings they and their staff occupy.
- *Identification of all taxpayers, including businesses and individuals, through the use of a national identification number (NINA)* to facilitate business creation and modernize tax administration. The government undertakes to conduct a feasibility study for the migration, taking into account the expertise gained since the taxpayer identification number (NIF) was introduced in 1996, by September 2016.
- *Implementation of measures to improve tax dispute practices* in line with the recommendations of World Bank technical assistance missions. Once the DGI has provided feedback on the missions' report and it has been finalized, the government will put in place key recommendations from the report, in consultation with the World Bank and the IMF. The recommendations contained in a preliminary report—which may be modified in the final report—include the establishment of a joint mediation committee (composed of representatives from the private sector and tax administration) chaired by an independent individual; the appointment of a tax mediator charged with receiving and reviewing taxpayer complaints against staff of the revenue-collecting agencies; and the establishment of taxpayer rights to bring disputes before the BVG or the Anti-Corruption and Unlawful Enrichment Commission when it becomes operational.

- *Improving DGD effectiveness:*
 - The DGD is implementing an action plan to put in place the recommendations of the June 2013 technical assistance mission by the IMF Fiscal Affairs Department.¹² Progress with the implementation of this plan has been made, with working still ongoing. The action plan aims to: (i) optimize human resource management; (ii) improve management of material and financial resources; (iii) control commercial operations; (iv) step up efforts to combat fraud and cross-border crime; (v) facilitate trade and partnership; and (vi) optimize information and communication technologies through migration to the ASYCUDA World system, which has taken place in Mali's main customs offices. The purpose of this migration is to allow all customs documents to be processed in paperless form and to institute a fully electronic customs declaration system.
 - To increase customs duty collection, the DGD is supposed to impose a 30 percent fine on imports not inspected prior to loading, in accordance with applicable laws. The DGD has asked the inspection company to provide monthly reconciliation reports comparing duties paid and receivable by declaration, and will analyze them for the purpose of increasing collections by August 31, 2016 (proposed benchmark, Table 3).
 - *Introducing the capability to pay customs duties to the DGD via bank transfer.* To simplify and ensure the security of customs duty payments, the DGD and DNTCP are taking steps, by raising awareness among operators and consulting with banks, to increase by a significant amount the share of operators paying their customs obligations by bank transfer by August 31, 2016.
 - To help maintain the competitiveness of Malian businesses, the DGD has begun to verify WAEMU and Economic Community of West African States (ECOWAS) certificates of origin in cooperation with the issuing authorities and prepared an interim report in May 2016 on the results of verification. Whenever WAEMU and ECOWAS certificates of origin are found to be inapplicable, the DGD is imposing sanctions and collecting the duties according to the tariff preference, depositing the remainder in accordance with applicable rules.
 - The DGD is creating a single window under ASYCUDA World, a comprehensive platform bringing together all stakeholders of the customs clearance chain. The single window will simplify procedures through a single submission by operators of several formalities required for imports, exports, or transit through a single, transparent procedure. This window provides a rich range of features taking into account the intervention of all stakeholders (Customs, DNCC, DNTCP, DGI, Forwarding Agents, Banking, and Insurance). It also should be noted that the realization of the interconnection between the DGD, DGI, DNTCP, and CAISFF and interconnection which is underway with the DNCC will facilitate trade and speed up operations. The completion of this task can be envisaged by December 31, 2017.

¹² See [IMF Country Report No. 13/355. Mali](#).

- The automatic selectivity project ongoing since 2005 with the assistance of the IMF through AFRITAC West will conclude with the ASYCUDA World project in its second phase concerning the development of specific applications. The application relating to the electronic management of customs disputes has already been validated by the DGD and will serve as the basis for determining the automatic selectivity criteria. This project is planned to be operational by December 31, 2016.
- *Modernizing the DNDC.* The DNDC will continue to implement the recommendations of the organizational audit sponsored by the Institutional Development Commission (*Commissariat au développement institutionnel*) on modernizing its organization and automating processes. The DNDC is taking steps to increase the collection of capital gains tax on real estate sales by individuals, which was first assessed in October 2011. The measures include rationalizing recording fees and other fees and commissions on real estate transactions. It will continue efforts to establish the land registry and will create a secure archiving system. It migrated close to 5,000 property titles already digitized in the cadastral information system database by end-2015. It undertakes to migrate an additional 50,000 titles in 2016.
- *Modernizing the DGABE.* The MEF will modernize the DGABE through the introduction of modern management tools such as results-based management (RBM), greater use of IT (use of inventory accounting software in the accounting offices of ministries and public institutions), and implementation of reforms for better monitoring and appraisal of the government portfolio.

VAT refunds

22. Priority will be given to implementing the reforms begun in 2011 to sustainably improve the operation and efficiency of VAT, which generates roughly 40 percent of tax revenue. The following measures are being implemented to this end:

- To ensure that VAT credits are timely refunded, a special allocation account was created to be used exclusively for refunding VAT credits. The account will continue to be funded by the full amount of VAT revenue paid by mining companies and their subcontractors on imports, and 10 percent of domestic VAT revenue, or more if needed. To this effect, the Ministry of Economy and Finance (MEF) issued a directive indicating that if the balance of the account is insufficient to cover the refund of VAT credits, the contribution of VAT revenue collected by the DGI can be increased by the amount required. This mechanism will ensure that VAT credits are effectively and regularly refunded, in accordance with Community legislation, to exporting gold companies and to all other companies that generate VAT credits, with the exception of resellers at this time.
- The Section of Accounts of the Supreme Court will conduct an audit of VAT refunds by August 31, 2016. The audit will determine the consistency of the amounts refunded and the refund process with applicable laws.
- To avoid the accumulation of VAT credits by domestic operators, VAT withholding at source will be completely abolished, including for the Treasury, by January 1, 2017. VAT withholding at source was eliminated for large businesses on December 31, 2011. To ensure that the

elimination of VAT withholding does not result in loss of tax revenue, the DGI: (i) will conduct a communication campaign directed to suppliers of large businesses on VAT reporting and payment obligations, and a similar campaign for all government suppliers by August 31, 2016; (ii) will conduct heightened monitoring of VAT payments by suppliers to large businesses immediately, and by suppliers to the government once VAT withholding is eliminated for those suppliers; and (iii) will systematize production of the annex on deductible VAT included in the VAT returns of taxpayers managed by the DGE and make better use of the information contained in the annex. The government is also working on putting in place a proper interface between the Treasury's and the DGI's information systems to help protect VAT revenue collections.¹³

- To increase the number of businesses that effectively pay VAT,¹⁴ the DGI has been expanding the campaign of selective audits of VAT credits, beginning with businesses whose activity should not systematically generate VAT credits (particularly commercial activities and service providers). It produced reports on results of the audits in 2015 and in February 2016. The DGI has also continued training staff assigned to research, targeted VAT audits, and audits of VAT credits.

Improve expenditure management

23. The government will take steps to improve the regulatory framework for public financial management and the preparation, execution, monitoring, and control of budget execution.

Transpose the harmonized legislative framework prescribed by WAEMU directives

24. The government transposed WAEMU directives 01/2009 and 06/2009 through 10/2009 concerning the transparency code, budgets, public accounting, budget nomenclature, the government chart of accounts, and the TOFE into national laws and regulations. The government is in the process of transposing Directive 01/2011 concerning the subnational jurisdictions' financial regimes, and will ensure that the regulatory texts are published by end-June 2016. They will be accompanied by directives and guides—being finalized with assistance from AFRITAC—to ensure they are readily and uniformly understandable so that they can be fully implemented as they become available by end-June 2016.

Improve government budget preparation

25. To improve the budget presentation and facilitate evaluation of the efficiency of public expenditure, the government will gradually implement program budgets and results-based

¹³ To establish such an interface, the government is counting on the services of a Canadian firm, which is expected to come to Bamako once the state of emergency is lifted.

¹⁴ In 2014, 51 percent of large businesses and 51 percent of medium-size businesses required to pay VAT effectively paid the tax, compared to 27 percent and 20 percent, respectively, between January 2012 and May 2013, given the large number of businesses that systematically claim VAT refunds. See [IMF Country Report No. 13/355. Mali: Technical Assistance Report: Continued Modernization of the Malian Tax System and Administration](#), ¶ 49.

management in accordance with the relevant WAEMU directive. A first step to test the budget management tools will be the presentation of the 2017 budget law to the National Assembly for information in the form of program budgets. During a transition period, the government will submit not only the annexes prescribed by the directive, but also, for information, the distribution of appropriations under the current resource-based budget and the distribution of appropriations by region.

26. To gain visibility of budget support from the TFPs as early as possible, the government has begun the practice of asking the TFPs to provide information early in the process (in April) on the budget support planned for the following year.

27. In order to involve the National Assembly as early as possible in the budget preparation process, the government will organize budget strategy discussions with the National Assembly during the first half of the year on the following year's draft budget. Discussions for the 2017 budget will be held before June 30, 2016. The information prepared for the discussions, and all other budget preparation and execution reports, will be published on the MEF website in order to fully inform all stakeholders in Mali's development.

Improve government budget execution

28. To ensure compliance with budget rules and with good practices for governance and transparency in public financial management, in March 2016 the Council of Ministers adopted a decree to enable the MEF to appoint directors of finance and equipment and directors of administration and financial directors in the ministerial departments as a first step toward meeting the related structural benchmark (Table 3). The government plans to fully meet this benchmark by end-June 2016. The Ministry of Finance has reminded operators through the media that only contracts that have been approved in advance by the financial controller are binding on the government.

29. Pursuant to Community directives, the following closing dates have been established for 2015 budget execution: November 30, 2015 for commitments of operating expenditures, investment expenditures, and expenditures under petty cash procedures; December 20 for commitments of other expenditures; December 31 for payment orders; and January 31, 2016 for government accountants' acceptance of payment orders, approval, and ex post validation. Under this arrangement, the carryover period will be limited to accounting operations. A memorandum from the MEF has set deadlines for commitments and payment orders in fiscal year 2015 and was published on September 8, 2015. For fiscal year 2016, the letter setting dates for commitments and payment orders will be circulated at the latest on September 30, 2016.

30. *To increase transparency and expedite the award of public contracts*, the DGMP-DSP has taken steps to increase the amount of information on contract awards published on its website,¹⁵ in

¹⁵ See www.dgmp.gov.ml.

line with practices observed in neighboring countries. The DGMP-DSP is now publishing a list of government contract awards at regular intervals, specifying for each contract the contractor, the contract amount, the type of procurement procedure (e.g., open or restricted competition or direct negotiation), and a citation to the provision of the public procurement code supporting the procurement procedure used.¹⁶ To reduce the average time required to award contracts,¹⁷ the government adopted a series of measures in April 2015.¹⁸

31. To further improve the business environment, the government approved a new public contracts code in August 2015. To limit the risk of incorrect interpretation of the provision in this new code concerning unsolicited bids, the government has improved, in collaboration with the World Bank, the implementing regulations of the new code concerning the possibility for suppliers to make unsolicited bids. The scope of unsolicited bids has thus been limited in the implementing regulation signed on October 22, 2015. The government will modify this provision of the code in a durable manner, in consultation with the World Bank. Thus, a revised code will be approved by the Council of Ministers by end-August 2016.

32. To minimize the price of all government supplies, the government has executed all exempt contracts designated as "defense secret" or "essential government interests" pursuant to Decree 2014-764 of October 9, 2014—identical to the version of the same decree adopted by the Council of Ministers on September 19, 2014—(establishing the rules and procedures for procurements of supplies and services exempt from the provisions of Decree 08-85/P-RM of August 11, 2008 concerning the award, performance, and payment of public contracts and delegations of public service) since the adoption of the decree. As provided by the decree, the public sector oversight agency (*Contrôle Général des Services Publics*, CGSP) will audit all exempt contracts designated as "defense secret" or "essential government interests" from the previous year by June 30 of the following year to verify that they have been implemented in accordance with the decree. The CGSP report on exempt contracts between October 9 and December 31, 2014 indicated that exempt contracts in the amount of CFAF 1.5 billion (US\$2.6 million) were awarded and that irregularities were found in the award and performance of those contracts. The government undertakes to execute all exempt contracts in accordance with Decree 2014–764. The MEF will send a letter to the ministers concerned to remind them of the need to comply with the decree. The CGSP prepared an audit of exempt contracts from 2015 by February 29, 2016, i.e. before the June 30 deadline provided by the decree (benchmark, Table 3). According to the new audit, in 2015 exempt contracts amounted to CFAF 257 billion (US\$ X million).

¹⁶ In 2015 the government awarded 1,529 public contracts for a value of CFAF 480 billion [X] million (US\${X} billion or [X] percent of GDP), of which 91.5 percent were awarded pursuant to competitive bidding (88 percent percent in terms of value), 2 percent through limited competition (8 percent of value), and 6.5 percent through direct negotiation (8 percent of total value).

¹⁷ The average time required to award contracts was reduced from 94 days in 2013 to 90 days in 2014 and 87 days in 2015.

¹⁸ See [IMF Country Report No. 15/339](#), p. 61.

33. To maximize returns on public investment and minimize the associated costs, the Directorate General of Budget (DGB), the National Directorate of Development Planning (DNPDP), and the General Directorate of Public Debt (DGDP) have started to take steps to:¹⁹

- accelerate the sector ministries' implementation of investment projects for which the execution rate was 20 percent during the first half of 2015 by increasing project supervision missions to address the risks and constraints that slow execution down. In 2016, the DNPDP is conducting supervision missions with the DGDP for at least 100 projects in 2016, compared to 29 projects in 2015;
- evaluate the cost of projects proposed by sector ministries with the help of a market price list posted on the MEF website in March 2015²⁰;
- provide access to information on project financial execution: the DNPDP and the DGDP will publish quarterly information on the financial execution status of externally financed projects;
- improve the quality of project preparation through the use of the project studies and preparation fund and by conducting a study in 2016 to define all strategic infrastructure projects critical to the Malian economy. The government has contracted the services of consulting firms to conduct this study. It will also seek assistance from the World Bank.
- continue redirecting appropriations to favor the completion of key projects, giving priority to projects with certain, programmed financing that can begin quickly; and
- strengthen the sector ministries' expertise and the DNPDP's capacities for critical review in selecting investment projects.

34. To gradually improve budgeting procedures and the monitoring and execution of investment appropriations, the following measures will be adopted:

- The 2013 budget introduced the budgeting of commitment authorizations (AEs) and payment appropriations (CPs) relating to three-year public investment expenditures. On that basis, the MEF is arranging to monitor the utilization of AEs and CPs through the PRED5 expenditure management application.
- Starting with implementation of the 2016 budget, the procedure for carrying over CPs were expected to take effect under a mechanism providing for full implementation of the carryover procedures established by WAEMU directives, which allow only guaranteed CPs included in the cash flow plan to be carried over. However, capacity constraints have not allowed the government to put this in place. The government has requested technical assistance from FAD to be able to implement it at the earliest possible stage.

¹⁹ In 2015 the monitoring and evaluation phase of the public investment management application has been finalized. The management application was implemented in 2015 in the programming on internal financing phase.

²⁰ http://www.finances.gouv.ml/contenu_documentation.aspx.

35. Payment deadlines are being more strictly monitored to prevent the accumulation of arrears. Public financial management applications (PRED5 and AICE) will be used to monitor payment order execution times and ensure that payments are made within 90 days of certification, in accordance with applicable WAEMU directives. Monthly tables are now being posted on the MEF website for this purpose.²¹

36. The government will continue to implement the recommendations of BVG audit reports and those of the Supreme Court audit section on the purchase of an aircraft and a contract for equipment and supplies awarded by the Ministry of Defense and Former Combatants in 2014.²² In line with those recommendations, the government has registered the aircraft and recorded it as an asset in its material accounting system. The government has also taken steps to review the aircraft's exploitation mode, including through the creation of a small team which will progressively gain autonomy to take full charge of the plane's management. The government also commits to using national budget rules applicable to all government property in accounting for the operation of the aircraft. Accordingly, all income or expenses related to the potential commercial exploitation of the aircraft will be reflected in the budget.

Improve fiscal transparency

37. To improve transparency in regard to the government's fiscal, liquidity, and asset position, the DNTCP will gradually implement the new WAEMU directive on the TOFE and other financial statements. To ensure an orderly transition to the new TOFE, the DNTCP will produce the TOFE during 2015-2017 using the 1998 and 2009 nomenclatures. In 2016, program monitoring will continue to be based on the 1998 TOFE. Beginning in 2018, the DNTCP will produce the TOFE using only the 2009 nomenclature to monitor budget execution, and any new program with the IMF will be based on the 2009 TOFE. A monitoring committee charged with following up progress with migration to the new TOFE has been created. In 2016, the DNTCP will first focus its attention on producing three of the four financial statements provided by the 2009 directive: (i) the TOFE; (ii) the statement of public debt; and (iii) the report on cash flow operations. The fourth financial statement, i.e. the government balance sheet, was produced for the first time in 2015, based on the position as at end-2014.

38. Implementation of the new Treasury integrated accounting application, AICE, will continue. The application was installed in the Koulikoro regional treasury office in January 2013 and will be implemented at the Treasury Central Accounting Agency (ACCT) as regional government accounting office by January 1, 2016. Installation and testing of the various functions at the Kayes, Ségou, Sikasso, Mopti, Tombouctou, Gao, and Kidal regions, and of the component consolidating national budget execution and real-time accounting with accounting offices at the ACCT, will be completed by end-2016. The AICE implementation at the ACCT will allow consolidated statistical reports to be

²¹ www.finances.gouv.ml.

²² See [IMF Country Report No. 14/337](#), pp. 38–41, ¶¶ 11–15.

produced for all government entities connected to the system, including the integrated Treasury balance and TOFE, by January 1, 2017.

Improve cash flow management

39. The DNTCP has prepared a monthly cash flow plan at the beginning of the year and updates it each month to ensure that expenditures and payments are executed on a timely basis throughout the year. The plan is being updated each month to reflect revenue collected, expenditures executed, and external financing disbursed. The government has asked the IMF's Fiscal Affairs Department to provide training to strengthen MEF and line ministries' staff capacity, notably for elaborating expenditure commitment plans.

40. The DNTCP continues with efforts to develop a more accurate understanding of the components of the net government position (NGP) vis-à-vis the banking system.²³ It regularly publishes reports on the MEF website analyzing activity in PNG components, breaking out activity in the most important components of the net Treasury position (NTP) and the net position of other government entities (PNACP).²⁴ These reports present the opening and closing stocks and identify all owners of the accounts included in the PNACP. The DNTCP will update the tables every six months. The report for end-December 2015 was completed in February 2016. The BCEAO will continue to provide the DNTCP with the NTP extracted from the monetary survey for the purpose of compiling the TOFE, in accordance with applicable WAEMU directives.

41. *The DNTCP will continue the implementation of the Treasury single account (TSA) at the BCEAO.* The first step, completed December 31, 2014, was the transfer to the TSA of the accounts of government accounting officers within the scope of the PNT, except officers assigned to regions where the BCEAO does not maintain a presence. All term accounts within the scope of the NTP were transferred to the TSA as they matured. However, if the DNTCP has a cash surplus, it will invest it in term deposits with commercial banks so long as the interest rates on those deposits exceed the BCEAO lending rate, as occurred during the first half of 2015 when the cash surplus was placed in a three-month term deposit paying 4 percent after taxes. The government will enact legislation to clarify existing provisions governing the deposit of EPA funds in the TSA by June 2016. In the interim, the government will deposit the national counterpart funds to new co-financed projects in an escrow subaccount at the BCEAO for projects whose donors agree to the principle. In the next step, to be completed by December 2016, all funds of administrative public entities (EPA) will be incorporated in the TSA (proposed structural benchmark, Table 3).²⁵ The obligation to deposit EPA funds with the Treasury will be clearly reestablished and upheld in accordance with the principle of a

²³ At end-2015, the net government position (NGP) vis-à-vis the banks was a creditor position of CFAF 55 billion (0.7 percent of GDP) for the government as broadly defined in the WAEMU directive in the Table of Financial Operations. That figure includes a net Treasury liability position of CFAF 193 billion (2.5 percent of GDP) and a net creditor position of CFAF 249 billion (3.2 percent of GDP) for other government entities.

²⁴ <http://www.tresor.gouv.ml/documentation/position-nette-du-tresor-et-autres-comptes-publics.pdf>.

²⁵ At end-2015, the funds of EPAs and special accounts represented CFAF 224.8 billion.

single Treasury account and consolidation of cash holdings cited by the 2009 WAEMU directive on the subject. The exceptions will be public hospitals; the two pension fund administrators (CMSS and the National Social Insurance Administration (INPS)) and the national health insurance fund (CANAM), which are jointly held entities over which the government does not exercise direct control; and EPAs that do not receive government subsidies.

42. *The DNTCP is in the process of reinforcing the supervision of EPAs.*²⁶ EPAs have started forwarding their budget to the minister of finance for approval at the beginning of each fiscal year, and will submit semiannual budget execution reports to the DNTCP starting in 2016. The MEF has advised EPAs that it will not approve their budgets until they have forwarded their financial statements for the first half of the previous year to the DNTCP. As a consequence of the adoption by the Government by end-June 2016 of a Law on EPAs (see paragraph 41), EPAs will be required to publish financial statements certified by a certified accountant including semiannual interim results starting with the accounts for fiscal year 2016.

Strengthen internal and external controls

43. *The internal and external control agencies will be strengthened.* The internal and external control agencies identified numerous administrative weaknesses in the management of Mali's public finances. To correct these weaknesses, the government adopted a national internal control strategy in August 2011, covering the period 2012–15, to be implemented with the support of several TFPs.

- In the area of internal control, the CGSP prepared a risk map for the ministries of health, agriculture and rural development, national education, and equipment and transport.
- The National Financial Oversight Directorate (DNCF) is carrying out new missions arising from the implementation of WAEMU directives²⁷, i.e., ex ante control of expenditure, ex post evaluation of program performance, and continued decentralization of activities. In addition, the DNCF will produce regular reports on the verification of services received.
- In the area of external control, the BVG programmed 29 inspections in 2015 and 36 in 2016, compared to 27 in 2014 and 20 in 2013. It audited all expenditures of the Ministry of Defense and Former Combatants from 2010 to end-2014.
- The staff of the Supreme Court audit section has been increased. This section is in the process of being converted to a Court of Audit in accordance with the relevant WAEMU. To this effect, a constitutional reform will be adopted by referendum.

44. The government's annual financial statements will be produced and audited on a regular basis, as provided by applicable Community directives. The government adopted the budget review law for fiscal year 2014 before end-2015, as provided by the relevant community directives.

²⁶ As of March 2016, of the 103 EPAs, 16 have an accounting framework approved by the MEF compared with 11 in June 2015; 79 forwarded monthly financial statements to the DNTCP compared to 73 in June 2015.

²⁷ Directive N°06/2009/CM/UEMOA and Directive N°06/2009/CM/UEMOA.

Bring the Malian Social Security Fund and the National Social Insurance Administration into financial balance

45. The government intends to take action to ensure the financial soundness of the Malian Social Security Fund (CMSS), the public sector pension administrator, and the National Social Insurance Administration (INPS), which administers pensions, employee accident insurance, and family allowances for private-sector employees. According to the most recent available actuarial studies (2005 and 2010 for the CMSS, 2006 for the INPS), the deficits of both systems could each represent at least 1 percent of GDP in the near future. The government has commissioned new actuarial studies for both regimes (a draft report has already been prepared for CMSS), the results of which should be available by August 31, 2016.

Conduct a sustainable borrowing policy

46. The government will continue to conduct a borrowing policy consistent with the objective of debt sustainability.

- The government reiterates its commitment to cover its external financing needs primarily through grants and loans in foreign currency for which the grant element is at least 35 percent. The government proposes a cumulative ceiling of CFAF 250 billion (US\$426 million, or 3.6 percent of GDP) for the contracting of non-concessional loans in 2016 (continuous proposed performance criterion, Table 2). This corresponds to four loans totaling CFAF 200 billion from Exim Bank of China (for which the grant element is 29 percent) that will finance investments in transportation and electricity distribution that the World Bank considers aligned with the sector development policy, and loans totaling CFAF 50 billion for projects with high rates of return, to be identified, and for which financing is not available under concessional terms. IMF staff will be consulted prior to the signature of these loans.
- In line with the new public borrowing policy and IMF-supported programs, which took effect June 30, 2015, the Directorate General of Public Debt (DGPD) has prepared a detailed chart of loan agreements that will support execution of the revised 2016 budget. The chart identifies the amount disbursed and the financial terms of each loan agreement and will be annexed to the supplementary 2016 budget (Table 4). In addition to the ceiling of CFAF 250 billion for 2016 referred to in the previous bullet point, the borrowing plan includes, for reference, a ceiling of CFAF 326 billion on concessional borrowing for the same year (the government contracted CFAF 231 billion in 2015 and it is keeping the cumulative ceiling of CFAF 557 billion for 2015-16). These ceilings would be revisited at the time of the next ECF review if necessary and provided that they remain compatible with the debt sustainability analysis. To improve debt management, the DGPD has prepared a report on the implementation of recommendations from the West AFRITAC October 2014 technical assistance mission to improve the quality of the public debt database, including an action plan with a detailed timetable for implementation of all the recommendations (structural benchmark, Table 3). Before the implementation of a new debt-management tool, the following results have been achieved:

- The committee in charge of updating the database which was put in place is operational and has found and corrected mistakes and inconsistencies in the data recorded.
 - The reliability and quality of data entered in the database have improved.
 - The level of disbursements has considerably improved and as a result that of amounts outstanding. By way of illustration, the debts outstanding have gone from 1,484.6 billion CFAF in 2014 to 1,754.4 billion CFAF in 2015 on a more realistic basis.
 - The reconciliation mission at the Islamic Development Bank (IDB) has enabled the Malian party to obtain the access code to the IDB's data information site through its extranet, which now allows the DGDP to access all the information regarding the active portfolio of projects in Mali financed by the IDB in real time.
 - The quality of file treatment has improved following the recruitment of three (03) data input and analysis senior executives.
 - The capacity for analysis of members of the CNDP Commission who took part in the study and exchange trip to Benin has been strengthened.
 - Use of the tool by executives having taking part in the CS-DRMS training sessions has been popularized
 - To closely monitor its borrowing policy, the government launched the National Public Debt Committee in March 2014. The committee's principal functions are to provide an opinion on any initiative or plan for government borrowing or the provision of a government guarantee and to produce an annual borrowing strategy document to be annexed to the budget law.
47. Domestic debt management is being strengthened.
- To this end, the DGDP will complete by end-June 2016 an inventory of all government domestic loan agreements and all government commitments to guarantee domestic debt to ensure that the repayment schedules are included in the public debt data and budget laws.
 - Starting with the 2017 budget, the government will include an annual ceiling on increases in the total amount of guarantees it is permitted to provide in the draft budgets submitted for approval by the National Assembly. In accordance with applicable laws and budget procedures, the 2016 provides for a provision of 10 percent of risk falling due, i.e., the amount of guaranteed debt maturing in 2016.
 - The government is in the process of clearing domestic arrears validated by an audit. Of the CFAF 166 billion (2.6 percent of GDP) made up of an amount of 94 billion validated by the consultant and 72 billion not validated, the government paid CFAF 82 billion in 2013–14. An additional CFAF 28 billion were paid in 2015 and CFAF 25 billion will be paid in 2016. The validated arrears included a CFAF 30 billion court judgment against the government, for which an appeal decision is awaited. If it turns out that the government must pay these arrears, the MEF will present, by August 2016, a plan to clear these arrears. The government

will ensure that the taxpayers concerned do not owe back taxes, and if so the government will withhold the amount of the tax arrears from the payments to its suppliers. The government has requested a supplementary audit by the firm, to be provided by August 2016 to provide creditors of invalidated debts totaling CFAF 40 billion the opportunity to supplement their dossiers. If necessary, repayment of these arrears will be included in above arrears clearance plan.

C. Improve the Business Environment to Encourage Private Sector Development

48. *The government is working on easing the principal constraints on the business environment, which were identified in the latest Africa Competitiveness Report—produced jointly by the World Economic Forum, the World Bank, and the African Development Bank. These constraints include access to financing, corruption, insufficient infrastructure (including in the energy sector), complex tax laws, government bureaucracy, and inadequate work force qualifications.*

49. The government is implementing measures to mobilize resources for infrastructure investment and simplify tax legislation (¶18). In addition, it will take additional measures (see ¶¶ 50–52) to maintain the stability of the financial sector improve access to financing provided by the sector, strengthen the financial position and productive capacity of the electricity sector, and reduce corruption.

Promote the stability and development of the financial sector

50. Recognizing that a strong financial sector is critical to continued, sustainable growth in Mali, the government is determined to resolve the most pressing problems for the sector. In particular, the government undertakes to:

- Provide security for bank branches that have reopened in Northern Mali since August 2013.
- Strengthen the bank created through the merger of the Malian Housing Bank (BHM) and the Malian Solidarity Bank (BMS), completed in March 2016. The next step involves cleaning up and strengthening the balance sheet of the new bank, which would help minimize risks to the public finances and make the bank sufficiently attractive to private investors. In a second stage, the government will take the necessary steps to seek participation from the private sector in the new bank, with the aim of eventually disengaging the state from it;
- Contribute, in support of the actions of the BCEAO, to strengthening the credibility of the created reporting bureau (established in May 2015) through communication campaigns in order to increase the rate of collection of consent from clients of financial institutions;
- Restore confidence in the micro-finance sector by implementing an action plan in 2016 to reform the sector. In order to clean up the microfinance sector, the government undertakes to implement the following measures agreed with the World Bank: in 2016, (i) the audit of decentralized financial systems (SFDs) which are in difficulty, (ii) adopting a favorable compensation rule for small depositors of the SFDs to be liquidated and (iii) the signature of the withdrawal of approval notices for SFDs which have already been audited and must be

liquidated; in 2017, (i) the liquidation of at least two SFDs which have been subject to a withdrawal of authorization, (ii) the implementation of the recommendations from the audit of SFDs, and (iii) the execution of SFD inspection mission program.

Reform the electricity sector

51. The finances of the state-owned electricity company (EDM) remain weak, reflecting mainly poor management practices and below-cost electricity tariffs. The government will take steps in 2016 to strengthen the financial position of EDM.

- In 2015 EDM recorded a deficit before subsidies of CFAF 61 billion (0.8 percent of GDP), significantly larger than projected. The loss reflects higher costs of fuels purchases from Ivory Coast as well as higher than expected wage costs as EDM hired new staff in 2015. The government absorbed part of the loss through a budget transfer of CFAF 30 billion. EDM did not receive a CFAF 12 billion grant from ECOWAS intended to help cover its 2015 losses.
- Against this background, EDM's debt to commercial banks amounted to 42 billion at end-2015 (compared to CFAF 33 billion envisaged in the program), and arrears to suppliers increased to 18 billion. EDM has designed a plan to clear these arrears by end-2016, which involves the conversion of short-term obligations with banks into medium-term debt and the settlement of cross debts with other public sector entities, including the central government. The plan also envisages the disbursement of the ECOWAS grant (CFAF 12 billion) that did not take place last year, which will help pay arrears to suppliers.
- In 2016, EDM is currently expected to reduce its deficit before subsidies to CFAF 47 billion. The government will monitor closely the financial situation of EDM and ensure that the company produces quarterly financial statements in a timely manner. The government will also ensure that adequate measures are put in place to reduce EDM's deficit (see next bullet) so that the company can cover its financing needs and meets all its financial obligations. The revised 2016 budget provides for a transfer of CFAF 25 billion, which will be adjusted upward if necessary to absorb EDM losses and enable it to achieve its production objectives without accumulating new arrears and limits EDM's bank debt to CFAF 40 billion at end-2016. The projections incorporate the government's commitment to pay invoices in advance at the beginning of each quarter.
- EDM will take the steps needed to increase its billing rates and reduce operating costs, in particular by outsourcing the fuel supply function. The government commits to take the necessary measures to ensure that EDM reduces the deficit further and does not accumulate new arrears, including improving the company's information systems, better monitoring of key customers to protect revenue collection, improving EDM's operational and commercial performance, and if necessary adjusting electricity tariffs to narrow the gap between tariffs and costs. These measures, combined with transfers from the government, would allow EDM to cover its financing needs and fully meets its obligations. EDM will publish its financial statements (balance sheet and income statement) and performance indicators on its website and in an annex to the annual draft budget.

Promote good governance

52. The government will continue to pursue efforts to improve governance.
- To this end, the government is carrying out the measures described above to improve the management and transparency of the public finances, and will forward to the Supreme Court senior government officials' financial disclosures—pursuant to the unlawful enrichment law—by August 31, 2016 (proposed structural benchmark, Table 3).
 - The government is also making efforts to promote good governance in the judicial system by publishing the decisions of commercial courts and the decisions of other courts concerning governance-related offenses.²⁸
 - The government will give priority to remedying failures of the administration identified by oversight agencies, including the BVG, in their annual and sector reports. It will take the steps required to sanction responsible staff members through the use of administrative or legal measures, as applicable. The CGSP published a first annual report on the implementation of oversight agencies' recommendations from 2011 to 2013.²⁹ It published a second annual report in February 2016 highlighting the results of actions taken to remedy failures identified by oversight agencies in 2014, with particular attention to the measures taken to sanction staff misconduct through administrative or legal measures ...
 - In February 2016 the National Assembly approved new legislation on anti-money laundering and combating the terrorism financing (AML/CFT), which will support efforts to improving governance in the country. The government is aware that the new legislation is not fully compliant with the international FATF standard, and agrees on the need to bring the matter before the WAEMU monetary authorities to amend the legislation, in consultation with the IMF's Legal Department to make it fully compliant with FATF. The government will put in place an action plan to implement the new AML/CFT legislation and combat corruption, giving consideration to the recommendations of the IMF technical assistance mission that visited Bamako in September 2015.

PROGRAM MONITORING

53. The sixth and seventh reviews will be based on the performance criteria for end-June 2016 and end-December 2016, respectively, as well as the continuous performance criteria (Table 2) and structural benchmarks (Table 3). Indicative targets are also set for end-March and September 2016 (Tables 2). The performance criteria and indicators are set forth in the technical memorandum of understanding (TMU), which also describes the nature and frequency of the reporting required for program monitoring purposes. The sixth and seventh reviews under the ECF arrangement are expected to be completed on or after November 1, 2016 and May 1, 2017, respectively.

²⁸ See www.reforme-justice.gouv.ml.

²⁹ Posted on-line at the following address: <http://primature.gov.ml>.

Table 1. Mali: Performance Criteria and Indicative Targets, 2015 ¹

(in billions of CFAF)

	2015															
	March				June				September				December			
	Prog. ²	Adj. Target	Est.	Status	Prog. ³	Adj. Target	Est.	Status	Prog. ³	Adj. Target	Est.	Status	Rev. prog.	Adj. Target	Est.	Status
Performance criteria																
Government bank and market financing (ceiling) ⁴	127	186	67	Met	123	236	42	Met	147	266	102	Met	172	197	115	Met
Cumulative increase in external payments arrears (ceiling) ⁵	0		0	Met	0		0	Met	0		0		0		0	Met
New external debt contracted or guaranteed by the government on non-concessional terms (cumulative ceiling from June 2015) ^{6,6,9}	0		0	Met	250		0	Met	250		0	Met	250		0	Met
Gross tax revenue (floor)	251		257	Met	564		568	Met	851		825	Not met	1,143		1,167	Met
Indicative targets																
Basic fiscal balance (floor) ⁷	-58	-46	80	Met	-92	-93	168	Met	-97	-90	146	Met	-49	-81	38	Met
Priority poverty-reducing expenditure (floor)	63		60	Not met	134		164	Met	244		250	Met	394		402	Met
<i>Memorandum items:</i>																
External budgetary support ⁸	7		40		45		46		71		83		139		111	
General budgetary grant	7		14		19		17		45		47		74		46	
Net change in budgetary float (- = reduction)	-50		-123		-50		-131		0		-123		-68		-70	
Tax refunds (-)	-22		-10		-39		-38		-57		-50		-76		-84	
Net change in arrears (- = reduction)	-5		-3		-5		-37		-7		-9		-47		-37	
New external debt contracted or guaranteed by the government on concessional terms (cumulative ceiling from June 2015) ⁹													257		231	

Sources: Malian authorities; and IMF staff projections.

¹ Cumulative figures from the beginning of the year, unless otherwise indicated. See Technical memorandum of understanding (TMU) for definitions. The March and September test dates are for indicative targets, while the June and December test dates are for performance criteria.² IMF Country Report No. 15/151, Mali: Third Review Under the Extended Credit Facility Arrangement.³ IMF Country Report No. 15/339, Mali: Fourth Review Under the Extended Credit Facility Arrangement.⁴ This performance criterion is 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.⁶ The positive ceiling starting in June corresponds to 4 electricity projects financed by the Chinese Exim Bank for a total amount of CFAF 200 billion with a grant element of 29 percent.⁷ This indicative target is subject to adjustment for budgetary grants and tax refunds. See TMU for more details.⁸ On a disbursements basis.⁹ On a contracting basis in accordance with the IMF's new debt limits policy: <http://www.imf.org/external/np/pp/eng/2014/111414.pdf>.

Table 2. Mali: Proposed Performance Criteria and Indicative Targets, 2016 ¹

(in billions of CFAF)

	2016					
	March	June		September		December
	Prog.	Prog.	Rev. Prog.	Prog.	Rev. Prog.	Proposed Prog.
Performance criteria						
Ceiling on net domestic bank and market financing of the government ²	125	217	278	169	252	259
Cumulative increase in external payments arrears (ceiling) ³	0	0	0	0	0	0
New external debt contracted or guaranteed by the government on non-concessional terms (cumulative ceiling from June 2015) ^{5,6,7}	250	250	250	250	250	250
Gross tax revenue (floor)	309	649	640	958	947	1,302
Indicative targets						
Basic fiscal balance (floor) ⁵	-65	-87	-160	-52	-162	-170
Priority poverty-reducing expenditure (floor)	57	146	146	264	264	410
<i>Memorandum items:</i>						
External budgetary support ⁶	0	3	3	76	69	86
General budgetary grant	0	0	0	64	56	56
Net change in budgetary float (- = reduction)	-16	-31	-25	-11	-3	19
Tax refunds (-)	-18	-35	-36	-52	-52	-71
Net change in arrears (- = reduction)	-18	-37	-27	-34	-24	-21
New external debt contracted or guaranteed by the government on concessional terms (cumulative ceiling from June 2015) ⁷	557	557	557	557	557	557

Sources: Malian authorities; and IMF staff projections.

¹ Cumulative figures from the beginning of the year, unless otherwise indicated. See Technical memorandum of understanding (TMU) for definitions. The March and September test dates are for indicative targets, while the June test date is for performance criteria. The December targets represent the authorities' projections, which post-date the December 17, 2016 expiration of the ECF arrangement.

² This performance criterion is 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.

⁴ Provided the average grant element of these loans is about 30 percent.

⁵ This indicative target is subject to adjustment for budgetary grants and tax refunds. See TMU for more details.

⁶ On a disbursements basis.

⁷ On a contracting basis in accordance with the IMF's new debt limits policy: <http://www.imf.org/external/np/pp/eng/2014/111414.pdf>.

Table 3. Mali: Proposed Structural Benchmarks for 2016

Measure	Implementation deadline	Status	Macroeconomic rationale
Nomination by the minister of economy and finance of all directors of finance and material and administrative and financial directors for the ministerial departments and other public institutions.	January 1	Not met. Reprogrammed to June 30.	Improve compliance with budget rules
CGSP audit of exempt contracts designated "defense secret" or "essential government interest" signed in 2015 to verify compliance with Decree 2014-764 of October 9.	February 28	Met	Strengthen governance of public finances
Report on implementation of the recommendations of October 2014 West AFRITAC technical assistance mission to strengthen the quality of the public debt database, including an action plan with specific timetable to implement all recommendations.	February 28	Not met. Implemented with delay (in mid-April).	Strengthen public debt management
Nomination by the minister of economy and finance of all directors of finance and material and administrative and financial directors for the ministerial departments and other public institutions.	June 30		Improve compliance with budget rules
Audit by a private firm of the amount and process of granting exemptions from taxes collected by the DGI and DGD in 2015.	August 31		Increase tax revenue
Preparation of DGD report analyzing monthly reconciliation reports by the inspection company comparing duties paid and receivable by import declaration during the first seven months of 2015.	August 31		Increase tax revenue
Transmittal to the Supreme Court of senior government officials' financial disclosures pursuant to the law against unlawful enrichment.	August 31		Promote good governance
Adopt a pricing mechanism that ensures that changes in the cost of imported petroleum products are reflected in pump prices within a margin of 3 percent per month (paragraph 17).	December 31		Adequately price oil products and protect revenue derived from their taxation.
Complete the implementation a treasury single account (TSA) at the BCEAO, including by transferring EPA deposits to the TSA (paragraph 41).	December 31		Strengthen public financial management.

Table 4. Mali: Summary of External Borrowing Program ¹

	2015		2016	
	Act.	PV	Rev. Prog.	PV
	(CFAF Billions)			
Debt financing sources	<u>231</u>	<u>117</u>	<u>576</u>	<u>288</u>
Concessional debt ² of which	231	117	326	163
Multilateral debt	206	104	326	163
Bilateral debt	25	13	-	-
Nonconcessional debt ³	0	0	250	175
Uses of borrowed funds	<u>231</u>	<u>117</u>	<u>576</u>	<u>288</u>
Budgetary assistance	46	21		
Infrastructure (roads, bridges, etc.)	27	15		
Energy	34	21		
Agriculture	50	25		
Social (education, health)	58	28		
Various	15	7		

Source: Mali authorities.

¹ New borrowing arranged or guaranteed.

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

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

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) defines the performance criteria and indicative targets presented in Tables 1 and 2 of the Memorandum of Economic and Financial Policies (MEFP). It also determines the frequency and deadlines for reporting data to the staff of the International Monetary Fund (IMF) for program monitoring purposes.

I. DEFINITIONS

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

II. PERFORMANCE CRITERIA

3. Except as noted, the following financial targets will serve as performance criteria at end-June 2016 and end-December 2016, and as indicative targets at end-March 2016 and end-September 2016.

A. Ceiling on Net Domestic Bank and Financial Market Financing of Government

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

5. The **net position of the government in the broad sense** is defined as the balance of the government's debts and claims vis-à-vis the central bank and the commercial banks. The scope of the government's net position is that used by the Central Bank of West African States (BCEAO) pursuant to Community provisions. It involves a definition of government that is broader than the definition given in paragraph 2 and includes the local authorities, certain projects, and some public administrative entities. The government's claims include CFAF cash balances, postal checking accounts, secured liabilities, and all deposits by government agencies with the BCEAO and the commercial banks, with the exception of government industrial and commercial agencies (EPIC) and state-owned corporations, which are excluded from the calculation. The government's debts to the banking system include all debts to these financial institutions. Cotton Stabilization Fund deposits and government securities held outside the Malian banking system are not included in the calculation of the government's net position. The broad net government position is calculated by the BCEAO.

6. The **net position of the government in the narrow sense** is defined as the difference between the government's debts and claims vis-à-vis the central bank and the commercial banks. The scope of the government's net position in the narrow sense is as defined in paragraph 2. The narrow net government position is calculated by the BCEAO.

III. ADJUSTERS

7. The ceiling on net domestic bank and market financing of government will be adjusted upward if **external budgetary support** falls short of program projections. External budgetary support is defined as grants, loans, and debt relief operations (excluding project grants and loans, sectoral budgetary support, IMF resources, and HIPC debt relief, but including general budgetary support). The adjuster will be applied at a rate of 100 percent up to a threshold of CFAF 25 billion and at a rate of 0 percent for larger amounts.

8. The ceiling on net domestic bank and market financing of government will be adjusted upward (downward) if the **net reduction in the budgetary float (*instances de paiement*)** is higher (lower) than program amounts (MEFP, Tables 1 and 3). The budgetary float is defined as payment orders that have not been paid by the National Directorate of the Treasury and Public Accounting (DNTCP) in the context of budget execution or on miscellaneous correspondent or depositor accounts, irrespective of how long such payments have been outstanding.

9. Lastly, the ceiling on net bank and market financing to government will be adjusted upward (downward) for the **payment of VAT credits, other tax refunds, external arrears, and audited arrears from previous fiscal years**, which exceed (fall short of) program amounts (MEFP, Tables 1, and 3).

B. Ceiling on Accumulation of External Government Payments Arrears

10. External payments arrears are defined as the obligations resulting from the service of an external debt (repayment of principal and interest expense) payable or guaranteed by the government that were not paid on the due date as specified in the loan agreement, taking any applicable grace period into consideration. The definition of external debt given in paragraph 15 applies here. Arrears payable to official bilateral creditors are not covered by this definition if the government is attempting to negotiate a rescheduling of the debt, provided the government pays into an escrow account the amounts coming due on such loans, taking any applicable grace period into account, as specified in the loan agreement.

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

C. Ceiling on Non-Concessional External Debt Contracted or Guaranteed by the Government and/or Public Enterprises

12. **Definition of the debt.** The definition of the debt is set out in point 8 of the attachment to IMF Executive Board Decision N° 15688:

- (a) the term “debt” will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take 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 the title to the property. For the purpose of the 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 in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

13. **Guaranteed debt.** The guarantee of a debt by the government is understood to be an explicit legal obligation to ensure that a debt is serviced in the event of nonpayment by the borrower (involving payments in cash or in kind).

14. **Concessional debt.** A debt is understood to be concessional if it includes a grant element of at least 35 percent;¹ the grant element is the difference between the nominal value of the loan and its present value, expressed as a percentage of its nominal value. The present value of the debt is calculated on the date on which it is contracted by discounting the future stream of payments of debt service due on this debt. The discount rate used for this purpose is five percent.

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

16. **Debt-related performance criteria.** The performance criteria apply to new non-concessional debts contracted or guaranteed by the government, the Mali energy company (EDM), and the Malian textile company (CMDT), insofar as the government is the majority shareholder. The performance criteria shall apply to any debts or liabilities contracted or guaranteed for which value has not yet been received. They shall also apply to private debt for which official guarantees have been extended and which, therefore, constitute a contingent liability of the government. The performance criteria are monitored on a continuous basis. No adjusters will be applied to these performance criteria.

17. **Special provisions.** The performance criteria shall not apply to: (i) debt rescheduling operations in existence at the time the arrangement is approved; (ii) import-related, short-term external loans (with maturities of less than one year); (iii) external loans contracted by the Malian Textile Company (CMDT) and guaranteed with cotton export revenue; and (iv) short-term external loans (at maturities of less than one year) contracted by the EDM to finance the purchase of petroleum products.

18. **Reporting.** The government shall immediately report to the IMF staff any new external loans it contracts or guarantees, stating the conditions, no later than two weeks after signing the loan contract.

D. Floor on Gross Tax Revenue

19. The government's gross tax revenue is defined as the revenue appearing in the TOFE and includes all tax revenue in the national budget, before deducting the tax refunds generated during the year, in particular accumulated VAT credits.

¹ The reference to the IMF website below leads to a tool that can be used to calculate the grant element in a wide range of financial arrangements: <http://www.imf.org/external/np/pdr/conc/calculator>.

² Calculation of the grant element takes account of all the aspects of the loan contracts, including maturity, grace period, repayment schedule, origination fees, and management fees.

IV. INDICATIVE TARGETS

20. The following will serve as indicative targets at end-June 2016, end-September 2016, and end-December 2016.

A. Floor on the Basic Fiscal Balance

21. The basic fiscal balance is defined as the difference between net total revenue, plus budgetary grants (general budgetary support) and HIPC resources, and total authorized expenses plus net lending, excluding capital expenditure financed by creditors or donors, pursuant to the definition of the basic fiscal balance in the WAEMU texts (Additional Act N° 05/2009/CCEG/UEMOA of March 17, 2009, amending Act N°04/1999 on the Convergence, Stability, Growth, and Solidarity Pact).

V. ADJUSTER

22. The floor on the basic fiscal balance is adjusted downward if **budgetary grants (general budgetary support)** 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.

23. Lastly, the floor on the basic fiscal balance will be adjusted downward (upward) for the **payment of VAT credits and other tax refunds** exceeding (under) the programmed amounts (MEFP, Tables 1 and 3).

B. Floor on Priority Poverty-Reducing Expenditure

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

VI. STRUCTURAL BENCHMARKS

25. Information concerning the implementation of measures constituting structural benchmarks will be reported to the IMF staff no later than two weeks after their scheduled implementation date.

26. As of May 31, 2011, **changes** have been to the **Government Financial Operations Table (TOFE)** as described below. Income and expenses recorded in suspense accounts are reported above the line as income or expenses, with no breakdown. In cash basis adjustments, a distinction is made between operations charged to previous fiscal years and those charged to the current fiscal year and, as well as, in the latter case, a distinction between funds in transit (less than three months) and changes in arrears (more than three months) with respect to budgetary expenditures (including VAT credits and called guarantees and pledges). Under the heading "net domestic financing," bank financing is separated from privatization income and from other financing. Bank financing includes changes in the net position of the government vis-à-vis the central bank, the IMF, and the resident

commercial banks. In showing operations with commercial banks, a distinction is made between the Treasury, the National Social Security Institute (INPS), and other government agencies. Other financing includes mainly changes in cash accounts (uncashed checks), advance tax installments received for the following year, adjustments to the installments received the previous year for the current year, operations with nonresident WAEMU creditors, and changes in deposits and consignments from Treasury correspondents.

27. As of June 30, 2014, the **available balances in current account opened for government accounting officers** included within the scope of the net government position, narrowly defined (T16), also known as the net Treasury position (NTP), with the exception of those located in regions where the BCEAO is not present, will be **transferred to the Treasury single account at the BCEAO**. The available balances are all the amounts in such accounts except for:

- frozen Treasury accounts at the Malian Development Bank (BDM) in the amount of CFAF 19.5 billion pursuant to the provisions of the privatization agreement concerning that bank;
- blocked Treasury funds at the Banque Régionale de Solidarité (BRS) in the amount of CFAF 12 billion following the financial difficulties of the BRS; Orabank, which will acquire the BRS, has agreed to reimburse the Treasurer for this deposit at the rate of CFAF 500 million per month in 2014 and clear the remaining balance no later than end-2015;
- accounts corresponding to grants from Japan in the amount of CFAF 3 billion at the BDM pursuant to an agreement with Japan providing for mobilization of these funds; and
- an account at the Banque Malienne de Solidarité (BMS) used for cash collection operations, which is zeroed out every day and transferred to the Receiver account at the BCEAO;
- term deposits (DAT) with commercial banks where the DNTCP places any cash surpluses, so long as the interest rates on such term deposits are greater than the BCEAO deposit rates.

28. **Extrabudgetary expenditures** are defined as domestically funded expenditures made by central government entities that are not provided for in the finance law and are not executed in accordance with applicable budgetary rules and procedures. This definition applies to all transactions, commitments, acceptances of goods or services, or provisions of guarantees that could create an expense for the government that was not authorized in the budget law.

Additional Information for Program Monitoring

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

Summary of Reporting Requirements

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

Summary of Reporting Requirements

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

Summary of Reporting Requirements

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

**Statement by Mr. Ngueto Tiraina Yambaye, Executive Director for Mali and
by Mr. Oumar Diakite, Advisor to the Executive Director
June 8, 2016**

On behalf of our Malian authorities, we would like to thank the Executive Board, Management, and Staff for their continued support to Mali's efforts to maintain macroeconomic stability and raise economic growth. The authorities' strong commitment to reforms has led to a satisfactory implementation of their ECF-supported program and helped them make good progress in entrenching macroeconomic stability. All performance criteria and indicative targets in 2015 were met with significant margins in most cases. All but one structural benchmark expected for the Fifth Review were implemented and progress is being made towards meeting the remaining benchmark.

The authorities have achieved this good performance despite facing significant challenges in creating the conditions for lasting stability and security in the country as terrorist attacks are on-going. While revenue mobilization was exceptionally strong in 2015, exceeding the authorities' target to increase the tax to GDP ratio by 1 percent a year, additional space is critically needed to address the unforeseen requirements for maintaining peace and security in the country. In this context, our authorities are requesting an augmentation of access which they hope will catalyze additional assistance of the international community to meet the additional domestic and external financing needs induced mostly by the Peace Agreement implementation and the vulnerabilities of the current account. Our authorities are also requesting an extension of the ECF program to end-2017. This will allow them to consolidate the progress made to date and maintain the momentum in their efforts to mobilize domestic resources and improve public finance management.

Recent Economic Developments and Performance under the ECF

In 2015, real GDP growth remained strong at 6 percent following the rebound of 2014. The performance of the agricultural sector was strong as a result of good pluviometry. The tertiary sector was strengthened by increased activity in the telecommunications and non-market services. The economic growth for 2016 is projected to remain robust at 5.3 percent despite the slower growth in agricultural output. The rate of inflation reached 1.5 percent at end 2015 and is expected to remain moderate at 1 percent in 2016 on the basis of normal food production and low global inflation.

In the external sector, the current account deficit (including grants) of the balance of payments widened to 5 percent of GDP from 4.7 percent in 2014. This situation resulted from the decline in gold prices and the increase of imports associated with the strong economic growth which offset the impact of declining oil prices. The current account deficit is projected to increase to 5.7 percent of GDP in 2016 as a result of the decrease in gold exports and the increase of imports needed for public investments. The current account deficit is expected to be financed mainly by foreign aid and FDI.

In the banking system, financial soundness indicators continued to improve. The risk-weighted capital ratio increased from 14 percent in December 2014 to 14.8 percent in December 2015 and nonperforming loans (NPLs) continued to decline. With regard to the microfinance sector, financial stability continued to improve with the share of NPLs decreasing from 13.3 percent to 7.4 percent over the same period.

In the fiscal sector, the revenue mobilization was strong in 2015 and exceeded the authorities' target. Tax revenue increased by 1.5 percent of GDP reflecting a favorable level of taxation on petroleum products which compensated for the underperformance in the collection of direct taxation. The disbursement of grants increased by 0.5 percent of GDP from an increase of project grants while general and sectoral budget support recorded a significant shortfall. On the other hand, expenditures increased by 0.9 percent of GDP and the overall fiscal deficit (including grants) was estimated at 1.8 percent of GDP in 2015 compared to 2.9 percent of GDP in 2014. On a cash basis, the deficit reached 3.2 percent of GDP as a result of the clearance of arrears accumulated in 2014. The authorities continued their efforts in 2015 to prevent any accumulation of arrears. These efforts supported business cash flows and the reduction of NPLs in the banking sector.

The overall performance under the ECF program continued to be satisfactory. All performance criteria and indicative targets in 2015 were met. Two out of the three structural benchmarks were observed, one on time and the other with a slight delay. The audit by the public sector oversight agency (CGSP) of contracts designated "defense secret" or "essential government interest" was completed in a timely manner. Regarding the AFRITAC recommendations for improving the database for public debt, the authorities adopted an action plan and prepared a report on the implementation of these recommendations in mid-April 2016. With respect to the benchmark on improving compliance with budgetary rules which is not yet fully met, the Council of Ministers adopted a decree in March 2016 granting power to the Minister of Economy and Finance to appoint Directors of finance and equipment. This nomination process is expected to be completed by end-June 2016.

Economic and Financial policies in the medium term

The new strategic framework for economic growth and sustainable development (CREDD) approved in March 2016 will be the reference for guiding the authorities' economic and financial policies for the period 2016–18. It integrates the Government's action plan (PAG) adopted in April 2013 and the peace and reconciliation agreement (APRM) signed in May 2015. The CREDD is based on three pillars: (i) promotion of inclusive and sustainable growth; (ii) improvement in the access to basic social services; (iii) strengthening institutional and sustainable development.

Fiscal Policy and Reforms

The authorities will continue to implement prudent fiscal policies in compliance with their commitments under the WAEMU multilateral surveillance. They intend to maintain the overall fiscal balance (including grants) at levels compatible with debt sustainability and the WAEMU convergence criteria of 3 percent by 2019. The macro-fiscal framework for 2016 has been revised to account for additional expenditures related mostly to the need to implement the 2015 Peace Agreement and the critical investment projects envisaged notably in the northern areas of the country. The authorities will also continue their efforts to mobilize domestic resources, notably by strengthening tax collection, controlling exemptions and streamlining spending.

On the revenue side, the objective is to increase revenue by 0.75 percent of GDP in 2016 by broadening the tax base and strengthening tax administration. The authorities intend to continue the reforms initiated at the Tax, Customs and Government property administrations supported by a results-based management framework to enhance revenue collection. They intend to continue their efforts to gradually reduce exemptions notably by presenting as an annex to the budget laws all the exemptions granted under the tax, customs, investments and mining codes and an estimate of the loss of revenue for the budget. A central file of tax and customs duties exemptions will also be established and analyzed in order to identify exemptions granted by type of tax, legal reference, and beneficiaries with the aim of reducing them. The exemptions granted to donor-financed development projects will also be proposed for cancellation in order to reduce tax and customs frauds.

In order to preserve fiscal revenue on petroleum products, the authorities will continue implementing the new petroleum product price adjustment mechanism which will pass on the evolution of petroleum products prices to retail prices within a margin of 3 percent a month. In doing so, they will determine the level of taxation consistent with the appropriate domestic price for petroleum products.

The authorities are in the process of simplifying fiscal legislation with the objective of reducing the administrative burden on taxpayers and simplifying tax collection. For example, the simplification of the minimum tax applied to small tax payers with a uniform rate of 3 percent which was introduced in the 2015 budget showed the benefits of such simplification by facilitating compliance by the informal sector. The authorities also intend to increase revenue from mining and oil activities with the assistance of the IMF Trust Fund on managing natural resource wealth. It is also envisaged to improve the environment for private sector investments by modernizing the mining and petroleum codes based on international standards.

On the expenditure side, the authorities will continue their efforts to improve the regulatory framework for public financial management in the context of regional directives and

regulations. In this regard, the directives related to the transparency code, budget laws, public accounting, and the government chart of accounts and flow of funds table (TOFE) have already been transposed into Malian laws. They will also continue to improve the preparation, execution and control of the budget, and treasury operations. On the latter, the accounts held by public administrative agencies operating under the direct control of the government have been integrated in the single Treasury account opened at the regional central bank (BCEAO) as a first phase. The second phase which concerns the accounts held by other public administrative entities is ongoing.

The authorities also intend to pursue the implementation of the national internal control strategy for 2012–15 aimed at enhancing the capacities of internal control structures and improve the new procurement code adopted in 2015. To further improve the business environment and transparency in public procurement, the procurement code will be further improved by limiting and clarifying the scope of activities eligible for non competitive bidding with the technical assistance of the World Bank.

Debt policy

The Malian authorities remain committed to meet their external financing needs in line with the preservation of debt sustainability. They will continue to seek primarily highly concessional loans to finance critical investment projects. For 2016, a ceiling of approximately US\$426 million of non concessional borrowing is envisaged to finance critical investments in the transport and electricity sectors. An additional amount of US\$50 million is also envisaged for projects with high returns to be identified and for which concessional financing is not available. The authorities will continue to consult with IMF staff before finalizing these loan agreements. In the framework of the new Fund debt policy, a detailed borrowing plan has been prepared outlining each loan agreement underlying the 2016 budget execution.

Debt management continues to be improved with the implementation of measures recommended by the AFRITAC technical assistance mission in 2014. In addition, with the operationalization of the National Debt Committee, all loans or publicly guaranteed contracts will be examined by the Committee and a yearly debt strategy document published and annexed to the budget.

Structural Reforms

The implementation of structural reforms will also be steadfastly pursued to further improve the business environment. In this regard, the authorities will speed up their efforts to promote notably the stability and development of the financial sector, to ensure the financial viability of the electricity sector and increase the mobilization of resources for infrastructure investments as well as the improvement of labor skills and economic governance.

The authorities are cognizant of the need to address the weaknesses of the financial sector which is critical for maintaining Mali on the path of sustainable growth. In this regard, the new bank created by the merger of the Housing Bank (BHM) with the Malian Solidarity Bank (BMS) will be strengthened by opening its capital to private investors and eventually divesting the equity stake of the government. In order to address the risks in the banking sector, the authorities will continue to strengthen the credibility of the credit reporting bureau by intensifying communication campaigns and increase consent from clients of financial institutions. The action plan for the reform in the microfinance sector will also be implemented. Specific measures have been prepared with the assistance of the World Bank including the audit of microfinance institutions in difficulty, the revocation of operating permits for institutions to be liquidated and the adoption of favorable compensation of small depositors.

In the electricity sector, the government will continue its efforts to improve the financial situation of the electricity company (EDM). The authorities will closely monitor the financial situation of EDM and ensure that measures are taken to reduce the company's deficit and meet its financial obligations. Actions to promote good governance will also be pursued, notably in the judicial system where efforts are being made to publish decisions by the commercial and other courts in cases of illicit enrichment. The new Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) legislation was approved by the National Assembly in February 2016. Within the harmonization framework of the WAEMU, the authorities intend to improve the legislation to FATF standard and are preparing an action plan for implementation which will support their efforts to improve economic and financial governance.

Conclusion

Our Malian authorities remain committed to the ECF program. In this regard, they will continue to implement the reforms aimed at achieving strong economic growth, preserve macroeconomic stability and improve public financial management as well as the business environment. In view of Mali's satisfactory progress under the ECF arrangement, and the authorities' strong commitment to pursue reforms, we would appreciate Directors' support for the completion of the Fifth Review under the Arrangement, the Augmentation of Access, the extension of the program through December 2017 and the modification of performance criteria.