International Monetary Fund

Mali and the IMF

Press Release:
IMF Executive Board Concludes 2015 Article IV Consultation with Mali, Completes Fourth Review under the Extended Credit Facility Arrangement, and Approves US$5.5 Million Disbursement
December 3, 2015

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Mali: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

November 9, 2015

The following item is a Letter of Intent of the government of Mali, which describes the policies that Mali intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Mali, is being made available on the IMF website by agreement with the member as a service to users of the IMF website.

Letter of Intent

Bamako, November 9, 2015

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

Dear Madame Managing Director:

1. On December 18, 2013, the Executive Board of the International Monetary Fund (IMF) approved a three-year arrangement under the Extended Credit Facility (ECF) for Mali in an amount equivalent to SDR 30 million. The arrangement aims at supporting the government's policies to maintain macroeconomic stability and revive growth in 2014–16, with broad-based support from technical and financial partners for the country's renewal following the 2012 security and political crisis.

2. The attached Memorandum of Economic and Financial Policies (MEFP) discusses recent developments in Mali's economy and progress made in implementing our policies in 2015. As explained in the MEFP, all performance criteria and indicative targets at June 30 were met as well as all continuous performance criteria. Four out of five of the measures subject to structural benchmarks were implemented. In light of the budget execution during the first six months of the year and since then, the objectives of our budgetary programming for end-2015 approved at the time of the third review under the ECF arrangement are within our grasp. As a result, the government requests completion of the fourth review under the ECF arrangement and the disbursement of the fifth tranche of SDR 4 million. Although negotiations with creditors for non-concessional loans in the electricity sector are taking longer than envisaged, the government has decided to keep the non-concessional borrowing ceiling of CFAF 250 billion (USD 425 million) approved at the time of the third review for 2015 and to carry forward this ceiling to 2016. The government also requests modification of the performance criterion on non-concessional external borrowing in light of the new policy on debt limits that became effective in June 2015.

3. The MEFP also sets out the economic and financial policies for the rest of 2015. Pending the outcome of the Paris conference of October 22, 2015, where the government presented its strategy for implementing the Accord for Peace and Reconciliation in Mali (APRM), the government presented its 2016 draft budget to the National Assembly to implement its program of economic and financial policies for 2016. With oil taxation remaining at the level recorded during the first

quarter and measures taken to implement results-based management in tax revenue collection agencies, net tax revenue is set to rise by 1.5 percent of GDP in 2015 and 0.8 percent of GDP in 2016. With these revenue increases and the external aid expected, it will be possible to increase public spending on our strategies for promoting growth and reducing poverty and on the implementation of the APRM, while at the same time reducing the budget deficit (cash basis) from 4.3 percent of GDP in 2015 to 3.8 percent of GDP in 2016. In light of the outcome of the Paris conference, the government will prepare, if needed, at the time of the fifth review under the ECF arrangement, a draft supplementary budget during the first half of 2016 to take into account the new expenditure with a view to implementing the specific strategy for development of the Northern regions.

4. This MEFP also outlines the other economic and financial policies that the Malian government undertakes to implement this year in order to maintain macroeconomic stability, consolidate the economic recovery, step up the implementation of reforms with a view to improving public financial management, and facilitate private-sector development.

5. The government believes that the measures and policies set out in the attached MEFP are appropriate for attaining the objectives of this program and will take any further steps that might be necessary to that end. It will consult with the IMF on the adoption of such measures prior to any revision of the policies described in the attached MEFP.

6. The government will continue to provide IMF staff with any relevant information referred to in the Technical Memorandum of Understanding (TMU) concerning progress made under the program.

7. The government intends to make public the content of the IMF staff report, including this letter, the MEFP and the TMU attached, and the informational annex. It therefore authorizes the IMF to publish these documents on its website once the IMF Executive Board approves the fourth review of the three-year arrangement under the ECF.

Very truly yours,

/ s /

Mamadou Igor Diarra
Minister of Economy and Finance

Attachments:

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

Memorandum on Economic and Financial Policies

1. This memorandum on economic and financial policies (MEFP) presents recent developments and performance with respect to Mali's program of economic and financial policies implemented in connection with the three-year arrangement under the Extended Credit Facility (ECF).[1]

ECONOMIC DEVELOPMENTS IN 2015 AND PERFORMANCE WITH RESPECT TO ECF-SUPPORTED POLICIES

A. Economic Developments in 2015

2. Real growth is projected at 4.9 percent compared to 5.0 percent expected under the program, and after an already strong 7.2 percent in 2014. This change reflects a return to normal after the recovery of growth observed in the primary and secondary sectors in 2014. With good rainfall and the provision of agricultural inputs at the start of the growing season, agricultural production is expected to surpass the exceptional level seen in 2014 by roughly 4 percent. In the secondary sector, production is expected to increase by 2.4 percent. Tertiary sector production is expected to expand by 6.9 percent, driven by increased activity in the telecommunications and non-market services sectors. Consumer price inflation is forecast at 2.4 percent, compared to 0.9 percent in 2014.

3. The current account deficit (including grants) is expected to narrow to 2.8 percent of GDP compared to 5.5 percent under the program and 5.5 percent in 2014. The deficit is expected to narrow following the sharp decline in petroleum prices since mid-2014. The current account deficit is expected to be financed entirely by net capital inflows, mainly in the form of foreign aid and foreign direct investment. As a result, the overall balance of payments should post a surplus of CFAF 8.2 billion (US$14 million), contributing to the accumulation of international reserves by the same amount at the Central Bank of West African States (BCEAO).

4. The money supply is expected to grow by 13.6 percent, driven by credit to the economy and to the government.

5. In the banking sector, the risk-weighted capital ratio increased from 12.7 percent in December 2014 to 14.7 percent in March 2015. Aided by the government's efforts to repay arrears to its suppliers, the stock of past-due credits decreased from 18.9 percent of total credits (7.6 percent after provisions) in June 2014 to 16.3 percent (6.0 percent after provisions) in June 2015. The financial stability of the micro-finance sector improved slightly: the share of nonperforming loans declined from 8.8 percent in 2014 to 8.2 percent at end-June 2015.

[1] IMF Country Report No. 15/151. Mali: Third Review under the Extended Credit Facility Arrangement – Staff Report.

6. Tax revenue recovered during the first half of 2015, returning to program levels despite the underperformance seen in 2014.[2] Net tax revenue totaled CFAF 569 billion, an increase of 22 percent compared to June 2014. The increase reflects the intention to maintain petroleum taxation at the high level observed since the start of the year (¶ 23) and efforts to implement results-based management at the revenue-collecting agencies. Expenditures were substantially below the programmed level (by 37 percent) due to the low execution rate of capital expenditures. As a result, the basic deficit[3] and overall deficit were below programmed levels. The government took particular care to ensure that expenditures authorized at end-2014 for which payment was deferred to 2015—an unusually high total of CFAF 140 billion—were paid in full during the first half of the year, and that expenditures authorized in 2015 were timely paid. As a result, at end-June 2015, expenditures pending payment totaled CFAF 8.4 billion. With these efforts, the government intends to prevent any accumulation of arrears and support businesses' cash flows, thereby helping reduce banks' stock of nonperforming loans.

7. The overall fiscal deficit (cash basis, grants included) is programmed at 4.3 percent of GDP in 2015, compared to 5 percent of GDP programmed in 2015 and 2.8 percent observed in 2014. Gross tax revenue is unchanged with respect to the objectives set for in the 2015 supplementary budget (*Loi de finances rectificative*) approved by the National Assembly in June. Projected revenue and grants totaled CFAF 1407 billion (21.7 percent of GDP), below the programmed level (23.6 percent), following the downward adjustment of general budget assistance, in light of the status of negotiations with non-traditional partners, and to project capital expenditures financed from external resources, in light of the execution rates observed during the first half of the year (¶ 6). The government undertakes to under-execute domestically financed expenditures relative to the amounts provided in the 2015 supplementary budget by an amount equal to CFAF 42.6 billion (0.7 percent of GDP) to offset the CFAF 38 billion downward adjustment of general budget assistance and the upward adjustment of VAT credits to be refunded to mining companies. Accordingly, the projected basic deficit (CFAF 48.5 billion, or 0.7 percent of GDP) remains unchanged with respect to the supplementary budget. Despite the concentration of expenditure in the third quarter, the government undertakes to ensure strict adherence to fiscal rules in the execution of the budget.

B. Performance with Respect to ECF-Supported Policies

8. All of the performance criteria and indicative targets at end-June 2015 were met (Table 1):

- The ceiling on net domestic financing of the government by banks and the financial market was met. Considering the adjustors provided in the Technical Memorandum of Understanding (TMU),[4] net domestic financing of the government by banks and the financial

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[2] See IMF Country Report No. 15/151, ¶ 4.

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

[4] See IMF Country Report No. 15/151, page 68, ¶¶ 7–9.

market was exceeded by CFAF 177 billion (US$300 million or 2.7 percent of GDP) due to early payment of the float of outstanding invoices combined with under-execution of expenditure during the first half of the year (¶ 6).

- The zero ceiling on the cumulative increase in external payment arrears was met.
- The ceiling of CFAF 250 billion (US$424 million) on new external loans contracted or guaranteed by the government on non-concessional terms was met. The government did not contract or guarantee any non-concessional external loans.
- The floor on gross tax revenue was met. Gross tax revenue totaled CFAF 568 billion (US$964 million), exceeding the program total by CFAF 4 billion.
- The floor on the basic fiscal balance was met. Considering the adjustors provided in the TMU,[5] the floor was exceeded by CFAF 30 billion (US$61 million or 0.5 percent of GDP), largely due to the shortfall in customs receipts and delays in disbursing general budgetary assistance grants (¶ 6).
- The floor on priority poverty-related spending, i.e., domestically financed spending on education (basic, secondary, and tertiary), scientific research, health, and social development sectors (excluding transfers to the *Malian Social Security Fund* (CMSS)) was met. The floor was exceeded by roughly CFAF 30 billion (US$50 million or 0.5 percent of GDP).

9. Four out of the five measures defined as structural benchmarks were implemented; a one-year delay is proposed for the implementation of one measure (Table 2):

- The public sector oversight agency (Inspector General of the Public Sector, CGSP) conducted a compliance audit of contracts covered by the "defense secret" or "essential government interests" exemptions pursuant to Decree 2014-764/P-RM of October 9, 2014 establishing procedures applicable to procurements of goods, services, and works exempt from the public contracts code (¶ 36).
- The National Petroleum Products Office prepared a strategy to gradually eliminate the revenue losses identified in the petroleum products pricing structure (¶ 22).
- The Customs Administration (DGD) did not prepare an analysis of monthly reconciliation reports comparing taxes paid and outstanding per import declaration during the first half of 2015, because its contract with the inspection company does not provide for the production of monthly reconciliation reports. The government undertakes to amend the contract to obtain monthly reconciliation reports per declaration as from January 1, 2016. The DGD will prepare an analysis of monthly reconciliation reports comparing taxes paid and outstanding per import declaration during the first half of 2016 by August 31, 2016 (new proposed benchmark, Table 4).

[5] See IMF Country Report No. 15/151, page 67, ¶¶ 22–23.

- The Tax Administration (DGI) prepared a report comparing importer turnover declared to the DGI and the amounts declared to the DGD during 2012 through 2014
- The Directorate General of Public Debt (DGDP) prepared a detailed chart of the loan agreements supporting the execution of the 2015 supplementary budget and the 2016 draft budget with assistance from the IMF mission. The chart indicates the amount disbursed and the financial terms of each agreement, and will be annexed to the draft budget.

ECONOMIC AND FINANCIAL POLICIES FOR 2016

10. The 2012–17 Growth and Poverty Reduction Strategy Paper (GPRSP) adopted in December 2011; the 2013–18 Government Action Program (PAG) adopted in April 2013; and the Agreement for Peace and Reconciliation in Mali (APRM) signed in Bamako on May 15, 2015 and completed on June 20, 2015 serve as reference for the 2016-18 economic and financial policies:

- The objective of the GPRSP is to promote strong, sustained growth to significantly reduce poverty and provide a better standard of living for all Malians.[6] The GPRSP is based on five pillars: (i) strengthening peace and security; (ii) increasing macroeconomic stability; (iii) promoting stronger, sustainable, pro-poor growth aimed at creating jobs and increasing incomes; (iv) consolidating the long-term bases for development and facilitating equitable access to quality social services; and (v) strengthening institutions and governance.
- The PAG, prepared through a process involving all the ministries, focuses on six areas: establishing strong, credible institutions; restoring the security of persons and property throughout the national territory; implementing a proactive national reconciliation policy; rebuilding Malian schools; building an emerging economy; and implementing a proactive social development policy.
- The APRM provides for the creation of a Northern Regions Development Zone and the development of a specific development strategy to bring the northern regions' development indicators to the same levels as those of Mali's other regions. The government will prepare the strategy based on the needs assessment for the northern regions conducted jointly by the World Bank, the African Development Bank, and the Islamic Development Bank. A donor conference was held on October 22, 2015 in Paris to establish the Sustainable Development Fund, which will be the financial instrument for the development strategy.

11. Despite an uncertain international environment, Mali's economic outlook appears favorable in light of the signature of the APRM, the gradual restoration of security, and the support of Mali's technical and financial partners (TFP) following the Paris conference. The government's efforts, particularly in the agricultural sector, and the re-engagement of TFPs should lead to increased GDP growth in real terms at 5.4 percent in 2016, 5.1 percent in 2017, and 5.5 percent in 2018 through the effects on the construction and services sectors. The current account deficit (including grants) is

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[6] IMF Country Report No. 13/111. *Mali: Poverty Reduction Strategy Paper*.

expected to widen to 3.9 percent of GDP in 2016, in view of the continued economic recovery, and to be financed entirely by foreign direct investment in the gold and telecommunications sectors and by external assistance in the form of loans. The overall balance of payments is expected to be close to equilibrium during 2016-18. The implementation of prudent monetary and fiscal policies is expected to maintain inflation in line with the community convergence criterion of 3 percent per year, assuming sufficient rainfall.

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

A. Promote Growth through Prudent Fiscal Policy Aligned with the Priorities of the Growth and Poverty Reduction Strategy

13. The government intends to continue implementing sustainable fiscal policies in accordance with its commitments as a WAEMU member country. In particular, the government will adopt and implement a fiscal policy aimed at maintaining the basic fiscal balance close to equilibrium. Moreover, the government will maintain the overall fiscal balance (including project grants, sector budget support, and capital expenditure financed from external resources) at a level compatible with public debt sustainability, as indicated by the debt sustainability analysis conducted annually in cooperation with International Monetary Fund (IMF) and World Bank staff (¶51), and with the community convergence criteria of 3 percent of GDP to be met in 2018.

14. The execution of budget expenditures will reflect the priorities of the GPRSP, the Accelerated Development Program for the Northern Regions (PDARN), and the PAG (¶10). As proof of its determination to implement those priorities, the government undertakes to maintain spending in social sectors above a floor (proposed indicative target, Tables 1 and 3).

15. In the context of these commitments, the government proposes the following budget framing in 2016 for its ECF-supported program[7]:

- A total of CFAF 1566 billion, or 22.4 percent of GDP, is provided for revenue and grants, of which CFAF 1222 billion in net tax revenue, or 17.5 percent of GDP, compared to CFAF 1064 billion, or 16.4 percent of GDP, under the 2015 revised program (¶ 7). The framing also provides for sufficient resources to refund VAT credits (¶ 26).

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

- The proposed total expenditure and net loans is CFAF 1786 billion, or 25.5 percent of GDP, compared to CFAF 1568 billion, or 24.2 percent of GDP, in the 2015 revised program, of which CFAF 1533 billion, or 22.1 percent of GDP, from domestic resources, compared to CFAF 1359 billion, and 21.0 percent of GDP, in the 2015 revised program. The composition of expenditure is aligned with the GPRSP objectives, with 25 percent allocated to strengthening the education, health, and social sectors; 25 percent to the development of agriculture, water supply and distribution systems, public works, and urban development; 27 percent for defense and public administration; and 8 percent to development of the North of the country.[8] A provision of CFAF 25 billion is provided to pay the government's audited domestic arrears accumulated to suppliers during the spending freeze following the event of March 2012 (¶ 50).
- As a result, the target basic fiscal balance is a deficit of CFAF 52 billion, or 0.7 percent of GDP, compared to CFAF 49 billion, or 0.8 percent of GDP, in 2015. The target overall balance including grants (cash basis) is CFAF 242 billion (or 3.5 percent of GDP), compared to CFAF 276 billion and 4.3 percent of GDP in 2015.

16. Pending the results of the needs assessment of the North and the results of the Paris conference (¶ 10), the draft budget provides for CFAF 116 billion (US$198 million or 1.7 percent of GDP) to support the implementation of the APRM, distributed as follows:

- CFAF 52 billion from domestic resources, of which CFAF 39 billion allocated to the creation of entities provided by the APRM and development projects, and CFAF 13 billion to fund emergency measures; and
- CFAF 64 billion for investment projects in the transportation, energy, agriculture, and food security sectors as provided in the APRM, including CFAF 13 billion from domestic resources and CFAF 53 billion from external resources.

17. In light of the results of the Paris conference, the government will prepare a supplementary budget in the first half of 2016, if necessary, to provide for new expenditures to implement the specific strategy for development of the northern regions.

18. As provided by the APRM, the government undertakes to transfer 30 percent of budget revenue to the subnational jurisdictions (*collectivités territoriales*) by 2018. In 2016, the draft budget increases the share to 16.7 percent compared to 14.0 percent in the 2015 supplementary budget. The government plans to attain the 30 percent target by transferring a portion of decentralized resources (*resources déconcentrées*), i.e., expenditure by the central government through its regional and local agencies, which represents 23 percent of budget revenue in the draft budget. Specifically,

[8] The effective number of civil servants (excluding members of the army and regional government civil servants) has fallen by 2 percent between December 2014 and September 2015. This reduction in headcount has coincided with a 4 percent increase in nominal salaries (equivalent to a 3 point fall as a percentage of fiscal revenues). A small increase in the number of civil servants (1 percent) is expected in 2016, concurrent with a 9 percent increase in nominal salaries (equivalent to a 1 point fall as a percentage of fiscal revenues).

the decentralized resources will be transferred by devolving authority for central government personnel working in the regions to the regional authorities once the regional governing boards have been elected by universal suffrage.

19. The investment projects totaling CFAF 5500 billion (US$11 billion or 93 percent of GDP) for which memoranda of understanding were signed with foreign companies in September 2014 and regional integration projects in Mali totaling CFAF 1750 billion (US$3.5 billion or 30 percent of GDP), as presented by the WAEMU Commission in September 2014 in Dubai, are still at the preliminary study phase and therefore have no impact on the draft budget. Their implications for the public finances will continue to be analyzed during the preparation of future budget laws. The implementation of all of the projects will be subject to adherence to the government's commitments regarding financial sustainability, public debt, and good practices for public financial management assumed in the context of the ECF arrangement.

B. Improve Public Financial Management

20. The government will continue to improve public financial management, in particular by remedying the weaknesses identified by the 2011 PEFA assessment and technical assistance missions from the IMF Fiscal Affairs Department.

Strengthen revenue management

21. The government undertakes to increase tax revenue by a minimum of 1 percent of GDP in 2016 by implementing reforms to expand the tax base (performance criterion, Table 2). Specifically, the government intends to expand the reforms undertaken by the DGI, the DGD, and the National Directorate of Government Property and Lands (DNDC) and transform the culture of the revenue collecting units, in particular through ethical standards and performance-based management. In cooperation with economic partners, the government also intends to undertake efforts to improve the revenue-collecting agencies' civic-mindedness in regard to taxes.

Reform tax policy

22. The government intends to continue to phase out exemptions by implementing the following measures:

- As introduced in the 2013 budget, the inclusion of tables as annexes to the draft budgets identifying each exemption provided in the General Tax Code, the Customs Code, the Petroleum Code, the Investment Code, the Mining Code, the law governing property development, and all other laws or government decisions providing for tax benefits, with the respective legal basis of the exemption and the implementation date during 2013, 2014, and the first half of 2015, and the estimated loss of revenue for the government.[9]

[9] In 2013, total tax expenditure resulting from exemptions totaled CFAF 233 billion (US$466 million, or 4.2 percent of GDP), of which CFAF 162 billion (2.9 percent of GDP) in exemptions for taxes collected by the DGI and CFAF

(continued)

- Analysis of the central database of tax and customs exemptions to identify the total amount of exemptions by type of tax and by legal and regulatory source, expiration date, beneficiaries, and any other relevant information that was finalized in 2014. In 2014, the DGI identified 452 tax exemptions representing a tax expenditure of CFAF 147 billion (US$294 million or 2.5 percent of GDP), of which VAT exemptions represented 86 percent; financial transactions tax (TAF) exemptions, 10 percent; and corporate income tax exemptions, 4 percent. The tax expenditures by legal basis were as follows: General Tax Code (CGI), 52 percent; mining codes, 20 percent; ministerial decisions, 18 percent; Investment Code, 7 percent; specific agreements, 2 percent; public contracts, grants, and externally financed NGOs, 1 percent. The DGI will produce by February 28, 2016 a memorandum analyzing the exemptions compiled in the database by type of tax, legal or regulatory basis, economic sector, and expiration date; and the amount of the exemptions in 2015 for each of the above categories, identifying options to reduce the expenditures. The DGI will publish on its website a list of beneficiaries of tax exemptions (including those granted by the DGD), the duration of the exemptions, and associated tax expenditures for 2015, replacing the name of the beneficiaries with a unique identifier.
- To reduce customs fraud, approach the TFP to propose eliminating the tax exemptions for projects they finance; in 2014, these exemptions represented CFAF 45 billion (US$91 million, or 0.8 percent of GDP), of which CFAF 26 billion for the DGI and CFAF 19 billion for the DGD.
- Continue efforts to control discretionary exemptions and gradually reduce to a minimum the exemptions provided under the CGI, the Customs Code, the Investment Code, the Mining Code, the Petroleum Code, the real property development law, and all other laws or government decisions providing for preferential tax treatment, beginning with the 2016 budget.
- Considering the financial impact of these exemptions, contract the services of a private firm to audit the amounts and terms under which exemptions were granted from taxes collected by the DGI and the DGD in 2014 and 2015 by June 30, 2016 (proposed structural benchmark, Table 4).

23. To halt the erosion of tax revenue on petroleum products,[10] the government is implementing the following measures:

- calculation of retail petroleum product prices based on actual market values of imported products, as provided by Community's legislation; determination of the loss of revenue or

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71 billion (1.3 percent of GDP) for taxes collected by the DGD. In 2014, the total tax expenditure representing exemptions totaled CFAF 206 billion (US$351 million or 3.4 percent of GDP), of which CFAF 147 billion (2.4 percent of GDP) for taxes collected by the DGI and CFAF 59 billion (1 percent of GDP) for taxes collected by the DGD of which CFAF 37 billion in VAT (US$63 million or 0.6 percent of GDP).

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

potential revenue attributable to setting retail prices below the prices indicated by that calculation; and publication of this presentation of the price structure;

- presentation, in budget laws, of the potential loss of revenue on petroleum products during the preceding year based on the revenue loss per unit resulting from the price structures, by main road, product, and liter;[11]
- implementation of a pricing mechanism that ensures that changes in the cost of imported petroleum products are fully reflected in pump prices within a margin of 3 percent per month[12]; implementation of this mechanism could be suspended in the event of successive, particularly steep increases in petroleum product costs;

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

25. *With assistance from the IMF Topical Trust Fund on Managing Natural Resource Wealth, the government hopes to increase receipts from mining and petroleum resources while improving the competitiveness of the business environment in Mali*. The mining and petroleum codes will be modernized in light of current international standards. The government submitted a new Petroleum Code which was promulgated in July 2015. It will introduce amendments to the Mining Code by end-2015. In this context, it will take steps to reduce the tax stability period from 30 to 15 years, in line with the average length of time deposits are exploited. To increase the government's share of income from mining operations, the government plans to retain specialized firms to audit mining contracts and identify any cases of tax avoidance and tax optimization. It plans do to the same with telephone companies. It also plans to strengthen the capacities of DGI and DNDC staff in auditing the companies' tax returns. Finally, to increase transparency in the mining sector, the government has published all mining and petroleum contracts on the Ministry of Mines website and will publish the feasibility studies pertaining to companies currently in the production phase by end-2015.[13]

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[11] During the first seven months of 2014, petroleum product consumption subsidies are estimated at CFAF 22 billion (US$44 million or 0.4 percent of GDP). For the 12 months of the year they are projected at CFAF 38 billion (US$76 million or 0.6 percent of GDP).

[12] See IMF Country Report No. 14/31, p. 23, ¶22.

[13] See www.mines.gouv.ml.

Reform the tax, customs, and government property administrations

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

- To ensure that VAT credits are timely refunded, a special allocation account was created to be used exclusively for refunding VAT credits. The account will continue to be funded by the full amount of VAT revenue paid by mining companies and their subcontractors on imports, and 10 percent of domestic VAT revenue, or more if needed: the Ministry of Economy and Finance (MEF) issued a directive indicating that if the balance of the account is insufficient to cover the refund of VAT credits, the contribution of VAT revenue collected by the DGI can be increased by the amount required. This mechanism will ensure that VAT credits are effectively and regularly refunded, in accordance with Community legislation, to exporting gold companies and to all other companies that generate VAT credits, with the exception of resellers at this time. VAT refunds owed to gold mining companies for 2014 total CFAF 56 billion, of which CFAF 30 billion was refunded in 2014 and CFAF 26 billion in 2015. In addition, the government refunded CFAF 49 billion in VAT credits from prior years. In 2015, the estimated total VAT credits to be refunded to gold mining companies for fiscal year 2015 is CFAF 67 billion, of which CFAF 50 billion will be refunded in 2015 and CFAF 17 billion during first quarter 2016. In 2016, the estimated total VAT credits to be refunded to gold mining companies for fiscal year 2016 is CFAF 65 billion, of which CFAF 49 billion will be refunded in 2016 and CFAF 16 billion during first quarter 2017. The DGI has produced a table of VAT credits by company from the time of issuance to refund, indicating the mode of payment (by offset or cash) for fiscal years 2013 and 2014 and the first half of 2015.

- *To ensure that the process of refunding VAT credits operates efficiently*, submit a formal request to the Section of Accounts of the Supreme Court to conduct an audit to ensure that the amounts refunded and the refund process are consistent with applicable laws by June 30, 2016.

- *To avoid the accumulation of VAT credits by domestic operators, VAT withholding at source will be completely abolished on January 1, 2017*. VAT withholding at source was eliminated for large businesses on December 31, 2011. Beginning January 1, 2016, withholding will also be eliminated for the Treasury. To ensure that the elimination of VAT withholding does not result in loss of tax revenue, the DGI: (i) conducted a communication campaign directed to suppliers of large businesses on VAT reporting and payment obligations, and will conduct a similar campaign for all government suppliers by end-October 2016; (ii) will conduct heightened monitoring of VAT payments by suppliers to large businesses immediately, and by suppliers to the government once VAT withholding is eliminated for those suppliers; and (iii) will systematize production of the annex on deductible VAT included in the VAT returns of taxpayers managed by the DGE and make better use of the information contained in the annex.

- *To increase the number of businesses that effectively pay VAT,*[14] the DGI will expand the campaign of selective audits of VAT credits, beginning with businesses whose activity should not systematically generate VAT credits (particularly commercial activities and service providers). It produced a report on the interim results of the audits in 2015 and will produce another report of the results by February 28, 2016. To this end, the DGI will continue, with support from AFRITAC West, the training of staff assigned to research, targeted VAT audit, and audit of VAT credits.

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

- *Implementation of multidisciplinary audits.*
  - The Joint Economic and Financial Intelligence and Investigation Committee (CMRIEF) was established on March 15, 2012, to improve the effectiveness of tax audits and identify new taxpayers using, notably, all the databases of taxpayers and economic operators available to the DGI, the DGD, the DNDC, the DGABE, and the Directorate General of Public Contracts and Delegation of Public Services (DGMP-DSP).
  - By comparing imports declared to the DGD and turnover reported to the DGI, the CMRIEF determined that over 80 percent of importers, or roughly 1,000 businesses, appear to have understated their turnover to the DGI in 2009, 2010, and 2011 by an estimated total of CFAF 500 billion per year. On June 30, 2015, the DGI issued tax adjustment notices to 139 taxpayers for a total of CFAF 273 billion (US$464 million or 4.2 percent of GDP), of which CFAF 30 billion (US$51 million or 0.5 percent of GDP) was recovered following the verification program. The DGI will update the analysis for the years 2012-2014 by August 31, 2015. For fiscal years 2012, 2013, and 2014, a comparison of figures for imports declared to the DGD and revenues declared to the DGI suggests that about 59 percent of importers would have understated the revenues they declared to the DGI.
  - By comparing the public contract amounts in the DGMP database with turnover reported to the DGI, the CMRIEF determined that over 90 percent of government contractors, or roughly 450 businesses, reported turnover that appears to be lower than the value of the contracts awarded to them in 2010 and 2011. On June 30, 2015, the DGI issued tax adjustment notices to 17 taxpayers for total at CFAF 36 billion (US$61 million or 0.6 percent of GDP), of which CFAF 1.3 billion was recovered following the verification program.

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

- The DGI has added these importers to its audit program, beginning with the businesses with the largest amounts apparently underreported in absolute terms. It regularly submits reports of the interim results of the audit program to the Council of Ministers. Since the second half of 2014, the DGI has included the recipients of government contracts in its audit program and provided an interim report on this subject to the Council of Ministers on September 10, 2015. It will submit a new report to the Council of Ministers covering importers and government contract awardees by February 28, 2016.

- *Improving DGI effectiveness*

  - *Change in the DGE and DME turnover thresholds to streamline taxpayer administration.* To improve management of taxpayers and expand the number of taxpayers managed by the DGE and the DME, the Council of Ministers adopted an order raising the DGE turnover threshold from CFAF 500 million to CFAF 1 billion, and will adopt an order reducing the DME turnover threshold from CFAF 100 million to CFAF 50 million as of January 1, 2016. This change will improve the DGE's management and control of businesses, will quickly increase the number of taxpayers managed by the DME, and will improve management of the VAT by assigning all responsibility for this tax to the DGE and the DME effective January 1, 2016, given that the annual turnover threshold for payment of VAT is CFAF 50 million.
  - *Promoting tax compliance*. In October 2011 the DGI began publishing the lists of taxpayers managed by the DGE and the DME, respectively, on the MEF website.[15] It updates the lists on a regular basis so that the public can appreciate the results of efforts to expand the tax base. As of March 2014, the DGE handled 474 taxpayers, the DME handled 1,411 taxpayers, and the tax centers (CDIs) for the six communes of Bamako handled 49,665 taxpayers. As of August, 2015, the figures increased, respectively, to 536 for the DGE, 1,847 for the DME, and 55,839 for the Bamako CDI.
  - *Increase in the number of taxpayers managed by the DME*. Using mainly the results of audits arranged following the CMRIEF reports, the DGI has begun to increase the cumulative number of taxpayers managed by the DME to 2,250 by end-2015 to increase the proportion of DME revenue to DGI revenue from 5.2 percent in 2014 to 10 percent as quickly as possible. To achieve this objective, the DGI plans an institutional reform to convert the DME into one or more medium-size taxpayer centers (CME), which will come under the supervision of the Bamako District Directorate of Taxes beginning March 31, 2016.
  - *Introducing the capability to pay taxes to the DGE and DME via bank transfer*. To simplify and ensure the security of tax payments, the DGI is taking steps to gradually allow DGE and DME taxpayers to pay their taxes by bank transfer; as at August 31, 2015, 78 taxpayers had paid their taxes by bank transfer. The DGI undertakes to collect taxes from taxpayers managed by the DGE via bank transfer by August 31, 2016.

[15] http://www.dgi.gouv.ml/contenu_documentation.aspx?type=4.

- *Enhancing the accountability of tax collectors*. The government undertakes to enact measures to convert tax collectors, who are de facto government accountants, into full-fledged government accounting officers, so that they fully assume their tax collection responsibilities.
- *More effective tax audits*. The DGI undertakes to increase the proportion of large businesses audited annually from 19 percent in 2014 to 25 percent in 2015 and 30 percent in 2016. It undertakes to increase the ratio of medium-size businesses audited annually from 14 percent in 2014 to 20 percent in 2015 and 25 percent in 2016. The DGI undertakes to reduce the non-filer rate among medium-size businesses from 26 percent between January 2012 and April 2013 and 25 percent in 2014 to less than 10 percent in 2015 and 2016. To accomplish this, the DGI undertakes to complete the task of locating the 657 DME taxpayers who have not responded to DGI correspondence. The DGI undertakes to reduce the non-filer rate among taxpayers managed by CDIs from over 70 percent between January 2012 and April 2013 and 35 percent in 2014 to less than 15 percent in 2015 and 2016.
- *Identification of all taxpayers, including businesses and individuals, through the use of a national identification number (NINA)* to facilitate business creation and modernize tax administration. The government undertakes to conduct a feasibility study for the migration, taking into account the expertise gained since the taxpayer identification number (NIF) was introduced in 1996, by December 31, 2015.
- *Implementation of measures to improve tax dispute practices* in line with the recommendations of the World Bank technical assistance mission by June 30, 2016. The measures will include the establishment of a joint mediation committee (composed of representatives from the private sector and tax administration) chaired by an independent individual; the appointment of a tax mediator charged with receiving and reviewing taxpayer complaints against members of the revenue-collecting agencies' staff; and the establishment of taxpayer rights to bring disputes before the BVG or the Anti-Corruption and Unlawful Enrichment Commission when it becomes operational.

- *Improving DGD effectiveness:*
  - The DGD will carry out its action plan to implement the recommendations of the June 2013 technical assistance mission by the IMF Fiscal Affairs Department.[16] The action plan aims to: (i) optimize human resource management; (ii) improve management of material and financial resources; (iii) control commercial operations; (iv) step up efforts to combat fraud and cross-border crime; (v) facilitate trade and partnership; and (vi) optimize information and communication technologies through migration to the ASYCUDA World system. The purpose of this migration is to allow all customs documents to be processed in paperless form and to institute a fully electronic customs declaration system.

[16] See IMF Country Report No. 13/355.

- ➢ To increase customs duty collection, the DGD informed operators that it would impose a 30 percent fine on imports not inspected prior to loading, in accordance with applicable laws. The DGD will ask the inspection company to provide monthly reconciliation reports comparing duties paid and receivable by declaration, and will analyze them for the purpose of increasing collections by August 31, 2016 (¶ 9, proposed benchmark, Table 4).
- ➢ *Introducing the capability to pay customs duties to the DGD via bank transfer*. To simplify and ensure the security of customs duty payments, the DGD and DNTCP are taking steps to collect customs revenue by bank transfer by August 31, 2016.
- ➢ To help maintain the competitiveness of Malian businesses, the DGD will systematically verify WAEMU and Economic Community of West African States (ECOWAS) certificates of origin in cooperation with the issuing authorities and will draft an interim report on the results of verification by February 28, 2016. If the WAEMU and ECOWAS certificates of origin are found to be inapplicable, the DGD will collect the duties according to the tariff preference and will deposit the remainder in accordance with applicable rules.

- *Modernizing the DNDC*. The DNDC will continue to implement the recommendations of the organizational audit sponsored by the Institutional Development Commission (*Commissariat au development institutionnel*) on modernizing its organization and automating processes. The DNDC will take steps to increase the collection of capital gains tax on real estate sales by individuals, which was first assessed in October2011. The measures will include rationalizing recording fees and other fees and commissions on real estate transactions. It will continue efforts to establish the land registry and will create a secure archiving system. It undertakes to migrate 4,000 property titles already digitized in the cadastral information system database by end-December 2015 in addition to the 1500 titles recorded to date. It undertakes to migrate an additional 50,000 titles in 2016.
- *Modernizing the DGABE*. The MEF will modernize the DGABE through the introduction of modern management tools such as results-based management (RBM), greater use of IT (use of inventory accounting software in the accounting offices of ministries and public institutions), and implementation of reforms for better monitoring and appraisal of the government portfolio.

Improve expenditure management

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

Transpose the harmonized legislative framework prescribed by WAEMU directives

29. The government transposed WAEMU directives 01/2009 and 06/2009 through 10/2009 concerning the transparency code, budgets, public accounting, budget nomenclature, the government chart of accounts, and the TOFE into national laws and regulations. The government also undertakes to transpose Directive 01/2011 concerning the subnational jurisdictions' financial regimes in 2015. The government will ensure that the regulatory texts are published by December 31, 2015. They will be accompanied by directives and guides to ensure they are readily and

uniformly understandable in order that they can be implemented as they become available between now and the end of 2015.

Improve government budget preparation

30. To improve the budget presentation and facilitate evaluation of the efficiency of public expenditure, the government will gradually implement program budgets and results-based management in accordance with the relevant WAEMU directive. A first step to test the budget management tools will be the presentation of the 2016 budget law to the National Assembly for information in the form of program budgets. During a transition period, the government will submit not only the annexes prescribed by the directive, but also, for information, the distribution of appropriations under the current resource-based budget and the distribution of appropriations by region.

31. To gain visibility of budget support from the TFPs as early as possible, the government will ask the TFPs to provide information in April on the budget support planned for the following year.

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

Improve government budget execution

33. To ensure compliance with budget rules and with good practices for governance and transparency in public financial management, the MEF will begin appointing directors of finance and equipment and administrative and financial directors in the ministerial departments beginning with the 2016 budget execution (proposed structural benchmark, Table 4). It will remind operators through the media that only contracts that have been approved in advance by the financial controller are binding on the government. The government has produced a report on off-budget spending during the first seven months of the year and will produce a new report covering the entire year before February 28, 2016. During the first 7 months of 2015, off-budget expenditure has been estimated at CFAF 806 million (0.01 percent of GDP).

34. Pursuant to Community directives, the following closing dates have been established for 2015 budget execution: November 30, 2015 for commitments of operating expenditures, investment expenditures, and expenditures under petty cash procedures; December 20 for commitments of other expenditures; December 31 for payment orders; and January 31, 2016 for government accountants' acceptance of payment orders, approval, and ex post validation. Under this arrangement, the carryover period will be limited to accounting operations. A memorandum on closing procedures was issued on September 8, 2015 indicating the deadlines for commitments and validation in preparation for the closing of commitments on November 30, 2015.

35. *To increase transparency and expedite the award of public contracts*, the DGMP-DSP will take steps to increase the amount of information on contract awards published on its website,[17] in line with practices observed in neighboring countries. The DGMP-DSP will publish a list of government contract awards at regular intervals, specifying for each contract the contractor, the contract amount, the type of procurement procedure (e.g., open or restricted competition or direct negotiation), and a citation to the provision of the public procurement code supporting the procurement procedure used.[18] To reduce the average time required to award contracts,[19] the government adopted the following measures in April:

- improve requirements planning by forwarding procurement plans to the DGMP-DSP in September (instead of November 30 under current practice) and allow procurements to proceed to the point of provisional award pending approval of appropriations, which represents a gain of two months in terms of planning and processing; in this context, the Minister of Economy and Finance asked all contracting authorities to prepare their 2016 procurement plans and forward them to the DGMP-DSP no later than September 30, 2015;
- increase the signature and approval thresholds to increase the accountability of contracting authorities;
- reduce the regulatory time frames provided for the various public procurement stakeholders from 108 to 80 business days, a gain of 28 business days;
- reduce the number of contract signatories from seven to four;
- eliminate the dual review of externally funded contracts;
- reduce the number of mandatory administrative documents required of candidates and bidders for public contracts;
- in accordance with the Accra Agenda and to improve the project implementation rate, the African Development Bank conducted an evaluation of Malian national contracting procedures that found that the procedures adhered to principles of economy, efficiency, and transparency in procurement and applicable best practices, and on that basis signed a letter agreement on July 17, 2014 with the Malian government authorizing the use of national procurement procedures in national competitive bidding; and finally

[17] See www.dgmp.gov.ml.

[18] In 2014, the government awarded 1352 public contracts for a total of CFAF 266 billion (US$539 million, or 4.5 percent of GDP), 85 percent of which were awarded pursuant to competitive bidding (90 percent in terms of value), 3 percent through limited competition (3 percent of value), and 7 percent through direct negotiation (12 percent of total value). During the first six months of 2015, the government awarded 317 public contracts for a total of CFAF 64.5 billion (US$110 billion or 1 percent of GDP), of which 87 percent were awarded pursuant to competitive bidding (65 percent in terms of value), 16 percent through limited competition (2 percent of value), and 27 percent through direct negotiation (33 percent of total value).

[19] The average time required to award contracts was reduced from 94 days in 2013 to 90 days in 2015 and 87 days during the first six months of 2015.

- to further improve the business environment, the public contracting authority presented a proposed new public contracts code to the government, which approved it in August 2015. The government recognizes the risk of incorrect interpretation of the provision in this new code concerning unsolicited bids. Therefore, the government has improved, in collaboration with the World Bank, the implementing regulations of the new code to take into account the amendments deemed necessary by the World Bank concerning the possibility for suppliers to make unsolicited bids. The scope of unsolicited bids has thus been limited in the implementing regulation signed on October 22, 2015. The government undertakes to modify this provision of the code in a durable manner, in consultation with the World Bank. Thus, a revised code will be approved by the Council of Ministers by end-August 2016.

36. To minimize the price of all government supplies, the government has executed all exempt contracts designated as "defense secret" or "essential government interests" pursuant to Decree 2014-764 of October 9, 2014—identical to the version of the same decree adopted by the Council of Ministers on September 19, 2014—(establishing the rules and procedures for procurements of supplies and services exempt from the provisions of Decree 08-85/P-RM of August 11, 2008 concerning the award, performance, and payment of public contracts and delegations of public service) since the adoption of the decree. As provided by the decree, the public sector oversight agency (*Contrôle Général des Services Publics*, CGSP) will audit all exempt contracts designated as "defense secret" or "essential government interests" from the previous year by June 30 of the following year to verify that they have been implemented in accordance with the decree (¶ 9). The CGSP report on exempt contracts between October 9 and December 31, 2014 indicated that exempt contracts in the amount of CFAF 1.5 billion (US$2.6 million) were awarded and that irregularities were found in the award and performance of those contracts. The government undertakes to execute all exempt contracts in accordance with Decree 2014–764. The MEF will send a letter to the ministers concerned to remind them of the need to comply with the decree. In 2016, the CGSP will prepare an audit of exempt contracts from 2015 by February 29, 2016, i.e. by the June 30 deadline provided by the decree (proposed benchmark, Table 4).

37. *To maximize returns on public investment and minimize the associated costs*, the Directorate General of Budget (DGB), the National Directorate of Development Planning (DNPD), and the General Directorate of Public Debt (DGDP) will:

- accelerate the sector ministries' implementation of investment projects for which the execution rate was 20 percent during the first half of 2015; to this end, increase project supervision missions to address the risks and constraints that slow execution down; in this regard, the DNPD undertakes to conduct supervision missions with the DGDP for at least 100 projects in 2016, compared to 29 projects in 2015;
- evaluate the cost of projects proposed by sector ministries with the help of a market price list posted on the MEF website on March 15, 2015[20];

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

- provide access to information on project financial execution: the DNPD and the DGDP undertake to publish quarterly information on the financial execution status of externally financed projects;
- improve the quality of project preparation through the use of the project studies and preparation fund and by conducting a study in 2016 to define all strategic infrastructure projects critical to the Malian economy;
- implement the public investment management application, beginning with the project programming and finance component in 2016 and the monitoring and evaluation component in 2017;
- continue redirecting appropriations to favor the completion of key projects, giving priority to projects with certain, programmed financing that can begin quickly; and
- strengthen the sector ministries' expertise and the DNPD's capacities for critical review in selecting investment projects.

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

- The 2013 budget introduced the budgeting of commitment authorizations (AEs) and payment appropriations (CPs) relating to three-year public investment expenditures. On that basis, the MEF is arranging to monitor the utilization of AEs and CPs through the PRED5 expenditure management application.
- Starting with implementation of the 2016 budget, the procedure for carrying over CPs will take effect under a mechanism providing for full implementation of the carryover procedures established by WAEMU directives, which allow only guaranteed CPs included in the cash flow plan to be carried over.

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

40. The government will continue to implement the recommendations of BVG audit reports and those of the Supreme Court audit section on the purchase of an aircraft and a contract for equipment and supplies awarded by the Ministry of Defense and Former Combatants.[22] In line with those recommendations, the government has registered the aircraft acquired in 2014 and undertakes to record it in the government's material accounting system. The government will take steps to review the aircraft's operating mode.

[21] www.finances.gouv.ml.

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

Improve fiscal transparency

41. To improve transparency in regard to the government's fiscal, liquidity, and asset position, the DNTCP will gradually implement the new WAEMU directive on the TOFE and other financial statements. To ensure an orderly transition to the new TOFE, the DNTCP will produce the TOFE during 2015–17 using the 1998 and 2009 nomenclatures. In 2015 and 2016, program monitoring will continue to be based on the 1998 TOFE. Beginning in 2018, the DNTCP will produce the TOFE using only the 2009 nomenclature to monitor budget execution, and any new program with the IMF will be based on the 2009 TOFE. In 2016, the DNTCP will first focus its attention on producing three of the four financial statements provided by the 2009 directive: (i) the TOFE; (ii) the statement of public debt; and (iii) the report on cash flow operations. The fourth financial statement, i.e. the government balance sheet, will be produced for the first time in 2015 based on the position as at end-2014.

42. *Implementation of the new Treasury integrated accounting application, AICE, will continue*. The application was installed in the Koulikoro regional treasury office in January 2013 and will be implemented at the Treasury Central Accounting Agency (ACCT) as regional government accounting office by January 1, 2016. Installation and testing of the various functions at the Kayes, Ségou, Sikasso, Mopti, Tombouctou, Gao, and Kidal regions, and of the component consolidating national budget execution and real-time accounting with accounting offices at the ACCT, will be completed by end-2016. The AICE implementation at the ACCT will allow consolidated statistical reports to be produced for all government entities connected to the system, including the integrated Treasury balance and TOFE, by January 1, 2017.

Improve cash flow management

43. The DNTCP will prepare a monthly cash flow plan at the beginning of the year and update it each month to ensure that expenditures and payments are executed on a timely basis throughout the year. The plans will be updated each month to reflect revenue collected, expenditures executed, and external financing disbursed.

44. The DNTCP will continue the current efforts to develop a more accurate understanding of the components of the net government position (NGP) vis-à-vis the banking system.[23] It regularly publishes reports on the MEF website analyzing activity in PNG components, breaking out activity in the most important components of the net Treasury position (NTP) and the net position of other government entities (PNACP).[24] These reports present the opening and closing stocks and identify all owners of the accounts included in the PNACP. The DNTCP will update the tables every six months. The report for end-December 2015 will be available before February 28, 2016. The BCEAO

[23] As of June 30, 2015, the net government position (NGP) vis-à-vis the banks was a creditor position of CFAF 7 billion (US$12 million or 0.1 percent of GDP) for the government as broadly defined in the WAEMU directive on the Table of Financial Operations. That figure includes a net Treasury liability position of CFAF 176 billion (US$299 million or 2.7 percent of GDP) and a net creditor position of CFAF 183 billion (US$311 million or 2.8 percent of GDP) for other government entities.

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

will continue to provide the DNTCP with the NTP extracted from the monetary survey for the purpose of compiling the TOFE, in accordance with applicable WAEMU directives.

45. *The DNTCP will continue the implementation of the Treasury single account (TSA) at the BCEAO*. The first step, completed December 31, 2014, was the transfer to the TSA of the accounts of government accounting officers within the scope of the PNT, except officers assigned to regions where the BCEAO does not maintain a presence. All term accounts within the scope of the NTP were transferred to the TSA as they matured. However, if the DNTCP has a cash surplus, it will invest it in term deposits with commercial banks so long as the interest rates on those deposits exceed the BCEAO lending rate, as occurred during the first half of 2015 when the cash surplus was placed in a three-month term deposit paying 4 percent after taxes. In the second step, to be gradually implemented in 2015, the funds of administrative public entities (EPA), which are responsible for implementing government policy under the government's direct supervision and receive most of their funding from the government, will be incorporated in the TSA. As at June 30, 2015, those funds represented roughly CFAF 203 billion. The obligation to deposit EPA funds with the Treasury will be clearly reestablished and upheld in accordance with the principle of a single Treasury account and consolidation of cash holdings cited by the 2009 WAEMU directive on the subject. The exceptions will be public hospitals, as provided by Law 02-050 of July 20, 2002; the two pension fund administrators (CMSS and the National Social Insurance Administration (INPS)) and the national health insurance fund (CANAM), which are jointly held entities over which the government does not exercise direct control; and EPAs that do not receive government subsidies. The government will introduce proposed legislation to clarify existing provisions governing the deposit of EPA funds with the Treasury by December 31, 2015. In the interim, the government will combine the Malian counterparties to new co-financed projects in an escrow subaccount at the BCEAO for projects whose donors agree to the principle.

46. *The DNTCP will tighten supervision of EPAs*.[25] In January 2005, the government required all EPAs to adopt the accounting system developed by the DNTCP. The DGB will ensure that each EPA forwards its budget to the minister of finance for approval at the beginning of each fiscal year. The DNTCP will receive the EPAs' semiannual budget execution reports. The MEF will advise the EPAs that it will not approve their 2016 budgets until they have forwarded their financial statements for the first half of 2015 to the DNTCP. In 2016, the EPAs will be required to release financial statements including semiannual intermediate results (*résultat semestriel intérimaire*).

Strengthen internal and external control

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

[25] Of the 103 EPAs, only 11 have an accounting framework approved by the MEF; 73 forwarded monthly financial statements to the DNTCP in 2015 compared to 65 in 2014 and 43 in 2013.

- In the area of internal control, the CGSP prepared a risk map for the ministries of health, agriculture and rural development, national education, and equipment and transport.
- The National Financial Oversight Directorate (DNCF) will carry out new missions arising from the implementation of WAEMU directives (¶ 30), i.e., ex ante control of expenditure, ex post evaluation of program performance, and continued decentralization of activities. In addition, the DNCF will produce regular reports on the verification of services received.
- In the area of external control, the BVG programmed 29 inspections in 2015 and 36 in 2016, compared to 27 in 2014 and 20 in 2013. It audited all expenditures of the Ministry of Defense and Former Combatants from 2010 to mid-2014.
- The staff of the Supreme Court audit section will be increased. This section will be converted to a Court of Audit in accordance with the relevant WAEMU directive as soon as possible.

48. The government's annual financial statements will be produced and audited on a regular basis, as provided by applicable Community directives. The National Assembly approved the budget review laws for fiscal years 2008 through 2011. The government submitted proposed budget review laws for fiscal years 2012 and 2013 to the National Assembly. It will adopt the proposed budget review law for fiscal year 2014 before end-2015, as provided by the relevant community directives.

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

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

Conduct a sustainable borrowing policy

50. The government will continue to conduct a borrowing policy consistent with the objective of debt sustainability (¶ 13).

- The debt sustainability analysis conducted with IMF and World Bank staff concluded that the risk of debt distress continues to be moderate. The analysis also confirms that the sustainability of Mali's debt is highly sensitive to the price of gold (which represents 60 percent of exports, with production expected to decrease in the medium term), the financial terms of loans, and the continuation of sustainable fiscal policies.
- Accordingly, the government reiterates its commitment to cover its external financing needs primarily through grants and loans in foreign currency for which the grant element is at least 35 percent. The government proposes a cumulative ceiling of CFAF 250 billion (US$426 million, or 3.6 percent of GDP) for the contracting of non-concessional loans in

2015–16. This corresponds to four loans totaling CFAF 200 billion from Exim Bank of China (for which the grant element is 29 percent) that will finance investments in transportation and electricity distribution that the World Bank considers aligned with the sector development policy, and loans totaling CFAF 50 billion for projects with high rates of return, to be identified, and for which financing is not available under concessional terms; IMF staff will be consulted prior to the signature of these loans (continuous proposed performance criterion, Tables 1 and 3).

- *To prepare for implementation of the new public borrowing policy and IMF-supported programs*, which took effect June 30, 2015, the Directorate General of Public Debt (DGPD) prepared a detailed chart of loan agreements that will support execution of the proposed 2015 supplementary budget and the 2016 draft budget. The chart identifies the amount disbursed and the financial terms of each loan agreement and will be annexed to the 2016 draft budget (Table 5). Under the borrowing plan, the government requests a cumulative ceiling of CFAF 250 billion for 2015-16 (see previous bullet point, proposed performance criterion, Tables 1 and 3) and notes, for reference, the ceilings of CFAF 557 billion on concessional borrowing for the same period. The government reserves the right to revise these ceilings at the time of the next ECF review provided they remain compatible with the debt sustainability analysis. To improve debt management, the DGDP will prepare a report on the implementation of recommendations from the West AFRITAC October 2014 technical assistance mission to improve the quality of the public debt database, including an action plan with a detailed timetable for implementation of all the recommendations (proposed structural benchmark, Table 4).
- *To closely monitor its borrowing policy*, the government launched the National Public Debt Committee by decision of March 24, 2014. The committee's principal functions are to provide an opinion on any initiative or plan for government borrowing or the provision of a government guarantee and to produce an annual borrowing strategy document to be annexed to the budget law.

51. Domestic debt management will be strengthened.

- To this end, the DGDP will compile an inventory of all government domestic loan agreements and all government commitments to guarantee domestic debt to ensure that the repayment schedules are included in the public debt data and budget laws.
- The government will include an annual ceiling on increases in the total amount of guarantees the government is permitted to provide in the draft budgets submitted for approval by the National Assembly. In accordance with applicable laws and budget procedures, the 2016 draft budget will provide for a provision of 10 percent of risk falling due, i.e., the amount of guaranteed debt maturing in 2016.
- The government retained a firm to audit domestic arrears accumulated by the government during the spending freeze following the 2012 coup and in previous years since 1995. The audit identified a total of CFAF 206 billion in arrears (3.2 percent of GDP), of which 47 percent were accumulated in 2012 and another 28 percent during 2010 and 2011. Of the

total, CFAF 166 billion (2.6 percent of GDP) was validated by the consultant based on information provided by the administration. The government already paid CFAF 82 billion of the validated arrears, CFAF 36 billion of which in 2013 and CFAF 46 billion in 2014. To pay the remaining CFAF 84 billion, the government included a CFAF 27 billion provision in the 2015 proposed supplementary budget and a CFAF 25 billion provision in the 2016 draft budget (¶ 15). The validated arrears include a CFAF 34 billion court judgment against the government, which will review the matter by February 28, 2016 to determine whether it has exhausted all its appeals. If so, the government will include appropriations in the 2016 draft budget to pay the corresponding arrears. Before paying the full amount of its arrears, the government will ensure that the taxpayers concerned do not owe back taxes, and if so the government will withhold the amount of the tax arrears from the payments to its suppliers. The government has requested a supplementary audit by the firm, to be provided by February 28, 2016 if possible, to provide creditors of invalidated debts totaling CFAF 40 billion the opportunity to supplement their dossiers. If necessary, the government will include appropriations in the 2016 proposed supplementary budget to pay any additional validated arrears.

C. Improve Economic Statistics

52. The National Statistics Institute (INSTAT) published new national accounts based on SNA 1993 for the years 1999–2013 by August 31, 2015. As a result, GDP was adjusted upward by an average of 15 percent. The government will use the revised series in monitoring the implementation of its economic and financial policy beginning January 1, 2016.

D. Improve the Business Environment to Encourage Private Sector Development

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

54. The government will take measures to mobilize resources for infrastructure investment and simplify tax legislation (¶ 24). In addition, it will take the measures described below to maintain the stability of the financial sector and improve access to financing provided by the sector, improve the financial position and productive capacity of the electricity sector, and reduce corruption.

Promote the stability and development of the financial sector

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

- Provide security for bank branches that have reopened in Northern Mali since August 2013.

- Complete the restructuring of the Malian Housing Bank (BHM). The government has adopted a two-stage plan to restructure BHM. In a first stage, BHM will be merged with the stronger Malian Solidarity Bank (BMS) by the end of 2015. The government has submitted the merger for approval to the Regional Banking Commission); the government has retained several specialized firms to assess the status of the merger-absorption process and conduct due diligence. The interim goal is to consolidate the two entities and clean up the balance sheet of the new bank, which would help minimize risks to the public finances and make the new bank sufficiently attractive to private investors. In a second stage, the government will take the necessary steps to seek participation from the private sector in the new bank resulting from the merger, with the aim of eventually disengaging the state from it;
- Following the implementation from May 30, 2015 of a credit reporting bureau (BIC) in accordance with applicable WAEMU legislation, contribute, in support of the actions of the BCEAO, to strengthening the credibility of the BIC through communication campaigns in order to increase the rate of collection of consent from clients of financial institutions;
- Restore confidence in the micro-finance sector by implementing a detailed action plan in 2016 for reform of the sector.

Reform the electricity sector

56. The government will take steps to eliminate the structural deficit between the cost of producing electricity and the selling price in Mali. In 2014 the electric utility EDM posted a loss before subsidies of CFAF 57 billion (1 percent of GDP) which the government absorbed through a budget transfer in the same amount. In 2015, EDM is expected to post a loss of CFAF 36 billion (0.6 percent of GDP) before subsidies, an improvement relative to 2014 reflecting lower petroleum prices, which the government will absorb with a budget transfer of CFAF 42 billion, of which CFAF 12 billion was financed by an ECOWAS grant. The transfer will serve to limit EDM's debt to commercial banks to CFAF 33 billion at end-2015. If the ECOWAS grant is not forthcoming, the government undertakes to transfer to EDM the resources needed to maintain its bank debt below CFAF 33 billion in 2015. In 2016, EDM is expected to post a loss of CFAF 28 billion. The draft budget provides for a transfer of CFAF 20 billion, which will be adjusted upward if necessary in the 2016 proposed supplementary budget to absorb EDM losses and enable it to achieve its production objectives without accumulating arrears vis-à-vis the banks and its suppliers, and to stabilize EDM's bank debt at CFAF 33 billion at end-2016. The projections incorporate the government's commitment to pay invoices in advance at the beginning of each quarter. EDM will take the steps needed to increase its billing rates and reduce operating costs, in particular by outsourcing the fuel supply function. EDM will publish its financial statements (balance sheet and income statement) on its website and its performance indicators on that site and in an annex to the annual draft budget.

57. Due to its tight financial position, EDM has recently built up arrears to suppliers. As part of the regular annual audit of EDM’s accounts, we will determine the total amount of these arrears at end-2015, and present a plan for the clearance of these arrears by February 29, 2016. We will also take the necessary measures to ensure that EDM does not accumulate new arrears from now on.

Promote good governance

58. The government will fight vigorously for good governance.

- To this end, the government undertakes to: carry out the measures described above to improve the management and transparency of public finances and forward senior government officials' financial disclosures pursuant to the unlawful enrichment law to the Supreme Court by August 31, 2016 (proposed structural benchmark, Table 4).
- The government also undertakes to promote good governance in the judicial system by publishing the decisions of commercial courts and the decisions of other courts concerning governance-related offenses.[26]
- The government will give priority to remedying failures of the administration identified by oversight agencies, including the BVG, in their annual and sector reports. It will take the steps required to sanction responsible staff members through the use of administrative or legal measures, as applicable. The CGSP published a first annual report on the implementation of oversight agencies' recommendations from 2011 to 2013.[27] It will publish a second annual report by February 28, 2016 highlighting the results of actions taken to remedy failures identified by oversight agencies in 2014, with particular attention to the measures taken to sanction staff misconduct through administrative or legal measures.
- The government will implement an action plan to strengthen the legal framework to combat money laundering, terrorism financing, and corruption, giving consideration to the recommendations of the IMF technical assistance mission that visited Bamako in September 2014.

PROGRAM MONITORING

59. The program will undergo periodic reviews based on the performance criteria at end-December 2015 and end-June 2016, the continuous performance criteria and indicative targets at end-March and September 2016 (Tables 1 and 3), and the benchmarks (Table 4). The performance criteria and indicators are set forth in the technical memorandum of understanding (TMU), which also describes the nature and frequency of the reporting required for program monitoring purposes. The conclusions of the fifth and sixth reviews under the ECF arrangement are expected, respectively, on or after May 1 and November 1, 2016.

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[26] See www.reforme-justice.gouv.ml.

[27] Posted online at the following address: http://primature.gov.ml.

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

(in billions of CFAF)

	2015										
	March				June				September	December	
	Prog.[2]	Adj. Target	Est.	Status	Prog.[3]	Adj. Target	Est.	Status	Prog.[3]	Prog.[3]	Rev. prog.
Performance criteria											
Government bank and market financing (ceiling) [4]	127	186	67	Met	123	236	42	Met	147	172	172
Cumulative increase in external payments arrears (ceiling) [5]	0		0	Met	0		0	Met	0	0	0
New external debt contracted or guaranteed by the government on non-concessional terms (cumulative ceiling from June 2015) [5,6,9]	0		0	Met	250		0	Met	250	250	250
Gross tax revenue (floor)	251		257	Met	564		568	Met	851	1,141	1,141
Indicative targets											
Basic fiscal balance (floor) [7]	-58	-46	80	Met	-92	-93	168	Met	-97	-49	-49
Priority poverty-reducing expenditure (floor)	63		60	Not met	134		164	Met	244	394	394
Memorandum items:											
External budgetary support [8]	7		40		45		46		71	177	139
General budgetary grant	7		14		19		17		45	112	74
Net change in budgetary float (– = reduction)	-50		-123		-50		-131		0	-68	-68
Tax refunds (–)	-22		-10		-39		-38		-57	-70	-76
Net change in arrears (– = reduction)	-5		-3		-5		-37		-7	-49	-47
New external debt contracted or guaranteed by the government on concessional terms (cumulative ceiling from June 2015) [9]											257

Sources: Malian authorities; and IMF staff projections.

[1] Cumulative figures from the beginning of the year, unless otherwise indicated. See Technical memorandum of understanding (TMU) for definitions. The March and September test dates are for indicative targets, while the June and December test dates are for performance criteria.

[2] IMF Country Report No. 14/337, Mali: First and Second Reviews Under the Extended Credit Facility Arrangement.

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

[4] This performance criterion is subject to adjustment for external budget support, reduction of pending bills, tax refunds, and arrears payment. See TMU for more details.

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

[6] The positive ceiling starting in June corresponds to 4 electicity projects financed by the Chinese Exim Bank for a total amount of CFAF 200 billion with a grant element of 29 percent.

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

[8] On a disbursements basis.

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

Table 2. Mali: Structural Benchmarks for 2015

Measure	Implementation Deadline	Macroeconomic Rationale	Status
Preparation of a strategy to gradually eliminate losses identified in petroleum products structures	June 30	Increase tax revenue	Met
CGSP audit of exempt contracts designated "defense secret" or "essential government interests" to verify compliance with the Council of Ministers September 19, 2014 decree on this subject	August 31	Strengthen governance of public finance	Met
Preparation of DGD report analyzing monthly verification reports by the inspection company comparing duties paid and receivable by import declaration during the first half of 2015	August 31	Increase tax revenue	Not met. Postponed to August 31, 2016
Preparation of DGI report comparing importer turnover declared to the DGI and values of imports declared to the DGD during the period 2012–14.	August 31	Increase tax revenue	Met
Preparation of DGDP chart detailing loan agreements to support execution of the 2015 supplementary budget and the 2016 draft budget, specifying the amount dispersed and financial terms for each agreement, to be annexed to the 2016 budget law	August 31	Maintain debt sustainability	Met

Source: Malian authorities

Table 3. Mali: Proposed Performance Criteria and Indicative Targets, 2016 [1]

(in billions of CFAF)

	2016			
	March	June	September	December
	Prog.	Prog.	Prog.	Proj.
Performance criteria				
Government bank and market financing (ceiling) [2]	125	217	170	160
Cumulative increase in external payments arrears (ceiling) [3]	0	0	0	0
New external debt contracted or guaranteed by the government on non-concessional terms (cumulative ceiling from June 2015) [3,4,7]	250	250	250	250
Gross tax revenue (floor)	309	649	958	1,294
Indicative targets				
Basic fiscal balance (floor) [5]	-60	-92	-61	-61
Priority poverty-reducing expenditure (floor)	57	146	264	410
Memorandum items:				
External budgetary support [6]	0	3	76	98
General budgetary grant	0	0	64	67
Net change in budgetary float (– = reduction)	-16	-31	-11	9
Tax refunds (–)	-17	-35	-52	-71
Net change in arrears (– = reduction)	-18	-37	-34	-31
New external debt contracted or guaranteed by the government on concessional terms (cumulative ceiling from June 2015) [7]	557	557	557	557

Sources: Malian authorities; and IMF staff projections.

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

[2] This performance criterion is subject to adjustment for external budget support, reduction of pending bills, tax refunds, and arrears payment. See TMU for more details.

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

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

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

[6] On a disbursements basis.

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

Table 4. Mali: Proposed Structural Benchmarks for 2016

Measure	Implementation Deadline	Macroeconomic Rationale
Nomination by the minister of economy and finance of all directors of finance and material and administrative and financial directors for the ministerial departments and other public institutions.	January 1	Improve compliance with budget rules
CGSP audit of exempt contracts designated "defense secret" or "essential government interest" signed in 2015 to verify compliance with Decree 2014-764 of October 9.	February 28	Strengthen governance of public finances
Report on implementation of the recommendations of October 2014 West AFRITAC technical assistance mission to strengthen the quality of the public debt database, including an action plan with specific timetable to implement all recommendations.	February 28	Strengthen public debt management
Audit by a private firm of the amount and process of granting exemptions from taxes collected by the DGI and DGD in 2015.	June 30	Increase tax revenue
Preparation of DGD report analyzing monthly reconciliation reports by the inspection company comparing duties paid and receivable by import declaration during the first seven months of 2015.	August 31	Increase tax revenue
Transmittal to the Supreme Court of senior government officials' financial disclosures pursuant to the law against unlawful enrichment.	August 31	Promote good governance

Table 5. Mali: Summary of External Borrowing Program[1]

	2015				2016 prog.	
	Already signed	To be signed (CFAF Billions)	Rev. prog.	PV		PV
Sources of debt financing	**133**	**374**	**507**	**304**	**300**	**150**
Concessional debt,[2] of which	133	124	257	129	300	150
Multilateral debt	133	124	257	129	300	150
Bilateral debt	0	0	-	-	-	-
Non-concessional debt[3]	0	250	250	175	0	0
Utilization of amounts borrowed	**133**	**374**	**507**	**304**	**300**	**150**
Budgetary assistance	0	32	32	18	-	-
Infrastructure (roads, bridges, etc.)	20	83	103	52	-	-
Energy	5	0	5	3	-	-
Agriculture	50	8	58	29	-	-
Social (education, health)	58	1	59	30	-	-
Various		250	250	175	-	-

Source: Malian authorities

[1] New loans contracted or guaranteed (annual flows).

[2] Debt for which the grant element exceeds a floor of 35 percent.

[3] Debt with a positive grant element below the established floor.

Technical Memorandum of Understanding

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

I. Definitions

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

II. Performance Criteria

3. Except as noted, the following financial targets will serve as performance criteria at end-December 2015 and end-June 2016, and as indicative targets at end-March 2016 and end-September 2016.

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

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

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

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

III. ADJUSTERS

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

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

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

B. Ceiling on Accumulation of External Government Payments Arrears

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

D. Floor on Gross Tax Revenue

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

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

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

IV. INDICATIVE TARGETS

20. The following will serve as indicative targets at end-June, September, and December 2015.

A. Floor on the Basic Fiscal Balance

21. The basic fiscal balance is defined as the difference between net total revenue, plus budgetary grants (general budgetary support) and HIPC resources, and total authorized expenses plus net lending, excluding capital expenditure financed by creditors or donors, pursuant to the definition of the basic fiscal balance in the WAEMU texts (Additional Act N° 05/2009/CCEG/UEMOA of March 17, 2009, amending Act Nº04/1999 on the Convergence, Stability, Growth, and Solidarity Pact).

V. ADJUSTER

22. The floor on the basic fiscal balance is adjusted downward if **budgetary grants (general budgetary support)** fall short of program projections. The adjuster will be applied at the rate of 100 percent up to a threshold of CFAF 25 billion and at a rate of 0 percent for larger amounts.

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

B. Floor on Priority Poverty-Reducing Expenditure

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

VI. STRUCTURAL BENCHMARKS

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

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

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

27. As of June 30, 2014, the **available balances in current account opened for government accounting officers** included within the scope of the net government position, narrowly defined (¶6), also known as the net Treasury position (NTP), with the exception of those located in regions where the BCEAO is not present, will be **transferred to the Treasury single account at the BCEAO.** The available balances are all the amounts in such accounts except for:

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

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

Additional Information for Program Monitoring

29. To facilitate program monitoring, the government will report the information indicated in the following summary table to the IMF staff.

Summary of Reporting Requirements

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

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

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