



MALI

December 2016

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR MODIFICATION OF A PERFORMANCE CRITERION—PRESS RELEASE; AND STAFF REPORT

In the context of the Sixth Review under the Extended Credit Facility Arrangement and Request for Modification of a Performance Criterion, 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 lapse-of-time basis, following discussions that ended on September 29, 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 November 15, 2016.
- A **Debt Sustainability Analysis Update** prepared by the staffs of the IMF and the International Development Association (IDA).

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 Sixth Review Under Mali's ECF and Approves US\$25.8 Million Disbursement for Mali

On December 2, 2016, the Executive Board of the International Monetary Fund (IMF) concluded the sixth review of Mali's performance under an economic program supported by an Extended Credit Facility (ECF) arrangement. The decision enables the disbursement of SDR19 million (about US\$25.8 million), bringing total disbursements under the arrangement to SDR60 million (about US\$ 1.3 million). The decision was taken on a lapse of time basis.¹

The Executive Board also approved the authorities' request for the modification of the ceiling on the continuous performance criterion on non-concessional external debt.

The ECF arrangement for Mali was approved by the Executive Board on December 18, 2013 for SDR 30 million (about US\$ 40.7 million), see [Press Release No. 13/524](#)). On June 9, 2016, the Board approved a one-year extension of the arrangement to December 17, 2017, as well as an augmentation of the resources available under the arrangement, bringing total amount of the arrangement to SDR 98 million (about US\$ 132.8 million).

Mali's economy continues to grow at a strong pace, with a projected GDP growth of 5.4 percent for 2016 and 5.3 for 2017. Activity is being supported both by public capital spending and the regional central bank's (BCEAO) accommodative policy. Inflation is projected to decline to 0.5 percent by end-December and is expected to remain contained at 1 percent. This favorable outlook is, however, subject to downside risks stemming mainly from Mali's fragile security situation.

¹ The Executive Board takes decisions under its lapse of time procedure when it is agreed by the Board that a proposal can be considered without convening formal discussions.



MALI

November 15, 2016

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR MODIFICATION OF A PERFORMANCE CRITERION

KEY ISSUES

Context: The political situation is broadly stable, but security remains a challenge. Rebel groups came to an agreement with the government in mid-June to put in place provisional authorities to govern the administrative regions in the North. However, recent armed clashes between groups signatories of the peace accord could affect the implementation of the peace process. At the same time, jihadist groups—which are not part of the peace agreement—continue to stage attacks against the government and UN forces.

Macroeconomic situation: Economic activity remains robust, aided both by higher public investment and accommodative monetary conditions. Inflation remains subdued, helped by favorable weather conditions and low global inflation. The external position has weakened, reflecting strong domestic demand growth, but is expected to strengthen in the near term as terms of trade improve and demand growth slows down. The near-term outlook remains positive but is subject to downside risks, stemming mainly from the fragile security conditions.

Program performance: Program implementation has been satisfactory, allowing the Executive Board to approve an access augmentation and a one-year extension of the arrangement (to December 2017) during the program's fifth review. For the sixth review, all quantitative targets set for June 2016 were met, some with significant margins. Public investment is increasing to help address infrastructure gaps and facilitate the implementation of the 2015 peace agreement. Progress with implementing structural reforms has continued, although in some cases—particularly in the area of governance—at a slower pace than envisaged under the program. The program for 2017 provides for further growth in capital spending, against a backdrop of a lower fiscal deficit supported by continued tax revenue growth. Key structural measures included in the program seek to lower tax exemptions, continue strengthening tax administration, and further improve public financial management.

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

Staff team: Lisandro Abrego (head), Jemma Dridi, Farayi Gwenhamo (all AFR), Moussé Sow (FAD), Abdoulaye Tall (resident representative) and Bakary Traoré (local economist). Mission dates: September 14–23 in Washington, D.C.; and September 26–29 in Bamako. The mission met with Modibo Keita, Prime Minister; Boubou Cissé, Minister of Economy and Finance; Konzo Traoré, National Director, Central Bank of West African States (BCEAO); other senior officials; representatives of the private sector; and development partners.

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BACKGROUND, RECENT DEVELOPMENTS, AND OUTLOOK

1. Mali's political situation remains broadly stable, notwithstanding persistent security challenges. Former rebel groups and a coalition of pro-government armed groups signed an agreement with the government in mid-June to put in place provisional authorities to govern the administrative regions in the North. The provisional authorities, which include representatives of armed groups and the government, will enable the redeployment of state administration and the return of basic services. However, recent armed clashes between some signatories of the agreement over control of several Northern regions could affect this process. The UN has extended its peacekeeping mission (MINUSMA) for another year (until June 2017), strengthened its mandate, and authorized the deployment of 2,500 additional soldiers, with the aim of bolstering their peacekeeping work and their support to the government in the gradual restoration and extension of state authority. The security situation remains fragile, with persistent attacks by jihadist groups on Malian and MINUSMA forces, including in the center of the country.

2. The short-term macroeconomic outlook remains favorable, but subject to downside risks (Figure 1, Text Table 1, Tables 1–6). GDP growth for 2016 is projected at 5.4 percent, aided both by public capital spending and the regional central bank's accommodative policy. Inflation, which has been mostly in negative territory during the year—reflecting mainly good weather conditions and low global inflation—is projected to remain subdued, reaching $\frac{1}{2}$ percent (y-o-y) at end-December. As envisaged under the program, the fiscal stance will loosen in 2016, with the overall deficit projected at $4\frac{1}{4}$ percent of GDP—to accommodate peace and security expenditure and help implement the government's regional development strategy—before becoming slightly tighter next year (116). The external account deficit is projected to widen to $7\frac{1}{2}$ percent of GDP, driven by a large increase in imports fueled by rapid domestic demand growth. For 2017, GDP growth is projected to continue robust at 5.3 percent and inflation is expected to remain low, at 1 percent. The current account deficit is projected to narrow to $6\frac{3}{4}$ percent of GDP, reflecting more favorable terms of trade and lower domestic demand growth. Risks to the outlook are tilted to the downside, with Mali's fragile security situation remaining the most significant risk. Setbacks in improving security, especially in Bamako, may dampen the economic recovery while potentially affecting the public finances. Growth is also vulnerable to adverse weather conditions, while weaker export commodity prices would impact both the external sector and, to a lesser extent, the public finances.

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

	2014	2015	2016		2017	2018	2019	2020	2021
	Est.	Est.	Prog.	Rev. Prog.	Prop. Prog.		Proj.		
	(in percent of GDP, unless otherwise indicated)								
Real GDP growth	7.0	6.0	5.4	5.4	5.3	4.8	4.7	4.7	4.7
Consumer price inflation (average)	0.9	1.4	2.8	-1.6	0.8	1.2	1.6	1.9	2.1
Consumer price inflation (end of period)	1.2	1.0	1.0	0.5	1.0	1.4	1.7	2.0	2.2
Revenue	14.9	16.4	16.7	16.8	17.1	17.6	18.0	18.5	18.6
<i>of which</i> : Tax revenue	12.5	14.0	14.8	14.9	15.1	15.5	16.0	16.4	16.5
Grants	2.2	2.7	2.0	2.0	2.0	2.0	1.9	1.8	1.8
Total expenditure and net lending	20.0	20.9	21.6	23.2	23.1	23.1	23.0	23.2	23.3
Overall balance (payment orders)	-2.9	-1.8	-2.8	-4.3	-4.1	-3.5	-3.0	-3.0	-3.0
Overall balance (cash)	-2.4	-3.2	-3.1	-4.3	-4.1	-3.6	-3.0	-3.0	-2.8
Basic fiscal balance ¹	-1.2	0.5	-0.7	-2.1	-1.6	-0.9	0.0	0.0	0.0
Total public debt	27.3	30.9	30.1	29.7	30.0	30.7	31.6	32.7	34.0
Current external balance (including official transfers)	-4.7	-7.3	-3.3	-7.7	-6.8	-5.3	-5.3	-5.4	-5.7
Overall balance of payments	-2.5	-1.6	0.1	-1.4	-1.1	-0.3	-0.3	-0.2	-0.2

Sources: Malian authorities; and IMF staff estimates and projections.
¹ Defined in Table 3, footnote 3.

3. Monetary conditions continue to support economic activity (Table 8). Commercial banks continued to take advantage of the BCEAO's accommodative policy, which allowed them to increase credit growth to 27 percent (y/y) in August, supporting domestic demand growth.¹ Notwithstanding the recent strong credit growth, financial intermediation in Mali, measured by the total credit-to-GDP ratio (21.5 percent), remains low. Credit growth is projected to moderate in the remainder of the year as some base effects dissipate, but would remain at 22 percent at year-end.

4. Financial indicators suggest that the banking sector remains sound overall, but the high level of non-performing loans (NPLs) is a concern (Table 9). The increase in capital requirement introduced by the BCEAO in 2015 helped banks strengthen their capital adequacy ratio, which increased to 15.3 percent in June 2016—well above the required minimum (8 percent). Banks are also liquid and profitable. The NPL ratio declined over the year ending in June 2016, but remained high at 15.8 percent (16.5 percent in June 2015), while the level of NPLs (in CFAF) rose substantially. The NPL ratio net of provisions remained at 6 percent during the same period. A significant share of NPLs dates back to more than a decade ago, and is accounted for by a couple of banks, including the state-owned Malian Housing Bank (BHM), which was merged with another bank in March 2016 as part of the authorities' efforts to reduce financial sector risks.² The authorities are working on a strategy to further lower bank NPLs (¶16). The micro-finance sector financial indicators continue to improve, with nonperforming loans declining from 7.5 percent in 2015 to 6.8 percent at end-June 2016.

¹ Credit to the economy grew at an average of 21 percent (y/y) per month in January-August.

² [IMF Country Reports No. 15/339](#) and [16/149](#).

PROGRAM PERFORMANCE

5. All end-June 2016 performance criteria (PCs) and indicative targets (ITs) were met, in some cases with wide margins (MEFP, ¶6, and Table 1). The ceiling on net domestic financing of the government by banks and the financial market was met with a margin of over 1 percent of GDP, aided by lower-than-programmed expenditures. The zero ceiling on external payment arrears, and the ceiling on contracting new external loans on non-concessional terms were both observed. The floor on gross tax revenue was met with a small margin. The program's indicative target on the basic fiscal balance was met with a large margin, mainly reflecting budget under-execution. The floor on priority poverty-related spending was exceeded by over ½ percent of GDP.

6. Two out of four structural benchmarks for the June-August 2016 period were met, and a third one was implemented with delay (MEFP, ¶7 and Table 3). The Finance Minister started appointing new financial directors at line ministries in June 2016, with additional appointments made in subsequent months. The measure should help strengthen expenditure discipline and adherence to budget rules. New nominations are expected as performance of current officials is assessed. The audit of tax exemptions granted in 2015 and the preparation of monthly reconciliation reports related to import declarations were completed, the former with some delay. The audit has been particularly helpful in quantifying tax exemptions, identifying modalities through which these are granted and providing estimates for the different types of exemptions, including discretionary ones.³ The benchmark on transmitting to the Supreme Court (SC) senior government officials' financial disclosures to comply with the law against corruption and unlawful enrichment was not met, although progress was made toward implementing the measure (e.g., most ministers have submitted their asset declarations to the SC). Staff proposes to reprogram the benchmark to end-December 2016.

POLICY DISCUSSIONS

A. Fiscal Policy and Reforms

7. The authorities are on track to meet key fiscal targets for 2016. The revised budget passed in late June, which is fully consistent with the program, provides for a temporary loosening of the fiscal stance to accommodate higher peace-related and security needs. It targets an overall fiscal deficit (payment-order basis) of 4¼ percent of GDP and a basic fiscal deficit of 2 percent of GDP. Performance through June resulted in overall and basic fiscal deficits significantly lower than projected, suggesting that the authorities are well on track to meet end-year targets. Although good revenue performance contributed to lower-than-programmed deficits, the outturn reflects mainly significant under-execution of both current and capital spending. The authorities explained that the approval of the revised budget (which included a substantial increase in capital spending) by the

³ The audit estimated tax exemptions in 2015 at 2.6 percent of GDP, with most of them granted on a discretionary basis.

National Assembly only in late June was the main reason behind the under-execution of expenditure. They also indicated that feasibility studies required prior to the implementation of investment projects had been delayed. The authorities are confident that they will fully execute the budget by year-end.

8. The 2017 budget targets an overall deficit of about 4 percent of GDP. Tax revenues are projected to increase by 0.4 percent of GDP, supported by continued efforts to broaden the tax base and improve revenue administration, including by streamlining tax exemptions, better monitoring taxpayers, strengthening revenue collection by customs and enhancing the efficiency of value-added tax collection. The budget bill submitted to the parliament provides for resources to help finance a soon-to-be-established sustainable development fund (19) and incorporates higher public investment, including to pursue the implementation of the 2015 peace agreement. Committed external support, coupled with bond placements in the domestic and regional markets, will ensure full financing of the projected fiscal deficit. The authorities envisage the overall fiscal deficit (payment-order basis) to converge to 3 percent of GDP by 2019, consistent with their WAEMU commitments and a manageable debt burden.

9. As part of the peace agreement, the government plans to establish a sustainable development fund (FDD) to help finance regional development projects, especially in the North. An initial government proposal to provide resources to the fund mainly through new export taxes and other levies targeting specific sectors was discussed with staff. While supporting the creation of the fund, the mission advised against this particular funding proposal and recommended exploring other revenue options, preferably those that would rely on broadening the tax base and a reduction of exemptions. The authorities agreed to this. In the meantime, they have allocated the equivalent of 0.4 percent of GDP to the FDD in the 2017 budget. They expect to formally establish the new fund (which is also expected to attract foreign grant financing) in the coming months.

10. The authorities will continue to implement measures to strengthen tax administration and reduce tax exemptions (MEFP, ¶16–20, 22–23). Tax policy measures have contributed to the recent strong revenue growth (Box 1). The authorities will continue to work on increasing the coverage and effectiveness of tax audits and on broadening the tax base, including by exploiting information from available databases on taxpayers and economic operators. They will increase efforts to reduce tax exemptions in 2017 by adopting legislation prohibiting the granting of new discretionary exemptions and by raising the eligibility threshold for some exemptions granted through the Investment Code (structural benchmarks). The authorities will also conduct a thorough review of existing tax legislation to identify other areas where exemptions should be reduced. Measures are also being implemented to improve the effectiveness of customs in collecting revenues. These include increased use of tax intelligence information, improvement of information systems by increasing computerization, online settlement of customs duties, stronger resource management, and other measures to reduce fraud. In addition, the authorities will adopt measures to improve the management of taxpayers, promote tax compliance and enhance the accountability

of tax collectors. They are also taking steps to improve the efficiency of VAT collection, including by identifying new taxpayers using simplified tax returns for businesses.

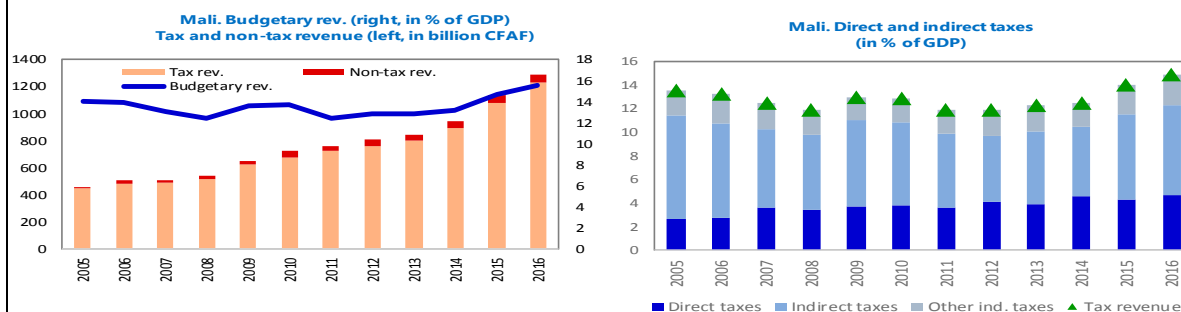
11. Reforming the system of incentives for tax and customs inspectors is critical for modernizing tax administration and sustaining revenue growth (MEFP, ¶121). Having a sound system of incentives for tax and customs inspectors is key to the modernization of tax administration and broadening the tax base to ensure the sustainability of revenue growth. The government is prepared to gradually reform the current system to support the achievement of these objectives. As a first step in this process, it has started to adopt measures to further increase the current system's transparency. In this connection, the government has taken the necessary steps to ensure that income from penalties and premiums is no longer paid in cash. In addition, starting in 2017, the expenditures linked to the payment of bonuses and other incentives (sharing of penalties) to tax and customs inspectors will be recorded as part of the wage bill. The government will disseminate more information about the sharing of incentives among tax inspectors and other Ministry of Finance staff. To proceed with an in-depth analysis of the current system within a regional perspective, the government has requested technical assistance from the IMF to conduct a specific study and make recommendations to reform the system as part of a more comprehensive human-resource reform.

12. The government is in the process of reforming the pricing mechanism for domestic fuel products, a benchmark under the program (Box 2 and MEFP, ¶118). The current pricing system gives the government complete discretion regarding the extent to which changes in international fuel prices are passed on to consumers. Its objective has been to limit changes in domestic fuel prices by adjusting excise taxes. The new mechanism will be geared toward protecting revenue from fuel products—following the de facto elimination of subsidies on gasoline and diesel in 2014–15—while allowing for the pass-through of changes in international prices to domestic prices. Following recommendations from IMF technical assistance, work is progressing on establishing reference import prices in the pricing formula, the smoothing rule and the level of taxation for each product, among other aspects.

Box 1. Mali: Recent Revenue Performance

Revenue collection increased steadily over the last five years. Following a significant decline in the mid-2000s, budgetary revenues (tax and non-tax revenues) stabilized at close to 14 percent of GDP towards the end of the decade. Revenue collection was affected by the 2012 crisis, but once the political situation stabilized and economic growth resumed, revenue performance recovered. Despite a still-challenging security situation, budgetary revenue has increased by 0.5 percent of GDP annually over the period 2012–15. In 2016, collection through September suggests that the objective of 1 percent of GDP increase is within reach.

The recent revenue performance is attributable mainly to higher mobilization of tax revenue, particularly from indirect taxes. The tax revenue ratio increased by 1½ percent of GDP in 2015 and is on track to rise by an additional ¾ percent of GDP this year. This growth has relied almost entirely on indirect taxes, particularly VAT collections. The elimination of fuel subsidies (except for that on kerosene), taking advantage of the recent decline in petroleum prices, has also contributed in a significant manner (0.7 percent of GDP in 2015–16) to the increase in tax revenue. Non-tax revenue has remained essentially unchanged as a share of GDP since 2013.



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

The increase in revenues has been supported by tax policy and other tax administration measures, and appears to be mostly permanent. Several tax policy and administrative measures have been implemented to strengthen and sustain the performance in revenue mobilization. In 2014, the authorities have adopted a synthetic tax rate of 3 percent that applies to all small businesses that do not pay VAT. This simplification of the tax payment procedure has brought new tax payers into the tax base. More generally, the tax base has also expanded, while tax auditing appears to have become more effective. Additional administrative measures, such as the simplification of tax law have been put in place, especially to ease the administrative burden of tax returns. Also, the medium and large taxpayers' units have been reorganized to smooth the collection of VAT. To consolidate recent revenue gains from the elimination of fuel subsidies, the authorities plan to implement a more flexible pricing mechanism, which will also allow higher pass-through to domestic oil prices. Finally, tax rates on telecommunications and financial transactions were increased in 2015, while excises imposed on specific products such as tobacco, alcohol and passenger vehicles also rose. However, the contribution from these higher tax rates have been modest (about 0.2 percent of GDP).

Tax policy and administrative measures, 2014-16

Tax policy

- Elimination of oil price subsidies
- Adoption of a 3% synthetic tax¹
- Increase in other tax rates
 - Telecommunications (TARTOP)²
 - Financial transactions (TAF)³
 - Excises on specific products (ISCP)⁴

Administrative measures

- Change in the VAT threshold
- Increasing audits of tax payers
- Modernization of the mining and petroleum codes
- Reorganization of medium and large tax payers units
- Simplification of tax laws

Sources: Malian authorities; and Staff estimates.

¹ This rate applies to every enterprise, business not paying VAT.

² The TARTOP increased from 2% to 5%.

³ The TAF was increased from 15% to 17%.

⁴ Excise taxes on tobacco, alcohol and passenger vehicles.

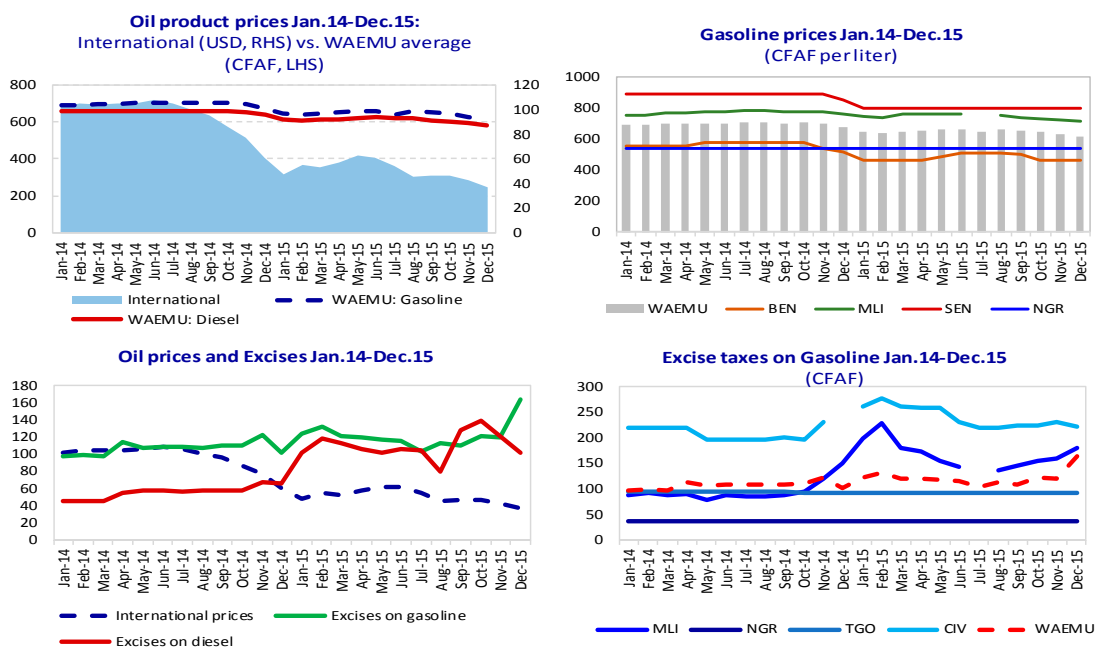
Box 2. Mali: Reforming the Mechanism of Domestic Fuel Price Setting

Pass-through from international to domestic oil prices remains limited in many WAEMU countries. The top left panel below shows little connection between import prices of oil products (gasoline and diesel) and their domestic counterparts. In particular, the sharp drop in import prices that started in mid-2014 has not been reflected in domestic prices. Domestic prices experienced very little change through end-2015, while international prices fluctuated around a decreasing trend during the year.

Despite some similarities, oil pricing mechanisms differ significantly across WAEMU countries. Following the elimination of fuel subsidies (except for kerosene) in 2014–15, Mali displays significantly higher fuel prices than other WAEMU countries, except for Senegal, where prices remain the highest in the region (top right panel). The lowest oil prices were observed in Benin and Niger, the latter an oil producer. Oil products prices in Niger remained flat over the last two years, with no change in response to the evolution of international oil prices.

In Mali, like in most other WAEMU countries, the drop in international prices translated into higher oil-related revenue. The decreasing trend in international oil prices has been accompanied by significant increases in excise tax revenue (bottom left panel). In WAEMU countries on average, the drop in import prices has been seized as an opportunity to shore up revenue collection, limiting considerably the pass-through to domestic prices.

The Malian authorities are planning to introduce an automatic pricing mechanism to allow for higher pass-through from international to domestic fuel prices. In addition to limiting price volatility and pricing oil products adequately, the new mechanism will be geared toward protecting revenue from fuel products—following the de facto elimination of subsidies on gasoline and diesel in 2014–15—and ensuring sufficient margins to encourage efficient operation and investment in the sector. Work is progressing following recommendations from IMF technical assistance to finalize decisions on: (i) the reference import price in the pricing formula and the smoothing rule; (ii) the short-run target tax for each product; (iii) the pre-tax subsidy on kerosene; (iv) the responsibilities of each of the parties involved in the implementation of the pricing mechanism; and (v) short-term mitigating measures to protect the vulnerable segments of the population. Before implementing the new pricing mechanism, the authorities also plan to launch a public information campaign that explains the need for reform, clarifies the operation of the mechanism, and announces accompanying mitigating measures.



Sources: Oil prices at the international markets are taken from WEO. Country-specific prices and excise taxes are provided by respective country authorities.

13. The authorities are moving forward gradually with the implementation of fiscal decentralization. As part of the strategy, the government plans to increase the share of resources and expenditure responsibilities transferred to local governments, create new administrative regions, reinforce local governments' capacities to execute their budgets, strengthen monitoring and control entities, and improve the contribution of local taxation to the financing of local governments. As envisaged in the peace agreement, the central government will transfer 30 percent of budget revenue to sub-national governments by 2018. Expenditures currently executed by the central government on behalf of local governments (deconcentrated resources) will count toward the 30 percent target. Transfers to local government (including deconcentrated resources) are expected to rise to over 21 percent of budgetary revenue in 2016,⁴ and to close to 25 percent next year. The authorities have prepared a three-year strategy to finance regional development projects in the form of contract-plans between the central government and the regions. Under this scheme, the authorities have created regional development agencies to accompany subnational governments in their budget execution, while providing training and technical assistance to local administrations. In addition, given the limited capacity of sub-national administrations, and the increasing share of budgetary revenue transferred to them, the authorities have chosen to retain all the services of the finance ministry at the central level, including budgeting and financial control, to ensure appropriate budgeting process for sub-national governments and strengthen auditing and control mechanisms. The authorities are devolving expenditure responsibilities to the regions and continue working on adequately implementing this process at a sectoral level.

14. The authorities are implementing plans to further improve public financial management (MEFP, ¶24–40). They are on track to complete the transition to the Treasury Single Account (TSA) by end-2016 (structural benchmark). To this effect, a decree was issued in June 2016 that sets the rules for the opening, closing and management of public accounts at commercial banks. They are also adopting measures to enhance budget transparency and improve the presentation of Mali's fiscal accounts. The latter includes submitting the draft finance law under the program budgeting format and presenting the government consolidated fiscal transactions based on the *2001 Government Finance Statistics Manual (2001 GFSM)*, starting in 2018. The authorities are also committed to strengthening PFM in other areas to improve expenditure efficiency and budget execution, and foster good governance. As part of these efforts, the Public Procurement Integrated Management System will be adopted by all ministries in 2017 (structural benchmark, MEFP Table 4).

B. Debt Sustainability

15. Mali has limited borrowing space and should continue to seek maximum concessionality in its external financing. An updated *Debt Sustainability Analysis (DSA)* shows a broadly similar picture to the previous assessment, indicating that Mali remains at a moderate risk of debt distress (Appendix I). Public and external debt are projected to rise at a relatively slow pace and remain manageable. Debt sustainability is highly sensitive to a tightening of financial terms,

⁴ In 2016 about one-fifth of transfers consists of resources spent by the central government on behalf of local governments.

underscoring the importance for the Malian government to continue to meet its external financing needs with grants and concessional loans, wherever possible. Debt sustainability is also vulnerable to lower transfers and foreign direct investment, and to shocks stemming from the concentration of exports in gold. Mali will still benefit from further strengthening debt management capacity, notably by strengthening the quality of the public debt database and enhancing the capacity of the Debt Directorate. Structural conditionality for 2017 includes measures to further strengthen debt management (MEFP, Table 4).

C. Financial Sector Issues

16. The authorities are working to reduce NPLs in the banking sector (MEFP, ¶155). Staff noted that while bank financial indicators look generally good for the system as a whole, NPLs are still high and measures are needed to reduce them. The authorities indicated that the relatively large NPL figure for the system reflected to a large extent legacy NPLs. They explained that, due to the absence of adequate regulation (which is done at a regional level), banks in Mali tend to keep NPLs in their balance sheets for long periods of time, as long as the fixed assets that collateralize them have not been disposed of by banks. They were of the view that the tax regime played no role in banks' decisions to keep old NPLs on their balance sheets, given that provisions against bad loans can be deducted only once from taxable income and the latter rises once provisions are removed. The authorities indicated that at present their efforts are concentrated on two banks where bad legacy loans are particularly significant—BMS and the Malian Development Bank (BDM). They have launched the process of recruiting a specialized firm to help develop concrete initiatives to dispose of real estate collaterals. A specialized firm is also preparing a report with recommendations to deal with BDM's bad loans. They plan to develop a more comprehensive strategy to help reduce NPLs (structural benchmark, MEFP, Table 4). The authorities were not concerned about the recent strong growth in bank credit, which in their view reflected a healthy increase in Mali's low financial intermediation. Staff recommended close vigilance of bank credit standards, however, since the level of NPLs grew at significant pace over the last year, even if the ratio to total loans declined somewhat.

17. The authorities continue the implementation of their comprehensive plan to reform the microfinance sector (MEFP, ¶155). With support from the World Bank, they completed the audit of 32 decentralized microfinance institutions (MFIs) which are in difficulty and will extend audit to all other troubled MFIs. They have also started to compensate small depositors in a liquidated MFI, and plan to liquidate two other MFIs in 2017.

D. Other Structural Reforms and Issues

18. The authorities are working on ways to strengthen the state-owned electricity company (MEFP, ¶156). The financial situation of the company (EDM) remains weak, reflecting to a large extent high costs from inefficient management practices. Although transfers from the budget to help cover its deficit have declined in 2015–16, partly due to the drop in oil prices, the authorities are aware of the need to improve EDM's performance to support economic growth and free up

resources for investment and social spending. Their approach focuses on reducing operating costs and improving management to increase collections. The latter would involve reducing technical and non-technical losses, improving billing systems, and better monitoring of key customers to shore up revenues. To allow a better monitoring of EDM's performance, the government will condition the payment of the subsidy on the publication of quarterly financial statements. EDM is also aiming to fully clear arrears to suppliers and other domestic creditors by end-2016.

19. The authorities indicated that they are stepping up efforts to implement measures to promote good governance (MEFP, ¶157). They explained the challenge involved in fully enforcing the provision of the law against corruption and unlawful enrichment calling for the presentation of asset declarations to the Supreme Court (SC), given the large number of senior government officials that are required to submit such disclosures. However, they pointed to progress made so far and reiterated their commitment to the enforcement of the law. As a concrete step in this direction, they indicated that the Prime Minister will send a letter to public institutions calling on all relevant officials to submit their asset declarations to the SC by December 31, 2016 (structural benchmark). The government will also establish and make operational, by end-2016, the commission for the fight against corruption and unlawful enrichment (structural benchmark), which will be in charge of assessing the asset declarations by senior government officials. The authorities indicated that the action plan to combat money laundering and the financing of terrorism has been updated to reflect the new AML/CFT legislation approved in February 2016, which *inter alia* has enabled them to incriminate agents involved in illicit activities. The government has also established a National Commission for asset freezing, and organized awareness-raising workshops for officials' subject to the requirement of asset declaration.

20. Safeguards. The 2013 assessment of the WAEMU regional central bank, BCEAO, found a continuing strong control environment. All recommendations from the assessment have been implemented. These include strengthening the external audit arrangements by appointment of an international firm with ISA experience for the audits of FY 2015–17, reinforcing the capacity of the audit committee with external expertise to oversee the audit and financial reporting processes, and adoption of IFRS starting with the financial year 2015.

E. Technical Assistance and Capacity Building

21. Staff and the authorities discussed technical assistance (TA) priorities under the capacity building framework (CFB), a Fund initiative for fragile countries. There was agreement on the need to further build capacity to support and undertake reforms. The authorities drew comfort from progress achieved through past IMF TA and capacity building, and expressed interest in being a pilot in the CFB initiative. To consolidate progress, they intend to use this framework to enhance donor coordination and leverage capacity building and TA resources to maximize synergies and increase effectiveness. They will also secure the availability of adequate human and financial

resources to implement TA, and ensure a good collaboration between national agencies involved in the various TA areas.

PROGRAM ISSUES

22. The authorities request to modify the performance criterion on external borrowing.

The request involves lowering the ceiling for end-December 2016 on contracting non-concessional external loans. The government has revised downwards its plans for such borrowing this year, due mainly to the postponement of electricity sector loans and its partial replacement with concessional loans. Plans for contracting concessional borrowing in 2016 (monitored through an indicative target) have been concomitantly revised upwards. Following an updated assessment of Mali's capacity for recording and monitoring public debt (now considered as "adequate"), starting in 2017, the performance criterion (ceiling) on contracting external loans will be defined in PV terms and will apply to overall external borrowing (including both concessional and non-concessional loans).

23. Possible setbacks on domestic security, especially in Bamako, remains the main program risk (12).

Other potential exogenous shocks, such as poor weather conditions and a less favorable external environment could also affect economic growth and the public finances. Given the authorities' determination to move forward gradually on fiscal decentralization, and their plans to continue to devolve spending responsibilities to the regions and bolster expenditure monitoring at a local level, at this point staff views risks from the implementation of fiscal decentralization as modest. While tax revenues have increased strongly in recent years and are projected to expand at a solid pace in 2017, revenue-underperformance risks are broadly balanced. The authorities continue to put in place substantive measures to further strengthen tax administration and are adopting new measures to reduce exemptions. These, coupled with continued strong economic growth, would provide solid safeguards to the program's revenue target. However, there could be resistance to the implementation of some of these measures, notably those related to lowering tax exemptions. Finally, there is also the risk of further build-up in EDM arrears if the authorities fail to adequately implement reforms to strengthen the company's finances.

STAFF APPRAISAL

24. Program performance remains satisfactory. All end-June 2016 quantitative targets were met, in some cases with comfortable margins, and structural reforms have continued to advance in most areas. At the same time, economic growth remains robust, and inflation low. Maintaining fiscal discipline and the reform momentum will be crucial to continued strong macroeconomic and program performance.

25. Staff supports the authorities' plan to start fiscal consolidation in 2017. The small reduction in the fiscal deficit envisaged for 2017 is a good start toward reversing the temporary deficit widening of 2016, derived largely from the commitments under the peace agreement. Importantly, the authorities' program for 2017 provides also for further increases in public investment, thanks to higher tax revenues. Looking further ahead, efforts aimed at prudent

expenditure management and sustainable revenue increases will be critical to reducing the overall fiscal deficit to 3 percent of GDP over the medium term as envisaged in Mali's WAEMU commitments. This would also keep the public debt burden manageable.

26. Sustaining tax revenue growth is critical to meeting growing spending needs. The significant increase in tax revenue in the past two years is an important achievement, but there is still room for the tax-to-GDP ratio—which remains below regional levels—to rise, given the need to address Mali's large social and infrastructure needs. Staff welcomes the program's incorporation of new measures to support continued revenue growth, particularly plans to reduce discretionary and other tax exemptions. Program measures should also allow further expansion of the tax base and increased taxpayer compliance, which are also crucial to the goal of increasing revenue. The authorities' plan to implement an automatic mechanism for domestic petroleum prices is also important as it would enable to protect recent revenue gains for taxing such products while allowing a higher pass-through of international to domestic fuel prices.

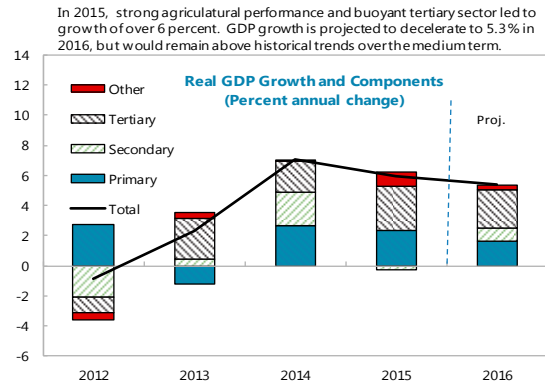
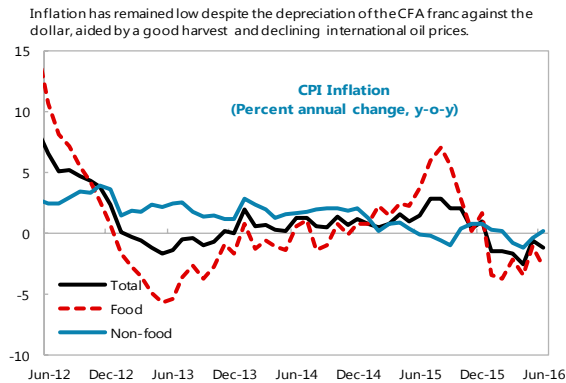
27. Progress with structural reforms has continued, but has been slower than envisaged on implementing key measures to foster good governance. The authorities continue to advance on PFM reforms, including the transition to the treasury single account and improvement of budget preparation and execution. Fiscal decentralization is proceeding gradually—as called for by the need to protect fiscal stability and expenditure quality—but the authorities are on track to meet commitments on the transfer of additional resources to sub-national governments as envisaged under the peace agreement. It is necessary to step up efforts to implement the law against corruption and unlawful enrichment by enforcing compliance with asset declarations and establishing and making operational the anti-corruption commission. The authorities should also expedite the implementation of measures to strengthen the state-owned electricity company to mitigate fiscal risks, support economic growth, and free up resources for investment and social spending.

28. Further reduction of bank NPLs is needed to bolster the health of the banking system. While progress has been made in recent years in lowering the NPL ratio, it remains high. Staff is encouraged by efforts under way to reduce legacy NPLs and the authorities' plans to develop a more comprehensive strategy to address the problem. In light of the recent rapid increase in bank credit and substantial growth in the level of NPLs over the past year, staff also recommends remaining vigilant of credit standards and ensuring that banks are not taking excessive risks.

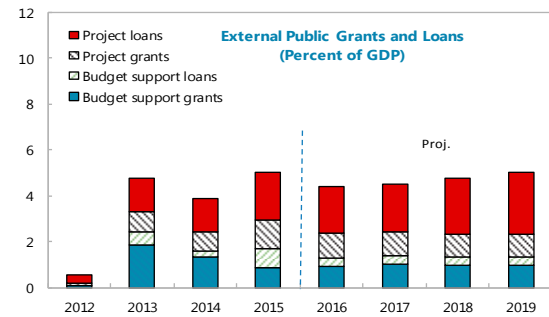
29. Capacity building will be critical to support and undertake key reforms. Staff welcomes the authorities' interest in participating in the CBF initiative, which will help them mobilize and coordinate timely TA and use it efficiently. This should help further strengthen capacity and the implementation of their program. Staff also welcomes the authorities' commitment to providing the necessary staffing, and other resources to achieve the agreed TA and capacity building goals.

30. Staff supports completion of the sixth ECF review. The program remains on track and economic policies for the rest of 2016 and for 2017 are consistent with the program's objectives. Staff also supports the authorities' request for modification of the performance criterion related to external borrowing for December 2016.

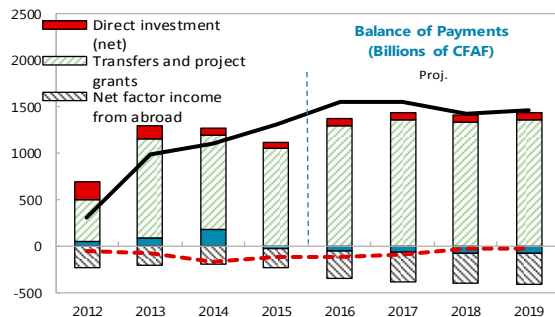
Figure 1. Mali: Macroeconomic Developments, 2011-19



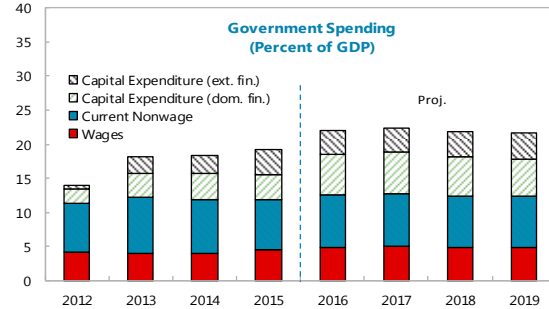
In 2015, efforts to address past governance lapses relating to public financial management helped unlock budget support grants and loans.



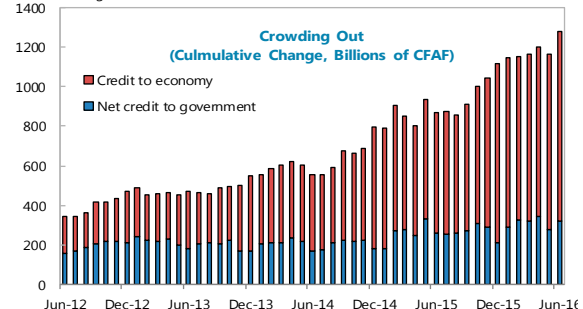
The trade balance deteriorated in 2015, reflecting a large increase in imports that offset the impact of lower oil prices and higher volumes of gold exports. Over the medium-term, the trade deficit will widen, as terms of trade deteriorate and gold exports decline.



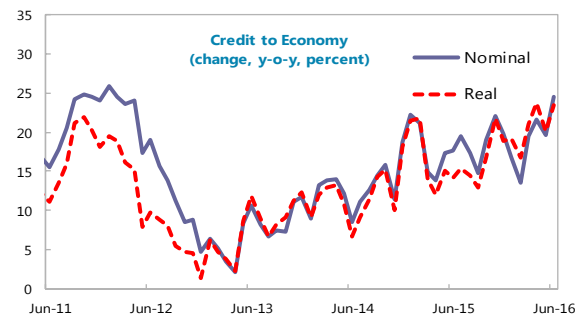
Growth in public expenditure since 2012 has been driven by capital project spending.



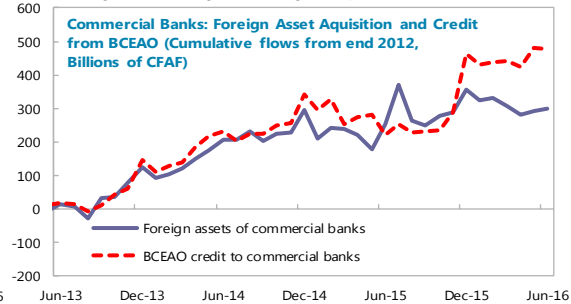
With government curbing its access to bank financing after 2012, banks' resources have strengthened....



...helping increase growth of the credit to the economy.



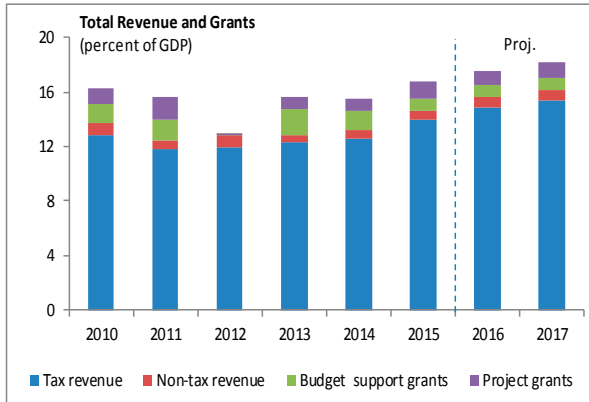
Commercial banks have been taking advantage of lending opportunities outside Mali. Buoyed by low-cost credit from the central bank, they increased their foreign asset holdings and lending to the private sector.



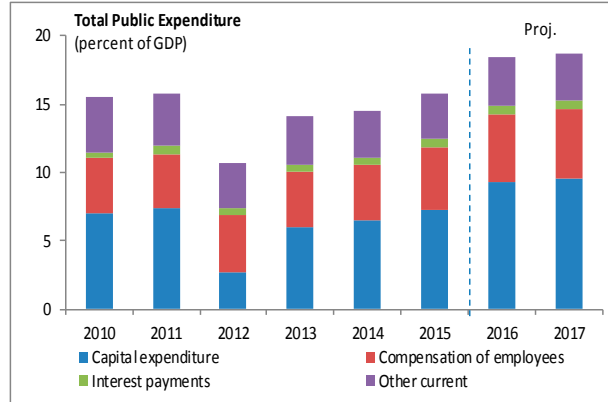
Sources: Malian authorities; and IMF staff estimates and projections.

Figure 2. Mali: Fiscal Developments, 2010–17

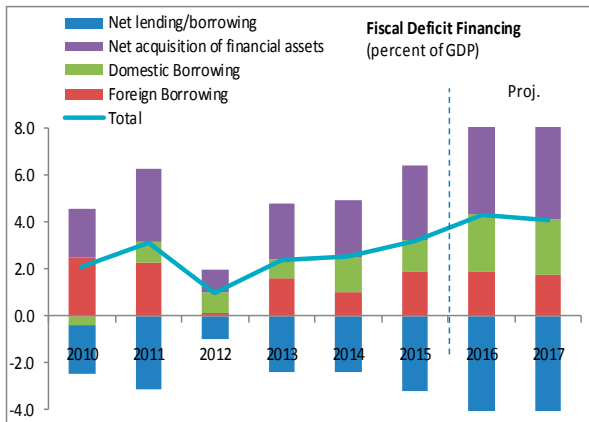
Since declining in 2012, both revenues and grants have increased...



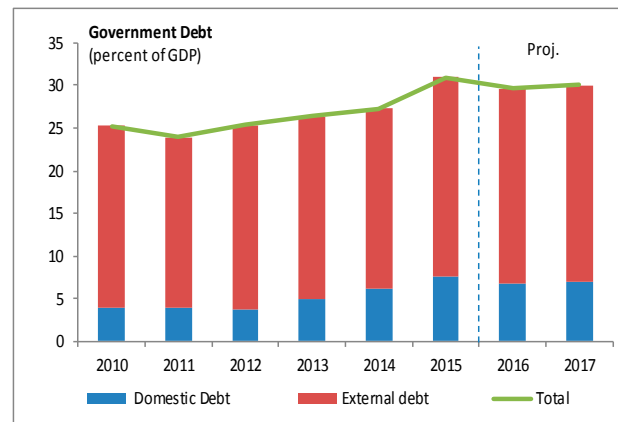
...supporting an increase in capital spending...



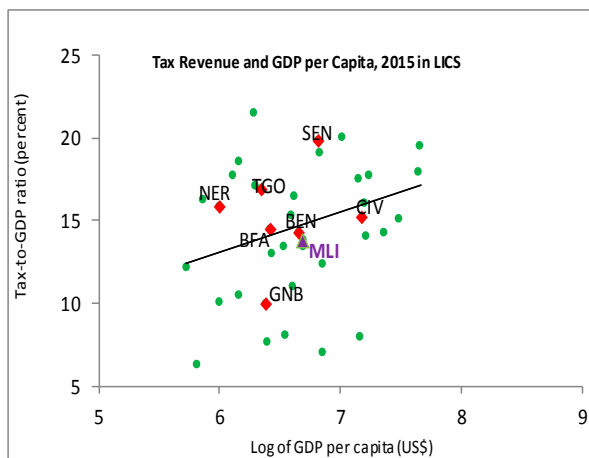
... and contributing to sustainable fiscal position.



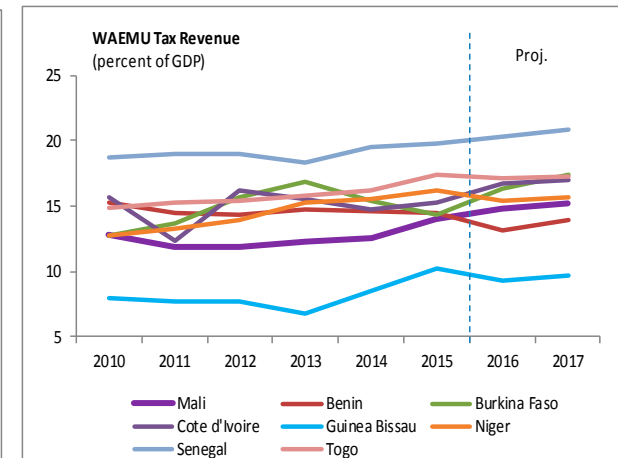
Debt relief in the last decade has provided some fiscal space.



More revenues need to be mobilized...



... to keep up with WAEMU peers.



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

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

	2013	2014	2015	2016		2017	2018	2019	2020	2021
		Est.	Est.	Rev. Prog. ¹	Proj.	Prop. Prog.	Projections			
(Annual Change in percentage)										
National income and prices										
Real GDP	2.3	7.0	6.0	5.3	5.4	5.3	4.8	4.7	4.7	4.7
GDP deflator	0.7	1.6	2.8	1.5	1.5	1.7	1.1	0.8	0.7	0.9
Consumer price inflation (average)	-0.6	0.9	1.4	1.0	-1.6	0.8	1.2	1.6	1.9	2.1
Consumer price inflation (end of period)	0.0	1.2	1.0	1.0	0.5	1.0	1.4	1.7	2.0	2.2
External sector (percent change)										
Terms of trade (deterioration -)	-16.6	5.4	21.2	5.7	4.4	4.5	3.8	-1.2	-1.8	-2.7
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	8.7	8.6	7.3	2.9	0.0	0.2	-0.4
Credit to the economy	7.5	12.4	14.6	8.7	17.2	10.2	4.5	5.0	4.8	5.7
Broad money (M2)	7.4	7.1	13.2	13.4	18.9	14.4	7.8	5.6	5.5	5.6
(Percent of GDP unless otherwise indicated)										
Investment and saving										
Gross domestic investment	17.8	17.6	17.4	19.5	19.4	19.7	19.5	19.4	19.4	19.4
<i>Of which</i> : government	6.0	6.5	7.3	9.3	9.3	9.6	9.4	9.3	9.3	9.3
Gross national savings	14.9	12.9	10.1	12.9	11.8	12.8	14.1	14.1	14.0	13.7
<i>Of which</i> : government	0.6	0.8	2.1	1.7	1.7	2.1	2.7	3.2	3.4	3.4
Gross domestic savings	2.8	2.2	0.6	12.0	0.7	2.1	4.3	4.7	4.9	4.6
Central government finance										
Revenue	14.5	14.9	16.4	16.8	16.8	17.1	17.6	18.0	18.5	18.6
Grants	2.8	2.2	2.7	2.0	2.0	2.0	2.0	1.9	1.8	1.8
Total expenditure and net lending	19.7	20.0	20.9	23.2	23.2	23.1	23.1	23.0	23.2	23.3
Overall balance (payment order basis, including grants)	-2.4	-2.9	-1.8	-4.3	-4.3	-4.1	-3.5	-3.0	-3.0	-3.0
Overall balance (cash basis, including grants)	-2.4	-2.4	-3.2	-4.3	-4.3	-4.1	-3.6	-3.0	-3.0	-2.8
Basic fiscal balance (WAEMU def.) ²	-0.7	-1.2	0.5	-2.1	-2.1	-1.6	-0.9	0.0	0.0	0.0
External sector										
Current external balance, including official transfers	-2.9	-4.7	-7.3	-6.6	-7.7	-6.8	-5.3	-5.3	-5.4	-5.7
Current external balance, excluding official transfers	-12.4	-12.7	-14.3	-15.1	-17.0	-15.9	-13.3	-12.8	-12.4	-12.5
Exports of goods and services	24.9	22.5	22.0	20.0	21.7	22.1	21.3	20.7	20.2	19.4
Imports of goods and services	39.9	38.0	38.9	36.6	40.4	39.6	36.4	35.4	34.7	34.2
Debt service to exports of goods and services	2.3	3.5	6.3	4.4	4.1	5.2	3.8	4.3	5.0	5.5
External debt (end period)	21.5	21.0	23.4	23.7	22.9	23.0	23.7	24.6	25.8	27.0
Memorandum items:										
Nominal GDP (CFAF billions)	6,544	7,114	7,748	8,285	8,285	8,870	9,401	9,923	10,466	11,056
Overall balance of payments (US\$ millions)	-174.5	-353.5	-209.8	-180.3	-200.8	-169.9	-54.2	-47.6	-36.0	-30.3
Public Debt (Percent of GDP)	26.4	27.3	30.9	30.5	29.7	30.0	30.7	31.6	32.7	34.0
Domestic debt (end period) ³	4.9	6.3	7.5	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	1,219	1,282	1,357	1,374	1,391	1,404	1,427
Petroleum price (crude spot)(US\$/bbl)	104	96	51	35	43	51	53	54	56	58

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

¹ IMF Country Report No. 16/49, Mali: Fifth 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. ¹	Proj.
(Annual growth rate, constant prices)						
Primary sector	9.3	-3.7	8.7	7.6	5.3	5.1
Crops	15.0	-9.9	15.3	12.1	7.6	7.2
Food crops	15.5	-11.6	13.8	16.1	7.8	5.9
Export crops	12.1	-0.8	22.6	-5.8	6.5	14.4
Livestock	4.6	0.8	5.0	4.4	3.6	3.5
Fishing and forestry	6.6	2.4	3.6	4.7	3.4	3.3
Quarrying	17.6	-10.1	3.9	4.1	6.7	6.6
Secondary sector	-9.3	2.1	10.9	-1.1	5.1	4.5
Gold (mining & processing)	5.6	-1.1	-2.2	-5.3	-1.4	-4.3
Manufacturing	2.8	1.4	16.4	-5.7	4.3	4.2
Agribusiness	-10.0	10.0	32.8	-11.0	6.0	7.4
Textile	26.4	-10.9	27.2	62.8	2.0	1.9
Utilities	5.2	7.5	11.3	7.9	9.5	7.7
Construction and public works	-34.7	3.0	7.0	6.3	7.5	7.3
Tertiary sector	-2.6	7.0	5.2	7.4	6.0	6.3
Transportation and telecommunications	8.3	10.5	7.4	10.6	8.3	8.2
Trade	-7.7	5.9	3.4	4.3	5.8	7.1
Financial services	15.6	1.8	4.0	6.0	3.4	3.3
Other nonfinancial services	-1.0	6.6	4.6	6.4	4.3	4.2
Public administration	-7.2	0.7	6.2	10.4	4.3	4.2
Indirect taxes and Interior VAT	-5.3	4.4	1.0	10.7	2.8	4.1
GDP at market prices	-0.8	2.3	7.0	6.0	5.3	5.4
National accounts	(Percent of GDP, unless otherwise indicated)					
Gross domestic investment	17.2	17.8	17.6	17.4	19.5	19.4
Gross national savings	15.0	14.9	12.9	10.1	12.9	11.8
Current account balance (including official transfers)	-2.2	-2.9	-4.7	-7.3	-6.6	-7.7
<i>Memorandum items:</i>						
Nominal GDP (in CFAF billions)	6,352	6,544	7,114	7,748	8,285	8,285
GDP deflator (annual % change)	4.6	0.7	1.6	2.8	1.5	1.5

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

¹ IMF Country Report No. 16/49, Mali: Fifth Review Under the Extended Credit Facility Arrangement.

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.	Est.	Prog ¹	Prog		Projections		
Revenue and grants	1,137.2	1,215.1	1,481.1	1,562.4	1,718.0	1,839.3	1,984.2	2,120.4	2,245.1
Total revenue	951.2	1,057.6	1,273.4	1,395.3	1,540.8	1,653.7	1,791.0	1,934.3	2,051.1
Budgetary revenue	842.7	940.8	1,134.2	1,290.3	1,429.4	1,534.6	1,666.4	1,802.9	1,912.3
Tax revenue	804.5	890.5	1,082.5	1,230.7	1,357.9	1,460.5	1,583.2	1,715.2	1,827.5
Direct taxes	258.1	324.0	330.8	390.2	425.8	483.8	523.1	566.0	604.6
<i>Of which: Gold sector</i>	71.0	56.2	46.0	63.5	66.7	77.0	79.8	83.4	86.1
Indirect taxes	546.4	566.5	751.7	840.6	932.1	976.7	1,060.1	1,149.2	1,222.9
VAT	325.7	335.0	411.3	445.4	503.6	530.1	570.7	619.9	667.0
Excises on petroleum products	22.3	27.8	93.1	97.9	104.9	102.3	111.6	120.4	127.3
Import duties	111.8	115.5	141.8	155.1	173.4	182.6	194.9	214.8	230.8
Other indirect taxes	146.9	149.9	189.5	213.6	232.2	240.9	266.5	282.4	290.9
<i>Of which: Gold sector</i>	55.3	51.9	55.5	63.9	70.5	70.9	82.0	82.2	79.5
Tax refund	-60.3	-61.7	-84.0	-71.4	-82.0	-79.2	-83.6	-88.2	-93.2
Nontax revenue	38.2	50.2	51.7	59.6	71.5	74.1	83.2	87.8	84.8
<i>Of which: Gold sector</i>	17.4	7.2	0.0	8.3	8.3	11.0	12.8	13.6	14.4
Special funds and annexed budgets	108.5	116.8	139.2	105.0	111.4	119.1	124.6	131.4	138.8
Grants	186.0	157.5	207.7	167.1	177.2	185.6	193.1	186.0	194.0
Projects grants	56.6	61.6	98.1	92.0	96.5	91.9	95.7	88.3	93.9
Budgetary support	120.1	96.0	67.1	75.1	80.7	93.6	97.5	97.7	100.1
<i>Of which: General</i>	110.8	70.2	46.4	55.7	63.0	74.4	77.4	76.3	77.3
<i>Of which: Sectoral</i>	9.3	25.8	20.7	19.4	17.7	19.3	20.0	21.4	22.8
Debt cancellation	0.0	0.0	42.5	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	1,622.3	1,919.6	2,083.9	2,171.9	2,278.7	2,429.5	2,573.0
Budgetary expenditure	1,190.1	1,308.4	1,488.0	1,818.7	1,976.0	2,052.8	2,154.1	2,298.1	2,434.2
Current expenditure	800.5	848.1	922.0	1,045.9	1,127.7	1,173.3	1,235.5	1,320.1	1,402.8
Wages and salaries	290.8	313.4	358.2	411.0	450.7	457.4	481.7	514.4	548.5
Goods and services	239.6	240.5	260.9	295.1	305.2	338.4	357.0	380.0	403.2
Transfers and subsidies	237.7	252.4	257.0	283.7	308.3	316.9	331.5	354.1	374.0
Interest	32.4	41.7	45.9	56.1	63.5	60.5	65.4	71.5	77.0
<i>Of which: domestic</i>	14.0	24.5	22.9	30.0	35.9	32.3	34.1	36.9	38.9
Capital expenditure	389.6	460.3	566.0	772.8	848.3	879.5	918.6	978.1	1,031.4
Externally financed	161.0	190.5	281.1	280.5	302.3	338.0	388.7	414.4	440.7
Domestically financed	228.6	269.8	284.9	492.3	545.9	541.4	529.9	563.7	590.7
Special funds and annexed budgets	108.5	116.8	139.2	105.0	111.4	119.1	124.6	131.4	138.8
Net lending	-6.2	-5.4	-4.9	-4.1	-3.5	0.0	0.0	0.0	0.0
Overall fiscal balance (excl. grants)	-341.2	-362.3	-348.8	-524.3	-543.1	-518.2	-487.7	-495.2	-521.9
Overall fiscal balance (incl. grants)	-155.1	-204.7	-141.1	-357.2	-365.9	-332.6	-294.5	-309.2	-327.9
Variation of arrears	6.0	-50.4	-37.2	-21.5	-16.2	-9.1	-8.1	-8.1	1.2
<i>Of which: Domestic</i>	7.5	-50.4	-37.2	-21.5	-6.2	-9.1	-8.1	-8.1	1.2
<i>Of which: External (Interest)</i>	-1.5	0.0	0.0	0.0	-10.0	0.0	0.0	0.0	0.0
Adjustment to cash basis	-8.1	85.0	-69.8	19.3	17.4	3.5	1.8	6.6	15.8
Overall balance (cash basis, incl. grants)	-157.2	-170.1	-248.1	-359.4	-364.7	-338.2	-300.8	-310.6	-310.8
Financing	157.3	175.6	248.7	359.4	364.8	310.2	271.9	280.6	280.8
External financing (net)	103.9	70.5	145.0	159.1	159.1	223.1	263.4	274.6	296.4
Loans	134.7	119.5	225.2	199.8	223.7	260.8	308.3	342.4	364.2
Project loans	95.1	103.1	160.5	169.1	188.1	226.9	273.0	304.7	324.0
<i>Of which: non-concessional</i>	0.0	0.0	0.0	83.3	0.0	83.3	0.0	0.0	0.0
Budgetary loans	39.6	16.4	64.7	30.7	35.6	33.9	35.3	37.7	40.2
Amortization	-42.9	-52.0	-97.5	-58.4	-82.5	-55.7	-61.9	-67.8	-67.8
Debt relief	25.6	14.9	17.4	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
Domestic financing (net)	53.4	105.1	103.7	200.3	205.7	87.0	8.5	6.0	-15.6
Banking system	-23.1	61.6	58.9	193.4	194.1	87.0	8.5	6.0	-15.6
Central bank	-75.5	-65.8	23.0	24.5	-34.1	-10.3	-11.2	-12.3	-12.5
Commercial banks	29.4	80.3	7.9	168.9	228.2	97.4	9.7	18.3	-3.1
Adjustment ²	-23.0	47.1	-28.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts	55.1	0.0	-11.4	-17.5	-10.0	0.0	0.0	0.0	0.0
Non-bank financing	21.4	43.5	56.2	24.4	21.6	0.0	10.0	0.0	0.0
Financing gap	0.0	-5.5	-0.6	0.0	0.0	28.0	29.0	30.0	30.0
<i>Memorandum items</i>									
Basic fiscal balance ³	-43.7	-86.7	38.5	-170.4	-160.0	-87.7	-4.5	-4.5	-3.9
Tax and non tax revenue from gold sector	143.6	115.4	101.5	135.8	0.0	158.9	174.5	179.2	180.0
Total official assistance (loans and grants)	320.7	277.0	432.9	366.9	400.9	446.3	501.4	528.4	558.2
Nominal GDP	6,544	7,114	7,748	8,285	8,870	9,401	9,923	10,466	11,056

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

¹ IMF Country Report No. 16/149, Mali: Fifth 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, 2016

(in billions of CFAF)

	March		June			September			December	
	Prog. ¹	Est.	Prog. ¹	Rev. Prog.	Est.	Prog. ¹	Rev. Prog.	Proj.	Prog.	Proj.
Revenue and grants	336.9	339.9	745.7	728.8	804.9	1,151.6	1,129.4	1,129.4	1,562.4	1,562.4
Total revenue	324.9	336.7	709.3	691.3	746.7	1,036.2	1,016.9	1,016.9	1,395.3	1,395.3
Budgetary revenue	299.0	299.1	655.4	640.6	656.2	959.4	939.7	939.7	1,290.3	1,290.3
Tax revenue	287.0	294.0	619.3	604.9	619.7	915.0	894.5	894.5	1,230.7	1,230.7
Direct taxes	91.1	85.8	214.0	207.1	192.6	300.8	292.6	292.6	390.2	390.2
Indirect taxes	195.8	208.2	405.3	397.8	427.1	614.2	601.9	601.9	840.6	840.6
VAT	100.8	103.2	215.5	216.7	219.7	330.2	328.4	328.4	445.4	445.4
Excises on petroleum products	22.7	33.8	46.1	49.1	59.4	63.1	70.6	70.6	97.9	97.9
Import duties	36.6	34.2	74.2	73.5	75.2	115.1	114.4	114.4	155.1	155.1
Other indirect taxes	53.2	48.0	104.5	94.0	102.0	157.7	141.0	141.0	213.6	213.6
Tax refund	-17.5	-10.9	-35.0	-35.5	-29.2	-52.0	-52.4	-52.4	-71.4	-71.4
Nontax revenue	12.1	5.1	36.1	35.7	36.5	44.4	45.3	45.3	59.6	59.6
Special funds and annexed budgets	25.9	37.6	53.9	50.7	90.5	76.8	77.2	77.2	105.0	105.0
Grants	11.9	3.2	36.4	37.5	58.2	115.4	112.5	112.5	167.1	167.1
Projects	8.6	3.2	29.5	28.2	50.1	44.5	46.8	46.8	92.0	92.0
Budgetary support	3.3	0.0	6.9	9.4	8.1	70.8	65.7	65.7	75.1	75.1
General	0.0	0.0	0.0	0.0	0.0	64.0	55.7	55.7	55.7	55.7
Sectoral	3.3	0.0	6.9	9.4	8.1	6.8	10.0	10.0	19.4	19.4
Total expenditure and net lending (payment order basis)	423.5	336.3	913.0	970.5	873.1	1,315.6	1,395.6	1,395.6	1,919.6	1,919.6
Budgetary expenditure	398.4	299.5	861.3	921.9	766.0	1,242.0	1,321.5	1,321.5	1,818.7	1,818.7
Current expenditure	268.9	208.2	564.2	569.1	482.0	802.7	805.5	805.5	1,045.9	1,045.9
Wages and salaries	100.6	97.6	201.2	205.5	184.2	301.7	308.3	308.3	411.0	411.0
Goods and services	74.5	42.6	149.1	147.6	120.6	223.6	221.3	221.3	295.1	295.1
Transfers and subsidies	85.5	57.7	188.2	189.5	147.5	242.5	240.2	240.2	283.7	283.7
Interest	8.3	10.4	25.8	26.4	29.6	34.9	35.7	35.7	56.1	56.1
Of which: domestic	1.8	3.8	13.2	13.8	17.7	15.7	16.5	16.5	30.0	30.0
Capital expenditure	129.5	91.3	297.1	352.9	284.0	439.3	516.1	516.1	772.8	772.8
Externally financed	32.8	23.0	103.7	106.7	131.5	149.3	146.8	146.8	280.5	280.5
Domestically financed	96.7	68.3	193.4	246.2	152.4	290.0	369.2	369.2	492.3	492.3
Special funds and annexed budgets	25.9	37.6	53.9	50.7	90.5	76.8	77.2	77.2	105.0	105.0
Net lending	-0.8	-0.8	-2.2	-2.2	-2.8	-3.2	-3.2	-3.2	-4.1	-4.1
Overall fiscal balance (excl. grants)	-98.6	0.4	-203.7	-279.2	-126.3	-279.4	-378.6	-378.6	-524.3	-524.3
Overall fiscal balance (incl. grants)	-86.7	3.6	-167.2	-241.6	-68.1	-164.1	-266.1	-266.1	-357.2	-357.2
Variation of arrears	-18.3	0.0	-36.5	-26.5	-9.4	-34.0	-24.0	-24.0	-21.5	-21.5
Adjustment to cash basis	-15.7	-8.9	-31.5	-25.4	-48.9	-11.2	-3.1	-3.1	19.3	19.3
Overall balance (cash basis, incl. grants)	-120.7	-5.3	-235.3	-293.6	-126.4	-209.2	-293.2	-293.2	-359.4	-359.4
Financing	120.5	73.4	234.9	293.6	126.4	208.8	293.3	292.7	359.5	359.4
External financing (net)	12.1	8.5	51.7	53.6	63.9	80.9	74.1	74.1	159.1	159.1
Loans	20.8	19.8	70.7	72.7	79.4	110.1	103.4	103.4	199.8	199.8
Project loans	20.8	19.8	67.3	69.2	79.4	97.9	90.0	90.0	169.1	169.1
Of which: non-concessional	20.8	0.0	41.7	41.7	0.0	62.5	62.5	62.5	83.3	83.3
Budgetary loans	0.0	0.0	3.5	3.5	0.0	12.2	13.4	13.4	30.7	30.7
Amortization	-10.0	-12.5	-31.9	-31.9	-28.2	-43.3	-43.3	-43.3	-58.4	-58.4
Debt relief	1.2	1.2	12.9	12.9	12.7	14.1	14.1	14.1	17.7	17.7
Variation of External Arrears (Principal)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing (net)	108.4	64.8	183.2	240.0	62.5	127.9	219.1	218.6	200.4	200.3
Banking system	88.5	137.5	153.9	201.2	100.0	121.4	183.5	182.9	193.8	193.4
Central bank	-0.5	59.9	0.4	13.9	3.3	-1.1	13.0	12.4	25.5	24.5
Commercial banks	89.0	43.5	153.5	187.3	100.3	122.5	170.5	170.5	168.3	168.9
Adjustment ²	0.0	-34.0	0.0	0.0	3.6	0.0	0.0	0.0	0.0	0.0
Privatization receipts	-8.8	-5.2	-17.5	-17.5	-9.1	-17.5	-17.5	-17.5	-17.5	-17.5
Non-bank financing	28.7	-67.4	46.8	56.3	-28.4	24.0	53.1	53.1	24.1	24.4
Financing gap	0.2	-68.1	0.4	0.0	0.0	0.5	-0.1	0.5	-0.1	0.0
<i>Memorandum items</i>										
Basic fiscal balance ³	-64.6	24.6	-87.1	-159.6	18.0	-52.1	-162.0	-162.0	-170.4	-170.4
Government bank and market financing	125.0	162.2	216.5	278.2	195.9	169	251.7	251.2	259.4	259.3

Sources: Ministry of Finance; and IMF staff projections.

¹ IMF Country Report No. 16/149, Mali: Fifth 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 5. Mali: Consolidated Fiscal Transactions of the Government, 2013–21
(percent of GDP)

	2013	2014	2015	2016	2017	2018	2019	2020	2021
		Est.	Est.	Prog. ¹	Prog	Projections			
Revenue and grants	17.4	17.1	19.1	18.9	19.4	19.6	20.0	20.3	20.3
Total revenue	14.5	14.9	16.4	16.8	17.4	17.6	18.0	18.5	18.6
Budgetary revenue	12.9	13.2	14.6	15.6	16.1	16.3	16.8	17.2	17.3
Tax revenue	12.3	12.5	14.0	14.9	15.3	15.5	16.0	16.4	16.5
Direct taxes	3.9	4.6	4.3	4.7	4.8	5.1	5.3	5.4	5.5
<i>Of which: Gold sector</i>	1.1	0.8	0.6	0.8	0.8	0.8	0.8	0.8	0.8
Indirect taxes	8.4	8.0	9.7	10.1	10.5	10.4	10.7	11.0	11.1
VAT	5.0	4.7	5.3	5.4	5.7	5.6	5.8	5.9	6.0
Excises on petroleum products	0.3	0.4	1.2	1.2	1.2	1.1	1.1	1.2	1.2
Import duties	1.7	1.6	1.8	1.9	2.0	1.9	2.0	2.1	2.1
Other indirect taxes	2.2	2.1	2.4	2.6	2.6	2.6	2.7	2.7	2.6
<i>Of which: Gold sector</i>	0.8	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.7
Tax refund	-0.9	-0.9	-1.1	-0.9	-0.9	-0.8	-0.8	-0.8	-0.8
Nontax revenue	0.6	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8
<i>Of which: Gold sector</i>	0.3	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Special funds and annexed budgets	1.7	1.6	1.8	1.3	1.3	1.3	1.3	1.3	1.3
Grants	2.8	2.2	2.7	2.0	2.0	2.0	1.9	1.8	1.8
Projects grants	0.9	0.9	1.3	1.1	1.1	1.0	1.0	0.8	0.8
Budgetary support	1.8	1.3	0.9	0.9	0.9	1.0	1.0	0.9	0.9
General	1.7	1.0	0.6	0.7	0.7	0.8	0.8	0.7	0.7
Sectoral	0.1	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Debt cancellation	0.0	0.0	0.5	0.0	0.0	0.0			
Total expenditure and net lending (payment order basis)	19.7	20.0	20.9	23.2	23.5	23.1	23.0	23.2	23.3
Budgetary expenditure	18.2	18.4	19.2	22.0	22.3	21.8	21.7	22.0	22.0
Current expenditure	12.2	11.9	11.9	12.6	12.7	12.5	12.5	12.6	12.7
Wages and salaries	4.4	4.4	4.6	5.0	5.1	4.9	4.9	4.9	5.0
Goods and services	3.7	3.4	3.4	3.6	3.4	3.6	3.6	3.6	3.6
Transfers and subsidies	3.6	3.5	3.3	3.4	3.5	3.4	3.3	3.4	3.4
Interest	0.5	0.6	0.6	0.7	0.7	0.6	0.7	0.7	0.7
<i>Of which: domestic</i>	0.2	0.3	0.3	0.4	0.4	0.3	0.3	0.4	0.4
Capital expenditure	6.0	6.5	7.3	9.3	9.6	9.4	9.3	9.3	9.3
Externally financed	2.5	2.7	3.6	3.4	3.4	3.6	3.9	4.0	4.0
Domestically financed	3.5	3.8	3.7	5.9	6.2	5.8	5.3	5.4	5.3
Special funds and annexed budgets	1.7	1.6	1.8	1.3	1.3	1.3	1.3	1.3	1.3
Net lending	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Overall fiscal balance (excl. grants)	-5.2	-5.1	-4.5	-6.3	-6.1	-5.5	-4.9	-4.7	-4.7
Overall fiscal balance (incl. grants)	-2.4	-2.9	-1.8	-4.3	-4.1	-3.5	-3.0	-3.0	-3.0
Variation of arrears	0.1	-0.7	-0.5	-0.3	-0.2	-0.1	-0.1	-0.1	-0.1
<i>Of which: Domestic</i>	0.1	-0.7	-0.5	-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	-0.1	0.0	0.0	0.0	0.0
Adjustment to cash basis	-0.1	1.2	-0.9	0.2	0.2	0.0	0.0	0.1	0.1
Overall balance (cash basis, incl. grants)	-2.4	-2.4	-3.2	-4.3	-4.1	-3.6	-3.0	-3.0	-2.8
Financing	2.4	2.5	3.2	4.3	4.1	3.3	2.7	2.7	2.5
External financing (net)	1.6	1.0	1.9	1.9	1.8	2.4	2.7	2.6	2.7
Loans	2.1	1.7	2.9	2.4	2.5	2.8	3.1	3.3	3.3
Project loans	1.5	1.4	2.1	2.0	2.1	2.4	2.8	2.9	2.9
<i>Of which: non-concessional</i>	0.0	0.0	0.0	1.0	0.0	0.9	0.0	0.0	0.0
Budgetary loans	0.6	0.2	0.8	0.4	0.4	0.4	0.4	0.4	0.4
Amortization	-0.7	-0.7	-1.3	-0.7	-0.9	-0.6	-0.6	-0.6	-0.6
Debt relief	0.4	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			
Domestic financing (net)	0.8	1.5	1.3	2.4	2.3	0.9	0.1	0.1	-0.1
Banking system	-0.4	0.9	0.8	2.3	2.2	0.9	0.1	0.1	-0.1
Central bank	-1.2	-0.9	0.3	0.3	-0.4	-0.1	-0.1	-0.1	-0.1
Commercial banks	0.4	1.1	0.1	2.0	2.6	1.0	0.1	0.2	0.0
Adjustment ²	-0.4	0.7	-0.4	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts	0.8	0.0	-0.1	-0.2	-0.1	0.0	0.0	0.0	0.0
Non-bank financing	0.3	0.6	0.7	0.3	0.2	0.0	0.1	0.0	0.0
Financing gap	0.0	-0.1	0.0	0.0	0.0	0.3	0.3	0.3	0.3
<i>Memorandum items</i>									
Basic fiscal balance ³	-0.7	-1.2	0.5	-2.1	-1.8	-0.9	0.0	0.0	0.0
Tax and non tax revenue from gold sector	2.2	1.6	1.3	1.6	0.0	1.7	1.8	1.7	1.6
Total official assistance (grants plus loans)	4.9	3.9	5.6	4.4	4.5	4.7	5.1	5.0	5.0
Nominal GDP (in billions of CFAF)	6,544	7,114	7,748	8,285	8,870	9,401	9,923	10,466	11,056

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

¹ IMF Country Report No. 16/149, Mali: Fifth 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, 2017

(in billions of CFAF)

	Mar.	Jun.	Sep.	Dec.
	Proposed prog.	Proposed prog.	Proposed prog.	Proj.
Revenue and grants	375.1	832.9	1,250.5	1,718.0
Total revenue	366.8	783.8	1,157.6	1,540.8
Budgetary revenue	333.9	708.9	1,075.7	1,429.4
Tax revenue	323.6	665.5	1,021.5	1,357.9
Direct taxes	97.0	212.9	325.9	425.8
Indirect taxes	226.6	452.6	695.6	932.1
VAT	115.0	241.7	373.0	503.6
Excises on petroleum products	31.2	49.3	75.6	104.9
Import duties	39.4	81.5	127.9	173.4
Other indirect taxes	49.7	106.0	152.4	232.2
Tax refund	-9.3	-29.4	-37.1	-82.0
Nontax revenue	10.3	43.4	54.2	71.5
Special funds and annexed budgets	33.0	74.9	81.9	111.4
Grants	8.3	49.0	92.9	177.2
Projects	6.1	41.0	49.1	96.5
Budgetary support	2.1	8.0	43.8	80.7
General	0.0	0.0	34.7	63.0
Sectoral	2.1	8.0	9.1	17.7
Total expenditure and net lending (payment order basis)	538.9	1,101.7	1,552.9	2,083.9
Budgetary expenditure	506.7	1,028.9	1,474.5	1,976.0
Current expenditure	284.5	578.5	856.9	1,127.7
Wages and salaries	111.1	225.4	338.0	450.7
Goods and services	74.6	149.1	225.8	305.2
Transfers and subsidies	82.9	172.3	245.4	308.3
Interest	15.9	31.8	47.6	63.5
Of which: domestic	9.0	18.0	26.9	35.9
Capital expenditure	222.2	450.4	617.6	848.3
Externally financed	85.8	164.5	222.6	302.3
Domestically financed	136.5	285.9	395.1	545.9
Special funds and annexed budgets	32.9	74.9	81.0	111.4
Net lending	-0.7	-2.1	-2.7	-3.5
Overall fiscal balance (excl. grants)	-172.1	-317.9	-395.3	-543.1
Overall fiscal balance (incl. grants)	-163.8	-268.8	-302.4	-365.9
Variation of arrears	-2.5	-8.1	-13.7	-16.2
Adjustment to cash basis	-25.5	-65.9	-68.5	17.4
Overall balance (cash basis, incl. grants)	-191.8	-342.8	-384.6	-364.7
Financing	191.8	346.0	384.6	364.8
External financing (net)	47.0	73.8	99.7	159.1
Loans	55.9	100.7	134.2	223.7
Project loans	47.0	84.6	112.9	188.1
Of which: non-concessional	0.0	0.0	0.0	0.0
Budgetary loans	8.9	16.0	21.4	35.6
Amortization	-10.2	-38.9	-46.8	-82.5
Debt relief	1.2	12.0	12.3	17.8
Variation of External Arrears (Principal)	0.0	0.0	0.0	0.0
Domestic financing (net)	144.8	272.2	284.9	205.7
Banking system	59.6	163.8	188.1	194.1
Central bank	-7.5	-15.0	-22.9	-34.1
Commercial banks	67.1	178.9	211.0	228.2
Adjustment ¹	0.0	0.0	0.0	0.0
Privatization receipts	-1.5	-5.1	-5.1	-10.0
Non-bank financing	86.7	113.5	102.0	21.6
Financing gap	0.0	-3.2	0.0	0.0
<i>Memorandum items</i>				
Basic fiscal balance ²	-85.2	-141.2	-125.7	-160.0
Government bank and market financing	66.3	197.3	210	188.9

Sources: Ministry of Finance; and IMF staff projections.

¹ Adjustment to account for the difference between the definitions of the government in the fiscal table and the monetary situation.² 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.	Est.	Rev. Prog. ¹	Proj.	Prop. Prog.	Projections		
(Billions of CFAF)											
Current account balance											
Excluding official transfers	-814.2	-903.7	-1,050.4	-1,109.3	-1,255.1	-1,409.8	-1,409.5	-1,249.9	-1,266.3	-1,300.1	-1,384.0
Including official transfers	-188.8	-333.9	-354.7	-564.8	-543.5	-634.0	-604.8	-502.8	-522.7	-569.6	-631.7
Trade balance	-126.5	-251.1	-240.9	-407.8	-306.3	-436.2	-405.0	-336.6	-379.3	-416.7	-493.6
Exports, f.o.b.	1,419.5	1,374.4	1,425.5	1,474.4	1,425.4	1,556.4	1,708.0	1,747.0	1,782.2	1,835.8	1,859.5
Cotton fiber	176.8	166.7	174.6	183.1	140.1	192.0	206.9	208.0	213.0	217.7	240.0
Gold	964.5	917.7	918.5	990.6	1,003.8	1,050.0	1,156.5	1,163.9	1,170.9	1,173.6	1,136.3
Other	278.2	290.0	332.5	300.7	281.5	314.4	344.6	375.1	398.3	444.5	483.2
Imports, f.o.b.	-1,546.1	-1,625.4	-1,666.4	-1,882.2	-1,731.7	-1,992.5	-2,113.1	-2,083.5	-2,161.5	-2,252.5	-2,353.1
Petroleum products	-434.3	-434.8	-326.3	-403.7	-322.0	-387.8	-405.1	-322.7	-342.7	-359.2	-372.7
Foodstuffs	-231.6	-248.7	-300.0	-324.3	-310.8	-379.4	-420.9	-428.9	-447.6	-465.6	-481.4
Other	-880.1	-941.9	-1,040.1	-1,154.2	-1,098.9	-1,225.4	-1,287.1	-1,331.9	-1,371.2	-1,427.7	-1,498.9
Services (net)	-854.1	-850.1	-977.1	-896.0	-1,072.1	-1,115.3	-1,149.3	-1,083.6	-1,080.1	-1,101.1	-1,144.8
Credit	211.7	225.6	203.7	232.9	232.7	239.6	248.5	257.6	267.0	276.8	286.9
Debit ²	-1,065.9	-1,075.7	-1,180.8	-1,128.9	-1,304.8	-1,354.9	-1,397.9	-1,341.2	-1,347.1	-1,377.9	-1,431.7
Of which: freight and insurance	-319.7	-299.9	-360.9	-347.8	-329.9	-379.5	-402.5	-396.9	-411.7	-429.0	-448.2
Income (net)	-213.7	-190.0	-254.6	-209.1	-279.5	-289.9	-317.2	-319.4	-323.9	-327.6	-321.5
Of which: interest due on public debt	-18.4	-17.2	-23.3	-23.0	-26.1	-26.1	-27.6	-28.2	-31.2	-34.5	-38.1
Transfers (net)	1,005.5	957.2	1,117.9	948.1	1,114.4	1,207.3	1,266.8	1,236.8	1,260.6	1,275.7	1,328.3
Private transfers (net)	380.2	387.4	422.2	403.6	402.7	431.6	462.0	489.7	516.9	545.2	575.9
Official transfers (net) ²	625.4	569.8	695.7	544.5	711.6	775.8	804.8	747.1	743.7	730.5	752.4
Of which: budgetary grants	110.8	70.2	111.9	46.4	75.1	75.1	80.7	93.6	97.5	97.7	100.1
Capital and financial account	120.1	175.3	397.5	436.9	437.0	516.1	505.9	471.4	495.3	549.1	614.3
Capital account (net)	107.0	95.9	194.6	181.2	110.6	117.6	123.7	121.0	126.0	120.5	127.9
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	92.0	92.0	96.5	91.9	95.7	88.3	93.9
Financial account	13.2	79.4	202.9	255.7	326.4	398.5	382.2	350.5	369.2	428.6	486.4
Private (net)	-63.5	-63.7	55.1	48.4	99.6	171.7	150.5	50.0	23.6	48.5	78.7
Direct investment (net)	150.7	70.9	106.3	70.0	61.9	73.3	75.5	80.0	83.6	88.5	88.7
Portfolio investment private (net)	-1.0	-1.5	-1.1	-1.5	-1.4	-1.6	0.0	0.0	0.0	0.0	0.0
Other private capital flows	-213.2	-133.1	-50.0	-20.0	39.0	100.0	75.0	-30.0	-60.0	-40.0	-10.0
Official (net)	75.2	52.7	146.0	127.7	141.4	141.4	141.2	205.0	246.3	274.6	296.4
Disbursements	134.7	119.5	243.6	225.2	199.8	199.8	223.7	260.8	308.3	342.4	364.2
Budgetary	39.6	16.4	64.9	64.7	30.7	30.7	35.6	33.9	35.3	37.7	40.2
Project related	95.1	103.1	178.6	160.5	169.1	169.1	188.1	226.9	273.0	304.7	324.0
Amortization due on public debt	-42.9	-52.0	-97.5	-97.5	-58.4	-58.4	-82.5	-55.7	-62.0	-67.8	-67.8
Errors and omissions	-17.5	-15.9	0.0	3.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-86.2	-174.5	42.8	-124.0	-106.5	-118.0	-98.8	-31.4	-27.4	-20.5	-17.4
Financing	86.2	174.5	-42.8	124.0	106.5	118.0	98.8	31.4	27.4	20.5	17.4
Foreign assets (net)	60.6	159.6	-59.6	107.2	88.7	100.2	81.0	-14.7	-18.6	-17.8	-12.6
Of which: IMF (net)	18.8	4.3	1.9	1.9	25.4	24.5	21.5	-10.3	-11.2	-12.3	-12.5
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	29.0	30.0	30.0
(in percent of GDP, unless otherwise indicated)											
Current account balance											
Excluding official transfers	-12.4	-12.7	-13.6	-14.3	-15.1	-17.0	-15.9	-13.3	-12.8	-12.4	-12.5
Including official transfers	-2.9	-4.7	-4.6	-7.3	-6.6	-7.7	-6.8	-5.3	-5.3	-5.4	-5.7
(annual percentage change)											
External trade											
Export volume index	7.1	-2.3	4.8	18.3	-1.7	0.3	5.0	2.9	2.3	4.0	3.2
Import volume index	1.7	10.2	9.1	49.6	8.0	4.5	5.9	3.1	2.9	3.4	3.7
Export unit value	-14.3	-1.5	1.7	-6.2	2.0	5.8	4.6	-0.8	-0.3	-1.0	-2.0
Import unit value	2.7	-6.6	-5.7	-22.6	-3.5	1.3	0.2	-4.4	0.8	0.8	0.7
Terms of trade	-16.6	5.4	7.9	21.2	5.7	4.4	4.5	3.8	-1.2	-1.8	-2.7

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

¹ IMF Country Report No. 16/49, Mali: Fifth 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. Mali: Monetary Survey, 2013–17

	2013	2014		2015		2016		2017
		Est.	Prog.	Est.	Rev. Prog. ¹	Proj.	Prop. Prog.	
(Billions of CFAF)								
Net Foreign Assets	758	623	683	536	447	435	354	
BCEAO	482	322	382	215	126	115	33	
Commercial Banks	277	301	302	321	321	321	321	
Net Domestic Assets	1,087	1,354	1,571	1,702	2,089	2,226	2,690	
Credit to the government (net)	-101	-86	31	-55	139	138	332	
BCEAO	0	-66	-68	-43	-17	-18	-52	
Commercial banks, net	-101	-20	99	-12	156	156	385	
Other	0	0	0	0	0	0	0	
Credit to the economy	1,228	1,458	1,558	1,747	1,942	2,131	2,402	
Other items (net)	-41	-18	-19	9	9	-44	-44	
Money supply (M2)	1,845	1,977	2,254	2,237	2,536	2,661	3,045	
Currency outside banks	509	443	506	407	462	484	554	
Bank deposits	1,337	1,533	1,749	1,830	2,075	2,177	2,490	
Memorandum item:								
Base Money (M0)	742	715	815	751	852	894	1,022	
Gross international reserves BCEAO	613	465	525	369	269	258	167	
in percent of broad money	33.2	23.5	23.3	16.5	10.6	9.7	5.5	
(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	18.9	14.4	
Net foreign assets	3.6	-7.3	3.0	-4.4	-4.0	-4.5	-3.0	
BCEAO	-3.5	-8.6	3.0	-5.4	-4.0	-4.5	-3.0	
Commercial banks	7.1	1.3	0.0	1.0	0.0	0.0	0.0	
Net domestic assets	3.8	14.5	11.0	17.6	17.3	23.4	17.5	
Credit to the central government	-2.7	0.8	5.9	1.6	8.7	8.6	7.3	
Credit to the economy	7.5	12.4	5.1	14.6	8.7	17.2	10.2	
Other items net	-1.0	-3.6	0.0	1.4	0.0	-2.4	0.0	
(Annual growth rate)								
Memorandum items:								
Money supply (M2)	7.4	7.1	14.0	13.2	13.4	18.9	14.4	
Base money (M0)	1.3	-3.7	14.0	14.6	13.4	18.9	14.4	
Credit to the economy	11.7	18.7	6.9	19.9	11.1	22.0	12.7	
Velocity (GDP/M2)	3.5	3.6	2.8	3.5	3.3	3.1	2.9	
Money Multiplier (M2/M0)	2.5	2.8	2.8	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	

Sources: BCEAO; and Fund staff estimates and projections.

¹ IMF Country Report No. 16/49, Mali: Fifth Review Under the Extended Credit Facility Arrangement.

Table 9. Mali: Financial Soundness Indicators for the Banking Sector, 2009–16

	2009	2010	2011	2012	2013	2014	2015				2016	
							March	June	Sep.	Dec.	March	June
	(in percent)											
Capital												
Capital to risk-weighted assets	7.7	13.7	11.7	11.4	12.9	14.5	14.7	15.2	15.5	14.8	15.1	15.3
Tier 1 capital to risk-weighted assets	7.2	12.7	10.8	10.0	12.2	13.1	13.3	13.9	14.2	13.4	13.7	13.6
Capital (net worth) in percent of assets	4.6	7.5	8.3	7.7	7.9	7.1	7.5	7.9	7.9	7.4	7.8	7.9
Sectoral distribution of credit to the economy												
Agriculture and fishing	7.9	1.6	11.7	10.9	6.5	5.5	3.1	1.1	0.3	4.3	2.8	2.1
Mining sector	0.2	0.1	0.1	3.8	4.7	3.4	3.8	3.6	3.2	2.6	2.6	2.3
Manufacturing	5.9	7.3	8.0	9.6	11.1	12.7	12.5	13.4	12.6	12.1	12.8	13.2
Electricity, gas, and water	4.3	11.1	10.0	6.4	9.6	11.9	12.7	9.5	10.5	9.6	8.9	8.6
Building and construction	1.6	4.3	4.4	5.0	3.8	4.9	4.9	6.3	6.4	7.0	6.6	7.9
Wholesale and retail trade, hotels and restaurants	37.4	44.4	43.3	44.6	45.2	40.9	43.5	45.8	46.8	45.5	48.6	43.5
Transportation, warehouses, communications	11.3	8.8	7.1	5.6	9.3	10.1	8.3	8.9	9.7	8.8	7.7	10.6
Insurance, real estate, and services for enterprises	18.8	14.9	9.8	8.2	5.7	6.9	7.4	6.6	5.9	6.3	6.3	7.7
Collectives and social services	14.6	7.6	5.6	5.8	4.0	3.6	3.7	4.6	4.5	3.7	3.8	4.1
Asset quality												
Non-performing loans to total loans	25.4	22.1	18.0	21.0	19.3	15.9	17.2	16.4	17.2	14.5	16.5	15.8
Non-performing loans to total loans (net of provisioning)	11.6	8.5	6.5	8.7	8.3	5.6	6.7	6.0	7.2	5.4	6.5	6.1
Provisions to gross non-performing loans	59.5	64.0	69.3	65.0	62.0	68.6	65.5	67.3	62.6	66.5	64.5	65.4
Earnings and profitability												
Return on assets (ROA)	0.6	1.4	1.7	1.3	1.2	1.1	...	...	...	1.6	...	...
Return on equity (ROE)	6.8	8.6	14.9	12.5	14.1	16.0	...	...	...	21.5	...	...
Liquidity												
Liquid assets to total assets	33.8	32.7	36.7	34.8	34.4	51.8	49.0	51.0	50.0	51.7	49.1	49.9
Liquid assets to short term liabilities	61.2	92.9	89.4	90.0	98.0	95.6	92.6	96.1	92.1	87.9	88.6	88.2
Ratio of loans to deposits	72.2	82.6	88.0	88.5	89.7	87.8	85.4	83.5	83.4	86.7	87.3	88.5
Memorandum items ¹												
Deposit rate	1.9	1.9	1.8	1.9	1.8	1.8	...	...	...	1.8	...	...
Lending rate	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	8.2	11.6	12.7	13.8	15.2	15.4	13.2
Charges and interest	0.0	0.0	0.0	0.0	0.2	0.2	0.1	0.1
Fund obligations based on existing and prospective credit ²								
Principal	5.7	8.2	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	8.2	11.6	12.7	14.1	15.5	15.7	19.1
In billions of CFA francs	4.7	6.7	9.5	10.4	11.5	12.5	12.7	15.5
In percent of government revenue	0.4	0.5	0.6	0.6	0.6	0.6	0.6	0.7
In percent of exports of goods and services	0.3	0.4	0.5	0.5	0.6	0.6	0.6	0.7
In percent of debt service	3.0	3.7	6.2	4.5	3.6	3.6	3.3	4.4
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	8.8	12.5	13.6	15.1	16.6	16.8	20.5
Outstanding Fund credit ¹								
In millions of SDRs	95.4	125.2	151.6	138.9	125.1	109.9	94.5	75.6
In billions of CFA francs	78.9	102.8	123.8	113.2	101.6	88.9	76.5	61.2
In percent of government revenue	6.2	7.4	8.2	6.8	5.7	4.6	3.7	2.7
In percent of exports of goods and services	4.6	5.7	6.3	5.6	5.0	4.2	3.6	2.8
In percent of debt service	51.5	57.2	81.4	49.2	31.5	25.5	19.6	17.5
In percent of GDP	1.0	1.2	1.4	1.2	1.0	0.8	0.7	0.5
In percent of quota ³	102.2	67.1	81.2	74.4	67.0	58.9	50.6	40.5
Disbursements and Repurchases								
Disbursements	2.4	29.8	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	8.2	11.6	12.7	13.8	15.2	15.4	18.9
Memorandum items:	(in CFAP billions, unless otherwise indicated)							
Nominal GDP	7,748	8,285	8,870	9,401	9,923	10,466	11,056	11,804
Exports of goods and services	1,707	1,796	1,957	2,005	2,049	2,113	2,146	2,217
Government revenue	1,273	1,387	1,518	1,654	1,791	1,934	2,051	2,227
Debt service	153	180	152	230	323	348	390	350
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, November 14, 2016

Madame Christine Lagarde
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, DC 20431
United States

Dear Madame Managing Director,

1. On December 18, 2013, the Executive Board of the International Monetary Fund (IMF) approved a three-year arrangement for Mali under the Extended Credit Facility (ECF) in an amount equivalent to SDR 30 million. When concluding the fifth review of the agreement on June 9th 2016, the Executive Board approved the authorities' request for a one-year extension of the arrangement to December 17, 2017, and an augmentation of access, bringing the overall access to 98 million SDR (52.5 percent of quota share). The arrangement aims at supporting the government's policies to maintain macroeconomic stability and revive growth over the 2014–17 period, with broad-based support from technical and financial partners for the country's renewal after the 2012 security and political crisis.
2. The attached Memorandum of Economic and Financial Policies (MEFP) gives an overview of recent economic developments in Mali, as well as the progress made in implementing our policies in 2016. As detailed in the MEFP, all end-June 2016 performance criteria and indicative targets have been met, as well as all continuous performance criteria. Two of four structural benchmarks were implemented by the agreed date, one was implemented with a delay, and the fourth measure will now be implemented by the year's end. In light of the budget execution recorded during the first half of 2016, the objectives of our budgetary programming for 2016 approved during the Fifth Review of the ECF arrangement, are within reach.
3. The MEFP also discusses the economic and financial policies for 2017. The government submitted the draft Fiscal Year 2017 budget law to the National Assembly, to implement its economic and financial policies for 2017. As petroleum product taxation have been kept at a level similar to the 2016 projections, and with continued domestic resources mobilization efforts by revenue administration agencies, net fiscal revenues are projected to increase by 0.4 percent of GDP in 2017. This increase in fiscal revenues, and expected aid inflows, will help finance adequate level of public spending to support growth and reduce poverty, implement the Agreement for Peace and

Reconciliation in Mali (APRM), while reducing the budget deficit to 4.1 percent of GDP on a cash basis in 2017—a 0.2 percent of GDP reduction relative to the 4.3 percent deficit projected for 2016.

4. The MEFP also presents other economic and financial policies that the Malian Government undertakes to implement in 2016–17 to preserve macroeconomic stability, strengthen economic recovery, strengthen the implementation of reforms aimed at improving public financial management, and facilitate private sector development.

5. Accordingly, the Government is requesting the conclusion of the sixth review of the arrangement under the ECF and the disbursement of the seventh installment for an amount equivalent to SDR 19 million. Furthermore, the government requests modification of the ceiling on the continuous performance criterion on non-concessional external debt for December 2016.

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 sixth review of the arrangement under the ECF.

Respectfully 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 and 2017

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. Although GDP growth is projected to decrease somewhat in 2016—driven by slower growth in agricultural output—it would remain robust at 5.4 percent. Consumer price inflation reached 1.5 percent at end-2015 and is projected to decrease further to settle at around 0.5 percent on the basis of normal food output growth and low global inflation. For the 2017, GDP growth would remain robust at 5.3 percent driven by a strong demand and inflation will slightly increase to reach 1 percent on account of higher oil prices.

3. The current account deficit (including grants) of the balance of payments widened to 7.3 percent of GDP. This deterioration is due to a strong increase of 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 7.6 percent of GDP in 2016, driven by 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 current account position should improve in 2017 reflecting an increase in gold exports.

4. In the banking sector, the risk-weighted capital ratio increased from 14.5 percent in December 2014 to 14.8 percent in December 2015. At End-June 2016, it reached 15.3. However, the portfolio of credit institution, deteriorated further, with the gross and net ratios of non-performing loans relative to outstanding loans settling at 16.1 percent and 6.3 percent, respectively at end-December 2015, compared to 15.9 percent and 5.6 percent for end 2014. At end-June 2016, the ratios were 15.8 percent and 6.1 percent, respectively. The financial stability of the micro-finance sector continued to improve, with the share of non-performing loans declining from 8.2 percent to 7.2 percent over the same period.

5. Total revenue and grants increased by 2 percent of GDP in 2015. 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.

B. Performance with Respect to ECF-Supported Policies

6. All end-June 2016 performance criteria and indicative targets 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),¹ net domestic financing of the government by banks and the financial market was exceeded by CFAF 95 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 649 billion, exceeding the program total by CFAF 9 billion.
 - The floor on the basic fiscal balance was met. Considering the adjustors provided in the TMU,² the floor was exceeded by CFAF 174 billion (2 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 46 billion.
7. Two out of the four structural benchmarks were implemented by the date envisaged under the program, and a third one was implemented after the agreed date (Table 3).
 - 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 has started appointing these directors since June 2016.
 - The measure on the audit by a private firm of the amount and process of granting exemptions from taxes collected by the DGI and DGD in 2015 has been implemented albeit with a delay.

¹ See [IMF Country Report No. 15/151](#), page 68, ¶¶ 7–9.

² See [IMF Country Report No. 15/151](#), page 67, ¶¶ 22–23.

- The DGD has prepared on time a study analyzing monthly reconciliation reports by the inspection company comparing duties paid and receivable by import declaration during the first seven months of 2015.
- The measure on the transmission to the Supreme Court of senior government officials' financial disclosures pursuant to the law against unlawful enrichment, has not been completed. The authorities will implement it by December 2016.

ECONOMIC AND FINANCIAL POLICIES FOR 2016 AND 2017

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, and (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.
- For 2017, the overall fiscal deficit target, including grants, is projected at about 4.1 percent of GDP with sustained efforts planned to mobilize resources and control government spending.

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, including the reduction in tax

exemption and improvement in the quality of spending; and (iii) modernize the business environment to encourage private sector development and improve competitiveness.

A. Macro-Fiscal Framework for 2016 and 2017

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.³ 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. For 2017, the government proposes a total of CFAF 1,718.2 billion -19.2 percent of GDP for revenues and grants in the FY17 budget. Net tax revenues amount to CFAF 1,358 billion -15.2 percent of GDP, and CFAF 177.2 billion -2.0 percent of GDP are expected under grants disbursement. The 2017 Budget law provides for ample space for VAT credit refunds. Projected expenditures amount to CFAF 2,083.9 billion CFAF -23.3 percent of GDP. Domestically financed expenditures amounts to CFAF 1,781.6 billion -19.9 percent of GDP. The overall budget deficit, on a cash basis, including grants, is CFAF 364.6 billion CFAF -4.1 percent of GDP, while the basic fiscal balance is CFAF 159.8 billion -1.8 percent of GDP 19.2 percent of GDP.

13. 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 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. In the FY17 budget, the government

³ 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.

provides for CFAF 237.0 billion for the development of northern regions and the implementation of the peace agreement.

14. 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

15. 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

16. The government is targeting an increase in tax revenue of $\frac{3}{4}$ percent of GDP in 2016 and of 0.4 percent of GDP in 2017 (performance criteria, tables 2–3), mainly by implementing reforms to expand the tax base and reduce exemptions. 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

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

- The Minister of Finance will ensure that, starting in January 2017, all public tenders financed by domestic revenues (budget, EPAs, local governments, special funds, extra budgets funded, etc.) are subject to taxes.
- In line with the initial commitment of the government, the Minister of Economy and Finance will continue to engage in consultations with development partners to ensure that projects financed with foreign aid are subject to taxes, starting in 2017. In 2014, these tax exemptions

amounted to 45 billion CFAF (USD 91 million or 0.8 percent of GDP), of which CFAF 26 billion came from the DGI and CFAF 19 billion came from DGD.

- The Minister of Economy and Finance will ensure that the draft new mining code which is due to be adopted soon by the government includes relevant recommendations from Fund technical assistance missions, notably the ones aiming at preserving revenues. Moreover, he will ensure that the tax exemptions granted to mining companies' sub-contractors are reduced- (at least half the exemptions granted by law and through agreements with the mining companies are extended only to mining sub-contractors, and limited to activities outsourced to them by the mining companies.
- Review other legislation (e.g., the investment code, the General Tax Code, the Customs Code, the Petroleum, the Law on housing promotion, framework agreements, and all other tax legislation) and prepare a document making proposals for its amendment by end August 2017 in order to reduce significantly the scope of beneficiaries of tax exemptions, their duration, the degree of exemption, the taxes involved, etc. In the meantime, the threshold for granting exemptions for investments will be increased from CFAF 12.5 million to 100 million by August 31, 2017, once the required modification has been approved by the National Assembly (structural benchmark, table 4).
- Pursue efforts to control discretionary tax exemptions and gradually reduce them, with the view to minimizing tax exemptions included in Mali's fiscal legislation, starting with the 2016 budget. Discretionary exemptions have been estimated at CFAF 141 billion (1.6 percent of GDP) for 2015 in the audit report prepared by a private firm (see paragraph 7).
- Starting January 1, 2017, the government will not extend tax exemptions outside a formal or explicit provision in a law. This measure will be subject to continuous monitoring in the program (structural benchmark table 4).
- In order to facilitate the reduction of exemptions, by June 2017, the government will produce an exhaustive inventory of tax exemptions (by category of tax, legal source, economic sector, and expiration date) granted in 2016, and prepare a report analyzing this inventory (structural benchmark, Table 4).
- 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.⁴
- 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, beneficiaries, and any other relevant information that was finalized in 2014. In February 2016, the DGI prepared a memorandum analyzing the exemptions compiled in the database

⁴ In 2015, tax expenditures representing exemptions totaled CFAF 203 billion (US\$345 million or 3.17 percent of GDP), of which CFAF 133 billion (2.08 percent of GDP) granted on taxes collected by the DGI and CFAF 70 billion (1 percent of GDP) on taxes collected by the DGD of which CFAF 27 billion in VAT (US\$46 million or 0.4 percent of GDP).

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.

- The Ministry of Economy and Finance will set up a technical committee including DGI, DGD, and CAISFF to complete the interfacing of the databases by March 31, 2017, to help assess fiscal expenditures by legal origin of the exemptions.

18. To protect tax revenue from petroleum products,⁵ 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 structural benchmark, Table 3).⁶ 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.

19. 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), local taxation with an alternative minimum tax which proceeds will be allocated to local governments, the tax on wages and salaries, employer contributions, real property taxes, the tax on securities, the financial and real estate transactions tax as well as on commissions. The government will conduct all relevant preliminary studies and consultations to continue implementing the simplification efforts. Simplification of the AMBT in the

⁵ 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.](#)

⁶ See [IMF Country Report No. 14/31](#), p. 23, ¶22.

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 reduced VAT prepayments from 12 percent to 4 percent for taxpayers who pay the simplified tax on actual income.

20. 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 bringing them in line with current international standards. Following the enactment of a new Petroleum Code promulgated in July 2015, the Council of Ministers will introduce amendments to the 2012 Mining Code by December 30, 2016. The government will enact these amendments by June 2017, after their approval by the National Assembly. 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.⁷ 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.⁸

21. 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 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, starting in 2017, the expenditures linked to the sharing of penalties, fines, surcharges, confiscations, and premiums will be included in the payroll. 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 has taken 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.

22. 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.

⁷ A similar plan will be followed for telephone companies.

⁸ See www.mines.gouv.ml.

- Specific measures to be undertaken by DGI and DNDC include:
 - i) creation of verification brigades as part of the organizational revision; (ii) pursuit of ad hoc controls of VAT payment; (iii) better management of unpaid taxes; (iv) capacity building of tax auditors especially in the control of mining companies, new technologies and the financial sector; (v) computerization of public contracts management; (vi) organizational reform of DGI with the creation of 2 CME in Bamako under DID and 1 CME in Kati under the Koulikoro Regional Directorate; (vii) computerization of the management of exemptions on going at DGI which over time will lead to opening a module in the computer management system (SIGTAS) and help interconnect different systems of management (CAISFF, DGD, DNTP, DGB, DNCF, DNDC, DNCC); (viii) strengthening of the internal and external communication; and (ix) strengthening the responsibility of tax collectors by granting them the title of public accountants.
- With regard to DGD, the following measures will be required: (i) strengthening the capacity of controllers in charge of assessing the customs value; (ii) carry out a systematic check of T1, transport titles; and (iii) strengthen the role of advanced brigades in the fight against fraud.
- *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 2012–14. 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 report on this subject to the Council of Ministers in September 2015 and February 2016.

- The first results obtained by the CMRIEF are significant. The Ministry of Economy and Finance will take steps to revitalize and strengthen the Committee to enable it to effectively conduct its investigations, process the information collected for their exploitation by DGI to broaden its tax base and re-categorize taxpayers where appropriate. By 31 March 2017, the Committee will publish a report on the investigations conducted and processed in 2015. From January 2017, it will publish quarterly reports.

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,⁹ so that the public can appreciate the results of efforts to expand the tax base. At end-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 and to create a Medium Enterprises Center in Kati which will depend on the Regional Directorate of Koulikoro.
- *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

⁹ http://www.dgi.gouv.ml/contenu_documentation.aspx?type=4.

and DME taxpayers to pay their taxes by bank transfer. As of end-2015, about 80 such taxpayers paid their taxes by bank transfer. DGI has undertaken 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 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 and 2017. 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 and 2017. 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 and 2017.
- 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 took steps 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 retained a private firm to conduct a feasibility study for the migration, taking into account the expertise gained since the taxpayer identification number (NIF) was introduced in 1996, before end-September 2016. The interim report of this study which was completed in August 2016 is currently being reviewed.
- *Implementation of measures to improve tax dispute practices* in line with the recommendations of World Bank technical assistance missions. To improve the management of tax litigation, the business environment and relations between the administration and taxpayers, the government (i) will establish, by March 2017, a joint mediation committee composed of representatives from the private sector and the tax administration, chaired by an individual independent of the government and the private

sector; (ii) will strengthen the Office of the Mediator of the Republic by recruiting experts on taxation charged with receiving and reviewing taxpayer complaints against staff of the revenue-collecting agencies; and (iii) establish taxpayer rights to bring disputes before the BVG or the Anti-Corruption and Unlawful Enrichment Commission when it becomes operational. The DGI will ensure compliance with the deadline set by law for the processing of tax related disputes. To this effect, DGI will send to MEF by March 2017 a report on the progress on the claims outstanding from economic agents at tax dispute entities.

- *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.¹⁰ 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.
 - The BIVAC company sends at the end of each month to DGD a report on checks prior to shipping and scanning. The monthly reports include since November 2015 an assessment of the amount of taxes paid or to be collected. From January to July 2016, an analysis of these reports by DGD shows a gap in tax payments due of up to 4.4 billion and fines of 1.1 billion totaling CFAF 5.5 billion.
 - *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 have started actions to raise awareness among operators and consulting with banks to increase by a significant amount the share of operators paying their customs obligations by bank transfer.
 - 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 installed a committee including DGD and the *Organisation Patronale des Industriels (OPI)* with a view to strengthening controls on these certificates of origin. 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. Indeed, the certificates of origins audits conducted since July 2014 have uncovered CFAF 2.4 billion of compromised claims.

¹⁰ See [IMF Country Report No. 13/355](#), Mali.

- 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
- 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. For 2017, DNDC will pursue the analysis of the digitalized geographic information on land parcels. This analysis will help identify which land title is already geo-referenced, and the ones that are not will be included to the digital database by adding them to the geodesic network.
- *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

23. 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 has conducted an audit of VAT refunds to determine the consistency of the amounts refunded and the refund process with applicable laws. *The government commits to implementing the following recommendations from the audit report:*

- (i) control of the expenses from refunds of the VAT credits
 - (ii) strengthening professional and operational capacities of tax service staff in the area of taxation and supervision of mining companies
 - (iii) experience exchanges with advanced countries in VAT credit management;
 - (iv) Compliance with provisions of regulatory texts for producing supporting documents;
 - (v) regular monitoring of trust funds.
- 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) has conducted a communication campaign directed to suppliers of large businesses on VAT reporting and payment obligations, and a similar campaign for all government suppliers; (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.¹¹
 - To increase the number of businesses that effectively pay VAT,¹² 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 targeted audits in 2015 and in the

¹¹ 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.

¹² 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.

first semester F 2016. The DGI has also continued training staff assigned to research, targeted VAT audits, and audits of VAT credits.

Improve expenditure management

24. 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

25. 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 December 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

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

27. The Government benefited from technical assistance from Fund staff through a seminar organized in Dakar in June 2016 for DGB, DNTCP, CARFIP, DNP, and certain line ministries to strengthen their capacity to implement program budgeting. This seminar identified a number of priority actions to that purpose. The government plans to adopt a decree relative to the organization of program management, the definition of the role of the program manager and other relevant personnel by end-March 2017. Moreover, the Budget Directorate will prepare Guidelines (manual) on the preparation and execution of the program budget by March 2017. In order to foster a change of culture, the General Budget Directorate will design a national training strategy for actors involved in the transition to program budget management before March 2017, and will implement it gradually.

28. The adaptation of the information system is a key part in the transition to budget programming. The expenditure management software (PRED) has been adopted to program budgeting preparation in 2015. However, it will be completed before end-December 2016 by other

modules: (i) result budgeting, (ii) monitoring of results, and (iii) the implementation in program mode. The testing phase will start with a few departments by end-March 2017 at the latest for the module program budget implementation, and by August 2017 at the latest for interfacing PRED and AICE (the part on Accounting and Payments).

29. 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.

30. 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 2018 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

31. 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 Minister of Finance started appointing these Directors in 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.

32. Pursuant to Community directives, the following closing dates have been established for 2016 budget execution: November 30, 2016 for commitments of operating expenditures, investment expenditures, and expenditures under petty cash procedures; December 20 for commitments of other expenditures; December 30 for payment orders; and January 31, 2017 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 was circulated on September 23, 2016.

33. The government carried out a physical census of civil servants and staff of local authorities in 2014, which revealed gaps in the management of personnel. On the basis of an interim report, the government suspended the payments of wages for those who did not show up for the census. However, investigations are ongoing in the case of agents that are reportedly in the field for security or military operations, those that are on excused leave, or abroad for long term training. The report will be finalized after these investigations are concluded.

34. 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,¹³ in 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.¹⁴ To reduce the average time required to award contracts,¹⁵ the government adopted a series of measures in April 2015.¹⁶ In addition to strengthen public contract awarding and improve the management of public finances, the government will implement the use of the integrated system for the management of public contracts in all ministerial departments by end of June 2017 (structural benchmark, table 4).

35. 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 has modified this provision of the code in a durable manner, in consultation with the World Bank. Thus, a revised code was approved by the Council of Ministers in September 2016.

36. 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

¹³ See www.dgmp.gov.ml.

¹⁴ In 2015 the government awarded 1,529 public contracts for a value of CFAF 480 billion (6.2 percent of GDP); of which 91.5 percent were awarded pursuant to competitive bidding (88 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).

¹⁵ The average time required to award contracts was reduced from 94 days in 2013 to 90 days in 2014 and 87 days in 2015.

¹⁶ See [IMF Country Report No. 15/339](#), p. 61.

(continued)

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. According to the new audit, in 2015 exempt contracts amounted to CFAF 257 billion (US\$ 445 million).

37. *To maximize returns on public investment and minimize the associated costs*, the Directorate General of Budget (DGB), the National Directorate of Development Planning (DNPd), and the General Directorate of Public Debt (DGDP) have started to take steps to:¹⁷

- 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 DNPd is conducting supervision missions with the DGDP for at least 100 projects in 2016, compared to 29 projects in 2015. During the first semester of 2016 the DNPd and DGDP carried out supervision missions at 50 projects and intends to achieve the objective by the end of the year;
- evaluate the cost of projects proposed by sector ministries with the help of a market price list posted on the MEF website April 1st, 2016;¹⁸
- provide access to information on project financial execution: the DNPd and the DGDP have published the reports for the first and second quarter of 2016 in line with their commitment to 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 DNPd's capacities for critical review in selecting investment projects.

38. *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

¹⁷ 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.

¹⁸ http://www.finances.gouv.ml/contenu_documentation.aspx.

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.

39. 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.¹⁹

40. 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 2014.²⁰ 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

41. 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 2015–17 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

¹⁹ <http://www.finances.gouv.ml/>

²⁰ See [IMF Country Report No. 14/337](#), pp. 38–41, ¶¶ 11–15.

government balance sheet, was produced for the first time in 2015, based on the position as at end-2014.

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

Improve cash flow management

43. 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.

44. 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.²¹ 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).²² 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 end-December 2016 report will be prepared by February 2017. 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.

45. *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

²¹ 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.

²² <http://www.tresor.gouv.ml/documentation/position-nette-du-tresor-et-autres-comptes-publics.pdf>.

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. In November the government enacted legislation to clarify existing provisions governing the deposit of EPA funds in the TSA. 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).²³

46. In order to consolidate the implementation of the TSA, the Ministry of the Economy and Finance, in accordance with government commitments in this respect since 2013, adopted in June 2016 a decree setting the rules for the opening, closing and management of public accounts at commercial banks. It will report on the status of current accounts by January 1st, 2017. In addition, it will sign bilateral agreements with commercial banks in areas not covered by BCEAO. In accordance with the decree, the DNTCP will ensure the need to open a bank account for public institutions in commercial banks and the closing of inactive accounts.

47. The obligation to deposit EPA funds with the Treasury will be clearly reestablished and upheld in accordance with the principle of a 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.

48. *The DNTCP is in the process of reinforcing the supervision of EPAs.*²⁴ 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 in November 2016 of a law on EPAs (see paragraph 45), 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

49. *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

²³ At end-2015, the funds of EPAs and special accounts represented CFAF 224.8 billion.

²⁴ 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.

(continued)

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 directives²⁵, 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. This will improve the level of actual service provision through the computerization of the controls and the strengthening of the operational capacities of the entities.
- 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 directive. To this effect, a constitutional reform will be adopted by referendum.

50. 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.

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

51. 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 for the CMSS were available in August 2016. They show that the net deficit of CMSS was 0.03 percent of GDP in 2015, and the technical deficit (difference between contributions and pension payments) 0.5 percent of GDP. The relevant recommendations of the study will be incorporated into a new Code under preparation, including increasing the state's contribution to make the CMSS autonomous. For the INPS, the selection of consulting company is the bid opening phase.

²⁵ [Directive N°06/2009/CM/UEMOA and Directive N°06/2009/CM/UEMOA](#).

Conduct a sustainable borrowing policy

52. 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. 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 2016 and 2017 budgets. The borrowing plans identifies the amount disbursed and the financial terms of each loan agreement and will be continue to be annexed to the budget (Table 4). The government has revised downwards its plans for contracting non-concessional loans in 2016, and it now proposes a cumulative ceiling of CFAF 33 billion for these loans (continuous proposed performance criterion, Table 2). The revision reflects mainly the postponement of electricity sector loans and its partial replacement with concessional loans. Plans for contracting concessional borrowing in 2016 have been revised upwards and the government to a cumulative CFAF 460 billion for 2015–16.
- For 2017, the government plans to contract CFAF 290 billion in overall new external borrowing (of which 135 billion would be non-concessional), equivalent to CFAF 166 billion in PV terms. On this basis, the proposed cumulative ceiling on external borrowing for 2015–17 amounts to 246 billion CFAF in PV terms (continuous proposed performance criterion, Table 3). This ceiling could be revisited at the time of the next ECF review if necessary and provided that it remains compatible with the debt sustainability analysis.
- To improve debt management, the DGDP 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 CFAF 1,484.6 billion 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
- As part of the development of the new debt management software, the project charter has been written and is being validated. The deployment phase of the project has started in September 2016 and will end in 2016 after the first functionality tests.
- 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.
- In addition, to improve debt management by end of August 2016 the government will set up the second phase of (analysis) of the project for the development of the integrated debt system by deploying complementary modules for the calculation of current values, production of debt statistics and debt simulations (structural benchmark, Table 4).

Domestic debt management is being strengthened.

- To this end, an inventory of all government domestic loan agreements and all government commitments to guarantee domestic debt is being conducted with local banks to ensure that the repayment schedules are included in the public debt data and budget laws. In this vein, a CFAF 6.2 billion provision has been included in the 2017 budget bill. The inventory will be finalized by end-November 2016.
- 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 has been scheduled to be paid in 2016. Indeed, the Government has paid CFAF 7 billion and decided not to pay the remainder due to shortcomings in supporting documentation. The validated arrears included a CFAF 30 billion court judgment against the government, for which an appeal decision is pending. If it turns out that the government must pay these arrears, the 2016 budget includes provisions to clear them. 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 had requested a supplementary audit by the firm, to be concluded by end-August 2016, to provide creditors of invalidated debts

totaling CFAF 40 billion the opportunity to supplement their dossiers. Due to shortcomings in the validation of the arrears in question, the Ministry of Finances has decided to terminate the supplementary audit process.

C. Improve the Business Environment to Encourage Private Sector Development

53. *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.*

54. The government is implementing measures to mobilize resources for infrastructure investment and simplify tax legislation (¶18). In addition, it will take additional measures (see ¶¶ 54–56) 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

55. 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 has taken steps 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. Its capital was increased to 34.6 billion CFAF compared with a normal standard of 5 billion CFAF. 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 credit bureau (established in May 2015) through communication campaigns in order to increase the rate of collection of consent from clients of financial institutions. Good progress has been made in this regard, with the successful passing by Malian banks of the compliance tests for this system.
- 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 has implemented the following measures agreed with the World Bank: in 2016, (i) the audit of 32 decentralized financial systems (SFDs) which are in difficulty including 2 networks; the TOR for the extension of this audit to all troubled SFDs are already available (ii) adopting a favorable compensation rule for small depositors of the SFDs to be liquidated which has

been experimented with Jemeni and (iii) the signature of the withdrawal of approval notices from 23 SFDs which have already been audited and must be liquidated; in 2017, the government will take steps for the liquidation of at least two SFDs which have been subject to a withdrawal of authorization.

- In order to reduce non-performing loans, the government will focus its intervention on the two main sources of the impaired loans, former Malian Development Bank (BDM) loans and the non-operating property held by the banking system. To that effect, it is in the process of i) recruiting a specialized firm to suggest practical solutions to the non-operating property, and ii) will process BDM's impaired loans using practical modalities suggested by the audit firm GMI, which is expected to produce its report shortly. The Government will design a strategy to reduce the level of non-performing loans in the banking system by June 2017 (Structural Benchmark, Table 4).

Reform the electricity sector

56. The finances of the state-owned electricity company (EDM) remain weak, reflecting mainly poor management practices and below-cost electricity tariffs. The government is in the process of taking measures to strengthen the financial position of EDM.

- For 2016, it is anticipated that EDM will reduce its pre-subsidy deficit to CFAF 52 billion from CFAF 104 billion in 2015. This deficit is expected to be reduced to 56 in 2017. The government will transfer CFAF 25 billion in 2016 and an additional 25 billion in 2017 to help EDM meet its financial commitments.
- The government will also ensure that adequate measures are put in place to reduce EDM's deficit so that the company can cover its financing needs and meets all its financial obligations. EDM will continue to implement all necessary measures 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 by implementing measures reduce technical and non-technical losses, better monitoring of key customers to protect revenue collection, the use of pre-paid meters, the adoption of monthly billing, 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 has also developed a plan for the payment of arrears accumulated in 2015 by end of 2016. This involves conversion of short term bonds to banks into medium term debts and settlement of other debts with other public sector entities including with the government. The plan provides for the payment of the ECOWAS subsidy (CFAF 12 billion) which did not happen last year.
- 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. The government will monitor closely the financial position of EDM and will ensure the company

produces quarterly financial statements in a timely manner to make sure that quarterly results of its cash-flow plans are respected so as to allow payment of the subsidy.

Promote good governance

57. *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 December 2016 (proposed structural benchmark, Table 3). A circular letter from the Prime Minister will be sent to all public institutions so that all relevant officials submit their declaration of assets to the Supreme Court by December 31, 2016.
- All implementation texts for the fight against illicit enrichment have been adopted by the government, including the decree creating the Central Office for the fight against corruption. Given the sensitive nature of the tasks of members of the Office and related risks, discussions about the regulatory texts defining their remunerations and allowances took time, which has delayed its implementation. The government commits to establish and make operational this body by 31st December 2016 (structural benchmark, Table 4).
- To perform a broad dissemination of the law, the government had it translated in Arabic, Bamabara, peulh, sonrhai and Tamasheq.
- 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.²⁶
- 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 2013.²⁷ 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 Uniform Law 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 it, in consultation with the IMF's Legal Department to make it fully compliant with FATF. To this end, the government considers that

²⁶ See www.reforme-justice.gouv.ml.

²⁷ Posted online at the following address: <http://primature.gov.ml>.

the WAEMU authorities would benefit from Fund TA and will encourage them to send a request to that effect.

- The National Strategy on AML and CFT and its action plan were approved October 25, 2012. The action plan has been updated to reflect the application of the new legislation and to fight corruption and to take into account the recommendations of the IMF technical assistance mission who visited Bamako in September 2015. The implementation of the new legislation has enabled to incriminate corruption of foreign public agents, functionaries of international organizations, to amend the law on illegal enrichment to extend its scope to include parliamentarians under article 9 which provides that local and national elected officials as being liable to the annual declaration of assets, to establish a National Commission for asset freezing and to organize awareness raising workshops for persons subjected to this obligation.

D. Technical Assistance and Capacity Building

58. Technical assistance (TA) and training remain essential for continue strengthening our technical and institutional capacities. In this respect, we remain interested in participating in the IMF's Capacity Development Framework (CBF). Mali has received substantial technical assistance from the Fund in recent years, and the overall record of implementation has been positive. This TA has made a positive contribution to capacity building in the country and facilitated the implementation of our economic programs. Further TA will be needed in the coming years to support our policy priorities. At this point, we anticipate that the areas where Fund TA under the CBF would focus through 2018 comprise human resources management, revenue administration, public financial management, and real sector statistics. Donors are not providing TA in the specific areas that would be covered by Fund TA. To become a participant in the CBF initiative and implement the associated TA program, we will conclude a memorandum of understanding with the IMF. We remain committed to further improving our technical and institutional capacities and make the best use of the TA that will be provided by the IMF and other development partners. We are also committed to securing the availability of adequate human and financial resources, and ensure a good collaboration between national agencies involved in the various TA areas.

PROGRAM MONITORING

59. The seventh and eighth reviews will be based on the performance criteria for end-December 2016 and end-June 2017, respectively, as well as the continuous performance criteria (tables 1 and 2) and structural benchmarks (tables 3 and 4). Indicative targets are also set for end-March and September 2017 (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 Seventh and Eighth Reviews under the ECF Arrangement are expected to be completed on or after May 1, 2017 and November 1, 2017, respectively.

Table 1. Mali: Performance Criteria and Indicative Targets, 2016 ¹
(in billions of CFAF)

	2016									
	March			June				September	December	
	Rev. Prog.	Est.	Status	Rev. Prog.	Target	Est.	Status	Rev. Prog.	Prog.	Rev. Prog.
Performance criteria										
Ceiling on net domestic bank and market financing of the government ²	153	67	Met	278	281	196	Met	252	259	259
Cumulative increase in external payments arrears (ceiling) ³	0	0	Met	0		0	Met	0	0	0
New external debt contracted or guaranteed by the government on non-concessional terms (cumulative ceiling from June 2015) ^{3,4,7}	241	26	Met	250		26	Met	250	250	33
Gross tax revenue (floor)	300	257	Not met	640		649	Met	947	1,302	1,302
Indicative targets										
Basic fiscal balance (floor) ⁵	-98	80	Met	-160	-153	18	Met	-162	-170	-170
Priority poverty-reducing expenditure (floor)	57	76	Met	146		192	Met	264	410	410
<i>Memorandum items:</i>										
External budgetary support ⁶	0	40		3		0		69	86	86
General budgetary grant	0	14		0		0		56	56	56
Net change in budgetary float (- = reduction)	-13	-123		-25		-49		-3	19	19
Tax refunds (-)	-18	-10		-36		-29		-52	-71	-71
Net change in arrears (- = reduction)	-13	-3		-27		-9		-24	-21	-21
New external debt contracted or guaranteed by the government on concessional terms (cumulative ceiling from June 2015) ⁷	387	322		557		402		557	557	460

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 2. Mali: Proposed Performance Criteria and Indicative Targets, 2017¹

(in billions of CFAF)

	2017			
	March	June	September	December
	Proposed prog.	Proposed prog.	Proposed prog.	Proj.
Performance criteria				
Ceiling on net domestic bank and market financing of the government ²	66	197	210	189
Cumulative increase in external payments arrears (ceiling) ³	0	0	0	0
New external debt contracted or guaranteed by the government, in PV terms (cumulative ceiling from June 2015) ^{3,4,7}	426	426	426	426
Gross tax revenue (floor)	341	698	1,077	1,440
Indicative targets				
Basic fiscal balance (floor) ⁵	-85	-141	-126	-160
Priority poverty-reducing expenditure (floor)	62	158	285	444
<i>Memorandum items:</i>				
External budgetary support ⁶	9	16	56	99
General budgetary grant	0	0	35	63
Net change in budgetary float (- = reduction)	-26	-66	-68	17
Tax refunds (-)	-9	-29	-37	-82
Net change in arrears (- = reduction)	-3	-8	-14	-16

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.

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
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	Met	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	Not met. Implemented in September.	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	Met	Increase tax revenue
Transmittal to the Supreme Court of senior government officials' financial disclosures pursuant to the law against unlawful enrichment.	August 31	Not met. Proposed to be reprogrammed for December 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.
Establish and operationalize the commission against corruption and unlawful enrichment.	December 31		Promote good governance
Transmittal to the Supreme Court of senior government officials' financial disclosures pursuant to the law against unlawful enrichment.	December 31		Promote good governance

Table 4. Mali: Proposed Structural Benchmarks for 2017

Measures	Implementation deadline	Macroeconomic justification
Adopt and implement a law to stop granting new discretionary tax exemptions (paragraph 17).	January 1	Increase tax revenue
Implement use of the Public Procurement Management Integrated System (SIGMAP) by all ministerial departments.	March 31	Improve public financial management and increase the efficiency of public spending
Implement the first phase (Administration or Management of Loans) of the project to develop the Integrated Debt Management System, through the development of modules for the registration and monitoring of the loan mobilization and debt service payment.	March 31	Strengthen debt management
Produce an inventory of tax exemptions by type of tax, legal or regulatory source, economic sector, and expiry date in respect of 2016 and the first quarter of 2017.	June 30	Monitor progress with reducing tax exemptions to increase revenue
In consultation with Fund staff, design a strategy for reducing non-collateralized NPLs in the banking system.	June 30	Strengthen the banking system
Raise the eligibility threshold for investments benefiting from tax exemptions from CFAF 12.5 million to CFAF 100 million (paragraph 17).	August 31	Increase tax revenue
Carry out the second phase (Analysis) of the Integrated Debt Management System project, by developing complementary modules for the calculation of debt ratios, the calculation of the present value, the production of debt statistics, and debt simulations.	August 31	Strengthen debt management

Table 5. Mali: Summary of External Borrowing Program ¹

	2015		2016			2017		
	Act.	PV	Already signed	To be signed	Revised Prog.	PV	Prog.	PV
	(CFAF Billions)							
Debt financing sources	231	117	401	92	493	260	783	426
Concessional debt ² of which	231	117	375	85	460	239	616	311
Multilateral debt	206	104	304	85	390	197	545	269
Bilateral debt	25	13	71	0	71	42	71	42
Nonconcessional debt ³	0	0	26	6	33	21	167	116
Uses of borrowed funds	231	117	401	92	493	260	783	426
Budgetary assistance	46	21	46	32	79	35	114	51
Infrastructure (roads, bridges, etc.)	27	15	120	24	144	79	207	122
Energy	34	21	53	0	53	32	168	103
Agriculture	50	25	50	0	50	25	68	33
Social (education, health)	58	28	117	30	147	79	181	96
Various	15	7	15	5	20	10	45	20

Source: Mali authorities.

¹ New borrowing arranged or guaranteed, cumulative since June 2015.

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-December 2016 and end-June 2017, and as indicative targets at end-March 2017 and end-September 2017.

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

4. **Net domestic bank and financial 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 2). 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 2).

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;^{1,2} 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 criterion through December 2016 applies to new non-concessional debt 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. Starting in 2017, the performance criteria apply to total new debt 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 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: <https://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-December 2016, end-March 2017, end-June 2017, and end-September 2017.

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 2).

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

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

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



MALI

November 14, 2016

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR MODIFICATION OF A PERFORMANCE CRITERION—DEBT SUSTAINABILITY ANALYSIS

Approved By
**Roger Nord and Peter Allum (IMF),
and Paloma Anos Casero (IDA)**

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

Risk of external debt distress:	<i>Moderate</i>
Augmented by significant risks stemming from domestic public debt?	<i>No</i>

This low-income country debt sustainability analysis (LIC DSA) updates the joint IMF/IDA DSA from November 25, 2015. The updated external DSA indicates that Mali is at moderate risk of debt distress—unchanged from the previous Debt Sustainability Analysis (DSA). Debt sustainability is highly sensitive to a tightening of financial terms, limiting the room for non-concessional borrowing. It is also vulnerable to a reduction in transfers and foreign direct investment and an export shock stemming from the concentration of exports in gold.

BACKGROUND

A. Recent Developments in Public External Debt

1. Mali's stock of external debt increased moderately in 2015 on account of higher concessional borrowing. It rose to 22.6 percent of GDP,¹ reflecting mainly borrowing from the International Development Association (IDA), the Islamic Development Bank (IsDB), and bilateral creditors (Text Table 1). The bulk of Mali's stock of external public debt is owed to multilateral creditors, mainly IDA, ADB, and IsDB. There are no official estimates of Mali's total private external debt stock but a rough proxy suggests this is likely to be small, at less than 7 percent of GDP at end-2014.²

Text Table 1. Mali: External Debt Stock at Year-End, 2001–15
(billions of CFAF)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total	1,969	1,156	1,169	1,185	1,474	606	643	811	958	1,134	1,229	1,382	1,407	1,485	1,754
(percent of GDP)	77.5	42.6	42.8	41.2	44.8	16.8	16.5	18.6	19.9	21.4	20.1	21.8	21.5	20.9	22.6
Multilateral	1,506	824	741	878	1,199	357	448	616	767	896	1,006	1,105	1,160	1,202	1,384
IMF ¹	110	100	94	79	66	4	6	19	68	72	101	101	83	94	80
World Bank/IDA	343	106	176	268	384	84	216	263	313	414	494	578	586	597	728
African Development Bank	329	116	239	289	380	121	134	112	136	158	257	247	229	245	253
Islamic Development Bank	45	40	36	55	64	31	57	96	112	114	124	118	111	92	116
Others	678	462	195	187	306	117	34	126	138	139	30	62	151	174	208
Official Bilateral	456	327	423	302	270	247	193	192	188	236	222	276	284	282	370
Paris Club official debt	127	31	8	17	18	13	16	4	4	10	13	13	10	8	49
Non-Paris Club official debt	328	297	416	285	252	234	178	188	184	226	209	263	275	273	321
Other Creditors	7	4	4	4	6	2	3	3	3	3	2	2	1	1	0

Sources: Malian authorities, staff estimates.

¹ Includes August 2009 SDR allocation.

B. Recent Developments in Public Domestic Debt

2. Mali's domestic public debt is low but has increased rapidly over the past few years. At end 2015, domestic public debt was 7.5 percent of GDP, continuing its ascending trend since 2013 (Text Table 2). The outstanding stock consists mainly of treasury bills and bonds issued on the regional market of the West African Economic and Monetary Union (WAEMU), but it also includes some arrears owed to domestic

¹ This and other GDP ratios mentioned in this document, 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 keys fiscal ratios amongst others. See Box 1 in [IMF Country Report No. 16/149](#) for additional details.

² Calculated as the gross external liabilities of commercial banks resident in Mali from the monetary survey and the gross external liabilities of the Malian non-bank sector vis-à-vis banks that report to the Bank of International Settlements (BIS). The latter may also include any debt of the public sector to BIS-reporting banks.

suppliers that have been validated through audits and recognized as debt by the authorities. The increase in the stock of domestic debt in 2015 resulted mainly from new issuances of treasury bills and bonds.

Text Table 2. Mali: Public Domestic Debt Stock at Year-End, 2010–15							
(billions of CFAF)							
	2009	2010	2011	2012	2013	2014	2015
Total	97	203	238	231	318	445	583
Nominal GDP	4807	5289	6124	6352	6544	7114	7748
(percent of GDP)	2.0	3.8	3.9	3.6	4.9	6.3	7.5
Central bank (ex IMF)	8	6	3	1	0	0	0
Commercial banks	82	94	114	112	172	329	433
Other ¹	6	104	120	119	146	116	150

Sources: Malian authorities, staff estimates.

¹Includes debt owed to non-banks and banks resident in WAEMU countries outside of Mali.

C. Debt Burden Thresholds under the Debt Sustainability Framework

3. Mali is a medium policy performer for the purpose of determining the debt burden thresholds under the Debt Sustainability Framework (DSF). Mali's rating on the World Bank's Country Policy and Institutional Assessment (CPIA) averaged 3.38 (on a scale of 1 to 6) during 2012–14, making it a medium policy performer. The corresponding external public debt burden thresholds are shown in Text Table 3.

Text Table 3. External Public Debt Thresholds for "Medium-Policy Performers" under the Debt Sustainability Framework		
	Without remittances	With remittances
Present value of external debt in percent of:		
GDP	40	36
Exports	150	120
Revenue	250	250
External debt service in percent of:		
Exports	20	16
Revenue	20	20

UNDERLYING ASSUMPTIONS

A. Baseline Scenario

4. In the short run, the economy is expected to grow slightly above trend as the recovery following the political and security crisis of 2012 takes hold. The baseline scenario remains broadly in line with that of the December 2015 DSA³ and assumes a stable political environment, the implementation of sound macroeconomic and structural policies, and the continued provision of aid and broadly stable foreign direct investment (FDI). Notable revisions compared to the December 2015 DSA include (Text Table 4):

- Real GDP growth in 2016 is expected to be slightly weaker than in 2015 on the back of strong agricultural production during the previous year. In the long run, growth is assumed to stay around its historical average at 4.7 percent, which is slightly higher than in the last DSA thanks to higher public investment.
- The overall fiscal deficit (excluding grants) as a proportion of GDP is projected to be slightly higher than in the previous DSA in 2016–18 due to increased spending on security and implementation of the peace process, but will then fall below the ratio as the authorities embark on fiscal consolidation process and meet the WAEMU commitment of reducing the overall deficit to 3 percent of GDP by 2019.
- Oil prices are around 10 percent lower over the projection period, which is expected to result in a modest boost to the trade balance in the medium term from lower oil imports.
- Gold prices are around 10 to 15 percent higher over the projection period, which also has a positive effect on the trade balance in the medium term.
- The current account deficit (both including and excluding grants) is expected to be greater than that in the previous DSA in 2016–17 due to continued strong import growth associated with a higher fiscal deficit and further increases in public investment, as well as continued accommodative monetary policy by the regional central bank (BCEAO). Thereafter, it is lower than in the previous DSA thanks mainly to better terms of trade.
- All new external borrowing is projected to be on similar terms as in the recent past. The main change with respect to the previous DSA is higher borrowing from the IMF given the augmentation of access granted at the time of the fifth review under the ECF arrangement.

³ See Joint IDA/IMF Debt Sustainability Analysis in the [IMF Country Report No. 15/339](#).

Text Table 4. Mali: Evolution of Selected Macroeconomic Indicators

	2015	2016	2017	2018	2019	Long term ¹
	Est	Projections				
Real GDP growth						
Current DSA	6.0	5.4	5.3	4.8	4.7	4.7
Previous DSA	4.9	5.4	5.1	4.5	5.0	4.5
Overall fiscal deficit (excluding grants, percent of GDP)						
Current DSA	-4.5	-6.3	-6.1	-5.5	-4.9	-4.2
Previous DSA	-6.0	-5.5	-5.6	-5.2	-5.3	-5.4
Overall fiscal deficit (including grants, percent of GDP)						
Current DSA	-1.8	-4.3	-4.1	-3.5	-3.0	-3.0
Previous DSA	-3.1	-3.0	-3.2	-2.8	-2.9	-3.0
Current account deficit ² (excluding grants, percent of GDP)						
Current DSA	-14.3	-17.0	-15.9	-13.3	-12.8	-7.4
Previous DSA	-12.9	-13.2	-13.9	-15.1	-15.2	-8.3
Current account deficit (including grants, percent of GDP)						
Current DSA	-7.3	-7.7	-6.8	-5.3	-5.3	-6.3
Previous DSA	-2.5	-3.2	-4.4	-6.1	-6.6	-6.1
Official aid ³ (percent of GDP)						
Current DSA	5.6	4.4	4.5	4.7	5.1	4.6
Previous DSA	6.0	5.0	5.4	5.5	5.7	6.0
Gold prices (US\$/fine ounce London fix)						
Current DSA	1160	1276	1343	1373	1387	1418
Previous DSA	1175	1158	1171	1188	1208	1234
Gold exports (percent of GDP)						
Current DSA	12.8	12.7	13.0	12.4	11.8	5.2
Previous DSA	15.5	14.1	13.1	10.8	10.0	5.8
Oil prices (US\$/barrel) ⁴						
Current DSA	51	42	49	52	54	58
Previous DSA	52	50	55	60	62	63

¹ Defined as the last 15 years of the projection period. For the current DSA, the long term covers the 2022-36 period. For the previous DSA, it covered 2021-35.

² The large current account (excluding grants) deficit in 2015-19 reflects the international military assistance, which is assumed to continue into the medium term. It is registered as imports of security services financed by grants, which average 6% of GDP per annum.

³ Defined as the sum of concessional grants and loans.

⁴ Simple average of three spot prices; Dated Brent, West Texas Intermediate, and the Dubai Fateh.

5. A central feature of Mali’s long-term external sector outlook is the steady decline of annual gold production expected to be compensated only in part by other exports. The baseline long-term scenario assumes trend GDP growth of 4.7 percent—in line with the historical average—as strong growth in the secondary and tertiary sectors offsets the steady decline of gold production (Box 1). Inflation is expected to remain moderate as prudent fiscal policies are implemented and the monetary policy stance stays consistent with the objectives of the regional central bank. The current account deficit is expected to remain stable (about 7.5 percent of GDP excluding grants and about 6.5 percent of GDP including grants) as the decline in gold exports is compensated for by an increase of other exports including agricultural products and other minerals.

Box 1. Mali: Macroeconomic Assumptions Underlying the Baseline Scenario, 2016–36

- **Real GDP growth.** It is expected to remain robust as Mali’s recovery from the recent political and security challenges takes hold. Near term growth in 2016 is projected to remain robust at 5.4 percent, while long-term growth is expected to average 4.7 percent per year. This is moderately higher than the trend observed during the past 10 years which included the 2012 crisis (4.3 percent) but in line with average growth over the past 30 years. Gold output is projected to decline by around 4 percent annually starting in 2021 but strong growth in the secondary and tertiary sectors, aided by political stability and supported by structural reforms, is expected to offset this decline over time.
- **Consumer price inflation.** It is projected to remain below the WAEMU convergence criterion rate of 3 percent on the basis of low global inflation and normal domestic weather conditions.
- **Fiscal policy.** Owing to pressing public spending needs related to security and the implementation of the peace agreement, the overall fiscal deficit (including grants) is expected to reach 4.3 percent of GDP in 2016. The 2016 deficit will be financed by tapping domestic and regional markets and by the augmentation of access to IMF resources. The basic fiscal balance (revenue plus budgetary grants minus domestically financed expenditure) is expected to remain at zero from 2019 onwards and the overall fiscal balance at 3 percent of GDP, in line with the WAEMU convergence criterion. Tax revenue (as a percent of GDP) is expected to increase by about 3 percentage points over the projection period to fund the increase in domestically financed expenditure and compensate for the reduction in aid after the post-crisis surge. Therefore, there is no recourse to additional domestic borrowing to finance the budget, except for rolling over the current stock of domestic debt at market rates.
- **The non-interest current account deficit (including transfers).** It is projected to average about 6 percent of GDP over 2022–36, in line with the historic average. It is expected to widen from 7.3 percent of GDP in 2015 to 7.7 percent of GDP in 2016, mainly due to a rise in non-oil imports. Gold export volumes are expected to decline steadily over time, with the share of gold in total exports projected to fall from 67 percent in 2015 to about 20 percent in 2036.¹ This decline is projected to be compensated in part by a gradual increase in other exports (including food, cotton, tourism and other minerals such as phosphate, uranium, bauxite, iron ore, copper, and nickel) and in part by a deceleration of import growth as the fiscal deficit is reduced and subsequently remains stable. Remittances (net private transfers) are projected to remain at their current ratio of about 6 percent of GDP.
- **The cost of new financing.** It is projected to be on similar terms as in the past. The baseline scenario projects a rapid population growth, which results in low per capita income growth and therefore continuous access to concessional financing linked to low income status.

^{1/} New mining projected to come on stream from 2018 is, however, expected to provide some support to gold exports in the medium term.

6. Risks to the macroeconomic outlook stem mainly from the fragile security situation and governance issues. Renewed governance lapses and a failure to deepen PFM reforms could curtail or delay donor support. This, in turn, could hinder solidifying the foundations of the peace agreement. A deterioration of security conditions would have macroeconomic effects, including lower growth and tax revenues and higher security spending. On the upside, an uncertain global economic environment (notably due to the Brexit vote) could further raise gold prices and further dampen oil prices; this would help to narrow Mali's current account deficit and stimulate economic activity.

B. External DSA

7. Under the baseline assumptions, all external debt and debt-service ratios remain below the policy-dependent thresholds throughout the projection period (Figure 1a). The present value (PV) of external debt, calculated using the 5 percent discount rate, is expected to remain between about 14 and 19 percent of GDP throughout the projection period, (Table 1a). As production from existing and planned new gold mines declines starting in 2021 and growth of other exports only partly compensates for that decline, the PV of the external debt-to-exports ratio is projected to increase from about 66 percent in 2015 to 140 percent in 2036, still below the threshold of 150 percent (Figure 1a, Table 1a). With a 4 percentage points increase in tax revenue to GDP during the projection period, the PV of the external debt-to-revenue ratio is expected to remain broadly stable between about 80 percent and 90 percent, comfortably below the 250 percent threshold (Figure 1a, Table 1a).

8. Under the alternative probability approach in the baseline scenario, all external debt and debt-service ratios also remain below the policy-dependent thresholds throughout the projection period (Figure 1b). Since Mali's debt-to-export ratio lies just within 10 percent of the threshold in the baseline case (and is hence considered "borderline"), the use of the "probability approach" is recommended. The "probability approach" is an alternative and complementary methodology for assessing external debt sustainability, based on the evolution of the probability of debt distress over time, rather than on the evolution of debt burden indicators. Under the probability approach, the projected probability of debt distress (expressed as a percent) associated with each debt burden indicator is compared to a threshold level, which in contrast to the baseline approach, is country specific; in this case, the thresholds incorporate Mali's individual CPIA score and average GDP growth rate. Application of the probability approach in Mali's case yields a similar conclusion as the standard approach.

9. Mali's external debt sustainability is most sensitive to a tightening of financial terms while also being vulnerable to a reduction in transfers and FDI and an export shock. Under a bound test where financial terms are tightened by 2 percentage points over the projection period, the PV of debt-to-exports ratio would breach the threshold in 2026 and continue to increase until the end of the projection period to reach 262 percent in 2036 (Figure 1a, chart c; Table 1b, Scenario A2). Under a bound test that reduces FDI and official and private transfers in 2017–18 by 4 percent of GDP, the PV of the debt-to-exports ratio would exceed the threshold from 2026 until the end of the projection period (Table 1b, Scenario B4). And under a bound test that reduces export *growth* temporarily in 2017–18 with the effect of reducing exports *levels* permanently by 14 percent, the PV of the debt-to-exports ratio would breach the threshold in 2024 (Table 1b, Scenario B2). Under the probability approach, external debt is most sensitive to the same

set of shocks as under the standard approach, particularly to a tightening of financial terms, which again causes a prolonged breach of the threshold for the debt-to-exports ratio (Figure 1b, chart c).

C. Public DSA

10. The inclusion of domestic debt does not alter the assessment of Mali's debt sustainability.

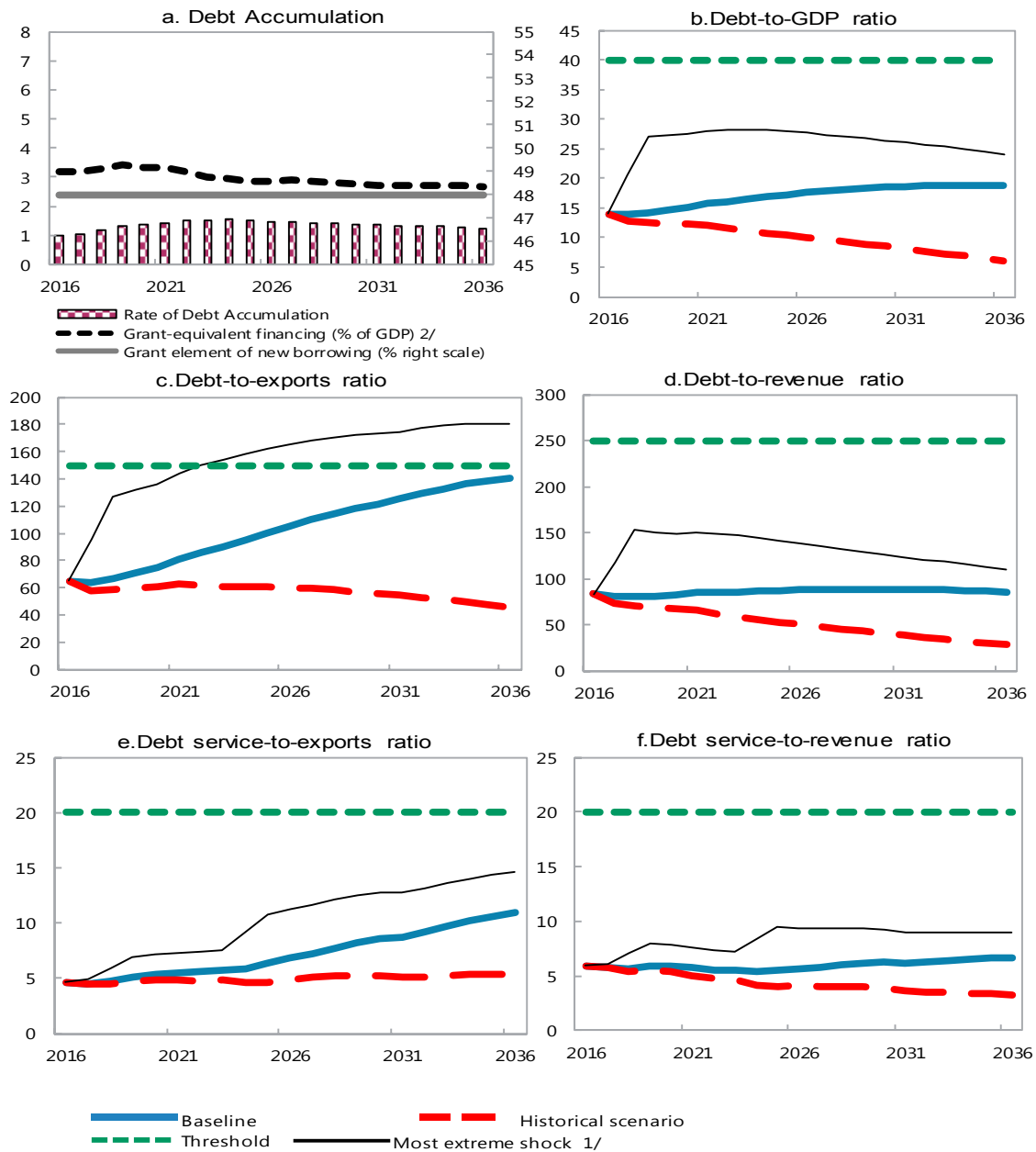
Given the small size of Mali's domestic debt and the absence of recourse to additional domestic borrowing in the baseline scenario, the public debt sustainability analysis closely mirrors the external debt sustainability analysis (Figure 2 and Table 2a). The PV of public sector debt-to-GDP ratio stays between 21 and 26 percent of GDP during the whole projection period. However, in light of the recent rapid growth in the stock of domestic debt (¶12), new domestic borrowing should be closely monitored.

11. **The Malian authorities broadly agreed with the conclusions of the DSA.** Staff and the authorities agreed on the importance of continuing to meet their financing needs with grants and concessional loans with a minimum grant element of 35 percent, where possible. The authorities remain committed to this policy. They indicated that they considered the Malian economy could grow faster than envisaged by staff over the medium term, but shared staff's overall assessment. In accordance with the Fund's new debt limits policy, the authorities agreed with IMF staff on a borrowing plan for 2016 and 2017. Further to the recent assessment of the capacity in recording and monitoring public debt in Mali (considered as "adequate" this year, an improvement from "weak" in 2015), debt targets under the Fund program would be in the form of a PV limit on new overall external borrowing from 2017 onward. The 2016 program will still include a ceiling for the nominal value of new external borrowing contracted on non-concessional terms.

D. Conclusion

12. **The DSA indicates that Mali remains at moderate risk of debt distress based on the external debt burden indicators.** Although none of the debt burden thresholds are breached over the 20-year projection period under the baseline scenario—broadly unchanged from the last DSA—the stress test shows a sustained breach of the debt-to-exports limit under the most extreme shock. Debt sustainability is highly sensitive to a tightening of financing terms, underscoring the importance for the Malian government of continuing to meet its external financing needs with grants and concessional loans, wherever possible, and where loans are contracted on less concessional terms, ensuring that the underlying projects deliver a high return on investment. In addition to a financing shock, Mali's debt sustainability is also vulnerable to a reduction in transfers and FDI, and an export shock owing to the export concentration in gold. Given the expected decline in gold exports in the medium term, and the uncertain prospects for export diversification, improving export performance in other sectors to compensate for the expected decline in gold exports will also be critical to maintaining external debt sustainability. Moreover, the authorities should also continue with their efforts to improve Mali's debt management capacity, notably by strengthening the quality of the public debt database and enhancing the capacity of the Debt Directorate.

Figure 1a. Mali: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2016–36 ^{1/}

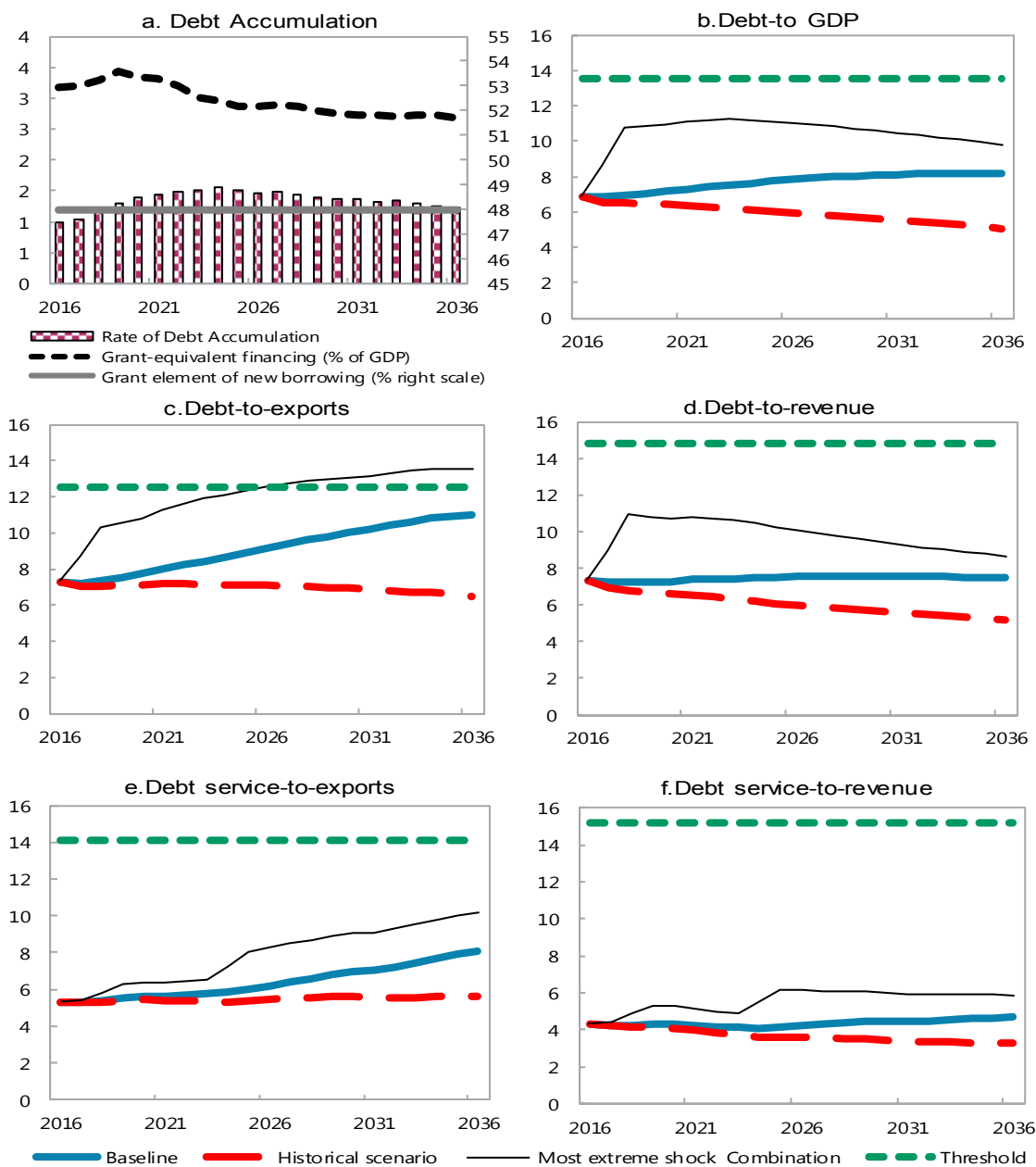


Sources: Country authorities; and staff estimates and projections.

^{1/} The most extreme stress test is the test that yields the highest ratio on or before 2026. In figure b, it corresponds to a Combination shock; in c, to a Combination shock; in d, to a Combination shock; in e, to a Combination shock and in figure f, to a Combination shock

^{2/} The decline in grant-equivalent financing in 2016 reflects the return to more normal levels of concessional aid following the exceptionally high level of assistance related to the 2011-2012 crisis.

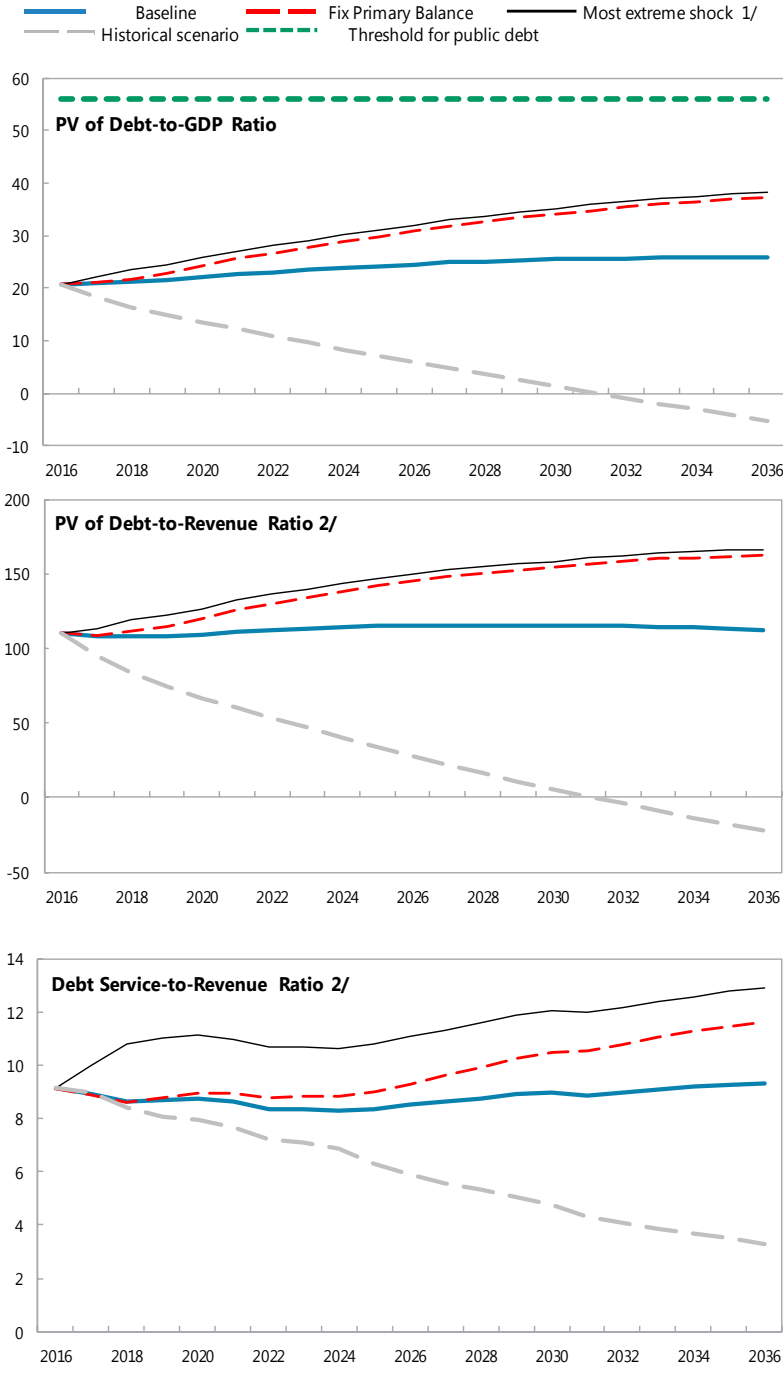
Figure 1b. Mali: Probability of Debt Distress of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2016–36 ^{1/}



Sources: Country authorities; and staff estimates and projections.

^{1/} The most extreme stress test is the test that yields the highest ratio on or before 2026. In figure b. it corresponds to a Combination shock; in c. to a Combination shock; in d. to a Combination shock; in e. to a Combination shock and in figure f. to a Combination shock

Figure 2. Mali: Indicators of Public Debt Under Alternative Scenarios, 2016–36^{1/}



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio on or before 2026.
2/ Revenues are defined inclusive of grants.

Table 1a. Mali: External Debt Sustainability Framework, Baseline Scenario, 2016–36^{1/}
(In percent of GDP, unless otherwise indicated)

	Actual			Historical ^{6/} Average	Standard Deviation ^{6/}	Projections										
	2013	2014	2015			2016-2021					2026-2036		2022-2036 Average			
						Average	2016	2017	2018	2019	2020	2021		Average	2026	2036
External debt (nominal) 1/	21.5	21.0	23.4			22.9	23.0	23.7	24.6	25.8	27.0			31.0	34.5	
of which: public and publicly guaranteed (PPG)	21.5	21.0	23.4			22.9	23.0	23.7	24.6	25.8	27.0			31.0	34.5	
Change in external debt	-0.3	-0.5	2.4			-0.5	0.1	0.6	0.9	1.2	1.2			0.7	0.0	
Identified net debt-creating flows	-0.7	2.0	8.5			5.6	4.8	3.5	3.4	3.5	3.8			4.1	4.2	
Non-interest current account deficit	2.6	4.5	7.0	6.3	3.9	7.4	6.5	5.0	5.0	5.1	5.4			5.8	6.1	5.9
Deficit in balance of goods and services	15.0	15.5	16.8			18.7	17.5	15.1	14.7	14.5	14.8			10.5	11.6	
Exports	24.9	22.5	22.0			21.7	22.1	21.3	20.7	20.2	19.4			16.7	13.4	
Imports	39.9	38.0	38.9			40.4	39.6	36.4	35.4	34.7	34.2			27.3	25.0	
Net current transfers (negative = inflow)	-15.4	-13.5	-12.2	-8.5	3.8	-14.6	-14.3	-13.2	-12.7	-12.2	-12.0			-6.3	-6.1	-6.3
of which: official	-9.6	-8.0	-7.0			-9.4	-9.1	-7.9	-7.5	-7.0	-6.8			-1.1	-0.9	
Other current account flows (negative = net inflow)	3.0	2.4	2.4			3.2	3.3	3.1	2.9	2.8	2.6			1.6	0.6	
Net FDI (negative = inflow)	-2.3	-1.0	-0.9	-2.8	2.0	-0.9	-0.9	-0.9	-0.8	-0.8	-0.8			-0.8	-0.8	-0.8
Endogenous debt dynamics 2/	-1.0	-1.5	2.4			-0.9	-0.8	-0.7	-0.7	-0.8	-0.8			-0.9	-1.1	
Contribution from nominal interest rate	0.3	0.2	0.3			0.3	0.3	0.3	0.3	0.3	0.3			0.4	0.4	
Contribution from real GDP growth	-0.5	-1.4	-1.4			-1.2	-1.1	-1.0	-1.0	-1.1	-1.1			-1.3	-1.5	
Contribution from price and exchange rate changes	-0.8	-0.3	3.5			...	...	...	...	...	...			...	...
Residual (3-4) 3/	0.5	-2.4	-6.1			-6.1	-4.7	-2.8	-2.5	-2.3	-2.5			-3.4	-4.2	
of which: exceptional financing	-0.1	0.0	-0.2			-0.2	-0.2	-0.2	-0.2	-0.1	0.0			0.0	0.0	
PV of external debt 4/	...	...	14.5			14.0	14.0	14.2	14.6	15.1	15.7			17.6	18.7	
In percent of exports	...	...	65.6			64.7	63.4	66.6	70.5	74.7	80.7			105.0	139.9	
PV of PPG external debt	...	...	14.5			14.0	14.0	14.2	14.6	15.1	15.7			17.6	18.7	
In percent of exports	...	...	65.6			64.7	63.4	66.6	70.5	74.7	80.7			105.0	139.9	
In percent of government revenues	...	...	88.0			83.3	80.5	80.8	80.7	81.6	84.5			87.7	85.7	
Debt service-to-exports ratio (in percent)	3.8	4.3	7.1			4.6	4.5	4.7	5.1	5.3	5.5			6.8	10.9	
PPG debt service-to-exports ratio (in percent)	3.8	4.3	7.1			4.6	4.5	4.7	5.1	5.3	5.5			6.8	10.9	
PPG debt service-to-revenue ratio (in percent)	6.4	6.5	9.5			5.9	5.7	5.7	5.8	5.8	5.7			5.7	6.7	
Total gross financing need (Billions of U.S. dollars)	0.2	0.6	1.0			1.1	1.0	0.8	0.9	1.0	1.1			1.6	3.4	
Non-interest current account deficit that stabilizes debt ratio	2.9	4.9	4.6			7.9	6.4	4.4	4.0	3.9	4.1			5.1	6.0	
Key macroeconomic assumptions																
Real GDP growth (in percent)	2.3	7.0	6.0	4.1	2.2	5.4	5.3	4.8	4.7	4.7	4.7	4.9	4.7	4.7	4.7	4.7
GDP deflator in US dollar terms (change in percent)	4.0	1.6	-14.2	3.9	9.6	2.1	2.7	1.6	1.4	1.5	0.7	1.7	1.7	2.2	1.9	1.9
Effective interest rate (percent) 5/	1.3	1.2	1.4	1.5	0.3	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.3	1.3	1.3
Growth of exports of G&S (US dollar terms, in percent)	-1.3	-1.9	-10.9	8.9	15.4	5.9	10.0	3.0	2.9	3.9	1.4	4.5	3.3	5.3	4.1	4.1
Growth of imports of G&S (US dollar terms, in percent)	33.7	3.5	-6.9	11.7	19.2	11.9	5.9	-2.0	3.1	4.3	4.0	4.5	5.0	6.3	4.6	4.6
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0
Government revenues (excluding grants, in percent of GDP)	14.5	14.9	16.4			16.8	17.4	17.6	18.0	18.5	18.6			20.0	21.9	20.6
Aid flows (in Billions of US dollars) 7/	0.6	0.6	0.7			0.5	0.5	0.6	0.7	0.7	0.7			0.9	1.6	
of which: Grants	0.4	0.3	0.4			0.3	0.3	0.3	0.3	0.3	0.3			0.3	0.5	
of which: Concessional loans	0.3	0.2	0.4			0.2	0.2	0.3	0.3	0.4	0.4			0.5	1.0	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			3.2	3.2	3.3	3.4	3.3	3.3			2.9	2.7	2.8
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			71.7	71.0	69.7	68.1	66.4	66.1			62.6	60.6	62.1
Memorandum items:																
Nominal GDP (Billions of US dollars)	13.2	14.4	13.1			14.1	15.2	16.2	17.2	18.3	19.3			26.8	51.0	
Nominal dollar GDP growth	6.4	8.8	-9.1			7.6	8.1	6.5	6.2	6.3	5.4	6.7	6.5	7.0	6.7	6.7
PV of PPG external debt (in Billions of US dollars)	...	...	1.9			2.0	2.1	2.3	2.5	2.8	3.0			4.7	9.5	
(PVT-PVt-1)/GDPt-1 (in percent)	...	...	...			1.0	1.0	1.2	1.3	1.4	1.4	1.2	1.5	1.2	1.4	1.4
Gross workers' remittances (Billions of US dollars)	0.8	0.8	0.7			0.7	0.8	0.8	0.9	1.0	1.0			1.4	2.7	
PV of PPG external debt (in percent of GDP + remittances)	...	...	13.7			13.3	13.3	13.5	13.8	14.3	14.9			16.7	17.8	
PV of PPG external debt (in percent of exports + remittances)	...	...	53.1			52.2	51.3	53.6	56.3	59.4	63.6			80.0	100.7	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	5.7			3.7	3.6	3.8	4.1	4.2	4.3			5.2	7.9	

Sources: Country authorities; and staff estimates and projections.

1/ Public sector external debt only.

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

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); project grants, changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes. The calculation of the residual assumes the capital account is a debt-creating flow, which is inappropriate in Mali's case since the capital account consists primarily of project grants (around 2% of GDP).

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

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

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

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

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

Table 1b. Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2016–36

(In percent)

	Projections											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2036
Debt-to-GDP ratio												
Baseline	14	14	14	15	15	16	16	16	17	17	18	19
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2016-2036 1/	14	13	12	12	12	12	12	11	11	10	10	6
A2. New public sector loans on less favorable terms in 2016-2036 2	14	15	16	17	19	20	22	23	24	25	27	35
B. Bound Tests												
B1. Real GDP growth at historical average minus one standard deviation in 2017-2018	14	14	15	16	16	17	17	17	18	18	19	20
B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/	14	16	19	19	20	20	20	21	21	21	21	20
B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018	14	15	17	17	18	18	19	19	20	20	21	22
B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/	14	20	25	25	25	26	26	26	26	26	25	22
B5. Combination of B1-B4 using one-half standard deviation shocks	14	20	27	27	27	28	28	28	28	28	28	24
B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/	14	20	20	21	21	22	23	23	24	24	25	26
Debt-to-exports ratio												
Baseline	65	63	67	71	75	81	86	90	95	100	105	140
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2016-2036 1/	65	58	58	60	61	62	62	61	61	60	60	45
A2. New public sector loans on less favorable terms in 2016-2036 2	65	67	74	83	92	104	115	125	135	147	158	262
B. Bound Tests												
B1. Real GDP growth at historical average minus one standard deviation in 2017-2018	65	64	67	71	75	81	86	90	95	100	105	140
B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/	65	85	116	121	126	135	141	147	153	158	163	195
B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018	65	64	67	71	75	81	86	90	95	100	105	140
B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/	65	89	116	121	125	132	137	142	145	148	151	164
B5. Combination of B1-B4 using one-half standard deviation shocks	65	95	127	132	136	144	150	154	158	162	165	180
B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/	65	64	67	71	75	81	86	90	95	100	105	140
Debt-to-revenue ratio												
Baseline	83	80	81	81	82	84	85	86	86	87	88	86
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2016-2036 1/	83	73	71	68	67	65	62	58	55	53	50	28
A2. New public sector loans on less favorable terms in 2016-2036 2	83	85	90	95	101	109	114	119	123	128	132	160
B. Bound Tests												
B1. Real GDP growth at historical average minus one standard deviation in 2017-2018	83	83	86	86	87	90	91	91	92	93	93	91
B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/	83	92	108	107	106	109	108	108	107	106	105	92
B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018	83	88	95	95	96	99	100	100	101	102	103	101
B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/	83	113	141	138	136	138	136	134	132	129	126	100
B5. Combination of B1-B4 using one-half standard deviation shocks	83	118	153	150	148	150	149	147	144	141	138	110
B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/	83	114	114	115	115	119	120	121	122	123	124	121

Table 1b. Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2016–36 (concluded)
(In percent)

	Projections											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2036
Debt service-to-exports ratio												
Baseline	5	4	5	5	5	5	6	6	6	6	7	11
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2016-2036 1/	5	4	4	5	5	5	5	5	5	5	5	5
A2. New public sector loans on less favorable terms in 2016-2036 2	5	4	5	5	5	6	6	7	7	8	9	17
B. Bound Tests												
B1. Real GDP growth at historical average minus one standard deviation in 2017-2018	5	4	5	5	5	5	6	6	6	6	7	11
B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/	5	5	6	7	8	8	8	8	9	10	11	16
B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018	5	4	5	5	5	5	6	6	6	6	7	11
B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/	5	4	5	6	7	7	7	7	8	10	10	13
B5. Combination of B1-B4 using one-half standard deviation shocks	5	5	6	7	7	7	7	8	9	11	11	15
B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/	5	4	5	5	5	5	6	6	6	6	7	11
Debt service-to-revenue ratio												
Baseline	6	6	6	6	6	6	6	5	5	5	6	7
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2016-2036 1/	6	6	5	5	5	5	5	5	4	4	4	3
A2. New public sector loans on less favorable terms in 2016-2036 2	6	6	6	6	6	6	6	6	7	7	8	10
B. Bound Tests												
B1. Real GDP growth at historical average minus one standard deviation in 2017-2018	6	6	6	6	6	6	6	6	6	6	6	7
B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/	6	6	6	6	6	6	6	6	6	7	7	7
B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018	6	6	7	7	7	7	6	6	6	6	7	8
B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/	6	6	6	7	7	7	7	7	8	9	9	8
B5. Combination of B1-B4 using one-half standard deviation shocks	6	6	7	8	8	8	7	7	8	9	9	9
B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/	6	8	8	8	8	8	8	8	8	8	8	9
<i>Memorandum item:</i>												
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	41	41	41	41	41	41	41	41	41	41	41	41

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline, while grace and maturity periods are the same as in the baseline.

3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).

4/ Includes official and private transfers and FDI.

5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.

6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 2a. Mali: Public Sector Debt Sustainability Framework, Baseline Scenario, 2016–36

(In percent of GDP, unless otherwise indicated)

	Actual			Average ^{5/}	Standard Deviation ^{5/}	Estimate						Projections			
	2013	2014	2015			2016	2017	2018	2019	2020	2021	2016-21 Average	2026	2036	2022-36 Average
Public sector debt 1/	26.4	27.3	30.9			29.7	30.0	30.7	31.6	32.7	34.0		38.0	41.5	
<i>of which: foreign-currency denominated</i>	21.5	21.0	23.4			22.9	23.0	23.7	24.6	25.8	27.0		31.0	34.5	
Change in public sector debt	1.0	0.9	3.6			-1.3	0.4	0.6	0.9	1.2	1.2		0.7	0.0	
Identified debt-creating flows	-0.5	2.8	2.1			1.6	1.9	1.5	1.0	1.3	1.3		0.7	0.3	
Primary deficit	1.9	2.3	1.2	-1.4	9.6	3.7	3.4	2.9	2.3	2.3	2.3	2.8	2.3	2.2	2.3
Revenue and grants	17.4	17.1	19.1			18.9	19.4	19.6	20.0	20.3	20.3		21.3	22.9	
<i>of which: grants</i>	2.8	2.2	2.7			2.0	2.0	2.0	1.9	1.8	1.8		1.3	1.1	
Primary (noninterest) expenditure	19.3	19.4	20.3			22.5	22.8	22.5	22.3	22.5	22.6		23.6	25.2	
Automatic debt dynamics	-1.2	0.7	0.9			-2.0	-1.4	-1.2	-1.1	-1.0	-1.0		-1.5	-2.0	
Contribution from interest rate/growth differential	-0.4	-1.6	-1.5			-1.4	-1.3	-1.3	-1.2	-1.3	-1.3		-1.6	-1.9	
<i>of which: contribution from average real interest rate</i>	0.2	0.2	0.0			0.1	0.2	0.1	0.1	0.2	0.1		0.0	-0.1	
<i>of which: contribution from real GDP growth</i>	-0.6	-1.7	-1.5			-1.6	-1.5	-1.4	-1.4	-1.4	-1.5		-1.7	-1.9	
Contribution from real exchange rate depreciation	-0.7	2.3	2.4			-0.6	-0.1	0.1	0.1	0.3	0.3		...	...
Other identified debt-creating flows	-1.2	-0.2	-0.1			0.0	-0.1	-0.2	-0.2	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	-0.8	0.0	0.1			0.2	0.1	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	-0.4	-0.2	-0.2			-0.2	-0.2	-0.2	-0.2	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	1.5	-1.9	1.5			-2.9	-1.6	-0.9	-0.1	-0.1	0.0		0.0	-0.2	
Other Sustainability Indicators															
PV of public sector debt	...	...	22.0			20.8	21.0	21.2	21.6	22.1	22.7		24.5	25.7
<i>of which: foreign-currency denominated</i>	...	...	14.5			14.0	14.0	14.2	14.6	15.1	15.7		17.6	18.7
<i>of which: external</i>	...	...	14.5			14.0	14.0	14.2	14.6	15.1	15.7		17.6	18.7
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...
Gross financing need 2/	5.4	6.4	7.7			9.0	8.2	7.8	7.3	7.3	7.3		7.3	7.6	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	115.0			110.3	108.2	108.3	107.8	108.9	111.6		115.2	112.2
PV of public sector debt-to-revenue ratio (in percent)	...	...	133.7			123.5	120.7	120.5	119.4	119.4	122.1		122.5	117.7
<i>of which: external 3/</i>	...	...	88.0			83.3	80.5	80.8	80.7	81.6	84.5		87.7	85.7
Debt service-to-revenue and grants ratio (in percent) 4/	7.9	8.8	11.2			9.1	8.9	8.6	8.7	8.7	8.6		8.5	9.3	
Debt service-to-revenue ratio (in percent) 4/	9.4	10.1	13.1			10.2	9.9	9.6	9.6	9.6	9.4		9.0	9.8	
Primary deficit that stabilizes the debt-to-GDP ratio	0.9	1.4	-2.4			4.9	3.1	2.3	1.4	1.1	1.0		1.6	2.2	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	2.3	7.0	6.0	4.1	2.2	5.4	5.3	4.8	4.7	4.7	4.7	4.9	4.7	4.7	4.7
Average nominal interest rate on forex debt (in percent)	1.3	1.2	1.4	1.5	0.3	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.3	1.3
Average real interest rate on domestic debt (in percent)	5.3	6.0	2.3	0.9	3.7	3.6	4.6	4.0	4.3	4.6	4.4	4.3	3.4	2.9	3.2
Real exchange rate depreciation (in percent, + indicates depreciation)	-3.5	11.3	12.3	-1.5	9.3	-2.7
Inflation rate (GDP deflator, in percent)	0.7	1.6	2.8	4.7	3.2	1.5	1.7	1.1	0.8	0.7	0.9	1.1	1.7	2.2	1.9
Growth of real primary spending (deflated by GDP deflator, in percent)	31.2	7.7	11.3	5.0	10.0	16.6	6.6	3.2	4.0	5.8	4.9	6.9	5.8	5.0	5.5
Grant element of new external borrowing (in percent)	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0

Sources: Country authorities; and staff estimates and projections.

1/ Gross debt of central government

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

3/ Revenues excluding grants.

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

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability. The historical average for the primary deficit, however, excludes 2006 (the year of MDRI debt relief and hence an unusually large primary surplus).

Table 2b. Mali: Sensitivity Analysis for Key Indicators of Public Debt, 2016–36

	Projections							
	2016	2017	2018	2019	2020	2021	2026	2036
PV of Debt-to-GDP Ratio								
Baseline	21	21	21	22	22	23	25	26
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	21	18	16	15	14	12	6	-5
A2. Primary balance is unchanged from 2016	21	21	22	23	24	26	31	37
A3. Permanently lower GDP growth 1/	21	21	22	22	23	24	28	38
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2017-2018	21	22	24	25	26	27	32	38
B2. Primary balance is at historical average minus one standard deviations in 2017-2018	21	24	28	28	28	29	30	29
B3. Combination of B1-B2 using one half standard deviation shocks	21	22	23	23	24	25	29	34
B4. One-time 30 percent real depreciation in 2017	21	26	26	25	25	25	24	22
B5. 10 percent of GDP increase in other debt-creating flows in 2017	21	27	27	27	27	28	29	29
PV of Debt-to-Revenue Ratio 2/								
Baseline	110	108	108	108	109	112	115	112
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	110	95	84	74	67	60	28	-22
A2. Primary balance is unchanged from 2016	110	109	111	115	119	126	145	162
A3. Permanently lower GDP growth 1/	110	109	110	111	113	117	133	167
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2017-2018	110	113	119	122	126	132	150	166
B2. Primary balance is at historical average minus one standard deviations in 2017-2018	110	125	142	140	140	142	140	127
B3. Combination of B1-B2 using one half standard deviation shocks	110	111	115	117	120	125	137	147
B4. One-time 30 percent real depreciation in 2017	110	135	131	126	123	123	113	96
B5. 10 percent of GDP increase in other debt-creating flows in 2017	110	138	137	135	136	138	136	125
Debt Service-to-Revenue Ratio 2/								
Baseline	9	9	9	9	9	9	8	9
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	9	9	8	8	8	8	6	3
A2. Primary balance is unchanged from 2016	9	9	9	9	9	9	9	12
A3. Permanently lower GDP growth 1/	9	9	9	9	9	9	9	12
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2017-2018	9	9	9	9	9	9	10	12
B2. Primary balance is at historical average minus one standard deviations in 2017-2018	9	9	9	10	10	9	10	10
B3. Combination of B1-B2 using one half standard deviation shocks	9	9	9	9	9	9	9	11
B4. One-time 30 percent real depreciation in 2017	9	10	11	11	11	11	11	13
B5. 10 percent of GDP increase in other debt-creating flows in 2017	9	9	9	10	9	9	10	10

Sources: Country authorities; and staff estimates and projections.

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

2/ Revenues are defined inclusive of grants.