

Mali: Fourth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Performance Criteria—Staff Report; and Press Release on the Executive Board Consideration

In the context of the fourth review under the three-year arrangement under the Poverty Reduction and Growth Facility and request for a waiver of performance criteria, the following documents have been released and are included in this package:

- the staff report for the Fourth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Performance Criteria, prepared by a staff team of the IMF, following discussions that ended on April 19, 2006, with the officials of Mali on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on June 29, 2006. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- a Press Release summarizing the views of the Executive Board as expressed during its July 14, 2006 consideration of the staff report that completed the review.

The documents listed below have been separately released.

Letter of Intent sent to the IMF by the authorities of Mali*
Technical Memorandum of Understanding*
*Also included in Staff Report

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

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INTERNATIONAL MONETARY FUND

MALI

Fourth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Nonobservance of Performance Criterion

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

Approved by Michael Nowak and Mark Plant

June 29, 2006

- **Discussions.** During April 6–19, 2006, a mission visited Bamako and met with President Touré, Prime Minister Maïga, Finance Minister Traoré, Central Bank of West African States (BCEAO) National Director Traoré, and other senior officials. The mission also met with representatives from banking, business, and civil society. Mission members were Messrs. Lane (head), Anayiotos, Mills, and Thomas (all AFR), and Mr. Wane (Resident Representative).
- **Fund Relations.** The Fund supports Mali's 2004–07 economic program with a Poverty Reduction and Growth Facility (PRGF) arrangement approved in June 2004. Total access under the arrangement is SDR 9.33 million, or 10 percent of quota, of which SDR 5.32 million has been disbursed (Appendix I). An additional SDR 1.33 million becomes available on completion of this review. The World Bank is also supporting Mali's program through both project and adjustment credits (Appendix II). Attachment I is the Letter of Intent from Mali's Minister of Economy and Finance. The authorities request a waiver for the nonobservance of one structural performance criterion—identification of reforms to the civil service pension scheme. MDRI debt relief, totaling SDR 75.1 million (or SDR 62.4 million excluding remaining assistance under the HIPC Initiative), was delivered on January 6, 2006.
- **Political and Regional Developments.** Presidential elections are scheduled for February 2007 and parliamentary elections for November 2007. Unrest has flared in the remote north-east region for the first time in over a decade. The political situation in neighboring Côte d'Ivoire continues to hinder trade relations and trade flows through Mali's main trading corridor to the coast.
- **Article VIII obligations.** Mali has accepted the obligations of Article VIII and maintains an exchange system that is free of restrictions on current transactions.
- **Publication.** The authorities will decide on publication after they have had the opportunity to read the report.

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EXECUTIVE SUMMARY

- The Malian economy is showing renewed momentum resulting from a strong 2005/06 cereal harvest and a strengthening terms of trade. Inflation is falling, and the external balance is improving. Strong performance in the gold sector and debt relief has brightened the medium-term outlook somewhat.
- Implementation of the 2005 budget was satisfactory. Some shortfalls on the revenue side were evident in early 2006. The authorities have responded with measures, notably to strengthen customs control and valuation, and to curb the proliferation of tax exemptions. Initial discussions on the 2007 budget indicate that the authorities' spending plans are fully financed.
- Implementation of structural measures under the program has been uneven. There have been advances in the preparation of the cotton company for privatization and in civil service pension reform. However, delays arose in strengthening the banking system and in privatization of the energy and telecommunications companies.
- The resources freed up by the Multilateral Debt Relief Initiative in 2006 will be allocated to raising public spending on roads and water supply. The authorities remain committed to borrowing only on highly concessional terms. Progress is also being made in harmonizing external budget support.
- The next poverty reduction strategy is under preparation. It emphasizes improving food security, strengthening the business climate, and developing infrastructure and transport corridors, as the basis for stronger growth and poverty reduction.
- The mission also reached understandings on the next steps in stabilizing the cotton company finances, advancing cotton sector reform, improving the performance of several state enterprises (energy, banks), and improving the business climate.

I. RECENT DEVELOPMENTS

A. Agriculture and Gold Sectors Are Buoyant

1. **The economy is showing renewed momentum resulting from a strong 2005/06 cereal harvest and strengthening terms of trade.** Inflation is slowing and external balances are improving (Tables 1–4, Figure 1):

- According to preliminary estimates, GDP growth reached 6.1 percent in 2005. Good rainfall sustained a 14 percent increase in cereal and rice production in 2005/06 (reflected in the national accounts in the year of planting).
- The terms of trade is projected to improve by 14 percent in 2006, with higher gold prices more than offsetting elevated fuel prices. The trade balance is projected to improve from a deficit of 2 percent of GDP in 2005 to a surplus of nearly 1 percent of GDP in 2006. The current account improvement is more modest due to increased outward profit transfers. The gross international reserves position remains comfortable at six months import coverage.
- Due to falling food prices, 12-month consumer price inflation fell to 1.5 percent in May 2006 from a peak of 11.4 percent in September 2005. The real effective exchange rate has depreciated since mid-2005, tracking the decline in inflation.

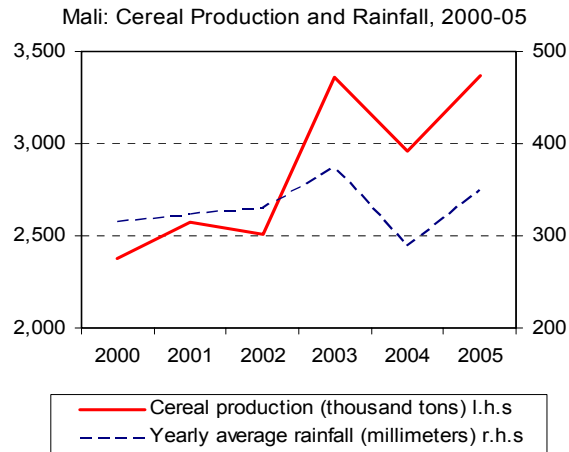
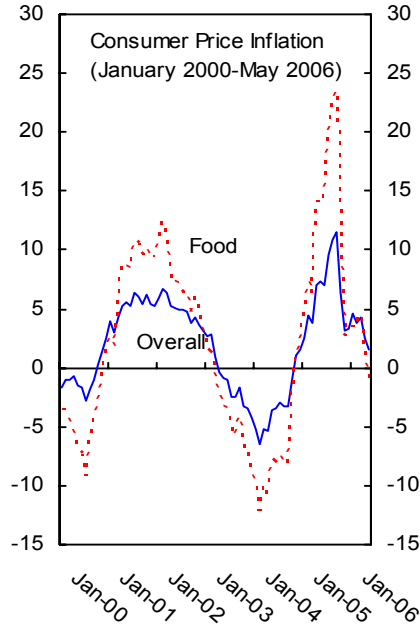
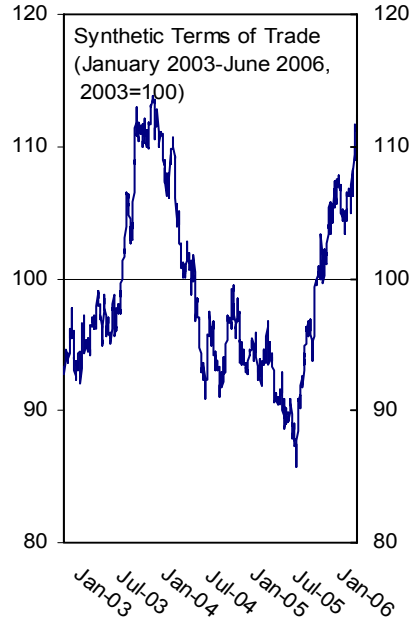


Figure 1. Mali: External Indicators and Inflation Developments

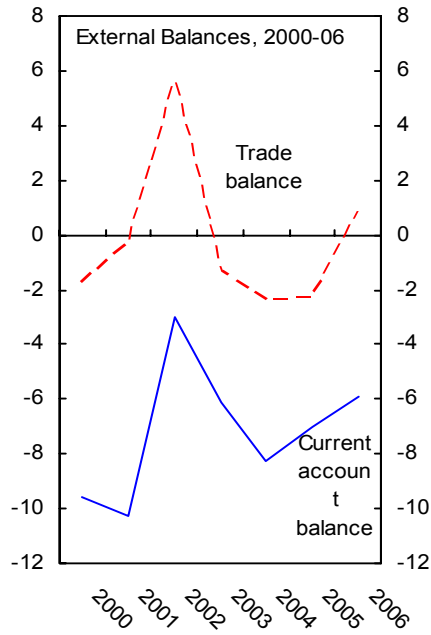
Food prices drive down inflation



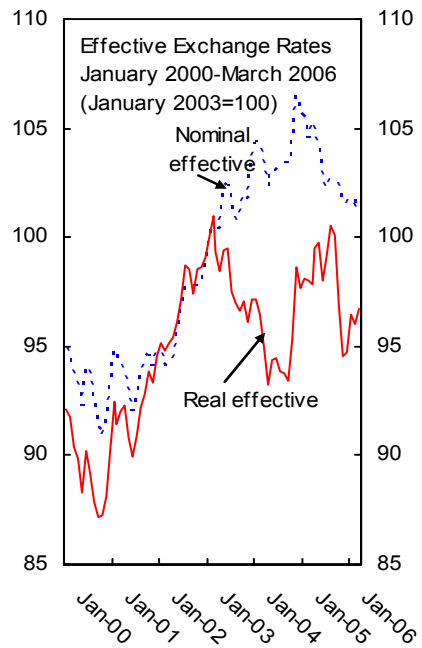
Higher gold prices improve the terms of trade 2005-06



Trade balance strengthens on account of gold



Lower inflation and nominal depreciation lower real exchange rate



Sources: Malian authorities; and staff estimates.

B. The Fiscal Program is Broadly on Track

2. The fiscal program remained well on track through end-2005 (Table 5).

Revenue performance in 2005 exceeded program targets on account of unusually large receipts in December 2005, especially in customs duties, which in turn likely contributed to weakened 2006 Q1 revenues (see below). Spending fell short of budget estimates by ½ percent of GDP, largely on account of under-execution of the capital budget. Program targets for end-2005 net domestic financing, external debt terms, payment arrears, the wage bill and the basic balance were all met (Attachment I, Annex I).

Fiscal Operations, 2004–05
(In percent of GDP)

| | 2004 Actual | 2005 Program | 2005 Actual ¹ |
|--|----------------|-----------------|-----------------------------|
| Revenue and grants | 21.4 | 22.2 | 22.5 |
| Revenue | 17.4 | 17.6 | 18.4 |
| Grants | 4.0 | 4.6 | 4.2 |
| Total expenditure & net lending | 24.0 | 26.3 | 25.8 |
| Current expenditure | 13.4 | 13.8 | 13.6 |
| Capital expenditure, net lending & other expenditure | 10.6 | 12.5 | 12.2 |
| Overall balance (payment order) (excl. grants) | -6.6 | -8.7 | -7.5 |
| Overall balance (cash basis) (incl. grants) | -2.3 | -4.5 | -3.7 |
| External financing | 2.9 | 4.6 | 3.9 |
| Domestic financing | -0.6 | -0.1 | -0.3 |

¹ Share of program GDP 2005.

3. **Implementation of the 2006 budget started slowly.** Tax revenues through end-March fell short of program targets by 0.6 percent of annual GDP, largely because of weak customs collections. However, revenue performance improved in April 2006. A shortfall in sectoral budget support of 0.3 percent of GDP added to implementation difficulties. By curtailing nonessential spending, the authorities observed the performance criterion on net domestic financing for end-March 2006.¹ The financial performance indicator on the wage bill was not observed at end-March 2006. However, planned quarterly wage spending to end-2006 remains consistent with the annual target. To reflect the revised seasonality of wage spending, the wage ceilings for end-June and end-September 2006, as well as the net domestic financing performance criteria, were adjusted upward by CFAF 7.5 billion.

C. Structural Reform Showed Uneven Progress

4. **Some structural reforms under the program have advanced, while others have seen delays.** Of the six structural benchmarks applicable for the review, two were met (assessing the impact of parametric reform of the civil service pension fund and approval of a

¹ The NDF ceiling was met by a large margin because the BCEAO reduced government liabilities to it based on relief from the HIPC and MDRI trusts.

privatization strategy for the state cotton company, Compagnie Malienne pour le Développement des Textiles, CMDT), and one was completed with a delay (form a committee for surveillance of CMDT cash flow). Completion of two others for end-March was delayed pending the conclusion of external studies (new petroleum pricing mechanism and reforms in the state energy company Energie du Mali, EdM). A legal impediment prevented the sixth structural benchmark (tender for sale of the government's shares in Banque Internationale du Mali) from being completed by end-March.

5. **Progress in state enterprise restructuring was mixed.** The housing bank, Banque de l'Habitat du Mali (BHM), which had been recapitalized with CFAF 22 billion of public funds in November 2005, faced renewed liquidity problems in 2006, owing to delays in implementing elements of its restructuring plan. In the cotton sector, CMDT shareholders agreed on a revised timeline for privatization, meeting an end-December 2005 structural benchmark (¶14).² On March 9, the Council of Ministers endorsed a proposal to divide CMDT into four regional ginning companies. A committee tasked with monthly surveillance of CMDT's cash flow operations was authorized in February 2006 (end-December 2005 structural benchmark); operational details still need to be established. For 2006/07, an agreement reached between producers, the government, and the CMDT raised the initial producer price for cotton to CFAF 165/kg, CFAF 5/kg above the 2005/06 level.

II. POLICY DISCUSSIONS

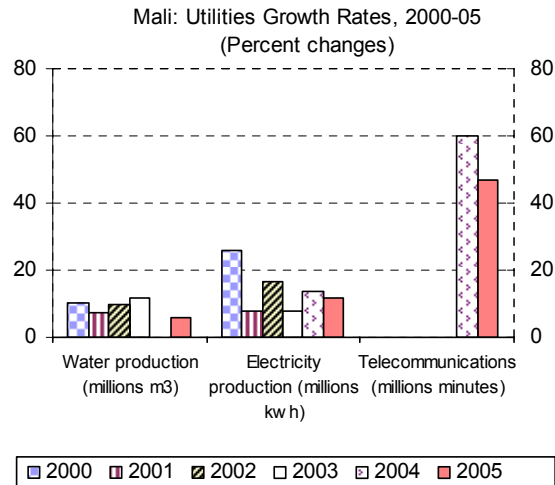
A. Elaboration of a New Poverty Reduction Strategy (PRS)

6. **Preparatory work for the 2007–11 PRS is under way.** Two poverty surveys and a costing exercise for achieving the Millennium Development Goals (MDGs) are in progress. Working groups with stakeholder participation have been formed. Given the country's continued dependence on rain-fed agriculture, the authorities emphasized food security—in particular, through better food stock management—as a priority for poverty reduction. The draft PRS growth strategy hinges on improving the business climate, enhancing public finance management, and strengthening infrastructure and transport corridors. Success in achieving these objectives would pave the way for growth in the country's most promising industries: rice, cotton, mining, livestock, and tourism. The PRS would contain two macroeconomic scenarios: (i) a trend scenario, with GDP growth averaging 5.4 percent; and (ii) an optimist scenario, with GDP growth averaging 7 percent, which would accelerate poverty reduction and would require the accelerated implementation of structural reforms to raise productivity. The draft strategy noted the importance of aligning the PRS with the 2007 budget and a medium-term spending plan.

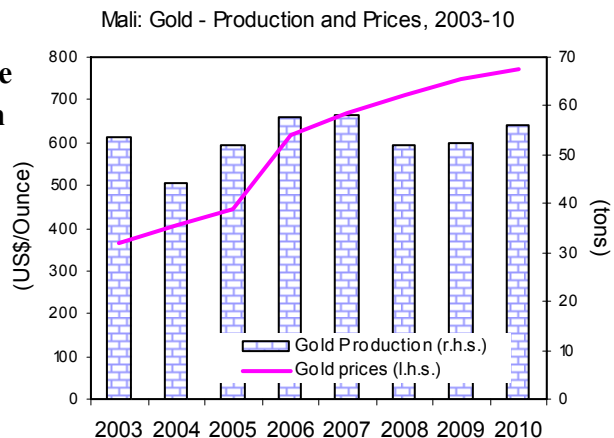
² Paragraph references refer to the letter of intent (Attachment I).

B. Medium-Term Macroeconomic Outlook

7. **Discussion of the macroeconomic outlook focused on production side growth prospects** (Table 6). For 2006 and over the medium term, projected GDP growth averages 5½ percent (¶3). Growth is broad based (agriculture, mining, and services), although mining production is projected to be somewhat volatile owing to mine openings and closings. Downside risks center on agriculture. In that sector, recent output gains likely reflect good rainfall and an increase in area planted rather than structural efficiency gains. In addition, historically low cotton prices could limit gains in cotton output. On the upside, the recent rapid growth in utilities (electricity, water, and telecommunications) could continue, provided that measures are taken to improve the finances of the water and electricity sectors. Such gains would support the investment needed to ensure continued strong growth.



8. **Rising international gold prices would boost tax revenues and accelerate the mining sector's exploration and production capacity**, although the direct economic effects on labor and inputs would be relatively modest. Although gold amounts to more than 60 percent of exports, minimal local sources for key inputs (fuel, chemicals, and machinery) reduce the sector's economic contribution (Box 1).



Sources: COMEX; Malian authorities.

Box 1. Mali: Gold Production

Commercial gold production in Mali has increased significantly since the 1991 introduction of a commercial mining code. With six operating mines (ownership 80 percent foreign, 20 percent government), Mali is the third-largest gold producer in Africa. The mining sector has approximately 12,000 employees (one-tenth of formal sector employment) in the industrial segment, and 100,000 more work in artisanal mining.

Industrial gold production contributes to government revenue through three main channels: royalty payments (3-6 percent of gold value, depending on the date of mine opening); corporate income taxes; (although all but one mine benefits from a five-year tax holiday granted under the 1991 mining code) and dividend payments on state shareholdings. In the period 2003–05, these revenues averaged 1.8 percent of GDP and 10.6 percent of total revenue.

Mali: Gold Sector Indicators, 2003–07

| | 2003 | 2004 | 2005 | 2006 Proj ¹ | 2007 Proj |
|--------------------------------------|------|------|------|---------------------------|--------------|
| Market Price (\$/oz, period average) | 280 | 410 | 445 | 618 | 670 |
| Estimated cost (\$/oz) | 172 | 180 | 200 | 200 | 210 |
| Margin (\$/oz) | 108 | 230 | 245 | 418 | 460 |
| Gold revenue/GDP (percent) | 2.2 | 1.4 | 1.8 | 2.5 | 2.5 |
| Gold revenue/gold exports (percent) | 18.4 | 14.9 | 15.1 | 15.7 | 15.6 |
| Gold revenue/total revenue (percent) | 13.5 | 8.2 | 9.9 | 14.8 | 14.5 |

¹ Gold futures price, COMEX .

The recent surge in gold prices—from an average of \$445/oz in 2005 to \$700/oz in May 2006—has approximately doubled Mali's profit margin for gold production. What macroeconomic and other effects will this surge have?

- **Poverty and Social Impact.** The direct impact on poverty reduction and national incomes should be limited, because the enclave nature of the sector requires capital-intensive technology. Research is needed to assess the impact on artisanal mining. Pressure on mining companies to provide additional community services, including from nongovernmental organizations (NGOs), may increase.
- **Taxation.** Gold price increases should translate into increased royalties, profits taxes, and dividend payments. Staff estimates suggest that a \$100/oz increase in realized gold prices would increase budgetary revenues by CFAF 14 billion, or 0.5 percent of GDP. Foreign exchange reserves would increase by a broadly similar magnitude. Fund technical assistance has recommended several measures to improve the collection and analysis of mining sector data.
- **Investment and Exploration.** Higher gold prices have already increased investment (e.g., by \$80 million to re-start production at an old mine). Also, exploration becomes more attractive, and could give rise to significant revenues through licensing auctions.

C. Fiscal Opportunities and Risks

9. **The authorities have proposed several measures to return revenue collections to levels consistent with the 2006 budget and keep the budget fully financed through end year (¶6).** The proposed measures, appropriately targeted at weak revenue areas (e.g., customs), are likely to be sufficient, though the situation will require close monitoring. The main measures are strengthening the enforcement of rules of origin for imports from West African Economic and Monetary Union (WAEMU) countries to combat duty evasion; broadening the tax base for product excises, as specified in a WAEMU directive; improving customs' valuation of mixed container cargoes; and strengthening exemption controls. In addition, the authorities plan to protect projected excise tax receipts for petroleum products by implementing a new pricing mechanism linked to world prices (structural benchmark for end-March 2006). This measure has experienced a slight implementation delay; the authorities intend to establish the mechanism shortly after the pending completion of technical assistance from AFRITAC. The integration of the tax agencies' computer systems, to be completed before year-end (new structural benchmark), will also improve revenue collection.

10. **Plans to strengthen the management of both tax exemptions and reimbursements will address tax administration weaknesses.** The authorities will closely monitor tax exemptions in 2006 and aim to eliminate discretionary exemptions in 2007 (¶7). The authorities estimated the end-2005 stock of unpaid tax reimbursements at CFAF 18 billion, or 0.6 percent of GDP. The government and companies owed reimbursements are already negotiating on amounts due and a schedule of payments, financed mainly with higher-than-expected gold sector revenues.

11. **The authorities are taking actions to address other potential fiscal risks.** As discussed below, an action plan is being implemented to strengthen the financial situation of the state-owned housing bank and electricity company. Mali is also at risk of an avian flu outbreak.³ Although the authorities have begun response planning and issued a funding appeal to donors, the budget does not include resources for potentially costly and problematic vaccination programs or for culling compensation.

12. **The authorities intend to use the additional debt relief resources provided under MDRI to increase infrastructure and poverty reduction spending (Box 2 and ¶8).** For 2006, the authorities plan to submit budget amendments to parliament to spend CFAF 13 billion (0.4 percent of GDP) freed up by 2006 debt relief on water supply and road improvements. Allocations of an additional CFAF 3 billion of 2006 debt relief will be made later. In future years, the authorities aim to use resources freed up by MDRI to accelerate

³ Animal-to-animal outbreaks have been reported in neighboring Côte d'Ivoire and Burkina Faso.

poverty reduction efforts. Priority social sector spending as a share of total spending has already increased from 23 to 30 percent over 2003–06 (Table 7). The authorities intend to continue to rely on grants and highly concessional loans for budget financing.

Box 2. Mali: MDRI and Debt Sustainability Indicators

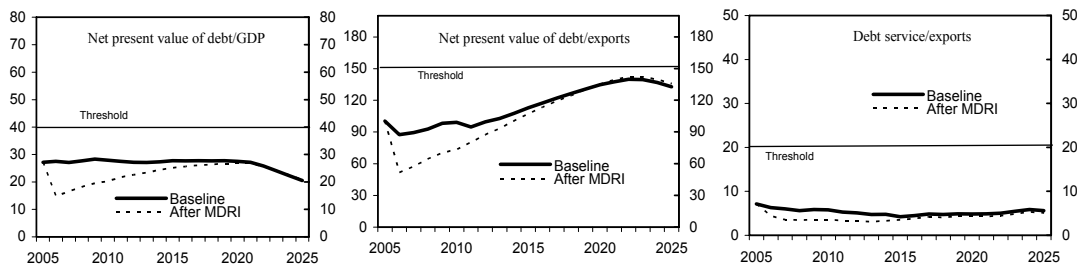
Debt Relief from MDRI, 2006–09 (billions of CFA francs, unless otherwise indicated)

| Institution | Debt service savings | | Total stock relief |
|--|----------------------|----------------|--------------------|
| | 2006 ¹ | 2007–09 (avg.) | |
| IMF | 6.5 | 4.9 | 64.7 |
| World Bank/IDA | 6.3 | 12.3 | 700.5 |
| African Dev. Fund (AfDF) | 2.7 | 3.5 | 320.0 |
| Total | 15.6 | 20.7 | 1,085.2 |
| Total as percentage of 2006 GDP | 0.5 | 0.7 | 34.6 |

Source: IMF staff estimates

¹ Savings are relative to budgeted debt service.

Selected Debt-Sustainability Indicators Before and After MDRI, 2005–25 ^{1,2} (percent)



Source: Malian Authorities and IMF-World Bank staff estimates.

¹ Using the same debt and long-term macroeconomic assumptions as the Debt Sustainability Analysis (DSA) (Country Report No. 06/73, March 6, 2006).

² Assumes MDRI relief starts Jan. 2006 for IMF and AfDF, and Jul. 2006 for IDA.

13. The authorities and external partners are working to enhance aid predictability, accountability, and evaluation, consistent with the Paris Declaration on Aid

Harmonization. Key actions include a framework agreement signed in March 2006 by principal budget support providers (African Development Bank, Canada, European Union, France, Netherlands, Sweden, and the World Bank) on financing modalities and evaluation, a Public Expenditure and Financial Accountability (PEFA) study, and continued improvements in expenditure information systems (¶10–11).

14. **The staff and authorities discussed a 2007 fiscal framework that would underpin upcoming budget discussions.** The overall balance, except for some additional MDRI-financed spending, is the same as for 2006. Revenue increases moderately as a percentage of GDP, mainly because of higher gold-sector dividends. A 2.6 percent inflation-adjustment increase of salaries in January 2007 is planned following an agreement between the government and civil service unions. Structural wage increases and plans for new hiring raise salary growth to 8.8 percent and almost unchanged as a share of GDP. Nonwage current spending as percent of GDP rises by 0.2, mainly on account of election spending. External financing reflects projected support from partners. Domestic financing essentially equals zero. The indicative fiscal framework is fully financed.

15. **The authorities are pursuing pension reforms to strengthen the medium-term budget position and to avoid crowding out priority development spending.** The authorities approved a package of parametric reforms of the civil service pension fund, Caisse des Retraites du Mali (CRM), on June 21 (structural performance criterion for end-March 2006). Agreement with the social partners would pave the way for parliamentary approval later this year (structural benchmark is for submission by end-September). The identified package raises the contribution rate from 12 percent to 24 percent (by increasing the employer contribution)⁴, raises the retirement age by 3 years to 61, removes pension supplements and indexes pensions to inflation rather than civil service wage growth. The package would gradually reduce CRM's operating deficit from 0.6 percent of GDP in 2005 to about 0.4 percent by 2030; without reforms the deficit would rise above 2 percent of GDP. The authorities have proposed similar reforms to assure the long-term financial viability of the country's publicly managed pension fund (serving employees outside the civil service), which would otherwise fall into deficit in 2009.

⁴ In 2007, increasing the employer contribution rate will reduce the CRM deficit and government transfer to CRM by ¼ percent of GDP and increase the government wage bill by an equivalent amount. This measure does not reduce the cost of the CRM to the government, it is a more appropriate accounting of labor costs.

D. Advancing the Structural Reform Program

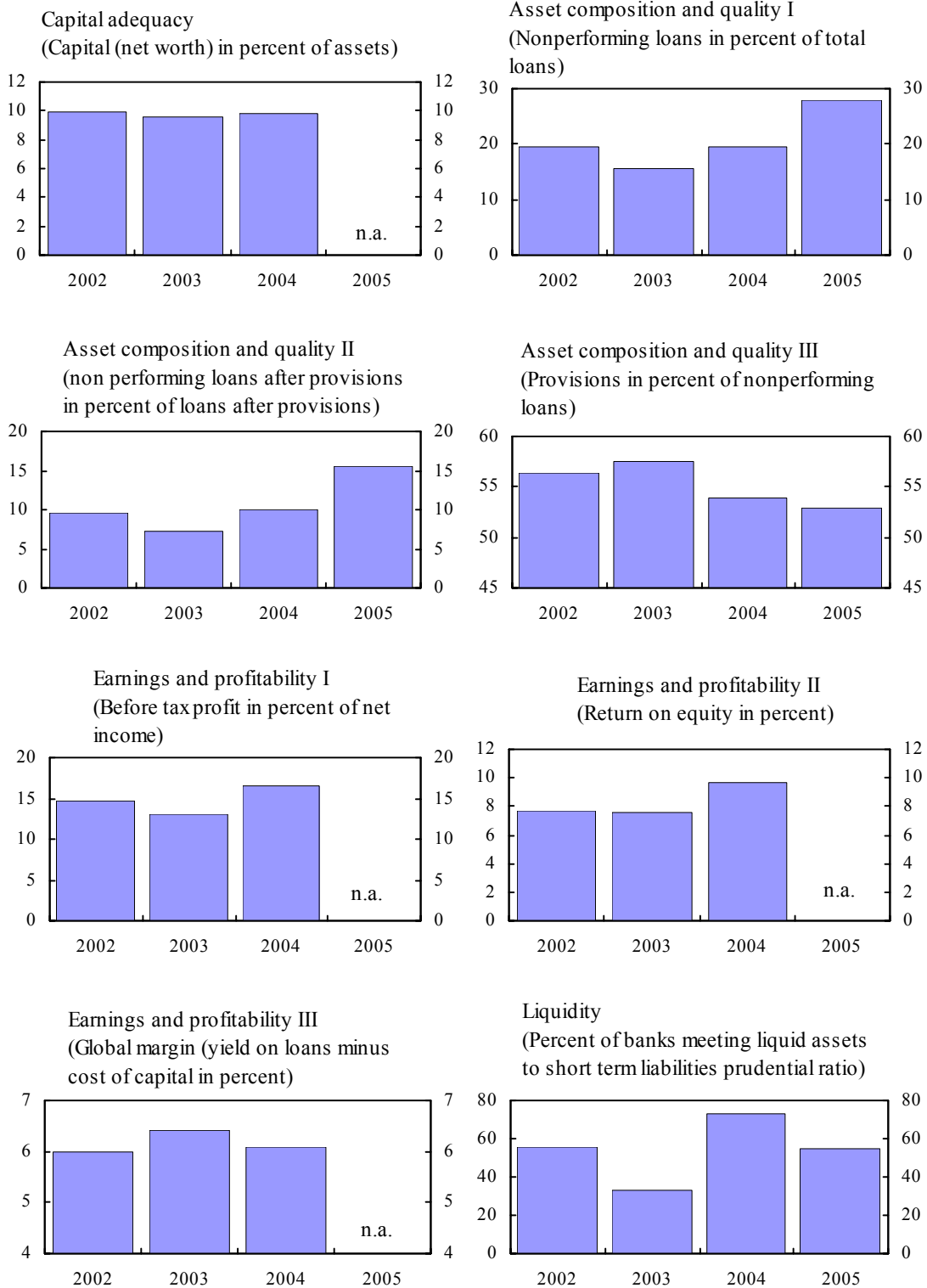
Strengthening the Financial System

16. **In the banking sector, nonperforming loans rose from 20 percent to 28 percent of total loans** (Figure 2, Table 8). Two factors contributed to this increase: changes in the definition of valid collateral for real estate loans, a problem being addressed through property titling reforms, and portfolio problems at one or two banks. Supplying policymakers (and perhaps the public) with a broader range of core financial soundness indicators (FSIs)—such as return on assets, liquid asset ratio, and net open foreign exchange position—would help improve understanding of the macroeconomic risks posed by financial sector vulnerabilities. The authorities plan to develop FSIs consistent with BCEAO confidentiality regulations.

17. **Actions to increase the private sector’s role in the banking system have faced some obstacles:**

- Despite recapitalization, the prospects of significant private sector involvement in the housing bank (BHM), as envisaged in the end-June 2006 structural benchmark, are bleak. Delays in implementing strengthened internal controls and in securing credit lines have resulted in continued liquidity problems that pose a substantial budgetary risk. In view of the potential systemic risks, the authorities changed the management of the bank and created a committee—including representatives of the Central Bank and Ministry of Finance—to monitor developments at the bank effective June 28. The new management is committed to strengthening liquidity, asset recovery and cost reduction. A successful restructuring would in turn help mobilize private sector investors.
- Following the Supreme Court’s April 18 decision affirming the validity of the government’s shareholding in Banque Internationale du Mali, the authorities intend to pursue a tender for sale of a controlling shareholding stake to a strategic partner before year-end (end-March 2006 structural benchmark). The authorities have also confirmed their intention to sell government shares in the former development bank, Banque du Développement du Mali, in partnership with the BCEAO, once the two stakeholders have agreed on a joint action plan.

Figure 2. Mali: Financial Soundness Indicators, 2002–05

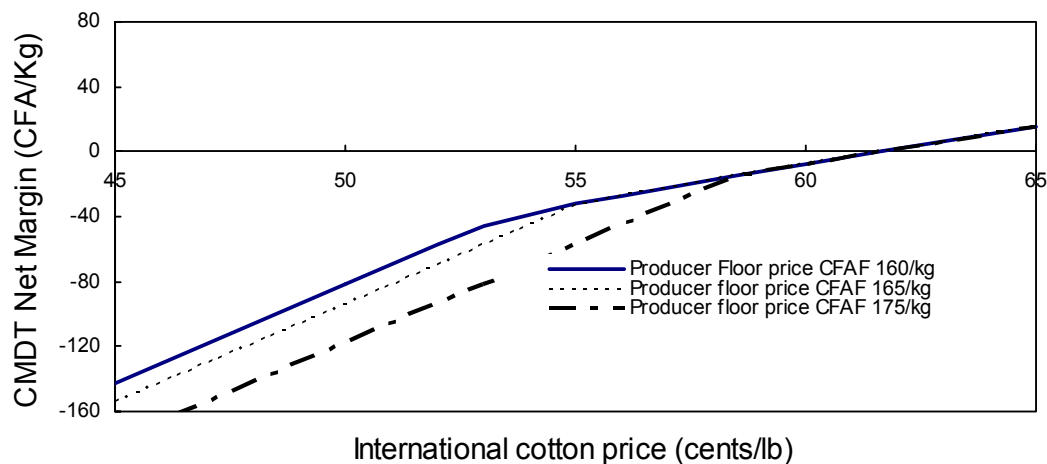


Source: BCEAO.

Furthering State Enterprise Reform

18. **Improving the financial performance of the cotton company, CMDT, is key to its successful privatization in 2008** (¶15). The delay in setting up a cash flow committee (end-December 2005 benchmark) is therefore regrettable, although some procedural difficulties have hindered shareholder involvement in operational issues. At end-April 2006, CMDT projected an operating loss of CFAF 7.5 billion (1/4 percent of GDP) for the 2005/06 season, compared with a loss of 1.8 percent of GDP in the 2004/05 season.⁵ Efforts to identify financing sources for 2006—including possible donor funding contingent on cotton sector reforms—will be needed in coming months. In terms of cotton pricing, the authorities indicated that the increased producer price of CFAF 165/kg was consistent with the pricing protocol, which gives discretion in the range of CFAF 160–175/kg. However, this initial price would lead to a CMDT loss of about CFAF 4 billion (0.1 percent of GDP).⁶ A lower price would reduce the risk of a downward revision in August 2006, when the initial price is reviewed, as well as budgetary risks in the event that sales prices weaken (Figure 3).

Figure 3. CMDT Net Margin vs. International Cotton Price, 2006/07



Source: Staff estimates and projections.

Explanatory note: Assumes exchange rate of CFAF/US\$556. CMDT would need an international price of 61.7 cents/lb to break even given its cost structure and exchange rate. CMDT net margin also depends on the floor price offered to producers when international price dips below 58 cents/lb. Range of floor price is set as between CFAF 160 and 175 /kg in the CMDT/producer pricing protocol for the period 2005/06-2007/08.

⁵ The loss includes a projected final payment of CFAF 5 billion to producers, consistent with the pricing protocol requirement that 60 percent of gross ginned cotton sales go to producers.

⁶ This assumes an exchange rate of 556 CFAF/US\$, prevailing at the time of the producer price agreement. With the recent strengthening of the Euro and the CFAF against the US dollar, the CMDT loss (at an exchange rate of 509 CFAF/US\$) would increase to CFAF 13 billion (0.5 percent of GDP).

19. **Preparatory work for privatizing CMDT has advanced (¶14).** Reforms—including agreement on a strategy that divides CMDT into four regional cotton companies—are following the timetable agreed on in December 2005. The recruitment of a privatization adviser has started and is on track for completion by end-March 2007 (new structural benchmark). To smooth international price volatility, the authorities are considering a new price stabilization fund financed by both producers and donors.

20. **Efforts have advanced to maintain the commercial viability of the energy company, EdM, albeit more slowly than expected.** While EdM's operating deficit appears manageable in 2005 and 2006 (CFAF 2–3 billion), the near-term investment needs to prevent electricity and water outages are acute. After EdM reverted to state control in October 2005, its management approved a strategic plan developed with World Bank input in January 2006. The plan includes a 2000–05 management audit, covering a period when EdM was privately managed, as well as both tariff and investment studies (the tariff study constitutes a structural benchmark for end-May 2006). The timely completion of such studies will support the company's commercial viability, investment program, and eventual return to private ownership.

Enabling Private Sector Development

21. **Through the Presidential Council on Investment the authorities have revived efforts to improve the business climate (¶19).** The World Bank ranked Mali's business environment as very weak, particularly in the areas of obtaining licenses, international trade costs, and business liquidation. The reforms aim to reduce red tape rapidly to improve Mali's business indicators and attract more private investment. In particular, the authorities plan to create a one-stop shop for new investors by end-2006 (a new structural benchmark).

III. PROGRAM ISSUES

22. The attached Letter of Intent describes progress in implementing the PRGF-supported program and requests completion of the fourth review under the arrangement. All applicable quantitative performance criteria have been observed (Attachment I, Annex I). The authorities request: (i) a waiver for the nonobservance of the end-March 2006 structural performance criterion on civil service pension reform; (ii) a modification to the net domestic financing (NDF) performance criterion for end-September 2006 to accommodate MDRI-financed spending and an adjustment to the quarterly wage path;⁷ and (iii) removal of an NDF adjustor accounting for differences in programmed HIPC Initiative Resources and HIPC-financed spending from the Technical Memorandum of Understanding. This adjustor

⁷ The floor for the fiscal basic balance financial performance indicator has also been lowered to account for both increased spending of resources freed by MDRI and the associated delivery of HIPC relief as a stock operation.

is obsolete because the implementation of MDRI has pushed the flow of HIPC Initiative resources well below programmed (and budgeted) HIPC-financed spending.

IV. STAFF APPRAISAL

23. **Macroeconomic management has remained satisfactory, despite a volatile external context and irregular agricultural production.** With 2006 promising recovery — from both negative external shocks and a poor harvest — the authorities should achieve their key objectives of reasonable growth, low inflation, and food security.

24. **The poverty and growth analysis underpinning the 2007–11 PRS is welcome.** Timely completion of the PRS, in line with the 2007 budget and with broad stakeholder consultation, would provide a clear framework for scaling up medium-term donor support.

25. **Budget implementation on the revenue side faltered in early 2006. The staff, however, thinks the setbacks are both temporary and surmountable, given the measures either being planned or implemented by the authorities.** The authorities continue to improve public expenditure management, particularly in the areas of monitoring and accountability. Improving donor coordination should also result in more predictable and manageable aid flows. Finally, the authorities' early 2007 budget discussions appear to broadly fit the PRGF macroeconomic framework.

26. **The authorities intend to dedicate MDRI resources to additional spending consistent with PRS objectives, most notably improving basic infrastructure.** The staff support the authorities' strategy of continuing to rely on grant and highly concessional foreign financing and to avoid a return to levels of indebtedness close to the threshold of sustainability over the period through 2015.

27. **Structural reforms have advanced in several key areas.** The implementation of the cotton privatization of the cotton sector timetable is occurring on schedule, and a strategy to divide the existing state cotton company monopsony into four regional companies in 2008 has broad support. The staff does not support establishing a new price stabilization fund, which would likely become a drain on the budget. Instead, it urges continued focus on supply-side reforms that raise productivity. At the behest of the staff and the World Bank, the authorities have already taken decisive action to strengthen the housing bank, BHM. With some delay relative to the program timetable, the authorities have also decided on a strategy to lower the projected civil service pension deficit over the medium term (and to strengthen the non-civil servant pension system). The pension reform relies on an increase of the employer contribution rate in the short term complemented by a reduction of pension entitlements over the medium- to long-term. The staff welcomes this forward step, while noting that the cost to the government of civil service pension liabilities remains high over the medium term.

28. **More progress is needed in other reform areas that have faced delays.** For example, to protect tax revenues, the authorities need to implement a fuel pricing and taxation mechanism that reflects changes in the cost of imported fuel products. In addition, the privatization program needs renewed vigor over the coming months, particularly in the banking and telecommunications industries. The authorities' recognize that they need to do more to improve the investment environment; their commitment to launch a one-stop investor shop by end-2006 is particularly encouraging.

29. **The risks to program objectives appear reasonably balanced.** In the near term, strong gold prices promise higher investment and fiscal receipts. Cotton price volatility, as well as a modest increase in next season's producer price, could weigh significantly on the budget. The spread of avian flu in neighboring countries is a concern. Mali will likely need both financial and technical assistance to effectively plan for a potential outbreak.

30. **Against this backdrop, the staff recommends completion of the fourth review under the PRGF arrangement.** The staff supports the authorities' request for a waiver of the nonobservance of a structural performance criterion. The slight delay in the identification of a civil service pension scheme reform, originally programmed for end-March 2006, is not expected to postpone eventual implementation.

Table 1. Mali: Selected Economic and Financial Indicators, 2003-07 ¹

| | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|-------|--------|-------|---------|---------|
| | | Prel. | Prel. | Proj. | Proj. |
| National income and prices (percent change) | | | | | |
| Real GDP | 7.4 | 2.2 | 6.1 | 5.1 | 5.4 |
| GDP deflator | 2.9 | -0.7 | 2.2 | 5.5 | 2.7 |
| Consumer price inflation (average) | -1.3 | -3.1 | 6.4 | 1.9 | 2.5 |
| External sector (percent change) | | | | | |
| Terms of trade (deterioration -) | -1.1 | 1.5 | -11.5 | 14.0 | 1.3 |
| Real effective exchange rate (depreciation -) | 1.1 | -3.9 | 3.9 | ... | ... |
| Money and credit (contribution to growth of broad money) | | | | | |
| Credit to the government | -7.6 | 1.9 | 4.3 | -9.1 | -0.1 |
| Credit to the economy | 17.3 | 8.1 | -1.1 | 9.4 | 4.0 |
| Broad money (M2) | 25.5 | -2.4 | 9.5 | 2.0 | 10.5 |
| Investment and savings (in percent of GDP) | | | | | |
| Gross domestic investment | 21.1 | 20.7 | 22.4 | 23.5 | 24.2 |
| <i>of which</i> : Government | 6.8 | 7.4 | 7.6 | 9.3 | 10.1 |
| Gross national savings | 15.0 | 12.4 | 15.4 | 17.6 | 18.6 |
| Gross domestic savings | 14.0 | 12.4 | 15.3 | 19.0 | 20.9 |
| Central government finance and debt (in percent of GDP) | | | | | |
| Revenue | 16.4 | 17.4 | 17.9 | 17.1 | 17.2 |
| Grants | 4.5 | 4.0 | 4.1 | 39.8 | 5.0 |
| Total expenditure and net lending | 22.1 | 24.0 | 25.2 | 25.7 | 26.0 |
| Overall balance (payment order basis, excluding grants) | -5.7 | -6.6 | -7.3 | -8.6 | -8.8 |
| Basic fiscal balance ² | 1.1 | 0.4 | -0.2 | -0.3 | -0.7 |
| Stock of external debt | 64.0 | 63.1 | 65.4 | 24.7 | 25.5 |
| External sector (in percent of GDP) | | | | | |
| Current external balance, including official transfers | -6.1 | -8.3 | -7.0 | -5.9 | -5.6 |
| Current external balance, excluding official transfers | -8.7 | -10.3 | -9.2 | -7.6 | -7.2 |
| Exports of goods and services | 26.0 | 24.6 | 25.6 | 29.9 | 29.9 |
| Imports of goods and services | -33.2 | -32.9 | -32.7 | -34.4 | -33.1 |
| Debt service to exports of goods and services | 5.8 | 6.4 | 5.7 | 4.3 | 3.7 |
| Memorandum items: | | | | | |
| Nominal GDP (in billions of CFA francs) | 2574 | 2611 | 2831 | 3137 | 3397 |
| Overall balance of payments (in millions of U.S. dollars) | 198.5 | -169.7 | 87.2 | 112.8 | 18.9 |
| Interest rate (in percent; end of period) ³ | 5.0 | 5.0 | 5.0 | ... | ... |
| Gross international reserves (in millions of U.S. dollars) | 952.5 | 861.3 | 941.6 | 1,107.3 | 1,038.6 |
| (In months of next year's imports) | 6.9 | 6.7 | 6.0 | 6.0 | 6.1 |
| U.S. dollar exchange rate (end of period) | 519.4 | 498.4 | 541.5 | ... | ... |

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

¹ 2006 and 2007 data after adjustment for MDRI (IMF, IDA and AfDB).

² Revenue (excluding grants) less total expenditure (excluding foreign financed investment projects and HIPC initiative related spending).

³ End-of-period money market interest rate.

Table 2. Mali: National Accounts, 2003-07

| | GDP Weight (2002) (In percent) | 1994-2003 | 2003 | 2004 Prel. | 2005 Prel. | 2006 Proj. | 2007 Proj. |
|--|--------------------------------------|-----------|-------|---------------|---------------|---------------|---------------|
| (Annual percentage change, at constant prices) | | | | | | | |
| Primary sector | 32.3 | 4.5 | 18.5 | -4.4 | 7.6 | 5.4 | 5.3 |
| Agriculture | 17.4 | 6.1 | 32.9 | -11.0 | 10.3 | 6.9 | 6.0 |
| Food crops, excluding rice | 10.7 | 4.6 | 32.0 | -12.1 | 14.9 | 8.0 | 5.0 |
| Rice | 3.5 | 10.2 | 36.1 | -12.0 | 11.1 | 6.0 | 7.3 |
| Industrial agriculture, excl. cotton | 0.9 | 2.5 | 7.7 | -11.4 | 6.0 | 3.0 | 6.0 |
| Cotton | 2.4 | 17.5 | 41.1 | -5.0 | -7.2 | 4.1 | 8.8 |
| Livestock | 9.8 | 2.9 | 1.0 | 7.3 | 4.0 | 3.0 | 4.0 |
| Fishing and forestry | 5.1 | 3.1 | 2.6 | 2.6 | 4.0 | 3.8 | 4.6 |
| Secondary sector | 25.4 | 7.1 | -8.6 | 2.6 | 8.3 | 5.5 | 5.2 |
| Mining | 11.4 | 29.7 | -18.9 | -17.3 | 18.9 | 9.2 | 0.8 |
| Industry | 7.6 | 0.7 | -5.5 | 21.1 | 1.1 | 1.8 | 7.0 |
| Energy | 1.9 | 9.3 | 9.0 | 15.0 | 10.0 | 10.0 | 10.0 |
| Construction and public works | 4.4 | 4.4 | 5.1 | 8.0 | 4.0 | 3.0 | 8.0 |
| Tertiary sector | 34.5 | 4.3 | 7.6 | 6.6 | 5.6 | 5.6 | 6.9 |
| GDP (at factor cost) | 92.1 | 4.8 | 6.9 | 1.4 | 7.0 | 5.5 | 5.9 |
| Indirect taxes | 7.9 | 10.5 | 12.5 | 11.3 | -2.3 | 0.5 | -0.4 |
| GDP (at market prices) | 100.0 | 5.1 | 7.4 | 2.2 | 6.1 | 5.1 | 5.4 |
| Nonmining real GDP | 88.6 | 4.3 | 10.8 | 4.0 | 5.2 | 4.7 | 5.8 |
| (in percentage of GDP, unless otherwise indicated) | | | | | | | |
| Gross national saving | | 16.3 | 15.0 | 12.4 | 15.4 | 17.6 | 18.6 |
| Of which: domestic saving | | 12.8 | 14.0 | 12.4 | 15.3 | 19.0 | 20.9 |
| Gross domestic investment | | 23.3 | 21.1 | 20.7 | 22.4 | 23.5 | 24.2 |
| Memorandum items: | | | | | | | |
| External current account balance ¹ | | -7.1 | -6.1 | -8.3 | -7.0 | -5.9 | -5.6 |
| Nominal GDP (in billions of CFAF) | | 1,828 | 2,574 | 2,611 | 2,831 | 3,137 | 3,397 |

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

¹ Including official transfers.

Table 3. Mali: Balance of Payments, 2003-10¹

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|-------|-------|-------|---|-------|-------|-------|-------|
| | | Prel. | Prel. | Projections ² | | | | |
| (In billions of CFAF, unless otherwise indicated) | | | | | | | | |
| Current account balance | | | | | | | | |
| Excluding official transfers | -224 | -268 | -259 | -238 | -244 | -252 | -261 | -290 |
| Including official transfers | -157 | -216 | -199 | -185 | -190 | -233 | -241 | -267 |
| Exports, f.o.b. | 540 | 516 | 583 | 778 | 841 | 829 | 875 | 950 |
| Cotton fiber | 141 | 181 | 150 | 145 | 160 | 166 | 179 | 191 |
| Gold | 327 | 269 | 355 | 542 | 580 | 548 | 564 | 609 |
| Imports, f.o.b. | -574 | -578 | -647 | -750 | -789 | -814 | -860 | -924 |
| Petroleum products | -103 | -123 | -174 | -232 | -244 | -220 | -228 | -240 |
| Trade balance | -34 | -62 | -65 | 28 | 52 | 15 | 15 | 25 |
| Services (net) | -150 | -154 | -136 | -169 | -164 | -150 | -153 | -176 |
| Income (net) | -93 | -103 | -116 | -153 | -191 | -180 | -188 | -209 |
| Of which: interest due on public debt | -16 | -16 | -18 | -17 | -12 | -22 | -23 | -25 |
| Private transfers (net) | 53 | 51 | 58 | 55 | 58 | 62 | 65 | 69 |
| Official transfers (net) | 67 | 51 | 60 | 53 | 54 | 20 | 21 | 23 |
| Capital and financial account | 226 | 127 | 220 | 247 | 201 | 191 | 228 | 252 |
| Capital account (net) | 66 | 80 | 77 | 1166 | 90 | 98 | 104 | 116 |
| Capital transfers | 66 | 80 | 77 | 1166 | 90 | 98 | 104 | 116 |
| Debt forgiveness | 0 | 0 | 0 | 1085 | 0 | 0 | 0 | 0 |
| Project grants | 63 | 70 | 70 | 81 | 90 | 98 | 104 | 116 |
| Financial account | 160 | 47 | 143 | -919 | 110 | 93 | 124 | 137 |
| Private (net) ³ | 84 | 1 | 63 | 52 | 11 | -17 | 4 | 4 |
| Official (net) | 76 | 46 | 80 | -972 | 99 | 110 | 121 | 133 |
| Errors and omissions | 47 | -7 | 0 | 0 | 0 | 0 | 0 | 0 |
| Overall balance | 115 | -90 | 46 | 62 | 10 | -42 | -13 | -15 |
| Financing | -115 | 90 | -46 | -62 | -10 | 42 | 13 | 15 |
| Foreign assets (net) | -145 | 61 | -76 | -72 | -20 | -55 | -64 | -52 |
| Of which: IMF (net) | -6 | -16 | -11 | -55 | 1 | 0 | 0 | 0 |
| HIPC Initiative assistance | 30 | 29 | 30 | 12 | 10 | 7 | 6 | 7 |
| Financing gap | 0 | 0 | 0 | -3 | 0 | 90 | 71 | 60 |
| Memorandum items: | | | | | | | | |
| External trade | | | | (Annual percentage change) | | | | |
| Export volume index | -15.0 | -6.3 | 12.0 | 4.1 | 4.9 | -4.8 | 2.9 | -3.4 |
| Import volume index | 13.5 | -1.2 | 3.1 | 3.0 | 2.5 | 3.2 | 5.1 | 3.0 |
| Export unit value | 1.6 | 2.0 | 0.8 | 25.4 | 3.0 | 2.9 | 2.0 | 1.4 |
| Import price | 2.8 | 0.5 | 13.9 | 10.0 | 1.7 | 0.3 | 0.6 | 0.7 |
| Terms of trade | -1.1 | 1.5 | -11.5 | 14.0 | 1.3 | 2.5 | 1.5 | 0.7 |
| External current account balance | | | | (In percent of GDP, unless otherwise indicated) | | | | |
| Including official transfers | -6.1 | -8.3 | -7.0 | -5.9 | -5.6 | -6.0 | -5.5 | -5.6 |
| Excluding official transfers | -8.7 | -10.3 | -9.1 | -7.6 | -7.2 | -6.9 | -6.7 | -6.7 |
| External public debt | 64.0 | 63.1 | 65.6 | 24.7 | 25.5 | 28.1 | 30.8 | 31.6 |
| Debt service to exports of goods and services (after debt relief, in percent) | 5.8 | 6.4 | 5.7 | 4.3 | 3.7 | 3.8 | 3.9 | 4.1 |
| NPV of debt-to-exports (in percent) | 118.7 | 106.4 | 105.2 | 49.6 | 53.5 | 64.1 | 76.2 | 81.4 |
| Commodity prices: | | | | | | | | |
| Petroleum (crude spot; US\$/barrel) | 28.9 | 37.8 | 53.4 | 66.5 | 69.8 | 68.5 | 67.5 | 66.8 |
| Gold (US\$/ounce) | 363.5 | 408.2 | 444.9 | 618.0 | 670.0 | 710.0 | 750.0 | 770.0 |
| Cotton (US cents/pound), f.o.b | 53.5 | 63.5 | 50.0 | 52.9 | 54.4 | 56.4 | 58.9 | 58.9 |

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

¹ Presented according to the *Balance of Payments Manual* (5th edition).² 2006-2010 data after adjustment for MDRI (IMF, IDA and AfDB).³ Includes short-term capital flows.

Table 4. Mali: Monetary Survey, 2003-06

| | Dec. 2003 | Dec. 2004 | Dec. 2005 | Dec. 2005 | Mar. 2006 | Mar. 2006 | Jun. 2006 | Sep. 2006 | Dec. 2006 | |
|---|-----------------------|-----------|-----------|-----------|-----------|-----------|------------|------------|-----------|------------|
| | | | Prog. | Prel. | Prog. | Prel. | Rev. Prog. | Rev. Prog. | Prog. | Rev. Prog. |
| | (in billions of CFAF) | | | | | | | | | |
| Net foreign assets | 423.2 | 367.5 | 402.5 | 428.9 | 417.0 | 464.4 | 473.0 | 490.4 | 442.0 | 507.7 |
| Central Bank of West African States (BCEAO) | 384.7 | 319.3 | 393.3 | 399.9 | 407.8 | 419.1 | 436.9 | 454.3 | 432.8 | 471.6 |
| Commercial banks | 38.5 | 48.2 | 9.2 | 29.0 | 9.2 | 45.3 | 36.1 | 36.1 | 9.2 | 36.1 |
| Net domestic assets | 363.0 | 399.7 | 414.5 | 411.4 | 424.6 | 351.8 | 347.5 | 356.8 | 425.7 | 349.6 |
| Credit to the government (net) | -74.9 | -59.7 | -49.4 | -26.4 | -32.9 | -69.7 | -87.3 | -98.3 | -72.9 | -103.2 |
| BCEAO, net | 91.8 | 95.4 | ... | 83.4 | ... | 37.0 | ... | ... | ... | ... |
| Commercial banks | -166.1 | -166.9 | ... | -130.0 | ... | -127.2 | ... | ... | ... | ... |
| Other | -0.6 | 11.9 | ... | 20.2 | ... | 20.4 | ... | ... | ... | ... |
| Credit to the economy | 482.8 | 521.7 | 542.1 | 516.0 | 535.6 | 496.2 | 495.0 | 499.2 | 576.8 | 564.7 |
| Other items (net) | -44.9 | -62.3 | -78.2 | -78.2 | -78.2 | -74.6 | -83.5 | -83.5 | -78.2 | -83.5 |
| Money supply (M2) | 786.2 | 767.2 | 817.1 | 840.3 | 841.6 | 816.2 | 856.7 | 869.0 | 867.7 | 857.3 |
| Currency outside banks | 340.9 | 275.4 | 293.3 | 344.9 | ... | 301.3 | ... | ... | ... | ... |
| Bank deposits | 445.2 | 491.8 | 523.8 | 495.4 | ... | 514.9 | ... | ... | ... | ... |
| Base money (M0) | 474.2 | 402.7 | 480.7 | 462.3 | 495.1 | 429.0 | 495.5 | 511.2 | 510.5 | 503.0 |
| Contribution to the growth of broad money | | | | | | | | | | |
| Net foreign assets | 22.1 | -7.1 | 4.6 | 8.0 | 5.5 | 9.0 | 4.2 | 7.3 | 4.3 | 9.4 |
| Net domestic assets | 3.4 | 4.7 | 1.9 | 1.5 | 5.0 | -7.5 | -7.1 | -6.5 | 1.9 | -7.4 |
| Of which: credit to the central government | -7.6 | 1.9 | 1.3 | 4.3 | 3.5 | -7.8 | -5.2 | -8.6 | -2.9 | -9.1 |
| Memorandum items: | | | | | | | | | | |
| Money supply (M2) | 25.5 | -2.4 | 6.5 | 9.5 | 10.5 | -2.9 | 8.2 | 8.3 | 6.2 | 2.0 |
| Base money (M0) | 32.0 | -15.1 | 19.4 | 14.8 | 23.0 | -7.2 | 23.1 | 26.9 | 10.4 | 8.8 |
| Credit to the economy | 17.3 | 8.1 | 3.9 | -1.1 | 3.3 | -3.8 | 16.1 | 6.9 | 7.3 | 9.4 |
| Velocity (GDP/M2) | 3.3 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 |
| Money multiplier (M2/M0) | 1.7 | 1.9 | 1.7 | 1.8 | 1.7 | 1.9 | 1.7 | 1.7 | 1.7 | 1.7 |
| Currency outside banks/M2 (in percent) | 43.4 | 35.9 | 35.9 | 41.0 | ... | 36.9 | ... | ... | ... | ... |

Sources: BCEAO; and Fund staff estimates and projections.

¹ Includes the impact of MDRI from IMF. Debt stock relief in the amount of SDR 75.0655 million was granted to BCEAO. This was onlent to the government in CFA francs in the amount of CFAF 64.669 billion. At the date of debt relief, January 6, 2006 debt relief was equivalent to CFAF 58.826 billion. The BCEAO therefore experienced a loss of CFAF 5.842 billion.

Table 5. Mali: Central Government Consolidated Financial Operations, 2003-07

| | 2003 | 2004 | 2005 | | 2006 | | 2007 |
|---|--------|--------|--------|--------|--------|-------------------|--------|
| | | | Prog. | Prel. | Prog. | Rev. ¹ | |
| (In billions of CFA francs) | | | | | | | |
| Revenue and grants | 536.5 | 558.0 | 613.5 | 621.6 | 698.2 | 1,783.4 | 755.6 |
| Total revenue | 421.8 | 454.7 | 486.8 | 506.6 | 535.6 | 535.6 | 584.1 |
| Budgetary revenue ² | 384.4 | 412.0 | 445.8 | 461.3 | 493.1 | 493.1 | 540.8 |
| Tax revenue | 349.2 | 393.3 | 430.0 | 446.2 | 469.9 | 469.9 | 507.5 |
| Nontax revenue | 35.2 | 18.7 | 15.8 | 15.1 | 23.2 | 23.2 | 33.3 |
| Special funds and annexed budgets | 37.4 | 42.6 | 41.0 | 45.3 | 42.5 | 42.5 | 43.3 |
| Grants | 114.8 | 103.3 | 126.7 | 115.0 | 162.6 | 1,247.8 | 171.5 |
| <i>of which: MDRI grants</i> ^{1 3} | ... | ... | ... | ... | ... | 1,085.2 | ... |
| Total expenditure and net lending | 569.0 | 625.8 | 727.3 | 712.7 | 798.9 | 806.4 | 883.0 |
| Budgetary expenditure | 535.5 | 592.2 | 662.8 | 644.7 | 762.0 | 769.5 | 836.1 |
| Current expenditure | 316.3 | 350.0 | 380.1 | 376.6 | 418.4 | 413.0 | 455.8 |
| Wages and salaries ⁴ | 106.2 | 121.7 | 140.2 | 137.8 | 149.0 | 149.0 | 162.9 |
| Interest | 18.8 | 17.2 | 19.7 | 18.3 | 18.2 | 12.8 | 15.9 |
| Other current expenditure | 191.3 | 211.0 | 220.2 | 220.5 | 251.2 | 251.2 | 277.0 |
| Capital expenditure | 219.2 | 242.2 | 282.7 | 268.1 | 343.6 | 356.5 | 380.3 |
| <i>of which: Externally financed</i> | 140.9 | 152.8 | 185.2 | 170.0 | 237.6 | 250.5 | 264.5 |
| Special funds and annexed budgets | 37.4 | 42.6 | 41.0 | 45.3 | 42.5 | 42.5 | 43.3 |
| Net lending | -3.9 | -9.0 | 23.5 | 22.7 | -5.6 | -5.6 | 3.5 |
| Overall fiscal balance (payment order basis) | | | | | | | |
| Excluding grants | -147.2 | -171.2 | -240.5 | -206.1 | -263.3 | -270.8 | -298.9 |
| Including grants | -32.5 | -67.9 | -113.8 | -91.1 | -100.7 | 977.0 | -127.4 |
| Adjustment to cash basis | 10.8 | 7.9 | -11.1 | -10.3 | 0.0 | 0.0 | 0.0 |
| Overall fiscal balance (cash basis, incl. grants) | -21.7 | -60.0 | -125.0 | -101.4 | -100.7 | 977.0 | -127.4 |
| Financing | 21.7 | 60.0 | 125.0 | 101.4 | 100.6 | -974.4 | 132.9 |
| External financing (net) | 106.1 | 74.5 | 127.0 | 108.8 | 138.2 | -883.5 | 139.9 |
| Loans | 112.7 | 82.8 | 138.7 | 119.3 | 159.3 | 159.3 | 159.8 |
| Amortization | -36.8 | -37.0 | -42.9 | -40.5 | -45.7 | -1,055.2 | -29.8 |
| <i>of which: MDRI</i> | ... | ... | ... | ... | ... | -1,020.5 | ... |
| Debt relief, HIPC Initiative | 30.1 | 28.7 | 31.2 | 30.0 | 24.6 | 12.4 | 10.0 |
| Domestic financing (net) | -84.4 | -14.6 | -2.0 | -7.4 | -37.6 | -90.9 | -7.0 |
| Banking system | -49.6 | 14.5 | 9.7 | 33.2 | -24.1 | -77.5 | -1.0 |
| Net credit to the government | -48.6 | 15.2 | 10.3 | 33.8 | -23.5 | -76.9 | -1.0 |
| <i>of which: IMF (net)</i> | -5.7 | -15.6 | -12.6 | -13.1 | -9.2 | -62.6 | 1.1 |
| <i>of which: IMF repurchases under MDRI</i> | ... | ... | ... | ... | ... | -64.7 | ... |
| Privatization receipts | 1.0 | 1.2 | 11.5 | 9.7 | 14.1 | 14.1 | 8.0 |
| Other financing | -35.8 | -30.2 | -23.2 | -50.3 | -27.6 | -27.6 | -14.0 |
| Financing gap (+/-, shortfall/excess) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -2.6 | -5.5 |

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

Table 5. Mali: Central Government Consolidated Financial Operations, 2003-07 (concluded)

| | 2003 | 2004 | 2005 | | 2006 | | 2007 |
|---|-------|-------|-------|-------|-------|-------------------|-------|
| | | | Prog. | Prel. | Prog. | Rev. ¹ | |
| (In percent of GDP, unless otherwise indicated) | | | | | | | |
| Revenue and grants | 20.8 | 21.4 | 22.2 | 22.0 | 24.0 | 56.8 | 22.2 |
| Total revenue | 16.4 | 17.4 | 17.6 | 17.9 | 18.4 | 17.1 | 17.2 |
| Budgetary revenue ² | 14.9 | 15.8 | 16.1 | 16.3 | 17.0 | 15.7 | 15.9 |
| Special funds and annexed budgets | 1.5 | 1.6 | 1.5 | 1.6 | 1.5 | 1.4 | 1.3 |
| Grants | 4.5 | 4.0 | 4.6 | 4.1 | 5.6 | 39.8 | 5.0 |
| of which: MDRI grants ^{1 3} | ... | ... | ... | ... | ... | 34.6 | ... |
| Total expenditure and net lending | 22.1 | 24.0 | 26.3 | 25.2 | 27.5 | 25.7 | 26.0 |
| Current expenditure | 12.3 | 13.4 | 13.8 | 13.3 | 14.4 | 13.2 | 13.4 |
| Wages and salaries ⁴ | 4.1 | 4.7 | 5.1 | 4.9 | 5.1 | 4.7 | 4.8 |
| Interest payments | 0.7 | 0.7 | 0.7 | 0.6 | 0.6 | 0.4 | 0.5 |
| Other current expenditure | 7.4 | 8.1 | 8.0 | 7.8 | 8.6 | 8.0 | 8.2 |
| Capital expenditure | 8.5 | 9.3 | 10.2 | 9.5 | 11.8 | 11.4 | 11.2 |
| of which: Externally financed | 5.5 | 5.9 | 6.7 | 6.0 | 8.2 | 8.0 | 7.8 |
| Net lending, special funds & annexed budgets | 1.3 | 1.3 | 2.3 | 2.4 | 1.3 | 1.2 | 1.4 |
| Overall fiscal balance (payment order basis) | | | | | | | |
| Including grants | -1.3 | -2.6 | -4.1 | -3.2 | -3.5 | 31.1 | -3.7 |
| Excluding grants | -5.7 | -6.6 | -8.7 | -7.3 | -9.1 | -8.6 | -8.8 |
| Overall fiscal balance (cash basis, incl. grants) | -0.8 | -2.3 | -4.5 | -3.6 | -3.5 | 31.1 | -3.7 |
| External financing | 4.1 | 2.9 | 4.6 | 3.8 | 4.8 | -28.2 | 4.1 |
| Domestic financing | -3.3 | -0.6 | -0.1 | -0.3 | -1.3 | -2.9 | -0.2 |
| <i>Memorandum items</i> | | | | | | | |
| Budgetary assistance | 4.5 | 2.4 | 4.0 | 3.3 | 3.8 | 3.0 | 2.1 |
| Public saving ⁵ | 4.9 | 5.0 | 3.7 | 4.4 | 4.8 | 4.5 | 4.1 |
| Basic fiscal balance ⁶ | 1.1 | 0.4 | -1.0 | -0.2 | 0.3 | -0.3 | -0.7 |
| Wages and salaries/fiscal revenues (percent) | 30.4 | 30.9 | 32.6 | 30.9 | 31.7 | 31.7 | 32.1 |
| Resources due to MDRI ⁷ | ... | ... | ... | ... | ... | 0.5 | 0.6 |
| (In billions of CFA francs) | | | | | | | |
| Budgetary Assistance | 116.6 | 62.0 | 111.4 | 94.3 | 109.0 | 94.1 | 71.3 |
| Public Saving ⁵ | 125.2 | 129.7 | 101.0 | 123.7 | 139.9 | 139.8 | 138.7 |
| Basic fiscal balance ⁶ | 28.4 | 9.4 | -28.6 | -6.2 | 8.5 | -7.9 | -24.4 |
| Resources due to MDRI ⁷ | ... | ... | ... | ... | ... | 15.6 | 20.4 |
| Nominal GDP | 2,574 | 2,611 | 2,761 | 2,831 | 2,905 | 3,137 | 3,397 |

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

¹ 2006 and 2007 data revised to include MDRI (IMF, IDA and AfDB) on an accrual basis.

² For 2006 VAT refunds and rebates of tax exemptions are reclassified from domestic financing to negative domestic revenue.

³ Grants devoted exclusively to debt relief under the MDRI.

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

⁵ Total revenue less current spending (not including interest payments on public debt) and less net lending.

⁶ Excluding grants, externally financed capital expenditures, and HIPC-financed spending.

⁷ Additional resources due to MDRI are net of HIPC relief already granted.

Table 6. Mali: Medium-Term Outlook, 2004-10

| | 1999-2003 | 2004 | 2005 Est. | 2006 ¹ | 2007 | 2008 | 2009 | 2010 |
|---|-----------|-------|--------------|-------------------|-------|-------|-------|-------|
| | | | | Projections | | | | |
| (Annual percentage change) | | | | | | | | |
| Output supply and demand | | | | | | | | |
| Real GDP | 4.7 | 2.2 | 6.1 | 5.1 | 5.4 | 4.9 | 5.5 | 6.3 |
| Primary sector | 4.6 | -4.4 | 7.6 | 5.4 | 5.3 | 4.8 | 5.2 | 5.2 |
| Secondary sector | 5.2 | 2.6 | 8.3 | 5.5 | 5.2 | 2.1 | 6.3 | 8.7 |
| Tertiary sector | 4.9 | 6.6 | 5.6 | 5.6 | 6.9 | 6.4 | 4.9 | 5.0 |
| Aggregate demand (contribution to output growth) | | | | | | | | |
| Consumption | 3.5 | 3.4 | 2.0 | 0.6 | 3.0 | 4.0 | 6.4 | 3.1 |
| Gross investment | 1.2 | 0.0 | 3.1 | 2.2 | 1.1 | 1.1 | 1.1 | 0.9 |
| Of which: changes in inventories | 1.0 | -2.0 | 2.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net foreign balance | 0.0 | -1.3 | 0.8 | 2.4 | 1.2 | -0.7 | -2.1 | 0.4 |
| Prices, period average | | | | | | | | |
| GDP deflator | 3.0 | -0.7 | 2.2 | 5.5 | 2.7 | 3.1 | 0.5 | 5.3 |
| CPI inflation | 1.4 | -3.1 | 6.4 | 1.9 | 2.5 | 1.9 | 2.5 | 2.5 |
| Terms of trade | -1.3 | 1.5 | -11.5 | 14.0 | 1.3 | 2.5 | 1.5 | 0.7 |
| (In percent of GDP; unless otherwise indicated) | | | | | | | | |
| Investment and saving | | | | | | | | |
| Gross domestic investment | 20.8 | 20.7 | 22.4 | 23.5 | 24.2 | 24.2 | 24.0 | 23.6 |
| Government | 7.3 | 7.4 | 7.6 | 9.3 | 10.1 | 10.0 | 10.0 | 9.9 |
| Nongovernment | 13.8 | 13.3 | 14.8 | 14.2 | 14.1 | 14.2 | 13.9 | 13.7 |
| Gross national savings | 13.3 | 12.4 | 15.4 | 17.6 | 18.6 | 17.8 | 17.8 | 17.4 |
| Gross domestic saving | 13.5 | 12.4 | 15.3 | 19.0 | 20.9 | 20.5 | 20.4 | 20.1 |
| Government | 0.4 | 1.1 | 0.5 | 0.4 | -0.1 | 0.6 | 1.2 | 1.6 |
| Nongovernment | 13.1 | 11.4 | 14.8 | 18.6 | 21.0 | 19.9 | 19.2 | 18.5 |
| Central government finance | | | | | | | | |
| Total revenue and grants | 19.3 | 21.4 | 22.0 | 56.8 | 22.2 | 19.9 | 20.2 | 20.2 |
| Total revenue | 15.0 | 17.4 | 17.9 | 17.1 | 17.2 | 17.2 | 17.6 | 17.5 |
| Tax revenue | 12.7 | 15.1 | 15.8 | 15.0 | 14.9 | 15.1 | 15.4 | 15.4 |
| Non-tax revenue and special accounts | 2.3 | 2.3 | 2.1 | 2.1 | 2.3 | 2.2 | 2.2 | 2.1 |
| Grants ² | 4.3 | 4.0 | 4.1 | 39.8 | 5.0 | 2.7 | 2.7 | 2.7 |
| Total expenditure and net lending ³ | 22.1 | 24.0 | 25.2 | 25.7 | 26.0 | 25.3 | 25.1 | 24.6 |
| Current expenditure | 11.9 | 13.4 | 13.3 | 13.2 | 13.4 | 13.0 | 12.8 | 12.6 |
| Capital expenditure | 9.1 | 9.3 | 9.5 | 11.4 | 11.2 | 11.1 | 11.1 | 11.0 |
| Overall balance (payment order basis, excl. grants) | -7.1 | -6.6 | -7.3 | -8.6 | -8.8 | -8.1 | -7.5 | -7.1 |
| External sector | | | | | | | | |
| Current external balance, incl. official transfers | -7.5 | -8.3 | -7.0 | -5.9 | -5.6 | -6.0 | -5.5 | -5.6 |
| Current external balance, excl. official transfers | -9.4 | -10.3 | -9.2 | -7.6 | -7.2 | -6.9 | -6.7 | -6.7 |
| Exports of goods and nonfactor services | 26.9 | 24.6 | 25.6 | 29.9 | 29.9 | 27.6 | 27.5 | 26.6 |
| Imports of goods and nonfactor services | 34.4 | 32.9 | 32.7 | 34.4 | 33.1 | 31.2 | 31.0 | 30.1 |
| Debt service ratio after debt relief | 8.5 | 6.4 | 5.7 | 4.3 | 3.7 | 3.8 | 3.9 | 4.1 |
| Gross international reserves | | | | | | | | |
| (In millions of US\$) | 455 | 861 | 942 | 1,107 | 1,039 | 1,093 | 1,146 | 1,193 |
| (In months of next year's imports) | 4.9 | 6.7 | 6.0 | 6.0 | 6.1 | 6.3 | 6.4 | 6.1 |
| External public debt | 86.2 | 63.1 | 65.4 | 24.7 | 25.5 | 28.1 | 30.8 | 31.6 |

Sources: Malian authorities; and Fund staff estimates and projections

¹ 2006-2010 data after adjustment for MDRI (IMF, IDA and AfDB).² Excludes general budgetary grants from 2007 onwards.³ Data on a payment order basis.

Table 7. Mali: Functional Classification of Budgetary Expenditures, 2003-06 ¹

| | 2003 | 2004 | 2005 | 2006 |
|---|-------|-------|-------|-------|
| (In billions of CFA francs) | | | | |
| Total expenditure | 621.0 | 658.0 | 850.6 | 935.8 |
| Current expenditure | 382.6 | 398.7 | 501.1 | 519.7 |
| General public services | 143.3 | 134.0 | 139.4 | 146.7 |
| Defense | 45.8 | 48.9 | 55.3 | 60.3 |
| Education | 71.5 | 81.2 | 96.1 | 108.9 |
| Health | 20.0 | 24.0 | 29.7 | 35.2 |
| Social services | 17.5 | 30.4 | 33.0 | 35.9 |
| Economic services | 33.6 | 33.7 | 85.8 | 62.8 |
| Other | 50.9 | 46.5 | 61.7 | 69.9 |
| <i>Of which</i> : interest on public debt | 8.4 | 10.7 | 18.5 | 17.5 |
| Capital expenditure | 238.4 | 259.3 | 349.6 | 416.1 |
| General public services | 25.2 | 19.0 | 36.7 | 48.9 |
| Defense | 5.8 | 5.6 | 7.9 | 8.6 |
| Education | 18.8 | 31.2 | 32.6 | 49.5 |
| Health | 13.9 | 17.7 | 27.4 | 37.5 |
| Social services | 9.5 | 10.1 | 16.6 | 12.6 |
| Economic services | 146.6 | 149.2 | 217.6 | 243.3 |
| Other | 18.6 | 26.5 | 10.8 | 15.7 |
| (In percent of total expenditure) | | | | |
| Current expenditure | 61.6 | 60.6 | 58.9 | 55.5 |
| General public services | 23.1 | 20.4 | 16.4 | 15.7 |
| Defense | 7.4 | 7.4 | 6.5 | 6.4 |
| Education | 11.5 | 12.3 | 11.3 | 11.6 |
| Health | 3.2 | 3.6 | 3.5 | 3.8 |
| Social services | 2.8 | 4.6 | 3.9 | 3.8 |
| Economic services | 5.4 | 5.1 | 10.1 | 6.7 |
| Other | 8.2 | 7.1 | 7.3 | 7.5 |
| <i>Of which</i> : interest on public debt | 1.4 | 1.6 | 2.2 | 1.9 |
| Capital expenditure | 38.4 | 39.4 | 41.1 | 44.5 |
| General public services | 4.1 | 2.9 | 4.3 | 5.2 |
| Defense | 0.9 | 0.9 | 0.9 | 0.9 |
| Education | 3.0 | 4.7 | 3.8 | 5.3 |
| Health | 2.2 | 2.7 | 3.2 | 4.0 |
| Social services | 1.5 | 1.5 | 2.0 | 1.3 |
| Economic services | 23.6 | 22.7 | 25.6 | 26.0 |
| Other | 3.0 | 4.0 | 1.3 | 1.7 |
| Total expenditure | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Malian authorities.

¹ Sources and coverage of this table differ from Table 5.

Table 8. Mali: Bank's Compliance with Selected Prudential Norms, 2003–05

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

Source: BCEAO

Table 9. Mali: Millennium Development Goals, 1990-04 ¹

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

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

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

Appendix I. Mali: Relations with the Fund

(As of May 31, 2006)

| | | |
|--|--------------|--------------|
| I. Membership Status: Joined: September 27, 1963 | | Article VIII |
| II. General Resources Account: | SDR Millions | %Quota |
| Quota | 93.30 | 100.00 |
| Fund holdings of currency | 84.05 | 90.09 |
| Reserve position | 9.26 | 9.92 |
| Holdings Exchange Rate | | |
| III. SDR Department: | SDR Millions | %Allocation |
| Net cumulative allocation | 15.91 | 100.00 |
| Holdings | 0.19 | 0.54 |
| IV. Outstanding Purchases and Loans: | SDR Millions | %Quota |
| PRGF arrangements | 3.99 | 4.28 |

V. Latest Financial Arrangements:

| <u>Type</u> | <u>Approval Date</u> | <u>Expiration Date</u> | <u>Amount Approved (SDR Millions)</u> | <u>Amount Drawn (SDR Millions)</u> |
|-------------|----------------------|------------------------|---------------------------------------|------------------------------------|
| PRGF | Jun 23, 2004 | Jun 22, 2007 | 9.33 | 5.32 |
| PRGF | Aug 06, 1999 | Aug 05, 2003 | 51.32 | 51.32 |
| PRGF | Apr 10, 1996 | Aug 05, 1999 | 62.01 | 62.01 |

VI. Projected Payments to Fund

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

| | <u>Forthcoming</u> | | | | |
|------------------|--------------------|-------------|-------------|-------------|-------------|
| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
| Principal | | | | | 0.13 |
| Charges/interest | 0.31 | 0.59 | 0.59 | 0.59 | 0.59 |
| Total | 0.31 | 0.59 | 0.59 | 0.59 | 0.72 |

VII. Implementation of HIPC Initiative:

| | <u>Original Framework</u> | <u>Enhanced Framework</u> | <u>Total</u> |
|---|---------------------------|---------------------------|--------------|
| I. Commitment of HIPC assistance | | | |
| Decision point date | Sep 1998 | Sep 2000 | |
| Assistance committed | | | |
| by all creditors (US\$ millions) ¹ | 121.00 | 417.00 | |
| Of which: IMF assistance (US\$ millions) | 14.00 | 45.21 | |

| | | | |
|---|----------|----------|-------|
| (SDR equivalent in millions) | 10.80 | 34.74 | |
| Completion point date | Sep 2000 | Mar 2003 | |
| II. Disbursement of IMF assistance (SDR million) | | | |
| Assistance disbursed to the member | 10.80 | 34.74 | 45.54 |
| Interim assistance | -- | 9.08 | 9.08 |
| Completion point balance | 10.80 | 25.66 | 36.46 |
| Additional disbursement of interest income ² | -- | 3.73 | 3.73 |
| Total disbursements | 10.80 | 38.47 | 49.27 |

¹ Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

² Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

VIII. Implementation of MDRI Assistance:

| | | | | |
|-----|--|------------|---------------|--------------|
| I. | Total Debt Relief (SDR Million) ¹ | 75.07 | | |
| | Of Which: MDRI | 62.44 | | |
| | HIPC | 12.63 | | |
| II. | Debt Relief by Facility (SDR Million) | | | |
| | | | Eligible Debt | |
| | <u>Delivery</u> | | | |
| | <u>Date</u> | <u>GRA</u> | <u>PRGF</u> | <u>Total</u> |
| | January 2006 | N/A | 75.07 | 75.07 |

¹ The Multilateral Debt Relief Initiative (MDRI) provides 100 percent debt relief to eligible member countries that are qualified for the assistance. The debt relief covers the full stock of debt owed to the Fund as of end-2004 which remains outstanding at the time the member qualifies for such debt relief. The MDRI is financed by bilateral contributions and the Fund's own resources, as well as the resources already disbursed to the member under the HIPC Initiative (see Section VII above).

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

committed.

Interim assistance—amount disbursed to a country during the period between decision and completion points, up to 20 percent annually and 60 percent in total of the assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances).

Completion point—point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 2 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

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

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

Source: International Monetary Fund.

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

X. Work Program, 2006–07

| | |
|--|---------------------|
| Staff visit on 2007 Budget | August 2006 |
| 5 th Review Mission | October 2006 |
| 5 th Review Executive Board | December 2006 |
| 6 th Review Mission | April 2007 |
| 6 th Review Executive Board | June 2007 |
| Executive Board Meeting for the 2007 Article IV Consultation | Second half of 2007 |

XI. Safeguards Assessments:

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

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

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

XII. Exchange Rate Arrangements and Summary of Exchange Restrictions

Mali is a member of the West African Economic and Monetary Union (WAEMU). The exchange system, common to all members of the union, is free of restrictions on the making of payments and transfers for current international transactions. The union's common currency, the CFA franc, was pegged to the French franc at the rate of CFAF 50 = F 1 from 1948 until early 1994. Effective January 12, 1994, the CFA franc was devalued, and the new parity set at CFAF 100 = F 1. Effective January 1, 1999, the CFA franc was pegged to the euro at a rate of CFAF 655.96 = EUR 1.

As of June 1, 1996, and in conjunction with its WAEMU partners, Mali accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Fund's Articles of Agreement. Mali's exchange system is free of restrictions on making payments or transfers for current international transactions. In addition Mali does not engage in multiple currency practices.

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

Mali is a signatory of the Cotonou Convention, and as such Malian exports to the European Union generally enjoy non-reciprocal preferential treatment in the form of exemption from import duties. Malian goods enjoy nonreciprocal preferential access to the markets of developed countries other than the European Union under the Generalized System of Preferences. Mali is also eligible for the benefits of the United States' African Growth and Opportunity Act. At the WAEMU level, Mali does not officially experience legal or regulatory impediments to its exports.

XIII. Article IV Consultations

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

XIV. ROSC/AAP

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

XV. Technical Assistance

| Department | Type of Assistance | Time of Delivery | Purpose |
|------------|---------------------------------------|---------------------------------------|---|
| FAD | Staff | Jul. 2001 | Assisting in completion of the fiscal module of Report on the Observance of Standards and Codes (ROSC), and drafting an Assessment and Action Plan (AAP), as well as of the capacity of the public expenditure management system to track and report on the uses of HIPC Initiative assistance and all poverty-reducing expenditures. |
| FAD | Staff | Feb.– Mar. 2002 | Assisting the authorities in improving the existing expenditure classifications. |
| STA | Expert | May 2002 | Assessing government finance statistics under the General Data Dissemination System (GDDS) West Africa project. |
| STA | Expert | Jun.– Jul. 2002 | Providing government finance statistics technical assistance under the GDDS West Africa project. |
| STA | Expert (AFRISTAT) | Aug. 2002 | Assessing real sector statistics assessment under the GDDS West Africa project. |
| STA | Expert | Sept. 2002 | Providing government finance statistics technical assistance under the GDDS West Africa project. |
| STA | Staff and experts | Apr. 2003 | Undertaking a multisector statistics mission. |
| AFRITAC | Debt Advisor | Nov. 2003, Feb. 2004, Apr. 2005 | External and domestic debt management and assistance in government securities issuance. |
| FAD | Staff | Jan .2004 | Assisting the authorities in improving revenue mobilization, especially as regards revenue from the mining sector. |
| AFRITAC | PEM Advisor | Apr. 2004 | Participation at the HIPC/AAP assessment Mission. |
| AFRITAC | Multisector statistical advisor | Jun. 2005 | GFS technical assistance. |
| LEG | Expert | Aug. 2005 | Assisting in drafting anti-money laundering law. |

| Department | Type of Assistance | Date of Delivery | Purpose |
|------------|------------------------|------------------|---|
| AFRITAC | PEM Advisor and expert | Aug. 2005 | Treasury Accounting. |
| AFRITAC | MF Advisor | Sept. 2005 | Providing assistance to CAS/SFD in improving its capacity in terms of function, control and inspection. |
| AFRITAC | Customs Advisor | Mar. 2006 | Customs valuation. |
| AFRITAC | STA Advisor | Mar. 2006 | Strengthening statistics for gold sector. |
| AFRITAC | STA Advisor | Mar. 2006 | Strategy for developing national accounts and consumer price statistics. |
| AFRITAC | Expert | Apr. 2006 | Fuel pricing and taxation. |

XVI. Resident Representative

Mr. Wane, the current Resident Representative, took up this assignment in February 2005. The previous Resident Representative, Mr. Tazi, was stationed in Bamako for the period September 2002 through October 2004.

Appendix II. Mali: World Bank-IMF Relations

(As of December 6, 2005)⁸

A. Partnership in Mali's development strategy

1. Mali's development strategy increasingly emphasizes growth and poverty reduction. Its PRSP (adopted by the government in May 2002) highlights growth as a precondition for poverty reduction, and outlines programs for (i) institutional development and improved governance, (ii) human development and access to basic social services, and (iii) infrastructure development and support for key productive sectors. Mali's growth strategy aims to be private sector led and market oriented toward the West Africa region as well as the global market.

2. The IMF and World Bank staffs maintain a collaborative relationship in supporting the government's macroeconomic and structural reforms, in line with the guidelines for enhanced Bank-Fund collaboration. This includes regular participation of Bank staff in the meetings with the government on the Fund's program review missions, IMF staff participation in Bank development policy missions and Bank internal review meetings. The IMF takes the lead in macroeconomic stabilization and the World Bank in social and structural areas, with close collaboration on a few structural areas that have a particular impact on macroeconomic stability. The Fund's dialogue and conditionality are consistent with the structural programs agreed with the Bank, and the Bank's dialogue and conditionality have maintained consistency with the macroeconomic framework endorsed by the Fund.

B. World Bank Group strategy

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

4. Support to Mali during fiscal years 2004–06 amounts to US\$400 million in the base case, with about 30 percent in grants. Budget support of \$25 million is provided annually through development policy credits (DPCs), subject to satisfactory macroeconomic management. This is complemented by selected investment operations (targeting education, support to growth, and infrastructure development) and a community-driven development operation. The Bank will prepare a new CAS in the course of FY07 in support of Mali's next PRSP (under preparation in the first half of 2006). In that context, the Bank envisions aligning its annual budget support with Mali's budget cycle during 2007, possibly in the form of programmatic lending along the lines of a PRSC.

⁸ This note is updated on an annual basis with the assistance of World Bank staff.

5. The CAS also includes non-lending activities. Recently completed activities include a Country Financial Accountability Assessment, Macroeconomic Growth and Water Variability study, first phase Poverty Assessment, Country Procurement Assessment Review, and an Integrated Framework Trade Diagnostic Study. A Poverty and Social Impact Analysis of the cotton sector is nearing completion. The Bank has also assisted with development of medium-term expenditure frameworks (MTEF) for health, education, and transport, and MTEF support is envisioned for the agriculture-livestock-fisheries sector. Planned activities during FY2006–07 include a Country Economic Memorandum on growth and a Public Expenditure Review.

C. IMF-World Bank collaboration

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

7. **Areas in which the Bank leads.** The Bank takes the lead in structural areas where both institutions have conditionality, including cotton sector reform, privatization and regulatory reform (telecommunications, banking, financial and energy sectors), and pension reform. The Bank also leads in other areas such as: agricultural competitiveness/diversification; rural development (irrigation, roads, support to producer organizations); private sector development (strengthening the investment climate, access to business services, support to small/medium enterprises); urban development (historic rehabilitation/ preservation, land/housing market development, water/road infrastructure); transportation policy/infrastructure; energy sector reforms; and social sectors (health, education and social protection, including HIV/AIDS). The Bank's work in structural areas includes analytical work and dialogue on trade and growth policies, which form part of the overall economic policy dialogue. The Bank collaborates with other donors whenever possible (notably in health, education, agriculture and cotton sectors), and is pursuing a harmonized approach for donor support to health and education reforms as well as on budget support more broadly.

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

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

| Area | Specialized Advice from Fund | Specialized Advice from Bank | Key Instruments |
|---|---|---|--|
| Economic Framework/Management | Fiscal/monetary policy, Economic statistics | Economic growth analysis. | <i>IMF:</i> PRGF performance criteria and benchmarks on fiscal and monetary targets; technical assistance. <i>Bank:</i> Analytical studies |
| Budgetary and Public Expenditure Reforms | Overall budget envelope, Expenditure management, Enhancement of tax and non-tax revenue, Pension reform | Sector MTEFs (Transport and Rural Sectors), Integrated information system, Improved reporting on budget execution, CFAA, CPAR, Public expenditure tracking survey (education sector). | <i>IMF:</i> PRGF performance criteria and benchmarks on overall fiscal balance and on pension system viability; technical assistance. <i>Bank:</i> Policy framework actions in successive development policy operations; Support to capacity building (MTEFs), Financial sector development project. |
| Agriculture and Rural Development (incl. Cotton) | | Rural development strategy, Agricultural export promotion, Irrigation, Rural roads, Community driven development. Cotton: privatization strategy, liberalization of critical functions, capacity building of producer organizations. | <i>IMF:</i> PRGF performance criteria on cotton pricing and benchmarks on preparations on privatization. <i>Bank:</i> Policy framework actions for cotton and Office de Niger in successive development policy operations; Agricultural services and producer organizations project (for agriculture and rural sector development); Agriculture diversification and competitiveness project (for agriculture development and export promotion); National rural infrastructure project (for rural roads and irrigation). |
| Social Sector Reforms/Poverty Monitoring | | Reforms in education and health, HIV/AIDS program, Poverty assessment, Cotton PSIA. | <i>Bank:</i> Integrated health sector investment project (ongoing and next phase); Education sector expenditure program (ongoing and next phase); HIV/AIDS MAP project. |
| Privatization and Private Sector Development | | Privatization strategy (telecommunications, banking, energy), Pricing policy, Revenue management (mining), Business development services (incl. to SMEs). | <i>IMF:</i> PRGF benchmarks on bank and telecom privatization processes. <i>Bank:</i> The policy framework under successive development policy operations (actions on the financial and cotton sectors); Financial sector development project (policy framework condition on State ownership of banks); Sources of growth project (telecom, mining, investment climate, SMEs); Household energy project, and advice on electricity utility. |
| Infrastructure and Other Sectors | | Strategy and investment program (transport, energy, water), Urban sector study. | <i>Bank:</i> Transport corridor project, Rural infrastructure project, Household energy and universal access project. |

Prepared by World Bank staff. Questions may be referred to Ms. Gaye (Acting Country Director, (229) 21 30 17 44), Ms. Wood (Sr. Economist, 473-5829), or Ms. Hader (Sr. Operations Officer, 458-8414).

Bamako, June 28, 2006

Mr. Rodrigo de Rato
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Mr. de Rato:

1. **The outlook for the Malian economy has improved as a result of** a good cereal harvest and rising prices and production of gold. We anticipate implementation of the 2006 program in the months to come focused on preparation of the cotton sector for privatization, banking and budgetary reforms. These actions, buttressed by debt relief, underpin our efforts to significantly reduce poverty over the medium term.

2. **The elaboration of Mali's second generation Poverty Reduction Strategy Paper (PRSP) covering 2007–11 is on track for completion by end-2006.** Our growth strategy, critical for tackling poverty, is based on improving the business climate in Mali, strengthening core infrastructure provision, particularly transport corridors for trade, and effective utilization of higher aid flows. We also seek to ensure food security and to develop our regional comparative advantage in rice production, cotton processing, mining, livestock and tourism.

I. MACROECONOMIC FRAMEWORK

3. **Estimates for 2005 suggest GDP growth has been stronger than anticipated:** cereal production for 2005/06, and production in gold, telecommunications and power sectors have performed well. However, cotton production fell 5 percent, as yields dropped. The balance of payments posted better than expected outturns for the current account and overall balance, largely reflecting a strengthening terms of trade at end year. Average inflation in 2005 rose to a ten-year high of 6.4 percent as a result of high food prices in mid-year (resulting from the previous year's weak harvest). For 2006, we expect GDP growth to return to trend of around 5 percent, while consumer price inflation is expected to moderate to 2 percent on account of lowered food prices. The overall fiscal balance (including grants) should improve in 2006, reflecting debt relief from multilateral creditors.

Mali: Economic Developments, 2004-06

| | 2004 | 2005 | | 2006 | |
|---|----------|---------------------|----------|---------|--------------------|
| | Estimate | Program | Estimate | Program | Revised Projection |
| Real GDP (percent change) | 2.2 | 5.4 | 6.1 | 5.4 | 5.1 |
| Nominal GDP (in billions of CFA francs) | 2,611 | 2,761 | 2,831 | 2,905 | 3,137 |
| Average inflation rate (percent) | -3.1 | 5.0 | 6.4 | -1.5 | 1.9 |
| | | (In percent of GDP) | | | |
| Total revenue and grants | 21.4 | 22.2 | 22.0 | 24.0 | 56.8 |
| <i>Of which: MDRI</i> | ... | ... | ... | ... | 34.6 |
| Total expenditure & net lending | 24.0 | 26.3 | 25.2 | 27.5 | 25.7 |
| Overall fiscal balance (before grants) | -6.6 | -8.7 | -7.3 | -9.1 | -8.6 |
| Overall fiscal balance (before grants) | -2.6 | -4.1 | -3.2 | -3.5 | 31.1 |
| Current account balance (incl. grants) | -8.3 | -9.6 | -7.0 | -7.9 | -5.9 |

Sources: Malian authorities and IMF estimates and projections.

II. PERFORMANCE UNDER THE PROGRAM

4. **On the basis of the policies described in this supplementary letter of intent and its annexes, we request the completion of the fourth review of the PRGF-supported program.** We request a waiver for nonobservance of the end-March 2006 structural performance criterion concerning the identification by the government of a package of parametric reforms that will gradually reduce the projected deficit of the civil service pension scheme over the medium term on the basis of corrective actions described below (paragraph 9). We request: (i) a modification of the end-September 2006 performance criterion for net domestic financing to accommodate multilateral debt relief into the program and (ii) to set quantitative performance criteria for end-March 2007 (see Annex I). The seventh disbursement under the PRGF will be subject to a review expected to be completed on or after April 15, 2007. The Government believes that the policies set forth in the Letter of Intent (LOI) are adequate to achieve the objectives of the program, but it will take any further measures that may become appropriate for this purpose. Mali will consult with the Fund on the adoption of these measures and in advance of any revision to the policies contained in the LOI, in accordance with the Fund's policies on such consultation.

A. Budget Implementation

5. **Implementation of the 2005 budget has been consistent with the objectives of the Fund supported program.** The budget tax revenue financial performance indicator has been met, albeit through a significant recovery of tax payments at end-year. Due to administrative delays we have a stock of unpaid reimbursements of tax exemptions and VAT refunds in the amount of CFAF 18 billion at end-2005. Current spending and the domestically financed capital budget were executed with only minor exceptions, and wage bill spending was in line with the program. The foreign-financed capital budget has been

implemented at a rate of 78 percent, resulting from delays in external project disbursements, while domestic financing (counterpart spending) was slightly below program targets. An amount equivalent to 1 percent of GDP was advanced to the cotton company, CMDT, to cover operating losses for the 2004/05 season authorized by government decree in December 2005.

6. **Implementation of the 2006 budget started with difficulties.** We experienced insufficient tax collections in the first quarter of 2006, notably in respect of import VAT and duties, and curtailed spending accordingly. We commit to recover the revenue shortfall in coming months, as a result of the implementation of the following measures: (i) strengthened application of rules of origin for imports from UEMOA, (ii) broadening the tax base for the special product tax in conformity with an UEMOA directive, (iii) improving customs valuation of mixed container cargoes, and (iv) strengthened control of exemptions. In April 2006, we received IMF technical assistance on the design of a non-discretionary mechanism for fuel pricing and taxation, that will result in a slight delay in the introduction of the mechanism (structural benchmark for end-March 2006). We envisage a shortfall of privatization receipts (see ¶17) that will be covered by a reduction of enterprise restructuring spending and other domestic financing.

7. **We are committed to addressing tax administration issues concerning tax exemptions and VAT rebates.** In 2006, we will track total exemptions granted and total amounts due to be reimbursed (VAT refunds and tax exemptions) on a quarterly basis. In respect of outstanding reimbursements, we have established a payment schedule consistent with the 2006 budget. Going forward, we will endeavor to clear the stock of unpaid reimbursements and VAT rebates in the 2007 budget and to limit the tax exemptions to those in existing legal codes starting January 2007.

B. Debt Relief and Financing Strategy

8. **The approval of the multilateral debt relief initiative (MDRI) delivers substantial debt service savings over the medium term that we intend to dedicate to accelerating implementation of our poverty reduction strategy priorities.** We will propose amendments to the 2006 budget, in consultation with Bank and Fund staff, to reallocate 2006 debt service savings from approved Bank and Fund debt relief in the amount of CFAF 13 billion (0.4 percent of GDP). Use of debt relief from the African Development Fund will be considered when its delivery modalities are finalized, in the context of the budgetary situation at that time. Our budget financing strategy remains based on the principle of securing only grants and highly concessional external loans to safeguard debt sustainability.

C. Structural Fiscal Reforms

9. **A specific package of parametric reforms to the civil service pensions system (CRM) has been identified** (meeting with a delay a structural performance criterion for end-March 2006). On June 21, 2006, the Council of Ministers approved a package of reforms that will gradually reduce the CRM financial deficit over the medium term. This

reduction will be achieved through changes to key parameters, including the contribution rate, the retirement age and benefits. In March 2006 an actuarial study of the state-managed social security provider for non-civil service employees (INPS) was completed. While the system is currently in surplus (taking pensions and social security provisions together) it is projected to begin registering deficits in the period from 2009. Accordingly, we are working with partners to identify parametric reforms that will bring the system to a durable equilibrium.

10. Our action plan to improve and modernize public finance management over the medium term will contribute to the effective use of resources from aid and debt relief.

To this end, the Ministry of Finance computerization project will be completed by end-December 2006 by integrating databases in the spending chain (e.g. commitment, payment order, etc.). We will also computerize all Tax Department centers in Bamako and connect electronically revenue collection departments by end-December 2006 (new structural benchmark). We will strengthen ex ante and ex post controls on spending, notably the verification of the delivery of goods and services to spending ministries.

11. Aid harmonization is advancing along the principles of the Paris Declaration.

We signed a framework agreement with external partners in March 2006 that aims to put budget support in a predictable multi-year framework and to evaluate progress through government-partner efforts. We will conduct the Public Expenditure and Financial Accountability (PEFA) exercise jointly with our foreign partners with a view to reflecting its main recommendations in the 2007 budget.

D. Strengthening the Financial System

12. We remain committed to increasing the role of the private sector in the banking system to improve competition, raise financial intermediation and to reduce budgetary risks. To this end we intend to: (i) launch a tender for sale of a majority stake of shares in Banque Internationale du Mali by December 2006, following the April 2006 Supreme Court decision affirming the validity of the state shareholding; and (ii) relaunch discussions with the BCEAO before end-June 2006, with a view to defining a strategy for the parallel sale of the shareholdings held by the two parties in the Banque de Développement du Mali.

13. The deterioration of the quality of the portfolio of bank credit to the economy during 2005 is a concern for the Malian authorities. A successful restructuring of the Banque de l'Habitat du Mali (BHM) is a key element in strengthening the banking system credit portfolio. In November 2005, a recapitalization of BHM in the amount of CFAF 22 billion was led by the government through the conversion of deposits to equity. To complete the restructuring plan and succeed in attracting private investors to the bank, we have appointed a new manager for the bank and created a monitoring committee including Central Bank and Ministry of Finance representatives. On the basis of the existing action plan the new management aims to (i) put in place internal controls (internal audit, credit committee and other internal procedures) based upon the recommendations of a consultant engaged by the Malian authorities, and (ii) take measures to strengthen the liquidity position of the bank through asset recovery, lines of credit and cost control.

E. State Enterprise Reforms and Private Sector Development

14. **The reform of the cotton sector was relaunched in December 2005 with broad participation of stakeholders.** CMDT shareholders adopted a strategy for its privatization in 2008 (meeting a program structural benchmark) and the Council of Ministers approved a detailed revised timetable for the reform process. Implementation of reforms has generally proceeded in accordance with the timetable. On March 9, 2006, the Council of Ministers approved in principle a proposal to split CMDT into four private regional ginning companies in Mali's cotton-producing area. An operational plan for privatization will be elaborated in May-June 2006. Following consultations with stakeholders the plan will be submitted for approval to the Council of Ministers (end-September 2006 benchmark) for which an adviser was hired in March 2006. The process to recruit a privatization adviser has been initiated, and the finalization of the contract with an adviser is expected by March 2007 (new structural benchmark).

15. **The short-term financial situation of the CMDT has stabilized, though problems remain.** Cash flow problems were alleviated by advances of CFAF 28.2 billion (1 percent of GDP) from the 2005 budget. The operating loss for the 2005/06 cotton crop is projected to be reduced to CFAF 7.5 billion (from CFAF 53 billion) on account of higher international prices, lower producer prices and control of costs. A drop in production owing to lowered yields and a drop in cotton seed prices adversely affected the financial results. In February 2006, the government approved the creation of a committee for regular surveillance of the cash flow operations of the CMDT (end-December 2005 structural benchmark). The committee met in May and will meet at least quarterly. Arrears with respect to external payments on medium- and long-term loans have been reduced.

16. **The CMDT is projected to continue to make modest losses in 2006/07 based on current projected revenues and costs** (including application of the memorandum of understanding on the price mechanism). On May 2, 2006, stakeholders agreed to set the initial producer price for seed cotton, consistent with the price mechanism, at CFAF 165/kg. Based on the 2005 financial results a recapitalization will be required by shareholders in mid-2006.

17. **The privatization of other nonfinancial sector companies is proceeding.** The selection of a privatization adviser for the sale of a majority share in the state telecommunications company (SOTELMA) to a strategic partner is close to completion. However, the sale is unlikely to be completed in 2006. The sale of a majority stake in a pharmaceutical company (UMPP) to a strategic partner in April 2006 stalled due to a lack of buyer interest. The liquidation of assets of a chemical company (SMPC) is underway.

18. **In the electricity sector, we are taking measures to maintain Energie du Mali (EdM) as a viable commercial operation.** On the basis of a strategic plan for EdM approved in January 2006 we have: (i) launched a management audit for 2000–05; (ii) a tariff study. However, these actions have taken longer to complete than initially envisaged (May 2006 structural benchmark). We now expect to complete the management audit and the tariff study by end-December 2006. Nonetheless, the financial situation of EdM appears

sustainable during the time needed to revise the commercial strategy for EdM. The unaudited operating deficit for 2005 is CFA 3.1 billion, and this is expected to decline to CFAF 2.3 billion in the 2006 operating budget (including tax exemptions on fuel).

19. **The 2006 Presidential Investment Council decided to focus efforts to improve the business environment.** An action plan aims to reduce transaction costs for starting a business, simplify licensing, reduce hiring and firing restrictions, and simplify tax payments. By end-December 2006 we will create a one-stop shop for all administrative procedures related to new investments located at the Malian Investment Promotion Agency (new structural benchmark).

Very truly yours,

/s/

Abou-Bakar Traoré
Minister of Economy and Finance

Attachment I Annex I. Mali: Quantitative Performance Criteria and Indicative Targets for March–December 2005 ¹

| | 2005 | | | | | | | |
|--|-------------------------|--------|-----------------------|--------|-------------------------|--------|-----------------------|--------|
| | March | | June | | September | | December | |
| | Performance Criteria | Actual | Indicative Targets | Actual | Performance Criteria | Actual | Indicative Targets | Actual |
| (In billions of CFA francs) | | | | | | | | |
| Quantitative performance criteria and indicative targets | | | | | | | | |
| Net domestic financing of the government, program ceiling ² | 19.9 | | -14.9 | | -4.5 | | -2.0 | |
| Net domestic financing, adjusted ceiling and actual ² | 12.1 | 6.4 | 10.4 | -1.2 | 15.3 | -3.3 | 18.2 | -7.4 |
| Cumulative change in government external payments arrears ^{2,3} | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Domestic | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| External | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| New external borrowing at terms of one year or more contracted or guaranteed by the government on nonconcessional terms ^{2,3} | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| New short-term external debt (less than one year) contracted or guaranteed by the government ³ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial performance indicators | | | | | | | | |
| Cumulative tax revenue ⁴ | 94.4 | 100.3 | 198.1 | 206.9 | 318.4 | 322.0 | 430.0 | 446.2 |
| Cumulative wage bill ² | 33.9 | 31.9 | 70.1 | 64.7 | 105.2 | 96.9 | 140.2 | 137.8 |
| Basic fiscal balance ⁴ | 5.9 | 20.0 | -8.4 | 23.1 | -18.0 | 14.1 | -28.6 | -6.2 |
| Memorandum items: | | | | | | | | |
| External budgetary assistance during the year ⁵ | 0.0 | 10.5 | 60.5 | 23.3 | 70.5 | 43.6 | 80.2 | 64.3 |
| HIPC Initiative debt relief | 6.6 | 7.0 | 15.6 | 14.6 | 23.4 | 21.9 | 31.2 | 30.0 |
| Expenditure financed with HIPC Initiative resources | 6.3 | 4.0 | 14.8 | 13.9 | 22.2 | 15.4 | 26.8 | 29.8 |
| Balance of HIPC Initiative resources | 0.2 | 2.9 | 0.8 | 0.6 | 1.2 | 6.4 | 4.3 | 0.1 |

¹ All numbers are cumulative, starting at the beginning of each year.

For definitions and explanations, please see Technical Memorandum of Understanding.

² Maximum.

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

⁴ Minimum.

⁵ Excluding use of Fund resources and HIPC resources.

Attachment I Annex I. Mali: Quantitative Performance Criteria and Indicative Targets for March 2006-March 2007 (concluded) ¹

| | 2006 | | | | 2007 | | | |
|--|-------------------------|--------|-----------------------|--------|-------------------------|--------|-----------------------|--------|
| | March | | June | | September | | December | |
| | Performance Criteria | Actual | Indicative Targets | Actual | Performance Criteria | Actual | Indicative targets | Actual |
| (In billions of CFA francs) | | | | | | | | |
| Quantitative performance criteria and indicative targets | | | | | | | | |
| Net domestic financing of the government, program ceiling ² | -23.0 | | -81.9 | | -96.5 | | -90.9 | |
| Net domestic financing, adjusted ceiling and actual ² | -9.5 | -65.4 | .. | .. | .. | .. | .. | .. |
| Cumulative change in government external payments arrears ^{2,3} | 0.0 | 0.0 | 0.0 | .. | 0.0 | .. | 0.0 | .. |
| Domestic | 0.0 | 0.0 | 0.0 | .. | 0.0 | .. | 0.0 | .. |
| External | 0.0 | 0.0 | 0.0 | .. | 0.0 | .. | 0.0 | .. |
| New external borrowing at terms of one year or more contracted or guaranteed by the government on nonconcessional terms ^{2,3} | 0.0 | 0.0 | 0.0 | .. | 0.0 | .. | 0.0 | .. |
| New short-term external debt (less than one year) contracted or guaranteed by the government ³ | 0.0 | 0.0 | 0.0 | .. | 0.0 | .. | 0.0 | .. |
| Financial performance indicators | | | | | | | | |
| Cumulative tax revenue ⁴ | 109.3 | 92.8 | 218.7 | .. | 350.0 | .. | 469.9 | 588.4 |
| Cumulative wage bill ² | 29.8 | 33.4 | 74.5 | .. | 111.8 | .. | 149.0 | 189.7 |
| Basic fiscal balance ⁴ | 36.0 | 6.3 | 19.2 | .. | 24.9 | .. | -7.9 | 4.6 |
| Memorandum items: | | | | | | | | |
| External budgetary assistance during the year ⁵ | 18.4 | 2.1 | 43.1 | .. | 63.4 | .. | 81.7 | 93.5 |
| HIPC initiative debt relief | 4.9 | 5.9 | 8.8 | .. | 12.2 | .. | 12.4 | 15.4 |
| Expenditure financed with HIPC initiative resources | 7.2 | 5.2 | 8.8 | .. | 12.2 | .. | 12.4 | 15.4 |
| Balance of HIPC Initiative resources | -2.3 | 0.6 | ... | .. | ... | .. | ... | ... |

¹ All numbers (including March 2007) are cumulative from January 2006. Program includes impact of MDRI from Q2 2006.

For definitions and explanations, please see Technical Memorandum of Understanding.

² Maximum.

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

⁴ Minimum.

⁵ Excluding use of Fund resources and HIPC resources.

Attachment I: Annex II. Mali: Structural Measures, 2005–07

| Measures | Date | Status |
|---|---------------|---|
| Structural Performance Criteria | | |
| 1. Identification by the government of a specific package of parametric reforms that will gradually reduce the projected deficit of the CRM from the present level over the medium term as described in paragraph 24 of the letter of intent for the second and third reviews | End-Mar. 2006 | Not Met. Council of Ministers approved a package with delay on June 21, 2006. |
| Structural Benchmarks | | |
| 1. Assessment of the impact of parametric reforms on the financial position of the CRM over the medium term | End-Dec. 2005 | Met. |
| 2. Creation of a committee for regular surveillance of the cash flow operations of the CMDT | End-Dec. 2005 | Met with delay in February 2006. The committee meets monthly and comprises of all CMDT Directors. |
| 3. Approval by CMDT shareholders of a strategy for privatization of the CMDT in 2008 as defined in paragraph 32 of the letter of intent for the second and third PRGF reviews | End-Dec. 2005 | Met. |
| 4. Introduction by decree of a petroleum product pricing mechanism linked to world prices, in accordance with the hydrocarbon excise tax estimates in the 2006 Budget | End-Mar. 2006 | Not met. Delayed, pending completion of AFRITAC technical assistance delivered in April 2006. |
| 5. Publication of a call for bids related to the sale of the government's shares in the BIM, providing no legal impediments remain | End-Mar. 2006 | Ongoing. Court ruling which confirms the validity of government's shareholding delivered April 18, 2006. Expected to be completed by end-2006 |
| 6. Completion of a management audit of the power company, Energie du Mali, as well as an assessment of the financial situation and a review of the mechanism for setting tariff rates, with a view to resolving cash management problems | End-May 2006 | Ongoing. Recruitment of consultants underway. Expected completion date end-December 2006. |

Attachment I: Annex II. Mali: Structural Measures, 2005–07 (concluded)

| Measures | Date | Status |
|--|----------------|---|
| 7. Completion of the recapitalization of the housing bank (BHM), with a view to ensuring significant private sector involvement | End-Jun. 2006 | Ongoing. Recapitalized in November 2005. Management changed on June 28 and a surveillance committee with central bank representation created to strengthen management and operations of the bank. |
| 8. Approval by the Council of Ministers of an operational plan for privatization of the CMDT in 2008 | End-Sept. 2006 | Ongoing. The consultant charged with elaborating a draft operational plan was hired in March 2006. |
| 9. Presentation to the National Assembly, with the 2007 Budget, of a draft law authorizing the parametric reforms and a draft decree that will gradually reduce the projected CRM deficit over the medium term | End-Sept. 2006 | Ongoing. Reset from December 2005, so as to take account of the delays related to the preparatory activities. |
| 10. Interconnection of revenue agencies, in particular Customs and Tax departments. | End-Dec. 2006 | New structural benchmark |
| 11. Launch of one-stop shop for new investors | End-Dec. 2006 | New structural benchmark |
| 12. Contract for adviser on CMDT privatization issued. | End-Mar. 2007 | New structural benchmark. |

Attachment I: Annex III. Technical Memorandum of Understanding (TMU)

June 28, 2006

1. This technical memorandum of understanding defines the performance criteria and benchmarks for the program supported by the Poverty Reduction and Growth Facility (PRGF) arrangement. It also sets out the frequency and deadlines for data reporting to the staff of the International Monetary Fund (IMF) for program-monitoring purposes. This memorandum replaces the memorandum in Country Report No. 06/73 and differs from it in one respect: it removes the adjustment factor for net domestic financing relating to differences in HIPC Initiative resources in the program and the amount actually spent.

DEFINITIONS

2. Unless otherwise indicated, the government is defined as the central administration of the Republic of Mali and does not include local administrations, the central bank, or any other public entity with autonomous legal personality that is not included in the table of government financial operations (TOFE).

3. The definitions of "debt" and "concessional loans" for the purposes of this memorandum of understanding are as follows:

- (a) Debt is defined in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt (see Decision of the Executive Directors of the IMF No. 12274-00/85, August 24, 2000).
- (b) A loan is considered concessional if, on the date the contract is signed, the ratio of the present value of the debt, based on the reference interest rates, to the nominal value of the debt is less than 65 percent (i.e., a grant element exceeding 35 percent). The reference interest rates used in this assessment are the commercial interest reference rates (CIRRs) established by the Organization for Economic Cooperation and Development (OECD). For debts with a maturity exceeding 15 years, the ten-year reference interest rate published by the OECD is used to calculate the grant element. For shorter maturities, the six-month market reference rate is used.

I. QUANTITATIVE PERFORMANCE CRITERIA**A. Ceiling on Net Domestic Financing of the Government**

4. The key quantitative performance criterion is net domestic financing of the government, defined as the sum of (i) net bank credit to government, as defined below, (ii) other government claims and debts vis-à-vis national banking institutions, and (iii) nonbank financing of the government.

5. Figures on net bank credit to government as calculated by the BCEAO, and on nonbank financing as calculated by the public treasury, are final in the context of the program.
6. Net bank credit to government is defined as the balance between government debts and government claims vis-à-vis the central bank and commercial banks. The scope of net bank credit to government is that used by the Central Bank of West African States (BCEAO) and is consistent with established Fund practice in this area. It implies a broader definition of government than that specified in paragraph 2 by also including local governments, and selected autonomous government agencies and projects. Government claims include the CFA franc cash balance, postal checking accounts, secured liabilities (*obligations cautionnées*), and all deposits with the BCEAO and commercial banks of public entities, with the exception of industrial or commercial public institutions (EPICs) and public enterprises, which are excluded from the calculation. Government debts to the banking system include all debts to these same financial institutions. Deposits of the cotton stabilization fund and government securities held outside the Malian banking system are not included in the calculation of net bank credit to government.
7. Nonbank financing of the government include, in particular, government bills and bonds held outside national banking institutions and proceeds from the sale of government assets. The receipts from sale of government assets are defined as the proceeds from the sale, effectively received by the government during the fiscal year, of all or part of the shares held by the government in privatized enterprises. In the event that payments in respect of these sale transactions are expected to extend beyond the fiscal year, the residual will be included in the calculation of nonbank financing of the government in each of the subsequent years, in accordance with the annual scheduling of the expected payments.

Adjustment factor

8. The ceiling on the change in net domestic financing of the government will be adjusted if external budgetary assistance exceeds or falls short of the program amount. Budgetary assistance is defined as grants, loans, and debt relief (excluding project loans and grants, IMF resources, and debt relief under the Initiative for Heavily Indebted Poor Countries). The adjustment factor is capped at CFAF 25 billion. These ceilings and program budgetary assistance are set in Annex I to the December Letter.

B. Nonaccumulation of External Public Payments Arrears

9. External payments arrears are defined as the sum of external payments due and unpaid for external liabilities of the government and foreign debt held or guaranteed by the government. The definition of external debt provided in paragraph 3(a) applies here.
10. Under the program, the government will not accumulate external payments arrears, with the exception of arrears arising from debt under renegotiation or being rescheduled. The performance criterion on the nonaccumulation of external payments arrears will be applied on a continuous basis throughout the program period.

C. Ceiling on Nonconcessional External Debt with a Maturity of One Year or More Newly Contracted or Guaranteed by the Government and/or Public Enterprises

11. This performance criterion applies not only to debt as defined in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Borrowing (Executive Board Decision No. 6230-(79/140), amended by Executive Board Decision No. 12274-(00/85) (8/24/00)), but also to commitments contracted or guaranteed for which no value has yet been received.
12. The concept of government for the purposes of this performance criterion includes government as defined in paragraph 2, administrative public institutions (EPAs), scientific and/or technical public institutions, professional public institutions, industrial and/or commercial public institutions (EPICs), and local governments.
13. Starting with the program approval by the Executive Board of the IMF, a ceiling of zero is set for nonconcessional borrowing. This performance criterion is monitored on a continuous basis.
14. The government undertakes not to contract or guarantee external debt with a maturity of one year or more and a grant element of less than 35 percent (calculated using the reference interest rates corresponding to the borrowing currencies provided by the IMF). This performance criterion applies not only to debt as defined in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Borrowing, adopted by the Executive Board on August 24, 2000, but also to commitments contracted or guaranteed for which no value has yet been received. However, it does not apply to financing granted by the IMF and treasury bills and bonds issued in CFA francs on the West African Economic and Monetary Union (WAEMU) regional market.

D. Ceiling on Short-Term External Debt Newly Contracted or Guaranteed by the Government and/or Public Enterprises

15. The definition in paragraph 12 applies to this performance criterion.
16. Short-term external debt is debt with a contractual term of less than one year. Import-related credit, CMDT foreign borrowing secured by the proceeds of cotton exports, and debt-relief operations are excluded from this performance criterion. Treasury bills issued in CFA francs on the WAEMU regional market are also excluded.
17. In the context of the program, the government and public enterprises will not contract, or guarantee, short-term external debt.
18. This performance criterion is monitored on a continuous basis.

II. QUANTITATIVE PERFORMANCE INDICATORS

19. The program also includes indicators on government tax revenues, the civil service wage bill, and the basic fiscal balance.

A. Floor for Tax Revenues

20. Government tax revenues are defined as those that figure in the Table on government financial operations (TOFE). The government shall report tax revenues to IMF staff each month in the context of the TOFE. Quantitative performance indicators for tax revenues are set in Annex I to the December Letter.

B. Ceiling on the Wage Bill

21. The wage bill includes all public expenditure on wages, bonuses, and other benefits or allowances granted civil servants employed by the government, the military, and other security forces, and includes expenditure with respect to special contracts and other permanent or temporary employment with the government. The government shall report the wage bill to IMF staff each month in the context of the TOFE. The quantitative performance indicators for the wage bill are set in Annex I to the December Letter.

C. Floor on the Basic Fiscal Balance, Excluding HIPC Initiative-Related Expenditure

22. The basic fiscal balance is defined as the difference between total revenues, excluding grants and privatization receipts, and total expenditure plus net lending, excluding capital expenditure financed by foreign donors and lenders and HIPC Initiative-related expenditures. The floors for the performance indicators for the basic fiscal balance, excluding HIPC Initiative-related expenditure, are set in Annex I to the December Letter.

III. STRUCTURAL MEASURES

23. Annex II of the supplementary letter of intent describes the structural measures identified as prior actions, performance criteria, and structural benchmarks for 2004–06. This table provides information regarding the implementation dates for the structural reforms envisaged.

24. Data on the introduction of the structural benchmarks and performance criteria will be sent to Fund staff within two weeks of the date of their scheduled implementation.

IV. ADDITIONAL INFORMATION FOR PROGRAM MONITORING

25. The government will provide IMF staff with information as set out in the following summary table in order to assist in the monitoring of the program.

SUMMARY OF DATA TO BE REPORTED

| Data Type | Tables | Frequency | Time Frame |
|-----------------------------|--|-----------|--|
| Real sector | National accounts | Annual | End of year + 9 months |
| | Revisions of the national accounts | Variable | 8 weeks following the revision |
| | Disaggregated consumer price indexes | Monthly | End of month + 2 weeks |
| Government finances | Net government position (including the list of accounts of other public entities with the banking system) and breakdown of nonbank financing | Monthly | End of month + 3 weeks (provisional); end of month + 6 weeks (final) |
| | TOFE of the central government and consolidated TOFE | Monthly | End of month + 3 weeks (provisional); end of month + 6 weeks (final) |
| | Breakdown of fiscal revenue and expenditure in the context of the TOFE | Monthly | End of month + 6 weeks (TOFE) |
| | Separate report on outlays financed with HIPC resources | Monthly | End of month + 6 weeks |
| | Execution of capital budget | Quarterly | End of quarter + 8 weeks |
| | Tax revenues in the context of the TOFE | Monthly | End of month + 6 weeks |
| | Wage bill in the context of the TOFE | Monthly | End of month + 6 weeks |
| | Basic fiscal balance in the context of the TOFE | Monthly | End of month + 6 weeks |
| | Formula for setting prices of petroleum products, tax revenues from petroleum products, and subsidies paid | Monthly | End of month + 4 weeks |
| | Treasury operations of the CMDT | Monthly | End of month + 4 weeks |
| Monetary and financial data | Summary accounts of the BCEAO, summary accounts of banks, and accounts of the banking system | Monthly | End of month + 4 weeks (provisional); end of month + 8 weeks (final) |
| | Foreign assets and liabilities of the BCEAO | Monthly | End of month + 8 weeks |
| | Lending and deposit interest rates, BCEAO intervention rates, and BCEAO reserve requirements | Monthly | End of month + 4 weeks |
| | Bank prudential ratios | Monthly | End of month + 6 weeks |
| Balance of payments | Balance of payments | Annual | End of year + 12 months |
| | Revisions of balance of payments | Variable | 8 weeks following each revision |
| External debt | Breakdown of all new external borrowing terms | Monthly | End of month + 4 weeks |
| | Debt service, indicating amortization, interest payments, and relief obtained under the HIPC Initiative | Monthly | End of month + 4 weeks |
| PRSP | Share of poverty-reducing expenditure | Quarterly | End of quarter + 4 weeks |
| | Share of primary education in total outlays of the education sector | Quarterly | End of quarter + 4 weeks |
| | Gross enrollment ratio in the primary education, with its breakdown between girls and boys | Annual | Beginning of the next academic year +1 month (final) |
| | Percentage of the population having access to health care facilities within a radius of 15 kilometers | Annual | End of year + 2 months |
| | Rate of assisted births | Annual | End of year + 2 months |
| | Data on immunization rate DTCP3 of child below 1 year | Annual | End of year + 2 months |



Press Release No. 06/158
FOR IMMEDIATE RELEASE
July 19, 2006

International Monetary Fund
Washington, D.C. 20431 USA

**IMF Executive Board Completes Fourth Review Under Mali's PRGF Arrangement
and Approves US\$2.0 Million Disbursement**

The Executive Board of the International Monetary Fund (IMF) completed on July 14, 2006, the fourth review under the Poverty Reduction and Growth Facility (PRGF) arrangement for Mali. The completion of the review, which was undertaken on a lapse of time basis,¹ enables the release of a further SDR 1.3 million (about US\$ 2.0 million, or 1.4 percent of Mali's quota in the Fund) under the arrangement (see [Press Release No. 04/125](#)). This will bring the total amount drawn under the arrangement to SDR 6.7 million (about US\$9.8 million).

In completing the review, the Executive Board granted a waiver for the nonobservance of a structural performance criterion on civil service pension reform.

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

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