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MALI

March 2021

SECOND AND THIRD REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA AND MODIFICATION OF PERFORMANCE CRITERION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR OF MALI

In the context of the Mali's Second and Third Reviews Under the Extended Credit Facility Arrangement, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on February 22, 2021 following discussions that ended on December 21, 2020 with the officials of Mali on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on February 8, 2021.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for Mali.

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

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PRESS RELEASE

PR 21/45

IMF Executive Board Concludes Second and Third Review Under the Extended Credit Facility Arrangement for Mali

FOR IMMEDIATE RELEASE

- The IMF Executive Board decision allows for an immediate disbursement of about US$57.6 million to Mali to help meet the country's financing needs and support social spending and the post-pandemic recovery.

- The ECF arrangement continues to support the government's effort to mobilize revenues, improve management of public finances and strengthen governance.

- A slower return to the regional deficit ceilings will support the economic recovery in the near term. Meanwhile, reforms will focus on addressing structural fiscal pressures to ensure a more sustainable, growth-friendly and pro-poor fiscal policy.

Washington, DC – February 22, 2021: The Executive Board of the International Monetary Fund (IMF) today completed the second and the third reviews of Mali's performance under the program supported by the Extended Credit Facility (ECF). The three-year ECF arrangement for Mali of SDR 139.95 million (about US$191.9 million, equivalent to 75 percent of Mali's quota in the IMF) was approved by the IMF's Board on August 28, 2019 (see Press Release No. 19/319), to support the authorities' economic reform program.

The IMF has adjusted the program to allow space for the economy to recover from the aftermath of the pandemic and for the government to see through the policy response to mitigate its effects. In completing the reviews, the IMF Executive Board approved the waivers of non-observance on performance criteria, the modification of targets going forward, and rephasing of structural conditionality. The completion of the combined reviews allows the authorities to draw the equivalent of SDR 40 million (about US$57.6 million), bringing total disbursements under the ECF arrangement to the equivalent of SDR 80 million (about US$115.3 million).

Following the Executive Board discussion of Mali's economic program, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, issued the following statement:

“The confluence of health, economic, socio-political and security crises has posed policy challenges. The authorities rightly refocused policy priorities towards combating the health and economic crises, curbing non-priority spending, and temporarily accommodating higher fiscal deficits. The program has been recalibrated to ensure near-term macroeconomic stabilization and medium-term fiscal sustainability, while ensuring that policies remain growth-friendly and pro-poor.

“Fiscal policy will support the near-term economic recovery through a more gradual return to the regional WAEMU deficit ceiling. Reforms are needed to increase tax revenues and address emerging structural fiscal pressures on the wage bill and subsidies to public enterprises, in order to safeguard developmental, social, and sustainability objectives. Ensuring that support to households reaches those in need in a timely way remains an important priority.

“Structural reforms will support the fiscal effort. The authorities are committed to strengthening revenue mobilization through continued reforms in tax and customs administration. Digitalization will support better revenue administration and public financial management. Reforms to strengthen commitment controls and the treasury single account will help improve the efficiency of cash management.

“The authorities are stepping up efforts to enhance governance, transparency, and the business environment. Priorities include reforms of the anticorruption and AML/CFT frameworks and the implementation of the mandatory asset declarations. The transparency commitments related to COVID-19 emergency spending are being implemented and will be deepened through improved reporting of beneficial ownership by companies awarded public contracts. The initiation by the authorities of a Governance Assessment bodes well with future reforms.

“The authorities’ strong commitment to reforms and their steadfast implementation will be key to success, and may also help unlock additional donor support.”

Table 1. Mali: Selected Economic and Financial Indicators, 2017–25

	2017	2018	2019		2020			2021		2022	2023	2024	2025
			1st Review[1]	Est.	1st Review[1]	RCF[2]	Est.	1st Review[1]	Proj.	Projections			
					(Annual percentage change)								
National income and prices													
Real GDP	5.3	4.7	5.1	4.8	5.0	0.9	-2.0	5.0	4.0	6.0	5.0	5.0	5.0
GDP deflator	1.9	1.5	2.5	2.1	1.8	1.8	2.0	2.3	1.5	2.0	2.0	2.0	2.0
Consumer price inflation (average)	1.8	1.7	-0.4	-2.9	0.6	0.6	0.7	2.0	1.5	2.0	2.0	2.0	2.0
Consumer price inflation (end of period)	1.1	1.0	-0.8	-3.3	1.7	1.5	2.1	2.3	1.5	2.0	2.0	2.0	2.0
Output gap	2.3	2.2	...	3.0	...	...	-1.4	...	-1.1	-0.1	0.0	0.0	0.0
Money and credit													
Credit to the government	55.7	64.1	27.7	-36.6	20.2	48.1	142.3	...	45.7	15.9	6.2	1.5	-1.2
Credit to the economy	5.4	4.8	6.1	2.2	6.0	2.7	3.7	...	5.6	8.1	7.1	7.1	7.1
Broad money (M2)	4.3	14.2	10.0	9.0	11.2	3.3	15.0	...	5.6	8.1	7.1	7.1	7.1
Central government finance and public debt					(Percent of GDP, unless otherwise indicated)								
Revenue	18.4	14.3	19.5	19.5	20.5	17.9	18.6	20.7	19.7	19.5	19.7	19.8	19.9
of which: Tax revenue	15.2	11.9	14.6	14.8	15.5	13.3	14.1	15.7	14.6	14.8	15.0	15.0	15.1
Grants	1.6	1.2	2.4	1.9	2.5	3.0	1.4	2.0	1.9	1.6	1.8	1.5	1.4
Total expenditure and net lending	22.9	20.3	24.8	23.1	26.4	27.1	25.5	25.9	27.1	25.7	25.0	24.3	24.3
Overall balance (accrual basis)	-2.9	-4.7	-2.9	-1.7	-3.5	-6.2	-5.5	-3.3	-5.5	-4.5	-3.5	-3.0	-3.0
Overall balance (cash basis)	-2.6	-3.9	-3.6	-2.6	-3.6	-6.1	-5.1	-3.2	-5.3	-4.4	-3.4	-2.9	-2.9
Public debt (end of period)	35.5	36.1	38.3	40.5	39.0	44.6	44.1	39.5	46.2	46.9	47.0	46.6	46.1
External public debt	24.5	23.4	26.3	26.4	26.1	30.1	26.3	25.7	25.6	25.6	25.8	26.0	26.6
Domestic public debt[3]	11.0	12.7	12.0	14.0	12.9	14.5	17.8	13.8	20.6	21.3	21.3	20.6	19.5
Debt service (percent of revenues)	6.3	5.1	4.8	5.1	5.6	7.2	6.3	5.9	7.3	10.5	10.0	10.3	9.1
External sector													
Current account balance, including official transfers	-7.3	-4.9	-4.8	-4.8	-4.4	-3.6	-2.0	-4.6	-2.4	-2.9	-3.6	-4.5	-5.3
Current account balance, excluding official transfers	-12.1	-9.3	-9.4	-9.7	-8.5	-7.1	-4.3	-8.5	-5.8	-6.8	-7.4	-7.9	-8.5
Exports of goods and services	22.5	24.5	23.6	24.9	24.0	24.4	27.2	23.0	26.2	25.0	23.7	22.6	21.7
Imports of goods and services	36.2	35.6	34.6	36.0	34.0	31.5	32.2	32.9	33.1	32.9	32.4	32.0	31.7
Overall balance of payments	-0.5	1.1	-0.3	3.0	0.1	-3.7	1.6	-0.2	1.4	1.7	1.0	0.2	-0.2
Terms of trade (deterioration -)	-25.3	-0.1	2.2	9.8	4.8	24.6	31.8	0.2	3.9	-4.8	-2.4	-2.3	-1.7
Real effective exchange rate (depreciation -)[4]	0.5	0.3	...	-4.2	...	...	-0.3	...	...	...	...	...	...
Memorandum items:													
Nominal GDP (CFAF billions)	8,922	9,482	10,214	10,140	10,917	10,427	10,138	11,732	10,704	11,573	12,394	13,274	14,217
Nominal GDP (US$ billions)	16.1	16.5	...	17.2	...	...	...	...	...	...	...	...	...
Public debt (CFAF billions)	3,165	3,424	...	4,106	...	4,649	4,476	...	4,945	5,429	5,827	6,186	6,557
Overall balance of payments (US$ millions)	-71	189	...	451	...	...	...	...	...	...	...	...	...
US$ exchange rate (end of period)[4]	554	576	...	590	...	...	554	...	...	...	...	...	...
Gold Price (CFAF billion/ton)	22.7	22.0	20.9	23.6	23.0	23.0	32.9	23.2	34.8	35.4	35.8	36.2	36.6
Cotton price (CFAF/kg)	1,017	1,063	...	956	...	851	868	...	971	916	863	861	869
Petroleum price (crude spot; US$/bbl)	53	68	62	61	58	36	41	55	50	49	48	48	48

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

[1] IMF Country Report No. 20/8, Mali: First Review Under the Extended Credit Facility Arrangement. The review was completed on January 8, 2020.

[2] IMF Country Report No. 20/153, Mali: Requests for Disbursement Under the RCF and Rephasing of Access Under the ECF.

[3] Includes BCEAO statutory advances, government bonds, treasury bills, and other debts.

[4] For 2020, the latest available data is for November.

MALI

February 8, 2021

SECOND AND THIRD REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA AND MODIFICATION OF PERFORMANCE CRITERION

EXECUTIVE SUMMARY

Context. Against the background of the pandemic shock, a coup d'état on August 18, 2020 led to a period of international disengagement with Mali and an economic blockade by ECOWAS until the appointment of a transitional government in October. Fund engagement was also put on hold during this period, delaying the resumption of discussions under the 2nd and 3rd reviews of the ECF. The transitional government, which will be in place for 18 months until general elections, announced its full adherence to the international obligations and commitments of the previous government, including the reform agenda under the ECF.

Program performance. Program performance under the second review was relatively strong, with all end-December 2019 performance criteria (PCs) met. Performance at end-June 2020 (test date for the third review) was mixed, mainly due to the impact of the pandemic and the required response that made the program targets no longer consistent with macroeconomic context and/or infeasible. Two continuous PCs were not met due to post-coup sanctions that froze the authorities' access to the treasury account. Structural reforms progressed steadily, but at a slower pace than programmed.

Key policies. The program is being recalibrated to the new macroeconomic and policy environment but maintains the objectives of ensuring fiscal sustainability and advancing structural reforms to support revenue mobilization, a more efficient use of public resources and stronger governance. Changes include: (i) a temporary loosening of the fiscal targets in light of the deterioration in the macroeconomic outlook; (ii) preparing the stage for a higher quality fiscal consolidation starting in 2022, including by preparing tax policy measures and addressing pressure points from wage setting and SOE performance; and (iii) deepening governance reforms.

Key risks. Main risks stem from continued political and social instability, uncertainty surrounding the path of the pandemic, and potential fiscal financing needs in case regional markets tighten and donor support is subdued.

Approved By
Annalisa Fedelino (AFR) and Bjoern Rother (SPR)

Discussions were held via videoconferences during December 7– 21, 2020. The report was prepared by a team comprising Aliona Cebotari (head), Irena Jankulov Suljagic, Asel Isakova (all AFR), David Bartolini (FAD), Weining Xin (SPR), Rene Tapsoba (Resident Representative) and Bakary Traore (local economist). Anthony Ramarozatovo, Jim Clark, Serge Ramangalahy (FAD), Robin Sykes (LEG), and World Bank colleagues participated in some meetings. Oumar Diakite (OED) participated in the discussions.

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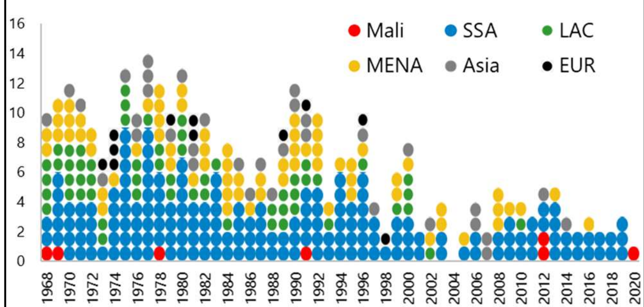
CONTEXT

1. The socio-political crisis that rattled Mali since mid-2020 culminated in a coup d'état in August 2020. The population's long-standing frustrations with lack of progress in addressing terrorism and intercommunal clashes, perceived government failure to root out corruption and deliver basic public services had fueled mass demonstrations starting June 2020. On August 18, 2020, a group of military overthrew the government of President Keita, and the parliament was dissolved (Annex I). Mali's international and regional partners condemned the coup and called for a return to constitutional order, with ECOWAS and African Union suspending Mali from their decision-making bodies. In line with its protocol on Democracy and Good Governance, ECOWAS had imposed a transport, economic and financial blockade on Mali, including freezing the government's accounts at the regional WAEMU central bank.[1] With the return of power to a civilian-led transitional government on October 5, ECOWAS recognized the transitional authorities on October 6—followed by other countries and international organizations— and lifted the sanctions.

Coups and Coups Attempts since 1968.



Source: Center for Systemic Peace for years 1968-2015, Wikipedia for 2016-2019.

2. The transitional government will guide the country over 18 months to general elections in early 2022. It announced that it will assume all international obligations and commitments of the previous government, and that its policy priorities will include addressing the country's security situation, carrying out key political and institutional reforms conducive to transparent and credible elections within 18 months, improving governance and reducing corruption, achieving strong and inclusive growth, and fighting COVID-19.

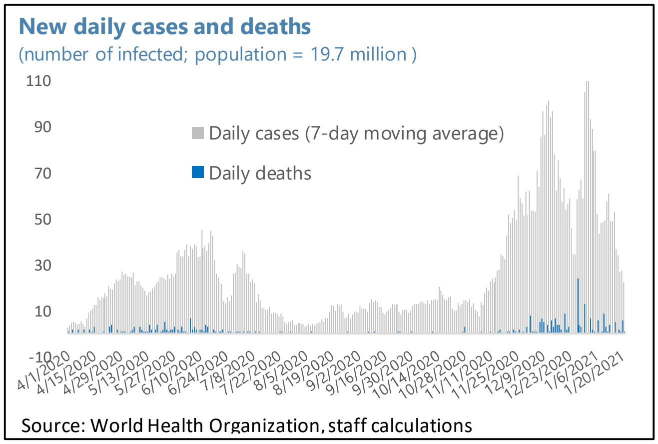
3. The fallout from the coup is only adding to the challenges posed by the COVID-19 pandemic and the long-standing security situation.

- *Pandemic*. After a relatively mild first wave during spring-summer 2020, the spread of infections accelerated in fall-winter of 2020-21 in a second, much stronger, wave (Annex II). Daily infections peaked at over 100 a day in December 2020 (based on a 7-day moving average), with a death rate of 3.8 percent, straining the healthcare system and the social fabric, given high poverty rates, weak social safety nets, and persistent food insecurity.[2] Most policy measures announced

[1] The 15 member countries of ECOWAS are *Benin*, *Burkina Faso*, Cabo Verde, *Cote d'Ivoire*, The Gambia, Ghana, Guinea, *Guinea-Bissau*, Liberia, *Mali*, *Niger*, Nigeria, *Senegal*, Sierra Leone, and *Togo*. The eight italicized countries are also members of the WAEMU monetary union.

[2] The second wave also claimed the life of the opposition leader Soumaïla Cissé, seen as a major contender in the upcoming general elections.

in April to support households and firms have been executed, although cash disbursements will reach households only in 2021 due to delays in identifying potential beneficiaries under still narrow social safety nets. The recently drafted national vaccination plan envisages the rollout of vaccines under the COVAX initiative starting in April 2021 to cover 20 percent of the population (around 40 percent of population above the age of 15).



- *Security*. The security environment remains volatile, with incidence of terrorist attacks in the northern and central regions remaining high, causing further population displacement and constraining policymaking.

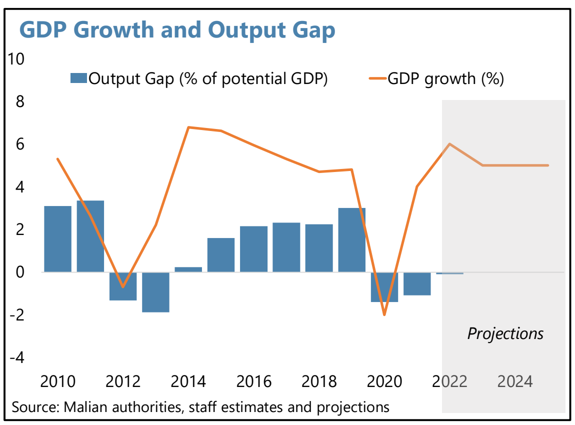
4. IMF engagement. The first review under the IMF's three-year Extended Credit Facility (ECF) arrangement was completed in January 2020.

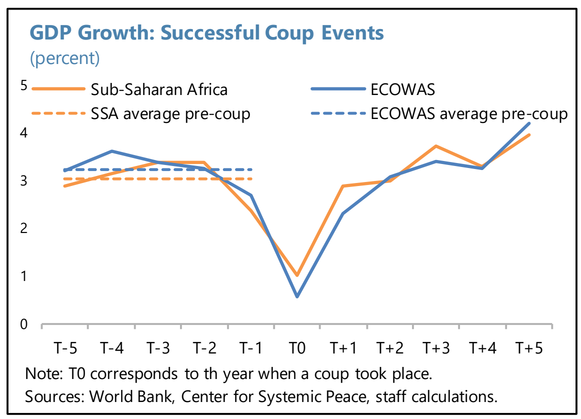
- Following the onset of the pandemic, the IMF supported Mali's policy response through a COVID-19 emergency support under the Rapid Credit Facility (78.6 percent of quota, 1.2 percent of GDP), approved on April 30, 2020, which followed the approval of the first tranche of debt service relief under the Catastrophe Containment Relief Trust (0.06 percent of GDP) on April 13.
- Fund reengagement with Mali under the ECF had been first delayed by the pandemic, and later had been temporarily on hold after the coup while there was lack of clarity in the international community's dealing with the new regime. This delayed (i) the resumption of discussions under the 2nd and 3rd reviews of the ECF; and (ii) the approval of the second tranche of debt service relief under CCRT for Mali. With the international recognition of the new transitional government in early October, the Fund reengaged: the second tranche of the CCRT debt relief was approved on October 30, and the ECF reengagement has resumed. Meanwhile, the Fund's technical experts have continued to provide assistance on technical issues.
- The newly appointed transitional government has declared its commitment to reforms under the ECF program, especially that its governance mandate is strongly aligned with the program's focus on strengthening governance and transparency. The current combined second and third reviews recalibrate the ECF program to the new macroeconomic environment, propose to adapt policies to support the recovery, and seek to implement corrective actions to help secure the original program objectives.

RECENT ECONOMIC AND POLICY DEVELOPMENTS

A. Macroeconomic Developments and Outlook

5. The outbreak of the COVID-19 pandemic and the coup d'état in late August have disrupted a prolonged period of strong economic performance. Economic growth is estimated to have declined to around -2 percent in 2020, compared to around 5 percent averaged during the past six years (and expected pre-pandemic and pre-coup). The local COVID outbreak and the early containment measures caused a slowdown in construction, accommodation services, and transportation (Figure 1). In addition, a contraction in the agricultural sector was driven by a decline in the production of cotton and cereals, in part reflecting lower international cotton prices, disputes over cotton purchase price by the state, difficulties in obtaining fertilizers, and localized floods. Finally, the post-coup sanctions imposed by ECOWAS affected trade, transportation, and reduced budget support financing and grants. Based on an event study of post-coup experience in ECOWAS and Sub-Saharan Africa, staff estimates that the disruptions caused by the coup and the sanctions may have reduced real GDP growth in 2020 by 2 percentage points (chart), contributing to the overall contraction in the economy. The downturn in economic activity in 2020 is expected to increase extreme poverty incidence in Mali by over 850,000 people according to World Bank estimates.[3] High-frequency indicators of economic activity in 2020 are nevertheless mixed and the estimates for 2020 remain uncertain due to limited in-year national accounts data.

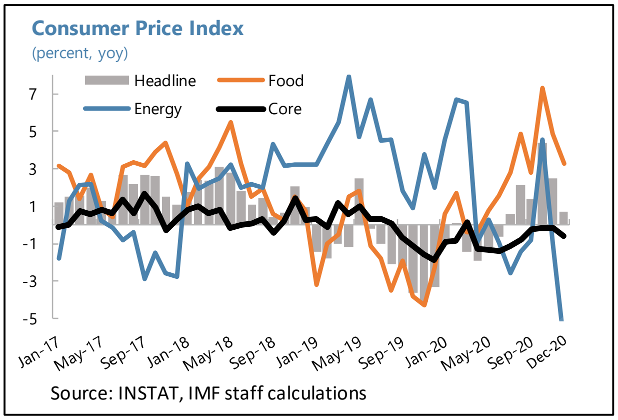


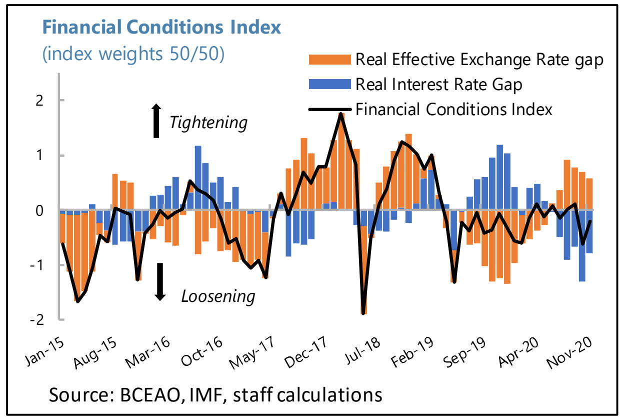


6. Following a deflationary environment in 2019, supply factors pushed headline inflation into positive territory in 2020. Food prices (58½ percent of the consumer basket) rose significantly since the onset of the pandemic (to 5 percent year-on-year as of November 2020), more than offsetting the deflationary drag of lower energy prices. This configuration of supply shocks is likely to have negative distributional effects given the higher incidence of food prices on lower-income households relative to energy, especially against the backdrop of already high food security risks. Underlying inflationary pressures have remained subdued due to compressed demand

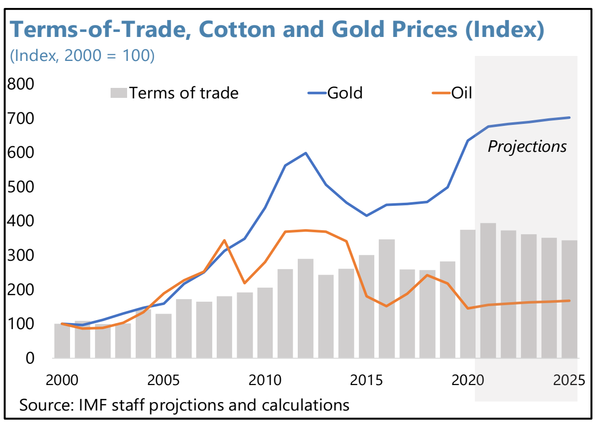
[3] In 2019, extreme poverty rate ($1.9 in 2011 PPP) in Mali stood at 42 percent of the population (8.2 million people), and the World Bank projects it could increase to over 45 percent in 2020-21. The country is already among the poorest in the world (22nd lowest in terms of income per capita).

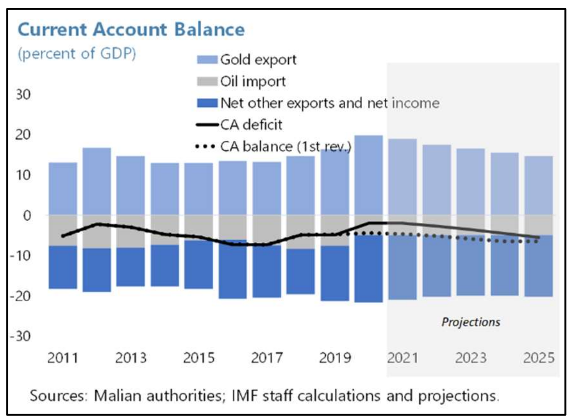
and the appreciation of the effective exchange rate along with the euro, and despite a more accommodative monetary policy stance in response to the pandemic.





7. The external position has strengthened on account of improved terms of trade. Significantly higher gold prices (main export) and lower oil prices (main import) in 2020 contributed to a notable improvement in the current account deficit to an estimated 2 percent of GDP from 4.8 percent in 2019. Despite a drop in capital and financial flows, mainly due to the post-coup international disengagement and thus a slowdown in donor support, such flows are still sufficient to cover the smaller current account deficit, leading to an estimated overall surplus for the external position in 2020.





8. The banking sector was stable when the pandemic hit, but pockets of vulnerability may be intensified by the pandemic. The banking system, supervised by the BCEAO, had among the strongest capital buffers in the WAEMU region at end-June 2020 and overall adequate liquidity cushions, but asset quality remained relatively weak and lending is highly concentrated in sectors that could be strongly affected by the pandemic. The temporary regulatory forbearance on NPL classification and provisioning until end-2020—related to repayment difficulties due to COVID-19 and postponement of debt service falling due (Annex II)—may have helped contain the impact of the pandemic on asset quality indicators so far: early data suggest that NPLs have only slighted deteriorated from 10.4 percent at end-December 2019 to 10.7 at end-September 2020, while provisioning has improved during the same period (Table 6).[4] Hospitality, transportation, and trade were among the sectors affected the most at the early onset of the pandemic, while agriculture and manufacturing felt the impact later during the year. Going forward the recognition of losses will likely lead to further deterioration of asset quality in the financial sector, and together with the need for increased provisioning may constrain somewhat availability of credit.

9. Barring a significant deterioration in the dynamics of the pandemic, the outlooks appears broadly favorable. Staff expects growth to pick up in 2021 to 4 percent as the effects of the pandemic and the coup dissipate, and to settle over the medium term around its 5 percent potential growth rate. As the economy and world energy prices recover, headline inflation is projected to remain in positive territory and to gradually recover to the regional central bank's (BCEAO) inflation target of 2±1 percent. The current account will widen with stronger domestic demand and a gradual deterioration in the terms of trade; this deterioration will be driven by a projected slower growth in the volume of gold production/exports (about 80 percent of total exports) but the terms of trade will nevertheless remain notably above historical levels.

Text Table 1. Selected Economic Indicators 2017–22[1]

	2017	2018	2019		2020			2021		2022	
			Prog.	Est.	Prog.	RCF	Proj.	Prog.	Proj.	Prog.	Proj.
Real GDP growth (percent)	5.3	4.7	5.1	4.8	5.0	0.9	-2.0	5.0	4.0	5.0	6.0
Consumer price growth (average, percent)	1.8	1.7	-0.4	-2.9	0.6	0.6	0.7	2.0	1.5	2.3	2.0
Public debt (central government, percent of GDP)	35.5	36.1	38.3	40.5	39.0	44.6	44.1	39.5	46.2	39.7	46.9
Overall balance (central government, percent of GDP)	-2.9	-4.7	-2.9	-1.7	-3.5	-6.2	-5.5	-3.3	-5.5	-3.0	-4.5
Tax revenue	15.2	11.9	14.6	14.8	15.5	13.3	14.1	15.7	14.6	15.9	14.8
Other revenues and grants	4.9	3.7	7.3	6.7	7.4	7.6	5.9	7.0	7.1	7.1	4.7
Expenditure	22.9	20.3	24.8	23.1	26.4	27.1	25.5	25.9	27.1	26.0	25.7
Current account (percent of GDP)	-7.3	-4.9	-4.8	-4.8	-4.4	-3.6	-2.0	-4.6	-2.4	-5.2	-2.9

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

[1] Program refers to the First Review under the ECF (IMF Country Report No. 20/8). Fiscal variables refer to central government.

10. Uncertainty around the baseline scenario is significant, and downside risks dominate. The main downside risks stem from the prospect of continued political instability, as political parties and the civil society are increasingly expressing dissatisfaction over a perceived lack of inclusiveness in the unfolding of the transition and as demand for higher wages have spilled over to more groups of civil servants through continued strikes. The recent acceleration in the spread of the pandemic and the increasing number of the infections and deaths may require new containment measures that could become a drag on the economy. Should the intensity of the pandemic persist into 2021, the economic and fiscal outlook would deteriorate significantly. Given the implications for program implementation of the downside risks, staff prepared an alternative adverse scenario that assumes a major COVID-19 outbreak in early 2021 causing a slower growth next year (Annex III). On the upside, the overall level of activity may be higher than envisaged in the baseline scenario if the impact of the pandemic and the coup are milder than estimated for 2020.

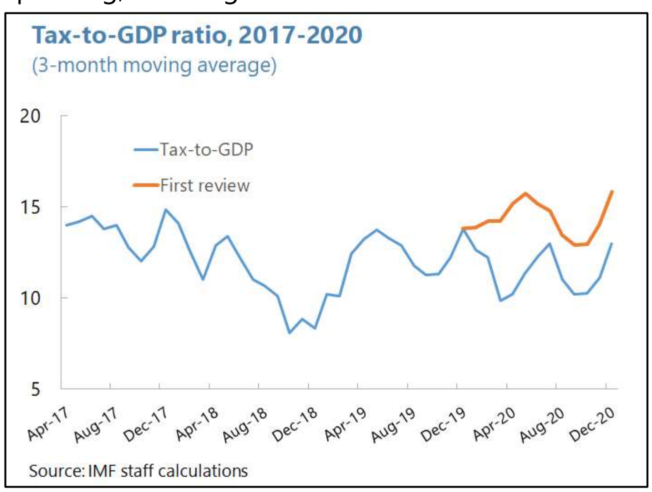
[4] The negative impact of the pandemic on the asset quality of microfinance institutions—which account for about 5 percent of private credit—has been more pronounced, with their NPLs rising from around 7.1 percent at end-December to 8.3 percent at end-September 2020. These institutions are supervised by Ministry of Economy and Finance's Unit for the Control and Supervision over the Decentralized Financial System.

B. Performance Under the Program

11. Fiscal performance was relatively strong in 2019, while deviations in 2020 reflect the impact of the pandemic and the needed policy response (Table 7).

- *Performance to end-December 2019 (second review) was relatively strong.* All end-December quantitative performance criteria (PCs) were met. The overall deficit narrowed to 1.7 percent of GDP in 2019, compared to the 3 percent of GDP ceiling under the program. Revenue administration efforts—supported by several IMF technical assistance missions—were successful at recovering most of the 2018 revenue shortfall, slightly exceeding the targets under the program. Delayed budgetary support, however, restrained capital spending and contributed to a lower deficit than targeted under the program. It also affected priority social and development spending, which registered an increase with respect to 2018 but fell short of the indicative target for 2019.

- *Performance to end-June 2020 (third review) was mixed, as the effects of the pandemic and the needed policy response rendered most targets neither feasible nor appropriate.* Three out of four end-June PCs were missed, with one only marginally. Tax revenues came below the target, reflecting the impact of the pandemic on the economy, the temporary tax relief and deferral measures adopted in mid-April to combat the pandemic (Annex II), as well as limited capacity to enforce compliance under pandemic conditions (chart). The end-June indicative floor on priority spending was exceeded by a wide margin owing to pandemic-related spending in the health sector. To offset pressures from lower revenues and pandemic-related spending, the government was able to rein in non-priority spending, resulting in a *de minimis* underperformance under the ceiling on the overall fiscal deficit. However, in anticipation of the higher deficit for the year as a whole as the policy response to the pandemic is rolled out, the authorities sought additional sources of financing in the first half of the year that was not foreseen in the program, including from the IMF emergency window, resulting in a breach of the end-June 2020 ceiling on net domestic financing.[5] The performance criterion on new external borrowing was met, given limited new disbursements.



- *Continuous PCs.* A breach to the two continuous PCs—on non-accumulation of domestic payment arrears and external payment arrears—emerged as a direct consequence of the sanctions-related freeze in access to the Treasury Single Account in September-October 2020. The authorities repaid total external payment arrears—reported at 0.01 percent of GDP—

[5] Under the program, IMF financing is considered domestic as it is on-lent from the regional WAEMU Central Bank.

immediately following the removal of sanctions in early October 2020.[6] Domestic payment arrears—reported at 0.2 percent of GDP at end-October 2020—were also cleared during November 2020. No domestic or external payment arrears were reported at the end of other months in 2020.

12. The authorities made steady, although slower than programmed, progress on structural reforms (Table 8, and MEFP¶11-29).[7] Four of the ten structural benchmarks (SBs) covered by the second and third reviews were met on time, three additional SBs were implemented with delay, and the remaining reforms (three SBs) are expected to be implemented soon.

- In revenue administration, six out of seven benchmarks were implemented. These included: (i) formalizing collaboration and information-sharing among the revenue collection agencies; (ii) automating procedures for import exemption regimes to reduce loopholes (both reported at the time of the first program review, along with a separate structural benchmark on the approval of the 2020 budget); (iii) preparing for the application of the transaction import values at customs (implemented with delay); (iv) preparing an action plan for tax payments through mobile banking; and importantly; (v) limiting expedited customs clearance procedures (D24) to a list of urgent and perishable goods and only at the airport custom (implemented with delay); and (vi) the operationalization of the two tax centers for medium-sized businesses was finalized as a prior action for the reviews. The outstanding structural benchmark— the electronic transmission of the airline cargo manifests to expedite and make transparent customs clearance at airports—was implemented in major airlines (covering more than 85 percent of the total cargo), with the rollout to the remaining airlines expected during 2021. The authorities also continued reforms for enabling widespread use of electronic procedures for tax filing and tax payments.
- In public financial management, delays in meeting the structural benchmark on enabling electronic payments by the Treasury have now been resolved by the transitional government and reforms are expected to be completed by end-June 2021. Under other PFM reform commitments, the authorities introduced a new public accounting software to improve the use of information management systems, piloted expenditure commitment plans in eight ministries to improve budget execution and prevent arrears and continued consolidating the treasury single account.
- In the area of governance, revision of the Law on the Prevention and Suppression of Illicit Enrichment to broaden its application perimeter has stalled due to political constraints, missing the end-March 2020 structural benchmark.

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[6] Total missed debt service payments amounted to US$57 million or 0.3 percent of GDP, of which 0.2 percent to external creditors (including the World Bank, syndicated debt, OPEC and Saudi Funds for development, and Exim Bank of China) and 0.1 percent to the regional creditors. Of the missed payments, only 0.01 percent of GDP represented arrears as other payments were settled within respective grace periods, including on IDA debt service.

[7] Efforts in revenue administration and PFM areas have been supported by a sustained capacity development program from the IMF's Fiscal Affairs Department, regional capacity development center AFRITAC-West, and a resident PFM expert.

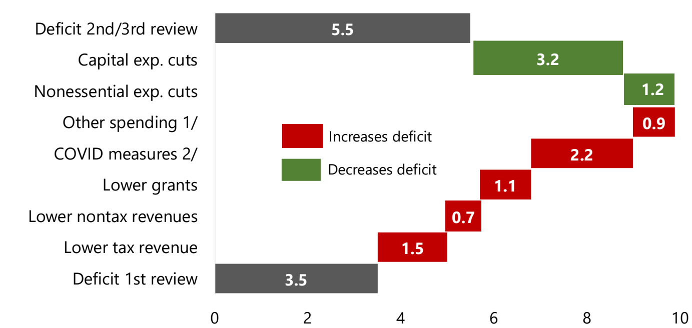
POLICY DISCUSSIONS

The transitional government remains committed to the policy agenda under the ECF, but the program has faced several new challenges—including higher fiscal and financing pressures related to the pandemic, the coup and the social unrest earlier in the year— that require its recalibration. The program's structural policy agenda is aligned with the mandate of the new government, especially on deepening governance reforms, and is augmented to deal with new structural challenges.

A. Fiscal Policies

13. **In 2020, fiscal outcomes have been shaped by the pandemic response and tightening financing constraints.** The overall deficit for 2020 is expected to widen from the 3.5 percent of GDP targeted at the time of the first ECF review to 5.5 percent of GDP. The bulk of the deterioration is due to a pandemic-related decline in revenues, delays in the sale of the third telecommunication license, and expenditure measures to combat the pandemic (chart). These laid the basis for the supplementary 2020 budget, which targeted a deficit of 6.2 percent of GDP reported at the time of the RCF and second CCRT requests. However, the temporary disengagement of international and regional partners after the coup led to a significant decline in grants and budget support, forcing a tighter fiscal stance through non-priority investment cuts. The authorities are therefore targeting a 5½ percent of GDP deficit for 2020, with the end-December 2020 program targets modified accordingly through a stand-alone Board decision.

Contributions to Higher Central Government Deficit, 2020
(changes with respect to 1st review, percent GDP)



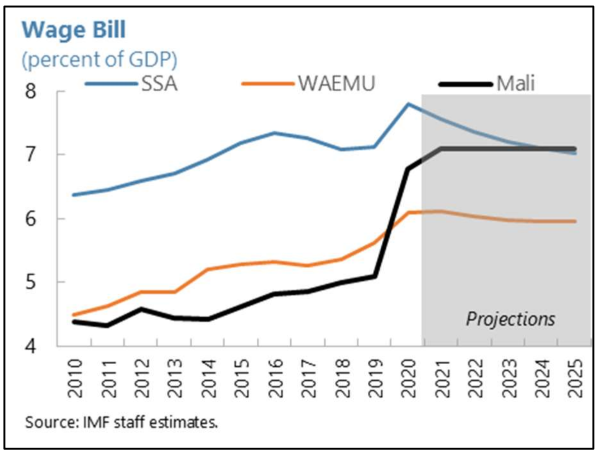
1/ Wage increases to teachers, and larger transfers to cotton company.
2/ COVID measures include medical support and transfers to companies and households.
Source: Malian authorities, staff calculations

14. **New current expenditure pressures and a weaker revenue outlook are also worsening the quality of fiscal policies and, if unaddressed, could create risks for debt sustainability**. Following months of teacher protests and school closures during 2020, the transitional authorities increased teacher salaries by some 33 percent, which placed them among the highest in the public salary grid.[8] Wage demands spilled over to the rest of the public sector, with generalized strikes before end-2020 demanding the harmonization of the salary grid to bring all public wages to the levels in the education sector.[9] In addition, large increases in public employment were initiated for 2020-2022, driven both by the higher estimated needs in the security sector and by an agreement to

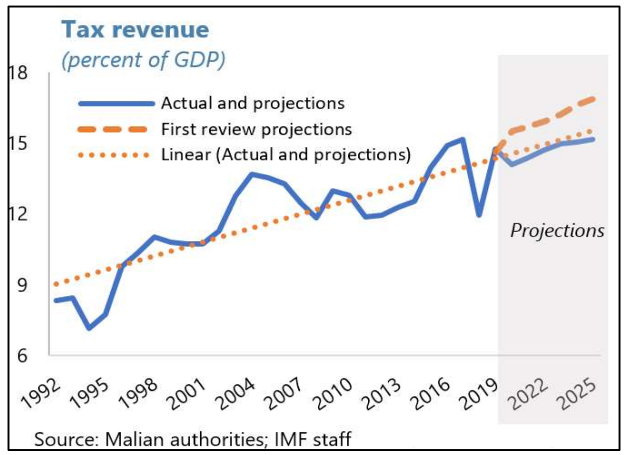
[8] This follows another recent round of ad hoc salary hikes for the judiciary enacted in early 2020.

[9] The public employment landscape is highly fragmented across various categories of public servants, each governed by separate legislation and without a uniform policy governing the setting of salary scales, bonuses and allowances across these categories.

increase youth employment following an increase in retirement age in the context of the 2019 pension and labor code reforms.[10] Altogether, these factors are expected to push the public wage bill to 7.1 percent of GDP in 2021 (2 percentage points above its level in 2019), which will absorb about half of the tax revenue far above the convergence criterion in the WAEMU that limits it to 35 percent (chart). In addition, the recognition of higher past subsidies to the cotton company amid the deterioration in its financial situation and lack of progress in improving the financial position of the electricity company required additional transfers in 2020 and will put continued pressures on the fiscal position going forward. Finally, the revenue envelope is expected to expand slower than initially estimated under the program with more conservative assumptions on the yield of revenue administration reforms (chart).



Wage Bill
(percent of GDP)
Source: IMF staff estimates.



Tax revenue
(percent of GDP)
Source: Malian authorities; IMF staff

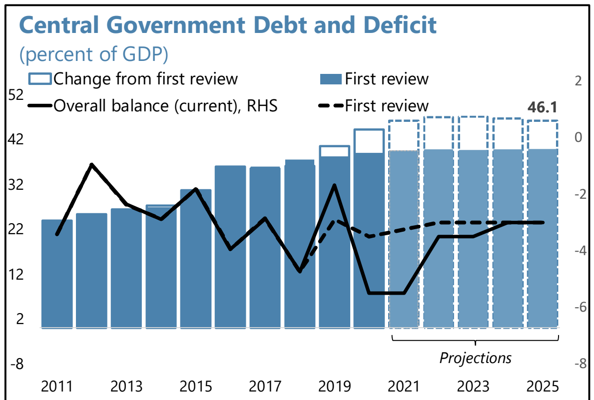
15. Reflecting a slower recovery in demand and the new fiscal pressures, the program was recalibrated towards a more gradual return of the fiscal deficits to the regional WAEMU upper bound of 3 percent of GDP.[11] While most of the COVID-19 related measures are expected to be rolled back in 2021, in light of the permanent increase in the wage bill and the weaker revenue outlook, the program targets an unchanged deficit in 2021 (5.5 percent of GDP) to allow for a needed investment and other priority spending in support of the economic recovery.[12] In subsequent years, the program envisages a gradual return to the WAEMU's deficit ceiling of 3 percent of GDP, balancing feasibility, sustainability and financing risk considerations, along with the need to maintain consistency with external viability of the WAEMU currency union. On this basis, the

[10] To ensure the viability of the two pay-as-you pension systems— managed by National Social Insurance Institute (INPS) for the public sector, military and legislators and by the Malian fund for Social Security *(*CMSS) for the private sector—the 2019 pension and labor code reforms increased the retirement age by three years (to 58-65 years), increased employer or employee contribution rates depending on the sector, broadened the contribution base to include allowances and bonuses, and change the basis for pension calculation.

[11] The WAEMU fiscal convergence criteria were suspended during the pandemic, but there is no agreement yet on the timeline for their reinstatement.

[12] The 2021 budget consistent with these commitments has been approved through executive order by the Council of Ministers on December 16, 2020 and is expected to be approved by the recently nominated transitional parliament at its next ordinary session tentatively scheduled for April 2021. The budget did not include the cost of the recently developed COVID-19 vaccination plan, hence the program added an adjustor to the deficit and borrowing targets of up to 0.3 percent of GDP to cover the vaccine spending (Annex II).

authorities have committed to narrowing the fiscal deficit to 4.5 of GDP in 2022 and 3.5 percent in 2023, before reaching the regional 3 percent target in 2024. Higher deficits and a weaker cyclical position relative to the first program review will increase debt levels and worsen the near-term debt dynamics—with public debt peaking at about 47 percent of GDP in 2023 (chart)—but debt will remain at moderate risk of debt distress (see Debt Sustainability Analysis). Despite a reduction in external financing assumed in 2021 (although additional budget support is currently under consideration by various donors), the higher deficits will be financed through increased access to the domestic and regional (WAEMU) financial markets (Table 3). Such reliance on regional markets, nevertheless, carries additional risks both in terms of higher debt servicing costs and financing availability—given the potential tightening of markets with higher fiscal financing needs in the rest of the WAEMU countries—but may be somewhat offset by upside risks on additional external concessional budget support.



Source: Malian authorities; IMF staff projections.

16. To improve the quality of fiscal policies going forward, the program focuses on revenue mobilization as the anchor for the upcoming adjustment and on limiting further expenditure pressures.

- Tax policy measures yielding around 1 percent of GDP will be prepared ahead of the 2022 budget from a menu of options that include modifying excise taxes, widening the tax base in a number of sectors (e-trade, agriculture, informal sector), introducing a communications tax and reforming property taxation, including through the taxation of undeveloped land (MEFP¶7). In addition, the authorities (i) will conduct an exhaustive review of tax spending by June 2021 with a view to streamlining exemptions (*new structural benchmark*); (ii) have committed to not granting discretionary exemptions or making discretionary tax changes as a *continuous structural benchmark* for the remainder of the program; and (iii) will strengthen controls over imported petroleum products, which are a significant source of revenue loss, including through color-tracing of fuel exempted from taxation (*new structural benchmark*) and strengthen controls over equipment that qualifies for tax exemptions (especially in mining companies).
- On the expenditure side, reforms will focus on forestalling unsustainable pressures on the wage bill and subsidies to public enterprises. The authorities will initiate reforms to address weaknesses in the wage setting mechanism through (i) a comprehensive study of compensation policies supported by international partners (*new structural benchmark*), (ii) an audit of the civil service aimed to reconfirm the staffing levels and identify ghost workers, and (iii) put in place a single comprehensive computerized database for the local government civil service (MEFP¶8). The authorities will continue to work with the World Bank to improve the financial sustainability of the electricity sector, but in the short term they will take measures to improve the monitoring of risks from the rest of the public sector through the set-up of a specialized unit to monitor

SOEs and through increased control over the procurement rules and practices of subsidized SOEs, where past irregularities suggest notable room for cost reduction (MEFP¶19-21).

B. Structural Fiscal Reforms

Fiscal structural reforms will support efforts to ensure a more sustainable, efficient and transparent fiscal policy, which also strengthen governance in the public sector. They focus on digitalizing public services and procedures facilitate revenue mobilization and a more efficient and transparent management of public resources, prepare the ground for addressing weaknesses in SOE management, and on carrying through other revenue administration and public financial management reforms already initiated under the program.

17. In light of the deteriorated revenue outlook and increasing pressures on social and developmental spending, revenue mobilization efforts remain of utmost importance. Reforms are based on successive technical assistance missions, including a November 2019 tax administration diagnostic assessment (TADAT).

- The authorities will launch *electronic payment of taxes* for a selection of large firms in January 2021, with the aim of extending to all large firms by mid-2021 (*new structural benchmark*) and to medium size firms by January 2022 (MEFP¶12). While the e-payment platform will be initially operated by one bank, the government is committed to allowing all banks, by end-2021, to develop an e-payment platform to improve the efficiency and competitiveness of the system (*new structural benchmark*). Payment of some taxes through mobile banking services will also be enabled before September 2021.
- In addition to electronic payments, reforms in *tax administration* will focus on: (i) strengthening the monitoring of large and medium-sized taxpayers, including through the operationalization of two new tax centers dealing with medium-size enterprises in Bamako (delayed structural benchmark, implemented as a *prior action* for the reviews); (ii) strengthening the usability of the taxpayer directory and the single taxpayer identification number throughout the government; (iii) modernizing the VAT credit refund procedures to ensure timely refunds and maintain the neutrality of the tax, and conduct an audit of VAT refunds granted in recent years; and (iv) continue strengthening its human resource management (MEFP¶12).
- In *customs administration*, in addition to the fuel exemption controls discussed above, reforms will focus on: (i) the application of the transaction value (replacing current obsolete values) in the collection of customs duties to prevent the loss of revenue and reduce discretion (the initial application of the relevant module to a range of 45 products has been implemented as a *prior action* for the reviews, to be followed by the full automatization of the system by end-April 2021); (ii) the extension of electronic acceptance of cargo manifests to all airlines; and (iii) the reform of the Customs Code, among other reforms (MEFP¶13).

18. Public financial management reforms remain critical for improving fiscal outcomes. In addition to the reforms to strengthen budget execution through interconnectivity and operationalizing electronic payments, discussed above, the program focuses on:

- *Strengthening commitment controls to facilitate management of budgetary float and arrears* (MEFP¶15). The authorities have maintained control over domestic spending arrears during 2020 (outside of the impact of the post-coup sanctions), but lack of commitment planning hampers management of spending commitments in line with cash availability. In the near term, the authorities will focus on rolling out expenditure commitment plans—piloted in eight line ministries in the first half of 2020—to the remaining ministries during 2021. In the second stage, these plans will be uploaded and integrated into the treasury control and budget execution software (PRED) through a commitment plan management module. Finally, these commitment plans are expected to be used to develop budget execution ceilings and automatic approval of new expenditure commitments in line with projected cash availability during the 2022 budget execution.

- *Strengthening oversight over public entities outside the central government—a major source of contingent liabilities—and improving availability of data on their financial position* (MEFP¶21). For SOEs, the authorities plan to (i) create an oversight unit for the public enterprises, which will be responsible for monitoring their financial situation and advise the government on associated risks (*new structural benchmark on related decision*), and (ii) require subsidized public enterprises that their procurement operations be consistent with the general framework of public procurement and increase accountability for compliance with the procurement rules (*new structural benchmark*). The authorities recognize that subsidies to the electricity company EDM—about 0.3 percent of GDP traditionally budgeted every year, including in 2021— may not be enough to cover its large structural deficit (of around 0.8 percent of GDP), and are committed, in the near term, to allocate above-budget revenues to additional transfers to avoid further accumulation of supplier arrears. The authorities are committed to the energy strategy elaborated with the World Bank to improve the financial situation of EDM (discussed below). For national public institutions (EPN) the authorities continue broadening the coverage of public statistics and will start publishing biannually the consolidated accounts of the EPN subsector in December 2021.

- *Integrating public accounts into the treasury single account (TSA).* A faster integration will allow greater transparency and a more optimal use of available liquidity (MEFP¶14). A substantial part of public entities (about 90 percent of 125) still maintain accounts outside TSA, with little oversight from line ministries.[13] The authorities undertook a census of public bank accounts outside the TSA in June 2019, have recently finalized the mapping of all active and nonactive accounts for further streamlining, and plan to gradually expand the TSA coverage to 50 institutions by end-2021 and the remaining public institutions by mid-2022.

- *Introducing automatic data sharing between the Treasury and the revenue collecting agencies to enable timely monitoring of revenue collections and an efficient management of fiscal resources* (MEFP¶14). The authorities are committed to finalizing the interconnectivity between all relevant

[13] The TSA Implementation Commission found in its June 2019 survey that a total of 4,854 public bank accounts with an overall credit balance of CFAF 433 billion (around 4.3 percent of GDP) remain outside of the TSA. The objective to consolidate public sector accounts is longstanding; reforms are now supported by a resident PFM expert.

applications (AICE2, SIGTAS, ASYCUDA WORLD, SIGED) before end-September 2021 to enable such data sharing (*new structural benchmark*).

- *Transitioning to electronic payments by the central government, including of all wages and salaries, to strengthen financial controls and governance*. The development and operationalization of the software that would allow such payments between the banking system and the government's TSA was delayed due to pandemic restrictions (an end-March 2020 structural benchmark), but the authorities are expected to finalize the reform by end-June 2021. Electronic payment of wages to the security forces, which is not yet planned, would be another important step towards financial transparency and accountability.
- *Addressing other weaknesses in public financial management,* including strengthening the investment project management system, the public procurement system, internal controls, and the public-private partnership framework (MEFP¶16-17).
- *Digitalizing all public administration procedures and services to improve efficiency and control of public spending, increase public access to information and reduce vulnerability to corruption.* The planned governance assessment mission will review budget execution and other public procedures and identify reform needs in these areas, including in procurement contracts, mortgage, land, property registries, among other.

C. Stronger and Inclusive Growth, Governance and Transparency

19. A reliable electricity supply provided by a financially sound and well-run electricity company is critical for improving the business climate. Frequent power outages and the high cost of electricity remain a serious bottleneck to growth. The authorities are implementing the medium-term recovery plan for the electricity sector agreed with the World Bank to strengthen the financial position of the state-owned company (EDM-SA) and eliminate government subsidies over the medium term (MEFP¶19). In particular, the plan focuses on (i) improving in the power generation mix by increasing reliance on low cost production and energy imports, (ii) moving away from more harmful production based on diesel fuel and from the use of expensive emergency production contracts, (iii) ensuring that recent arrears accumulated by the EDM vis-à-vis Côte D'Ivoire electricity suppliers are cleared according to the recently renegotiated schedule and, if needed, added in the budget, to ensure uninterrupted electricity supply, (iv) increasing revenue while bringing the structural deficit down, and reducing arrears to suppliers (1.2 percent of GDP in 2020). To support the improvement plan, the government and EDM-SA signed a performance contract in November 2019: although its monitoring and implementation has not progressed as expected, in some part due to COVID-19 and recent political events, the government is committed to redoubling efforts on this front (MEFP¶19).

20. Fighting corruption and impunity is a major pillar of the transition authorities' reform agenda. Reforms will be pursued on a number of fronts (MEFP¶24-26). The anti-corruption regime will be strengthened by broadening the applicability of the mandatory asset declarations to politically exposed persons, senior officials in the civil service and armed forces, members of parliament, and managers of public enterprises. Revised legislation to this effect is expected to be approved by the government by end-March 2021 (*delayed structural benchmark*) and by parliament by end-2021. Compliance with the mandatory declaration of assets will also be strengthened, following a recent drop in declaration rates.[14] The authorities have also set up a call center for reporting potential cases of illicit enrichment, corruption, and fraud to the Central Office for the Fight Against Illicit Enrichment (OCLEI), and will continue work on promoting coordination among various control bodies and the Ministry of Justice in their work against corruption. Finally, the code of criminal procedures will be modified to introduce automatic referral of corruption cases by the prosecutor to the justice system, and to create a specialized economic and financial prosecution service.

21. Given Mali's vulnerability to terrorism financing and money laundering, efforts to strengthen the AML/CFT regime are critical. In November 2019, the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) adopted the mutual evaluation report for Mali, noting low level of effectiveness of its AML/CFT regime. Areas where improvement is needed include in particular the criminalization of offences of terrorism financing, building capacity in the Financial Intelligence Unit and investigative agencies, the formalization of the function of AML/CFT supervision of non-financial institutions, and powers to confiscate the proceeds from criminal offences, among other. Particular challenges are posed by lack of state control over the northern and southern territories, where terrorist groups are dominant and where some gold mines may be used for terrorism financing. Preventive measures for financial institutions also have limited effect due to the prevalence of cash transactions. The authorities recognize the need to speed up efforts to address identified weaknesses and committed to approving without delay the action plan drafted in response to the mutual evaluation report (MEFP ¶27). They have commenced the process of amending the Criminal Code to correct the deficiencies in the terrorism financing offence and to establish an asset management agency for confiscated assets. In addition, the AML/CFT national risk assessment, which began in October 2018 with support from the World Bank, was delayed due to the COVID-19 crisis, but is underway.

22. The authorities have taken steps to ensure transparent use of the funds for the pandemic response. In their letter of intent for the Rapid Credit Facility, they have committed to publish information on COVID-19 spending, on related procurement contracts, and to commission an audit of the spending in about a year since the start of the pandemic. The absence of a transition government for nearly two months has delayed the reporting, but the authorities started the monthly publication on COVID-19 expenditure report in November (*prior action;* met), and have commissioned an independent audit of COVID-19 related expenditure by the Office of the Auditor General (BVG), to be published by end-July 2021 (MEFP¶22; the latter a *new structural benchmark*). The authorities will also publish, by end-May 2021, the documentation on large public procurement

[14] The rate of officials' compliance with the mandatory declaration of assets has dropped to 8 percent as of December 12, 2020, from 23 percent at end-2019 and 50 percent at end-2018.

contracts, including the beneficial ownership information of awarded entities (*new structural benchmark*).[15]

23. The transitional authorities have requested a Governance Assessment, now expected to take place in the spring of 2021. The assessment will provide input into governance reform priorities going forward. Among other things, the assessment will also undertake a Fiscal Transparency Evaluation (FTE) to identify the gaps in fiscal reporting (using the methodology from the "fiscal reporting" pillar of the FTE) and identify reform needs in the digitalization of public procedures to improve efficiency, control and transparency (including in areas of procurement contract, mortgage, land, and property registries).

24. Meanwhile, the government has committed to increasing fiscal data transparency. Starting in March 2021, it will start regular publication of information on domestic and external public debt, as well as on loan guarantees (MEFP¶18). It will also start publishing the consolidated accounts of the public institutions outside the central government (see ¶18).

25. In the banking sector, national reforms focus on removing non-operating fixed assets from bank balance sheets.[16] These assets—consisting mainly of land or residential buildings not exploited by the credit institutions—stood at over 13 percent of banks' equity in June 2020. Although still below the prudential norm of 15 percent, such exposure is limiting the profitability of the banking system. The authorities intend to establish in early 2021 an independent unit to manage the fixed assets, capitalized by banks and other private investors (MEFP¶29).

PROGRAM ISSUES, MONITORING AND RISKS

26. Staff support the following requests for waivers for non-observance of program conditionality and target recalibrations:

- *Waiver for the non-observance of the continuous zero ceiling on external payment arrears.* Post-coup sanctions in place between late August and early October 2020 have cut access of the de facto authorities to the Treasury Single Account, preventing them from servicing public debt and from executing and/or settling most expenditures, including the COVID-19 relief measures. Staff supports the waiver as debt arrears were settled soon after sanctions were lifted.
- *Waiver for the non-observance of the continuous zero ceiling on domestic payment arrears*. Lack of access to the Treasury Single Account during the post-coup sanctions also led to the accumulation of domestic arrears in October 2020, which have been repaid in November 2020; no other domestic arrears have been reported in the reporting period. Staff supports this waiver on the basis of the lifting of the sanctions, which allowed the repayments of domestic arrears,

[15] LEG rapid technical assistance will be provided to help the authorities publish the beneficial ownership information.

[16] The banking system is otherwise supervised by the regional WAEMU central bank, and banking sector performance and reforms are discussed in the context of regional Article IV consultations.

and the structural PFM reforms under way to put in place mechanisms to control expenditure commitments (¶18).

- *Waiver for the non-observance of the floor on net tax revenue at end-June 2020.* The COVID-19 pandemic and policy measures to alleviate its impact have adversely affected revenue performance, rendering the end-June 2020 targets inconsistent with developments and infeasible. Staff support this waiver on the basis of the efforts made since June to recover tax collections, the revenue administration reforms to close loopholes in revenue administration, and reforms to prepare the ground for more comprehensive tax reforms next year.
- *Waiver for the non-observance of the ceiling on the overall fiscal deficit at end-June 2020.* Staff support this waiver on the basis of its de minimis breach, reflecting efforts to cut non-priority spending drastically to offset the revenue underperformance, and the corrective actions going forward to bring the fiscal position in line with the regional targets.
- *Waiver for the non-observance of the ceiling on net domestic financing at end-June 2020.* The impact of the pandemic and the policy response have increased the projected fiscal deficit in 2020, and therefore required additional financing for its implementation. In anticipation of the higher deficits, the authorities resorted to IMF RCF financing (measured under domestic spending, footnote 5) in April 2020 and the issuance of special COVID-bonds in the regional markets, thereby missing the program target on domestic financing for end-June, which was set before the pandemic and thus not appropriate in the face of the pandemic shock. Staff support the waiver in light of the efforts discussed above to limit the fiscal deficit going forward and set it on a gradual path to meeting the regional 3 percent of GDP target in 2024.

27. The program has been recalibrated in line with the revised macroeconomic framework, to ensure the overall program objectives can be met. In addition to re-setting end-December 2020 performance criteria and indicative targets,

- The performance criteria and indicative targets for end-June 2021 and end-December 2021 have been proposed in line with the new fiscal program (Table 7). Outstanding structural benchmarks have been rephased to reflect feasible implementation deadlines, while new structural benchmarks have been proposed for 2021 (Table 8). Three prior actions for the completion of the second and third reviews have been agreed on, all of which have already been implemented (Table 8). Disbursements would be made according to the schedule laid out in Table 9.
- Staff proposes to temporarily downgrade the continuous QPC on domestic supplier arrears to a continuous indicative target. Since a truly continuous monitoring of domestic payment arrears is not feasible or credible in the absence of mechanisms to control expenditure commitments and runs the risk of misreporting, staff supports the downgrade until such control mechanisms are in place with the implementation of the program's PFM agenda.
- With the projected support from development partners and the Fund, the program is fully financed for the next twelve months (Table 11). Staff hopes that the successful completion of the ECF reviews will catalyze additional donor financing in the time ahead.

28. Completion of the second and third reviews will release a disbursement of SDR40 million (US$57 million, or 21.4 percent of quota), which will be on-lent to the government by the regional central bank BCEAO.[17] Following this disbursement, Mali's capacity to repay the Fund remains adequate (Table 10). Obligations to the Fund will peak in 2027 at 3.2 percent of government revenue or 0.6 percent of GDP. The total outstanding Fund credit in 2020 amounts to SDR383.2 million or 205.3 percent of quota. Mali has a long track record of Fund borrowing and repayments that is a testament to its ability and willingness to repay Fund lending on time. Moreover, Mali has unrestricted access to the pooled reserves of the BCEAO, further bolstering the safety of IMF lending to the country.

29. Program implementation risks are high. While the authorities remain strongly committed to the reforms under the program, main implementation risks stem from the prospect of continued political instability, the macroeconomic uncertainty related to the dynamics of the pandemic, and potential financing risks if regional markets tighten. To limit risks, the program will rely on close monitoring of revenue developments (TMU¶19) and of financing availability to restrain expenditure commitments, while preserving priority spending (MEFP¶10). Additional measures could be taken as needed, including speeding up the adoption of tax policy measures or freezing hiring (Annex III).

STAFF APPRAISAL

30. The transitional authorities are confronting a very challenging economic, social and policy environment, against the backdrop of an already difficult security situation. The second wave of the pandemic is straining livelihoods, the healthcare system, and fiscal resources, at a time when the external financing constraints have tightened post-coup. Recent wage pressures and poor performance of public enterprises have added to these fiscal pressures and have increased vulnerabilities around the sustainability of the fiscal position. The security situation also remains precarious. Despite these challenges, the authorities strived to minimize deviations from the original program, designed before the shocks, and persevered with structural reforms. The immediate task ahead is to address the health crisis, stabilize the macroeconomy, strengthen governance and guide fiscal policies to a stronger position. The recalibrated program provides a path towards meeting these objectives.

31. A temporary loosening of the fiscal targets is appropriate to support the near-term recovery, with due consideration for sustainability and financing risks. Staff welcomes the implementation of the pandemic response package after coup-related delays and encourages a close collaboration with the World Bank to accelerate an efficient identification of the social assistance beneficiaries and ensure that cash benefits reach vulnerable households fast to mitigate income losses during the pandemic. Staff also agrees with the need to preserve priority investment spending as the economy recovers from the pandemic. Nevertheless, higher fiscal deficits in the

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[17] On the safeguards assessment, the BCEAO has only one recommendation outstanding from the 2018 safeguards assessment. It relates to the strengthening of the risk management function, which is in process. The assessment found that, overall, the central bank has maintained a strong control culture.

near term are straining the authorities' ability to finance them on concessional terms in a context of yet uncertain budget support and are increasing the debt burden. To minimize these risks, steadfast implementation of the fiscal program, efforts to mobilize tax revenues and additional grant or concessional support will be important.

32. Gradually restoring the fiscal deficits to the 3 percent of GDP deficit ceiling under WAEMU will be essential for turning around the upward debt dynamics. Staff supports the objective of returning to the WAEMU target by 2024, which will require initiating the fiscal consolidation in 2022. To avoid cuts in needed investment and social spending, the adjustment needs to focus on mobilizing revenues through a tax reform, while ensuring its burden is shared fairly and that the most vulnerable are protected. Staff commends the authorities for already initiating work on reform options; these—together with the planned review of options to streamline tax exemptions—will serve as basis for the 2022 budget. On the spending side, reforms to set the recently increased wage bill on a more sustainable footing and to strengthen the capacity to oversee public enterprises and improve their financial position will be critical to prevent a deterioration of the spending mix and lock in the gains from the adjustment.

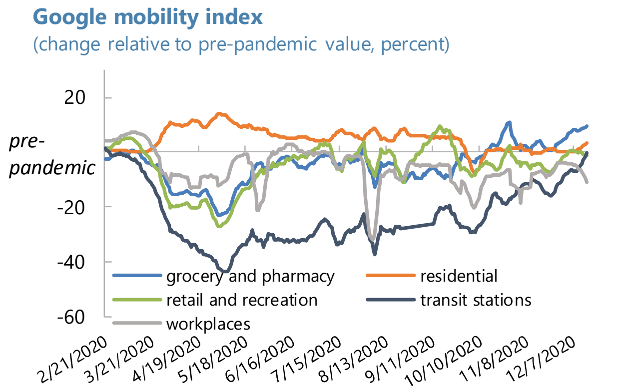
33. Reforms in revenue administration and public financial management are progressing steadily and will remain central pillars for supporting fiscal sustainability. Focus on digitalization of public services and procedures—through tax e-filing and e-payments; data interconnectivity among public sector institutions; electronic payments; automatic valuation of imports and cargo manifests—will not only improve revenue mobilization and public financial management, but also support better governance and accountability. Staff supports the authorities' focus on strengthening the administration of fuel duties and exemptions, as these could generate significant revenues. Strengthening commitment controls is another area that will yield notable benefits in terms of more agile budget execution, better cash management and better control over arrear accumulation.

34. Strengthening the legal and institutional frameworks for anti-corruption and reducing impunity are policy objectives strongly aligned with Mali's development needs and government's agenda. Staff welcomes ongoing efforts to strengthen the anti-corruption framework by broadening the legal requirements for asset declarations and strengthening judicial follow-up on corruption cases, as well as planned reforms to increase fiscal data transparency and strengthen the AML/CFT framework. Notwithstanding these efforts and delays brought by Covid 19 and political instability, the government must now take concerted action to bring these reforms and plans to completion, combat impunity and enforce the rule of law, thereby addressing the main drivers of fragility and improving the business and social climate. The publication of information on COVID spending and the commissioning of the pandemic spending audit bode well for authorities' continued commitment to maintaining the transparency and accountability of crisis spending.

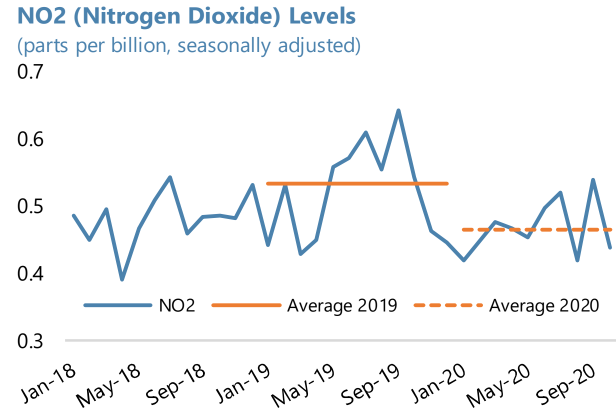
35. Staff supports the completion of the second and third reviews on the basis of reforms undertaken in the context of the reviews and policy commitments going forward. The attached Memorandum of Economic and Financial Policies and Letter of Intent present the authorities' policies for achieving the program objectives. While significant implementation risks may emerge from continued political, social and security instability, the authorities' commitment to the reforms—as demonstrated through the pandemic and the socio-political crisis—and the monitoring safeguards, will help mitigate the risks. Increased donor support, catalyzed by the ECF, could create additional buffers.

Figure 1. Mali: High-Frequency Indicators

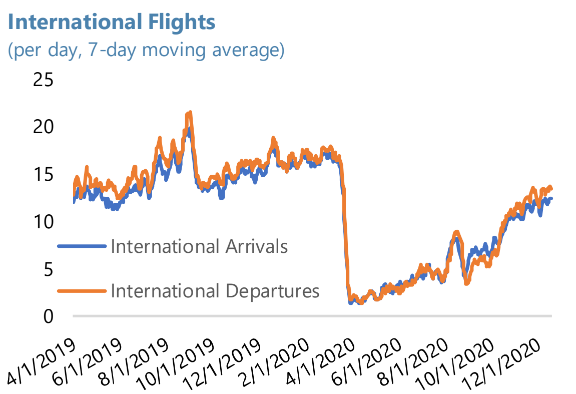
With the COVID outbreak and containment measures, visits to grocery shops, restaurants and the use of public transport fell, but picked up by the end of the year



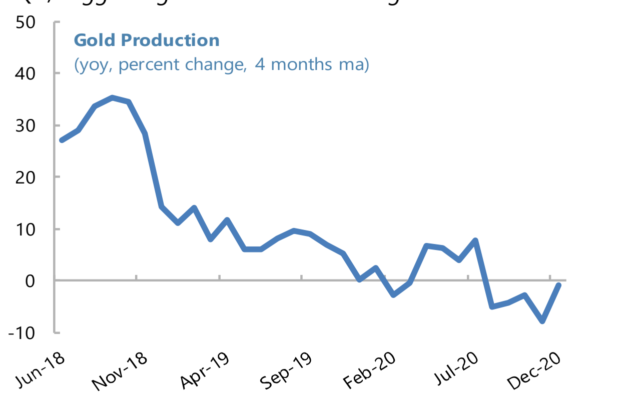
Lower NO2 levels suggest slowdown in economic activity in 2020



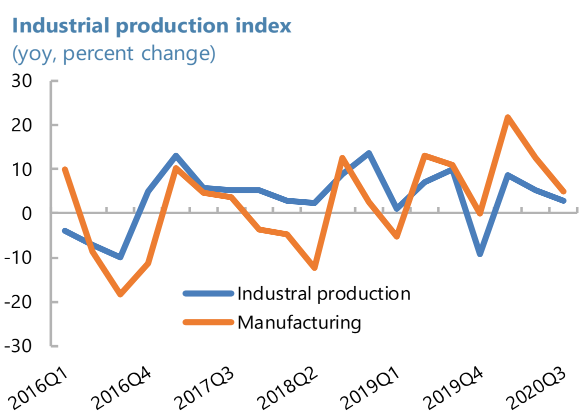
International flights collapsed since April, but have picked up since to almost pre-pandemic level in December 2020



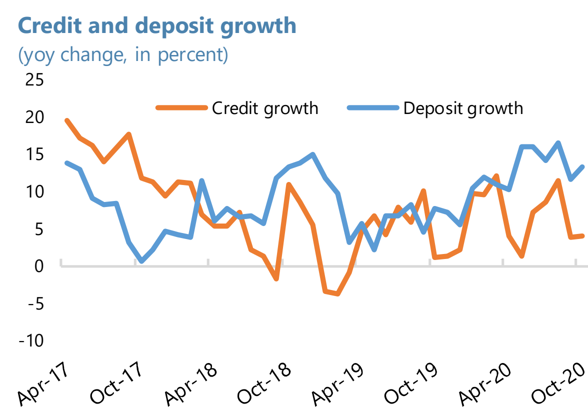
After accelerating in Q2, growth in gold sector fell in Q3 and Q4, suggesting overall slowdown in gold sector in 2020



Industrial production growth has been generally volatile, but seems to continue slowing down after solid growth in Q1



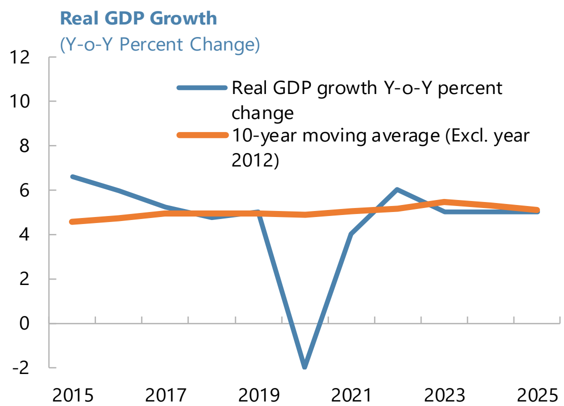
Some acceleration in private credit and deposit growth in Q3 was cut short by the sanctions in place in September.



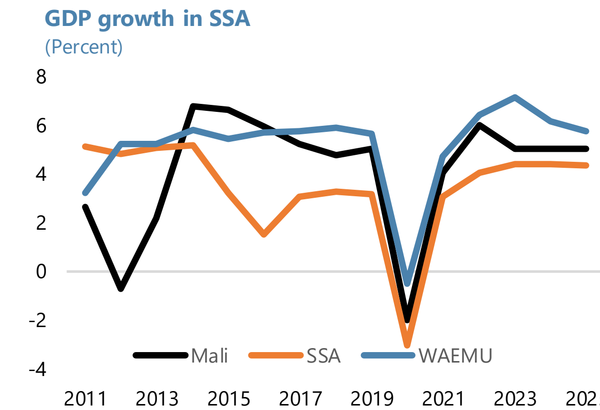
Source: Malian authorities, staff calculations and projections.

Figure 2. Mali: Real Sector Developments

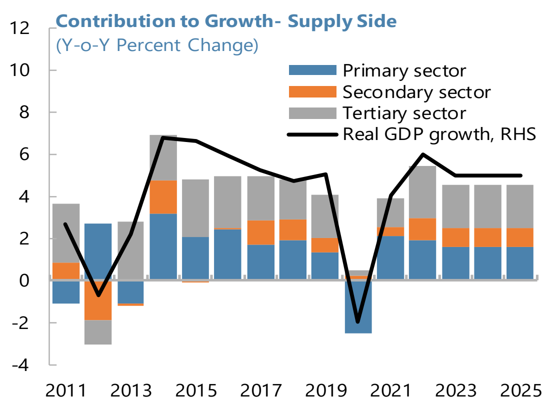
GDP growth will drop in 2020 but it is expected to pick up next year and to stabilize around its potential over the medium term.



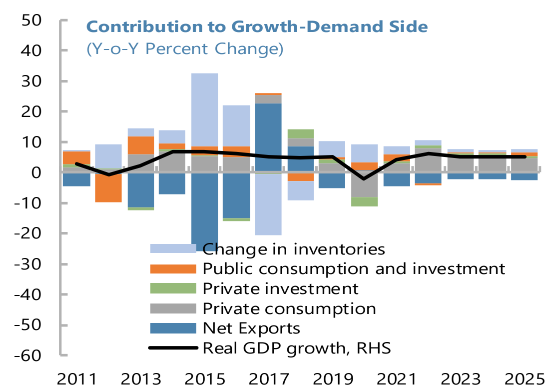
The pandemic and the political instability are projected to cause a contraction of Mali's GDP that will likely be larger than that of the WAEMU average.



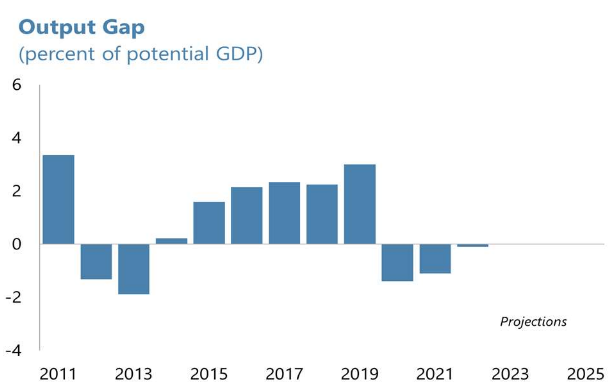
The primary sector is estimated to have contracted significantly in 2020, but is expected to recover in 2021.



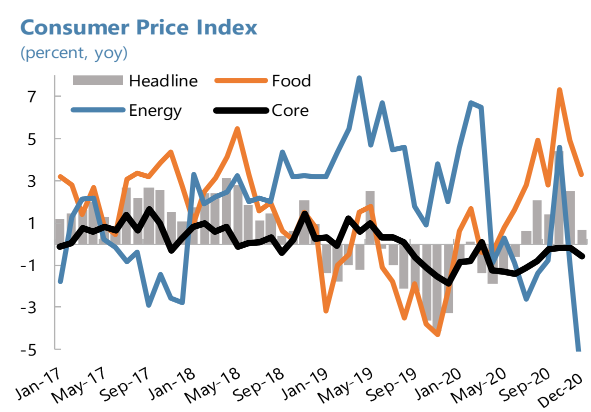
After an estimated contraction in 2020, private consumption is projected to drive the recovery as fiscal consolidation starts in 2022.



Output gap is estimated to be negative and expected to close gradually over the medium term.



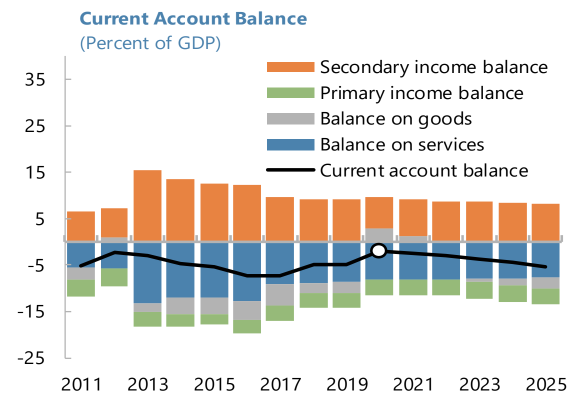
Inflation has returned into a positive territory driven mainly by food prices.



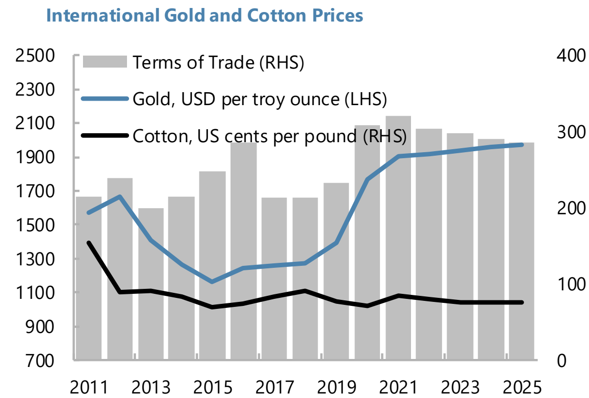
Source: Malian authorities, staff calculations and projections.

Figure 3. Mali: External Sector Developments

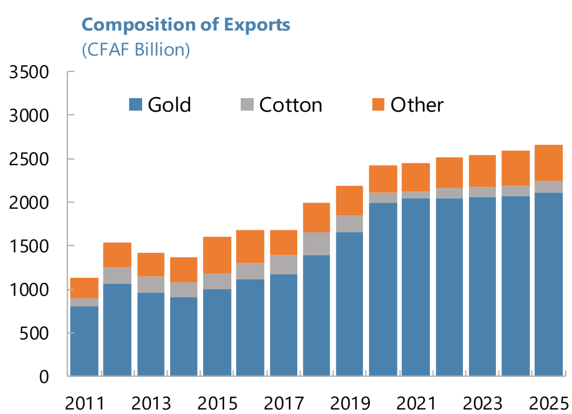
The current account balance improved significantly in 2020, but will widen again over the medium term…



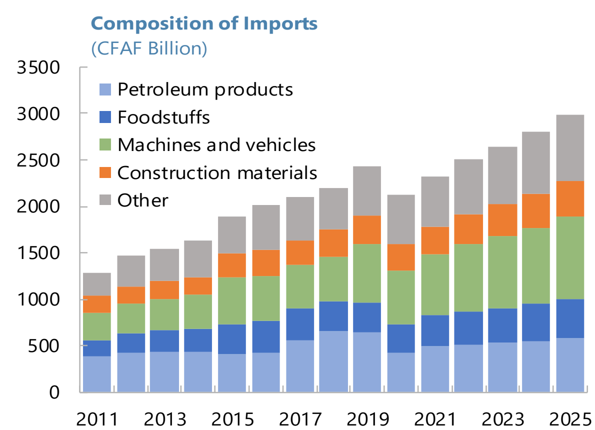
… in line with developments in the terms-of-trade.



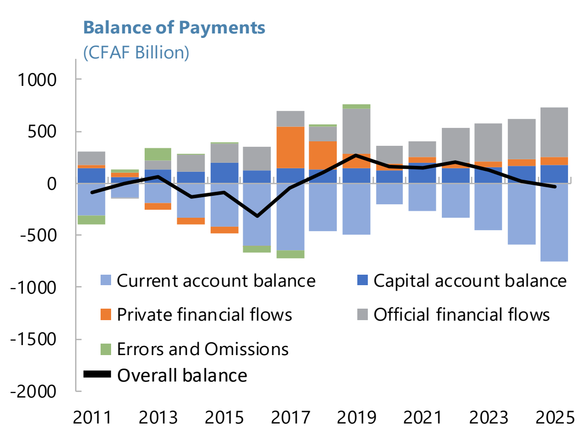
Exports of gold have increased significantly over the years, and made up over 80 percent of total goods exports in 2020 as international prices for gold soared …



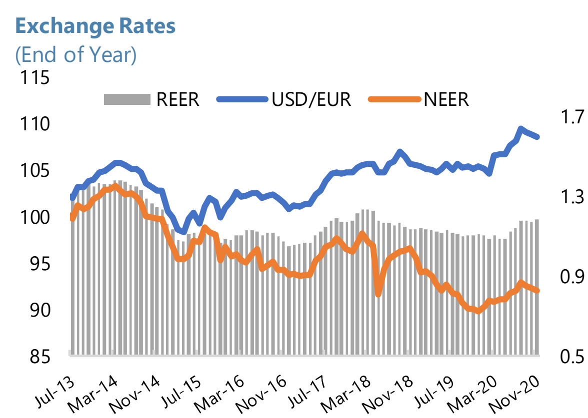
… while the composition of imports remains broadly stable.



The overall balance of payments is estimated to be positive in 2020 as current account deficit narrowed but will deteriorate over the medium term.



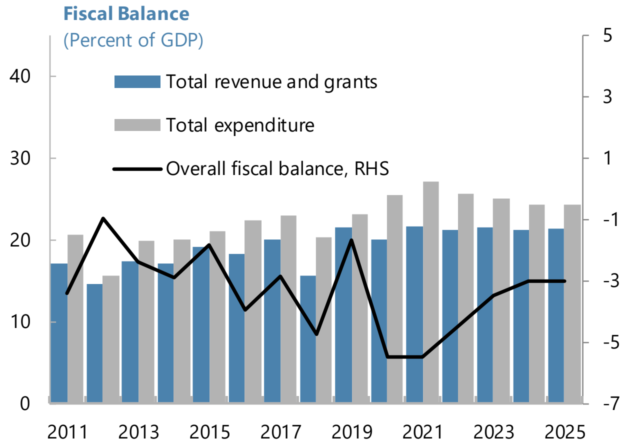
The REER has appreciated during 2020, reflecting mainly nominal appreciation and strengthening euro.



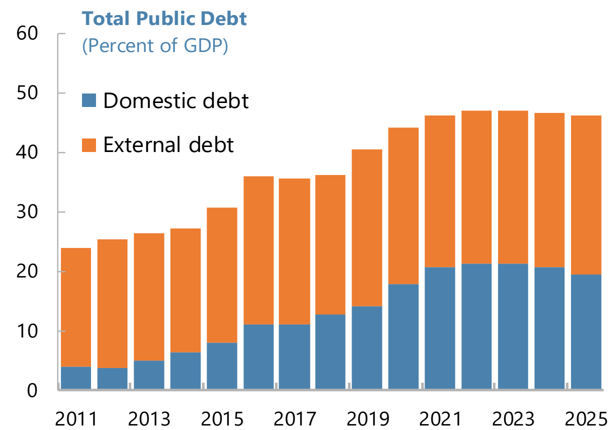
Source: Malian authorities, staff calculations and projections.

Figure 4. Mali: Fiscal Sector Developments

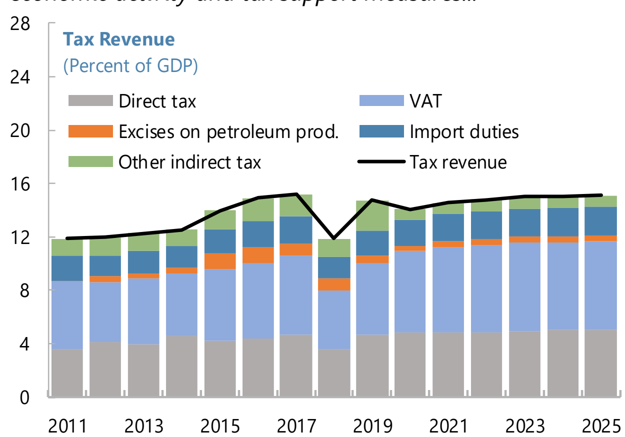
The fiscal balance is expected to deteriorate in the near term, while recovering to WAEMU targets over the medium term.



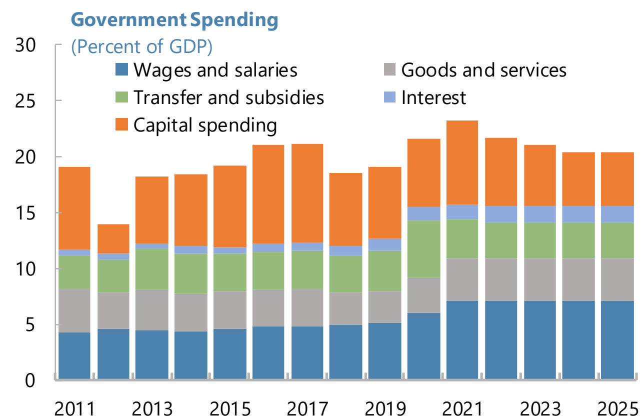
Total public debt is projected to increase but remain at moderate risk of debt distress.



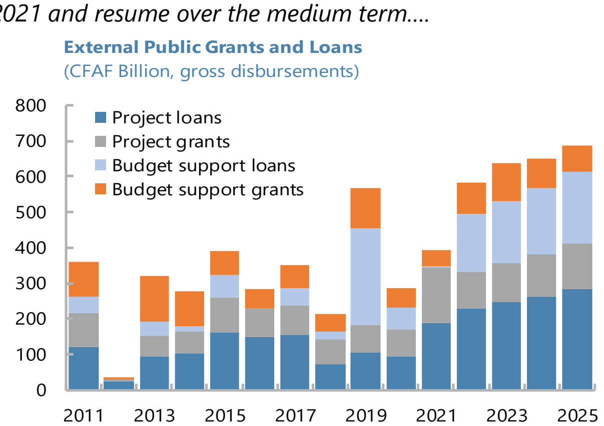
Tax revenues are expected to fall in 2020 both due to lower economic activity and tax support measures...



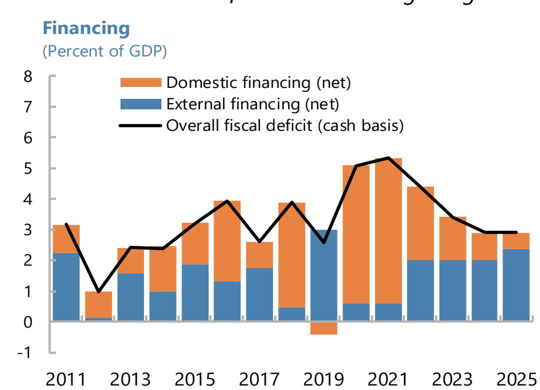
...while spending is on the rise as the authorities implement COVID-19 support measures and wage increases.



External budget support is projected to sharply contract in 2021 and resume over the medium term....



... though in the near term the authorities will likely rely more on domestic market to finance increasing budget needs.

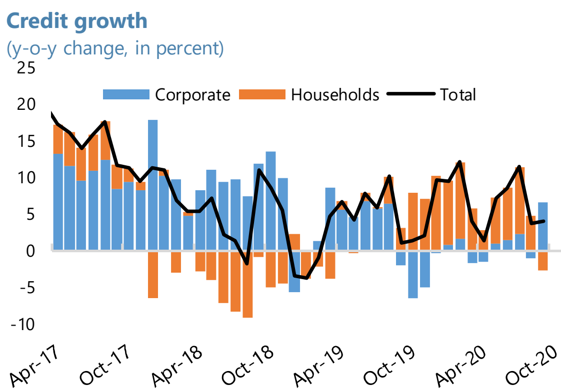


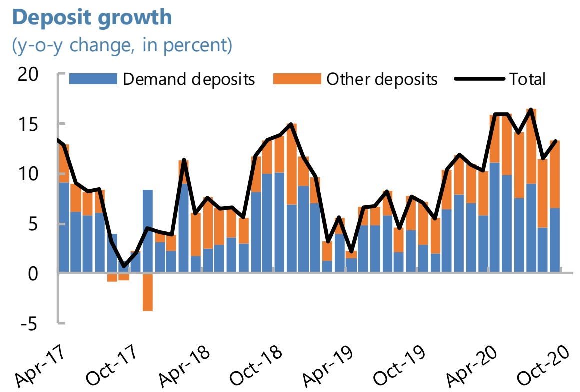
Source: Malian authorities, staff calculations and projections.

Figure 5. Mali: Monetary Sector Developments

Credit growth accelerated in Q3 in both corporate and consumer segments after a slowdown in Q2 …

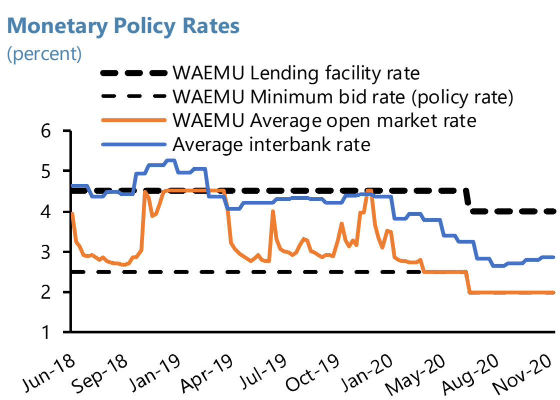
and deposit growth picked up since the beginning of the year., likely supporting credit growth.

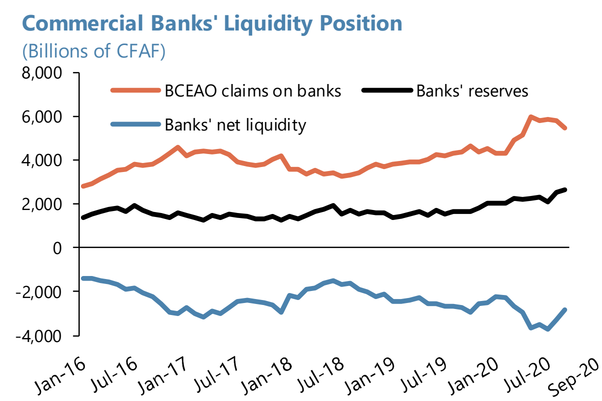




To mitigate the impact of the pandemic, the BCEAO (regional central bank) reduced the policy rate…

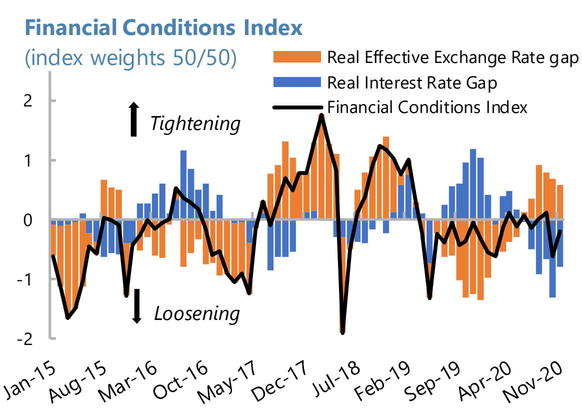
…and introduced measures to support banks' liquidity .

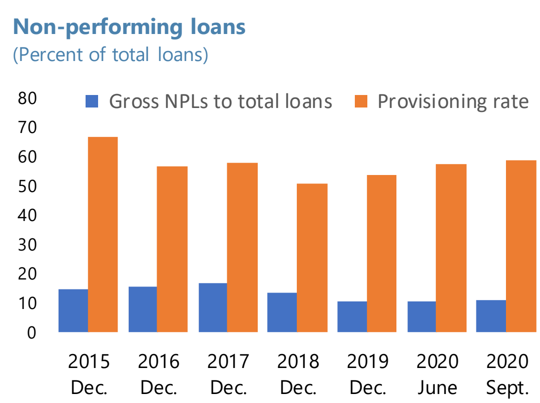




These measures led to a more accommodative monetary policy stance.

In addition, temporary forbearance on loan classification likely kept banks' asset quality broadly stable.





Source: BCEAO, staff estimates and calculations.

Table 1. Mali: Selected Economic and Financial Indicators, 2017–25

	2017	2018	2019		2020			2021		2022	2023	2024	2025
			1st Review[1]	Est.	1st Review[1]	RCF[2]	Proj.	1st Review[1]	Proj.	Projections			
National income and prices					(Annual percentage change)								
Real GDP	5.3	4.7	5.1	4.8	5.0	0.9	-2.0	5.0	4.0	6.0	5.0	5.0	5.0
GDP deflator	1.9	1.5	2.5	2.1	1.8	1.8	2.0	2.3	1.5	2.0	2.0	2.0	2.0
Consumer price inflation (average)	1.8	1.7	-0.4	-2.9	0.6	0.6	0.7	2.0	1.5	2.0	2.0	2.0	2.0
Consumer price inflation (end of period)	1.1	1.0	-0.8	-3.3	1.7	1.5	2.1	2.3	1.5	2.0	2.0	2.0	2.0
Output gap	2.3	2.2	…	3.0	…	…	-1.4	…	-1.1	-0.1	0.0	0.0	0.0
Money and credit													
Credit to the government	55.7	64.1	27.7	-36.6	20.2	48.1	142.3	…	45.7	15.9	6.2	1.5	-1.2
Credit to the economy	5.4	4.8	6.1	2.2	6.0	2.7	3.7	…	5.6	8.1	7.1	7.1	7.1
Broad money (M2)	4.3	14.2	10.0	9.0	11.2	3.3	15.0	…	5.6	8.1	7.1	7.1	7.1
Central government finance and public debt					(Percent of GDP, unless otherwise indicated)								
Revenue	18.4	14.3	19.5	19.5	20.5	17.9	18.6	20.7	19.7	19.5	19.7	19.8	19.9
of which: Tax revenue[3]	15.2	11.9	14.6	14.8	15.5	13.3	14.1	15.7	14.6	14.8	15.0	15.0	15.1
Grants	1.6	1.2	2.4	1.9	2.5	3.0	1.4	2.0	1.9	1.6	1.8	1.5	1.4
Total expenditure and net lending	22.9	20.3	24.8	23.1	26.4	27.1	25.5	25.9	27.1	25.7	25.0	24.3	24.3
Overall balance (accrual basis)	-2.9	-4.7	-2.9	-1.7	-3.5	-6.2	-5.5	-3.3	-5.5	-4.5	-3.5	-3.0	-3.0
Overall balance (cash basis)	-2.6	-3.9	-3.6	-2.6	-3.6	-6.1	-5.1	-3.2	-5.3	-4.4	-3.4	-2.9	-2.9
Public debt (end of period)	35.5	36.1	38.3	40.5	39.0	44.6	44.1	39.5	46.2	46.9	47.0	46.6	46.1
External public debt	24.5	23.4	26.3	26.4	26.1	30.1	26.3	25.7	25.6	25.6	25.8	26.0	26.6
Domestic public debt[4]	11.0	12.7	12.0	14.0	12.9	14.5	17.8	13.8	20.6	21.3	21.3	20.6	19.5
Debt service (percent of revenues)	6.3	5.1	4.8	5.1	5.6	7.2	6.3	5.9	7.3	10.5	10.0	10.3	9.1
External sector													
Current account balance, including official transfers	-7.3	-4.9	-4.8	-4.8	-4.4	-3.6	-2.0	-4.6	-2.4	-2.9	-3.6	-4.5	-5.3
Current account balance, excluding official transfers	-12.1	-9.3	-9.4	-9.7	-8.5	-7.1	-4.3	-8.5	-5.8	-6.8	-7.4	-7.9	-8.5
Exports of goods and services	22.5	24.5	23.6	24.9	24.0	24.4	27.2	23.0	26.2	25.0	23.7	22.6	21.7
Imports of goods and services	36.2	35.6	34.6	36.0	34.0	31.5	32.2	32.9	33.1	32.9	32.4	32.0	31.7
Overall balance of payments	-0.5	1.1	-0.3	3.0	0.1	-3.7	1.6	-0.2	1.4	1.7	1.0	0.2	-0.2
Terms of trade (deterioration -)	-25.3	-0.1	2.2	9.8	4.8	24.6	31.8	0.2	3.9	-4.8	-2.4	-2.3	-1.7
Real effective exchange rate (depreciation -)[5]	0.5	0.3	…	-4.2	…	…	-0.3	…	…	…	…	…	…
Memorandum items:													
Nominal GDP (CFAF billions)	8,922	9,482	10,214	10,140	10,917	10,427	10,138	11,732	10,704	11,573	12,394	13,274	14,217
Nominal GDP (US$ billions)	16.1	16.5	…	17.2	…	…	…	…	…	…	…	…	…
Public debt (CFAF billions)	3,165	3,424	…	4,106	…	4,649	4,476	…	4,945	5,429	5,827	6,186	6,557
Overall balance of payments (US$ millions)	-71	189	…	451	…	…	…	…	…	…	…	…	…
US$ exchange rate (end of period)[5]	554	576	…	590	…	…	554	…	…	…	…	…	…
Gold Price (CFAF billion/ton)	22.7	22.0	20.9	23.6	23.0	23.0	32.9	23.2	34.8	35.4	35.8	36.2	36.6
Cotton price (CFAF/kg)	1,017	1,063	…	956	…	851	868	…	971	916	863	861	869
Petroleum price (crude spot)(US$/bbl)	53	68	62	61	58	36	41	55	50	49	48	48	48

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

[1] IMF Country Report No. 20/8, Mali : First Review Under the Extended Credit Facility Arrangement. The review was completed on January 8, 2020.

[2] IMF Country Report No. 20/153, Mali: Requests for Disbursement Under the RCF and Rephasing of Access Under the ECF

[3] The baseline scenario does not yet assume the tax reform measures that will be finalized ahead of the 2022 budget.

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

[5] For 2020, the latest available data is for November.

Table 2a. Mali: Consolidated Fiscal Transactions of the Government, 2017–25
(Billions of CFAF)

	2017	2018	2019		2020			2021		2022	2023	2024	2025
			1st Review[1]	Est.	1st Review[1]	RCF[2]	Proj.	1st Review[1]	Proj.	Projections			
Revenue and grants	1,790	1,476	2,235	2,173	2,501	2,182	2,025	2,660	2,314	2,450	2,665	2,824	3,027
Total revenue	1,646	1,359	1,994	1,982	2,234	1,869	1,884	2,424	2,112	2,260	2,447	2,625	2,823
Budgetary revenue	1,480	1,182	1,598	1,571	1,837	1,472	1,488	1,997	1,692	1,806	1,961	2,104	2,266
Tax revenue[3]	1,354	1,126	1,494	1,496	1,694	1,389	1,427	1,840	1,559	1,714	1,861	1,997	2,150
Direct taxes	419	340	454	472	525	444	495	581	523	561	617	666	719
Indirect taxes	934	786	1,040	1,024	1,169	945	932	1,259	1,036	1,152	1,244	1,331	1,431
VAT	524	415	605	551	663	488	616	718	676	754	817	877	946
Excises on petroleum products	85	88	74	53	65	43	37	66	49	52	55	58	61
Import duties	180	150	164	190	205	180	197	220	220	245	264	282	303
Other indirect taxes	235	198	269	300	314	311	210	339	226	247	265	282	300
Tax refund	-89	-65	-72	-68	-78	-78	-128	-83	-135	-146	-156	-167	-179
Nontax revenue	126	56	103	75	143	83	60	157	134	92	100	107	115
Special funds and annexed budgets	166	177	397	411	397	397	397	426	420	454	486	521	558
Grants	144	117	241	191	267	314	140	236	202	190	218	199	203
Projects grants	81	68	147	79	156	163	75	120	156	101	109	118	131
Budgetary support	63	49	94	112	111	150	54	116	46	89	109	81	73
Of which: General	49	43	83	104	103	139	37	107	42	79	97	72	62
Of which: Sectoral	14	6	11	8	9	11	17	9	4	10	11	9	11
Total expenditure and net lending[4]	2,045	1,926	2,531	2,344	2,883	2,829	2,582	3,041	2,903	2,971	3,099	3,222	3,453
Budgetary expenditure	1,890	1,755	2,144	1,939	2,492	2,438	2,192	2,615	2,483	2,517	2,613	2,701	2,895
Current expenditure	1,105	1,141	1,318	1,281	1,479	1,629	1,573	1,586	1,680	1,802	1,939	2,075	2,223
Wages and salaries	433	471	576	517	636	641	615	684	758	820	878	940	1,007
Debt service (percent of revenues)	298	272	300	293	361	394	321	388	406	439	470	503	539
Transfers and subsidies	300	313	342	366	361	473	517	388	375	367	393	421	451
Interest	74	84	101	104	120	120	121	126	141	176	198	211	226
Capital expenditure	785	615	826	658	1,013	809	618	1,029	803	715	673	626	673
Externally financed	253	147	247	192	359	369	187	338	348	341	367	390	424
Domestically financed	531	468	579	466	655	440	431	691	455	374	307	236	249
Special funds and annexed budgets	166	177	397	411	397	397	397	426	420	454	486	521	558
Net lending	-10	-7	-10	-6	-6	-6	-6	0	0	0	0	0	0
Overall balance (accrual basis)	-255	-450	-296	-171	-382	-646	-558	-381	-589	-521	-434	-398	-427
Adjustment to cash basis	23	81	-71	-90	-14	12	43	10	18	13	12	13	14
Overall balance (cash basis)	-232	-368	-367	-261	-396	-634	-515	-372	-571	-508	-422	-385	-413
Financing	232	368	367	261	396	634	515	372	571	508	422	385	413
External financing (net)	155	44	283	304	135	139	59	169	63	232	250	267	338
Loans	206	97	364	377	248	252	157	259	192	393	420	450	482
Project loans	157	74	89	105	194	194	95	209	189	230	246	264	282
Budgetary loans	50	23	275	271	54	58	62	50	3	163	174	187	200
Amortization	-70	-72	-99	-91	-122	-122	-107	-99	-137	-169	-179	-191	-144
Debt relief	18	19	18	18	9	9	9	9	9	9	9	8	0
Variation of External Arrears (Principal)	0	0	0	0	0	0	0	0	0	0	0	0	0
Domestic financing (net)	78	324	84	-43	261	198	456	203	508	276	172	118	75
Banking system	161	184	140	-189	137	*162*	479	179	372	189	86	21	-18
Central bank	57	42	-25	-218	70	120	189	20	52	2	-21	-28	-49
Of which: IMF (net)	*9*	*58*	*-14*	*5*	*20*	*25*	*120*	*20*	*52*	*2*	*-21*	*-28*	*-49*
Commercial banks	29	211	172	30	67	42	290	159	320	187	107	50	30
Adjustment[5]	-60	69	7	0	0	0	0	0	0	0	0	0	0
Privatization receipts	-10	-8	-20	-14	30	30	-4	0	65	0	0	0	0
Other financing	-73	149	-36	160	95	6	-19	24	71	87	86	97	93
Financing gap	0	0	0	0	0	-298	0	0	0	0	0	0	0
Memorandum items:													
Nominal GDP	8,922	9,482	10,214	10,140	10,895	10,427	10,138	11,732	10,704	11,573	12,394	13,274	14,217
Overall balance (accrual, excl. grants)	-399	-567	-537	-362	-649	-960	-698	-618	-790	-711	-652	-597	-630

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

[1] IMF Country Report No. 20/8, Mali : First Review Under the Extended Credit Facility Arrangement.

[2] IMF Country Report No. 20/153, Mali: Requests for Disbursement Under the RCF and Rephasing of Access Under the ECF.

[3] The baseline scenario does not yet assume the tax reform measures that will be finalized ahead of the 2022 budget.

[4] Accrual basis.

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

Table 2b. Mali: Consolidated Fiscal Transactions of the Government, 2017–25

(Percent of GDP)

	2017	2018	2019		2020			2021		2022	2023	2024	2025
			1st Review[1]	Est.	1st Review[1]	RCF[2]	Proj.	1st Review[1]	Proj.	Projections			
Revenue and grants	20.1	15.6	21.9	21.4	23.0	20.9	20.0	22.7	21.6	21.2	21.5	21.3	21.3
Total revenue	18.4	14.3	19.5	19.5	20.5	17.9	18.6	20.7	19.7	19.5	19.7	19.8	19.9
Budgetary revenue	16.6	12.5	15.6	15.5	16.9	14.1	14.7	17.0	15.8	15.6	15.8	15.9	15.9
Tax revenue[3]	15.2	11.9	14.6	14.8	15.5	13.3	14.1	15.7	14.6	14.8	15.0	15.0	15.1
Direct taxes	4.7	3.6	4.4	4.7	4.8	4.3	4.9	4.9	4.9	4.8	4.98	5.0	5.1
Indirect taxes	10.5	8.3	10.2	10.1	10.7	9.1	9.2	10.7	9.7	10.0	10.0	10.0	10.1
VAT	5.9	4.4	5.9	5.4	6.1	4.7	6.1	6.1	6.3	6.5	6.6	6.6	6.7
Excises on petroleum products	0.9	0.9	0.7	0.5	0.6	0.4	0.4	0.6	0.5	0.5	0.4	0.4	0.4
Import duties	2.0	1.6	1.6	1.9	1.9	1.7	1.9	1.9	2.1	2.1	2.1	2.1	2.1
Other indirect taxes	2.6	2.1	2.6	3.0	2.9	3.0	2.1	2.9	2.1	2.1	2.1	2.1	2.1
Tax refund	-1.0	-0.7	-0.7	-0.7	-0.7	-0.7	-1.3	-0.7	-1.3	-1.3	-1.3	-1.3	-1.3
Nontax revenue	1.4	0.6	1.0	0.7	1.3	0.8	0.6	1.3	1.2	0.8	0.8	0.8	0.8
Special funds and annexed budgets	1.9	1.9	3.9	4.1	3.6	3.8	3.9	3.6	3.9	3.9	3.9	3.9	3.9
Grants	1.6	1.2	2.4	1.9	2.5	3.0	1.4	2.0	1.9	1.6	1.8	1.5	1.4
Projects grants	0.9	0.7	1.4	0.8	1.4	1.6	0.7	1.0	1.5	0.9	0.9	0.9	0.9
Budgetary support	0.7	0.5	0.9	1.1	1.0	1.4	0.5	1.0	0.4	0.8	0.9	0.6	0.5
Of which: General	0.5	0.4	0.8	1.0	0.9	1.3	0.4	0.9	0.4	0.7	0.8	0.5	0.4
Of which: Sectoral	0.2	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.0	0.1	0.1	0.1	0.1
Total expenditure and net lending[4]	22.9	20.3	24.8	23.1	26.5	27.1	25.5	25.9	27.1	25.7	25.0	24.3	24.3
Budgetary expenditure	21.2	18.5	21.0	19.1	22.9	23.4	21.6	22.3	23.2	21.7	21.1	20.3	20.4
Current expenditure	12.4	12.0	12.9	12.6	13.6	15.6	15.5	13.5	15.7	15.6	15.6	15.6	15.6
Wages and salaries	4.8	5.0	5.6	5.1	5.8	6.2	6.1	5.8	7.1	7.1	7.1	7.1	7.1
Debt service (percent of revenues)	3.3	2.9	2.9	2.9	3.3	3.8	3.2	3.3	3.8	3.8	3.8	3.8	3.8
Transfers and subsidies	3.4	3.3	3.3	3.6	3.3	4.5	5.1	3.3	3.5	3.2	3.2	3.2	3.2
Interest	0.8	0.9	1.0	1.0	1.1	1.2	1.2	1.1	1.3	1.5	1.6	1.6	1.6
Capital expenditure	8.8	6.5	8.1	6.5	9.3	7.8	6.1	8.8	7.5	6.2	5.4	4.7	4.7
Externally financed	2.8	1.5	2.4	1.9	3.3	3.5	1.8	2.9	3.2	2.9	3.0	2.9	3.0
Domestically financed	6.0	4.9	5.7	4.6	6.0	4.2	4.3	5.9	4.3	3.2	2.5	1.8	1.7
Special funds and annexed budgets	1.9	1.9	3.9	4.1	3.6	3.8	3.9	3.6	3.9	3.9	3.9	3.9	3.9
Net lending	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (accrual basis)	-2.9	-4.7	-2.9	-1.7	-3.5	-6.2	-5.5	-3.3	-5.5	-4.5	-3.5	-3.0	-3.0
Adjustment to cash basis	0.3	0.9	-0.7	-0.9	-0.1	0.1	0.4	0.1	0.2	0.1	0.1	0.1	0.1
Overall balance (cash basis)	-2.6	-3.9	-3.6	-2.6	-3.6	-6.1	-5.1	-3.2	-5.3	-4.4	-3.4	-2.9	-2.9
Financing	2.6	3.9	3.6	2.6	3.6	6.1	5.1	3.2	5.3	4.4	3.4	2.9	2.9
External financing (net)	1.7	0.5	2.8	3.0	1.2	1.3	0.6	1.4	0.6	2.0	2.0	2.0	2.4
Loans	2.3	1.0	3.6	3.7	2.3	2.4	1.5	2.2	1.8	3.4	3.4	3.4	3.4
Project loans	1.8	0.8	0.9	1.0	1.8	1.9	0.9	1.8	1.8	2.0	2.0	2.0	2.0
Budgetary loans	0.6	0.2	2.7	2.7	0.5	0.6	0.6	0.4	0.0	1.4	1.4	1.4	1.4
Amortization	-0.8	-0.8	-1.0	-0.9	-1.1	-1.2	-1.1	-0.8	-1.3	-1.5	-1.4	-1.4	-1.0
Debt relief	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Variation of External Arrears (Principal)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic financing (net)	0.9	3.4	0.8	-0.4	2.4	1.9	4.5	1.7	4.7	2.4	1.4	0.9	0.5
Banking system	1.8	1.9	1.4	-1.9	1.3	1.6	4.7	1.5	3.5	1.6	0.7	0.2	-0.1
Central bank	0.6	0.4	-0.2	-2.2	0.6	1.2	1.9	0.2	0.5	0.0	-0.2	-0.2	-0.3
Of which: IMF (net)	0.1	0.6	-0.1	0.0	0.2	0.2	1.2	0.2	0.5	0.0	-0.2	-0.2	-0.3
Commercial banks	0.3	2.2	1.7	0.3	0.6	0.4	2.9	1.4	3.0	1.6	0.9	0.4	0.2
Adjustment[5]	-0.7	0.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts	-0.1	-0.1	-0.2	-0.1	0.3	0.3	0.0	0.0	0.6	0.0	0.0	0.0	0.0
Other financing	-0.8	1.6	-0.4	1.6	0.9	0.1	-0.2	0.2	0.7	0.7	0.7	0.7	0.7
Financing gap	0.0	0.0	0.0	0.0	0.0	-2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:													
Nominal GDP (CFAF billions)	8,922	9,482	10,214	10,140	10,895	10,427	10,138	11,732	10,704	11,573	12,394	13,274	14,217
Overall balance (accrual, excl. grants)	-4.5	-6.0	-5.3	-3.6	-6.0	-9.2	-6.9	-5.3	-7.4	-6.1	-5.3	-4.5	-4.4

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

[1] IMF Country Report No. 20/8, Mali : First Review Under the Extended Credit Facility Arrangement.

[2] IMF Country Report No. 20/153, Mali: Requests for Disbursement Under the RCF and Rephasing of Access Under the ECF.

[3] The baseline scenario does not yet assume the tax reform measures that will be finalized ahead of the 2022 budget.

[4] Accrual basis.

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

Table 3. Mali: Gross Fiscal Financing Needs, 2019–21

	2019			2020			2021		
	billion CFAF	million USD	percent of GDP	billion CFAF	million USD	percent of GDP	billion CFAF	million USD	percent of GDP
GFNs= (1) + (2) - (3) - (4)	**676**	**1153**	**6.7**	**1,022**	**1,774**	**10.1**	**1,027**	**1,873**	**9.6**
(1) Fiscal deficit (cash basis)	261	445	2.6	515	893	5.1	571	1,042	5.3
Primary deficit without grants	348	593	3.4	523	907	5.2	632	1,152	5.9
Grants (minus = increase)	-191	-327	-1.9	-129	-224	-1.3	-202	-367	-1.9
Project and Sectorial Grants (incl. COVID)	-87	-149	-0.9	-92	-159	-0.9	-159	-290	-1.5
Budget Grants	-104	-178	-1.0	-37	-64	-0.4	-42	-77	-0.4
Interest payment	104	178	1.0	121	210	1.2	141	257	1.3
Domestic	71	121	0.7	83	144	0.8	108	197	1.0
Foreign, o/w:	34	57	0.3	38	66	0.4	33	60	0.3
World Bank	7	13	0.1	7	13	0.1	8	14	0.1
DSSI		0	0.0	5	9	0.1	0	0	0.0
(2) Amortization	419	714	4.1	512	888	5.1	530	967	5.0
Domestic	328	560	3.2	406	704	4.0	393	716	3.7
Foreign, o/w:	91	154	0.9	107	185	1.1	137	250	1.3
World Bank	11	19	0.1	13	23	0.1	19	34	0.2
IMF	11	19	0.1	14	24	0.1	10	19	0.1
DSSI	0	0	0.0	18	31	0.2	0	0	0.0
(3) Debt relief	18	30	0.2	9	16	0.1	9	16	0.1
(4) Privatization	-14	-24	-0.1	-4	-7	0.0	65	119	0.6
Financing	**676**	**1154**	**6.7**	**1,022**	**1,774**	**10.1**	**1,027**	**1,873**	**9.6**
Domestic	299	511	3.0	865	1,502	8.5	836	1,524	7.8
Bonds and t-bills	544	928	5.4	725	1,258	7.2	823	1,501	7.7
Central Bank, o/w:	-218	-373	-2.2	120	208	1.2	52	95	0.5
IMF on-lending	16	28	0.2	134	232	1.3	63	114	0.6
RCF	0	0	0.0	117	203	1.2	0	0	0.0
ECF	16	28	0.2	17	29	0.2	63	114	0.6
Change in deposits (minus = increase)	-224	-381	-2.2	0	0	0.0	0	0	0.0
Other	-26	-44	-0.3	20	35	0.2	-39	-72	-0.4
External	377	643	3.7	157	272	1.5	192	349	1.8
Project loans	105	180	1.0	95	165	0.9	189	344	1.8
Budget loans	271	463	2.7	62	107	0.6	3	5	0.0
World Bank	121	206	1.2	0	0	0.0	0	0	0.0
Afr. Dev. Bank	10	17	0.1	23	40	0.2	0	0	0.0
West Afr. Dev. Bank	140	240	1.4	39	67	0.4	0	0	0.0
Other	0	0	0.0	0	0	0.0	3	5	0.0
Financing Gap	0	0	0.0	0	0	0.0	0	0	0.0
Memo:									
Nominal GDP	10,140			10,138			10,704		
Fiscal deficit (accrual basis)	-171		-1.7	-558		-5.5	-589		-5.5
Public debt	4,106		40.5	4,476		44.1	4,945		46.2
Debt service	523	892	5.2	633	1,098	6.2	671	1,224	6.3
Bond issuance (net)	-58	-100	-0.6	501	869	4.9	430	784	4.0

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

Table 4a. Mali: Balance of Payments, 2017–25
(CFAF billion, unless otherwise indicated)

	2017	2018	2019		2020			2021		2022	2023	2024	2025
			1st Review[1]	Proj.	1st Review[1]	RCF[2]	Proj.	1st Review[1]	Proj.	Projections			
Current account balance													
Excluding official transfers	-1079	-879	-958	-981	-930	-744	-437	-994	-616	-783	-916	-1053	-1215
Including official transfers	-650	-465	-490	-492	-484	-376	-202	-544	-261	-332	-447	-594	-756
Trade balance	-415	-213	-256	-240	-204	136	305	-268	135	12	-97	-209	-323
Exports, f.o.b.	1686	1991	2073	2190	2258	2252	2424	2316	2458	2519	2549	2594	2665
Cotton fiber	223	271	231	192	251	151	117	271	88	121	120	125	133
Gold	1176	1388	1492	1660	1637	1868	1997	1649	2043	2045	2055	2071	2108
Other	287	332	349	338	371	234	311	395	326	353	375	398	424
Imports, f.o.b.	-2101	-2204	-2329	-2431	-2463	-2116	-2120	-2584	-2322	-2507	-2647	-2803	-2987
Petroleum products	-552	-659	-626	-644	-618	-405	-417	-613	-500	-514	-530	-551	-582
Foodstuffs	-349	-323	-350	-316	-375	-334	-314	-395	-333	-354	-374	-398	-425
Other	-1201	-1223	-1353	-1472	-1469	-1378	-1388	-1575	-1489	-1640	-1742	-1854	-1980
Services (net)	-808	-840	-864	-883	-889	-878	-817	-901	-867	-929	-980	-1036	-1098
Credit	319	334	339	339	359	295	332	379	351	370	386	404	421
Debit	-1127	-1174	-1204	-1222	-1249	-1173	-1150	-1280	-1217	-1299	-1366	-1439	-1519
Of which: freight and insurance	-387	-407	-430	-449	-469	-403	-391	-492	-429	-463	-488	-517	-551
Income (net)	-291	-283	-309	-309	-314	-327	-358	-319	-371	-407	-437	-469	-503
Of which: interest due on public debt	-28	-29	-34	-34	-38	-38	-38	-28	-33	-41	-46	-50	-54
Transfers (net)	864	871	940	941	925	693	668	943	842	992	1068	1121	1167
Private transfers (net)	435	457	472	451	478	325	434	493	486	541	598	661	708
Official transfers (net)[3]	429	414	468	490	446	367	234	450	356	451	470	460	459
Of which: budgetary grants	49	43	94	112	111	150	54	116	46	89	109	81	73
Capital and financial account	695	544	512	719	490	-12	363	520	406	534	575	616	725
Capital account (net)	150	133	221	150	204	219	129	173	196	142	153	165	181
Of which: debt forgiveness	18	19	18	18	0	9	9	0	9	0	0	0	0
Of which: project grants	96	75	158	79	156	163	75	120	156	101	109	118	131
Financial account	545	411	292	569	286	-231	234	347	210	391	421	451	544
Private (net)	392	267	-15	130	116	-157	62	140	52	56	60	65	69
Direct investment (net)	318	259	181	181	268	90	145	304	122	132	141	151	162
Portfolio investment private (net)	1	-1	-1	-1	0	0	-1	0	-1	-1	-1	-1	-1
Other private capital flows	73	8	-195	-50	-152	-247	-82	-164	-69	-75	-80	-86	-92
Official (net)	153	144	307	439	170	-74	172	207	158	335	361	387	475
Portfolio investment public (net)	16	119	41	153	44	94	122	48	103	112	120	128	137
Disbursements	206	97	364	377	248	252	157	259	192	393	420	450	482
Budgetary	50	23	275	271	54	58	62	50	3	163	174	187	200
Project related	157	74	89	105	194	194	95	209	189	230	246	264	282
Amortization due on public debt	-70	-72	-99	-91	-122	-122	-107	-99	-137	-169	-179	-191	-144
Errors and omissions	-86	25	115	36	0	0	0	0	0	0	0	0	0
Overall balance	-41	105	138	264	6	-388	161	-24	145	202	128	23	-31
Financing	41	-105	-138	-264	-38	66	-161	-8	-145	-202	-128	-23	31
Foreign assets (net)	-41	105	-172	264	-47	57	161	-17	145	202	128	23	-31
IMF based on existing drawing (net)	*16*	*65*	*5*	*5*	*-12*	*53*	*120*	*-12*	*52*	*2*	*-21*	*-28*	*-49*
Financing gap	0	0	0	0	32	322	0	32	0	0	...	...	...
External trade					(Annual percentage change)								
Export volume index	11.1	-0.6	2.3	-0.1	3.9	-8.6	-9.9	2.4	-5.0	7.9	2.8	2.9	3.0
Import volume index	-14.2	-12.1	5.9	10.1	5.7	-2.3	-6.4	5.0	6.7	8.2	4.7	4.6	5.0
Export unit value	-9.4	19.1	1.9	10.0	4.9	14.1	22.8	0.1	6.7	-5.0	-1.6	-1.1	-0.3
Import unit value	21.3	19.3	-0.3	0.1	0.1	-8.4	-6.8	-0.1	2.7	-0.2	0.8	1.2	1.5
Terms of trade	-25.3	-0.1	2.2	9.8	4.8	24.6	31.8	0.2	3.9	-4.8	-2.4	-2.3	-1.7

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

[1] IMF Country Report No. 20/8, Mali : First Review Under the Extended Credit Facility Arrangement.

[2] IMF Country Report No. 20/153, Mali: Requests for Disbursement Under the RCF and Rephasing of Access Under the ECF.

[3] Includes financing by the international community for imports of security services in relation to the foreign military intervention in the country.

Table 4b. Mali: Balance of Payments, 2017–25
(Percent of GDP)

	2017	2018	2019		2020			2021		2022	2023	2024	2025
			1st Review[1]	Proj.	1st Review[1]	RCF[2]	Proj.	1st Review[1]	Proj.	Projections			
Current account balance													
Excluding official transfers	-12.1	-9.3	-9.4	-9.7	-8.5	-7.1	-4.3	-8.5	-5.8	-6.8	-7.4	-7.9	-8.5
Including official transfers	-7.3	-4.9	-4.8	-4.8	-4.4	-3.6	-2.0	-4.6	-2.4	-2.9	-3.6	-4.5	-5.3
Trade balance	-4.7	-2.2	-2.5	-2.4	-1.9	1.3	3.0	-2.3	1.3	0.1	-0.8	-1.6	-2.3
Exports, f.o.b.	18.9	21.0	20.3	21.6	20.7	21.6	23.9	19.7	23.0	21.8	20.6	19.5	18.7
Cotton fiber	2.5	2.9	2.3	1.9	2.3	1.4	1.2	2.3	0.8	1.0	1.0	0.9	0.9
Gold	13.2	14.6	14.6	16.4	15.0	17.9	19.7	14.1	19.1	17.7	16.6	15.6	14.8
Other	3.2	3.5	3.4	3.3	3.4	2.2	3.1	3.4	3.0	3.1	3.0	3.0	3.0
Imports, f.o.b.	-23.6	-23.2	-22.8	-24.0	-22.6	-20.3	-20.9	-22.0	-21.7	-21.7	-21.4	-21.1	-21.0
Petroleum products	-6.2	-6.9	-6.1	-6.3	-5.7	-3.9	-4.1	-5.2	-4.7	-4.4	-4.3	-4.2	-4.1
Foodstuffs	-3.9	-3.4	-3.4	-3.1	-3.4	-3.2	-3.1	-3.4	-3.1	-3.1	-3.0	-3.0	-3.0
Other	-13.5	-12.9	-13.2	-14.5	-13.5	-13.2	-13.7	-13.4	-13.9	-14.2	-14.1	-14.0	-13.9
Services (net)	-9.1	-8.9	-8.5	-8.7	-8.1	-8.4	-8.1	-7.7	-8.1	-8.0	-7.9	-7.8	-7.7
Credit	3.6	3.5	3.3	3.3	3.3	2.8	3.3	3.2	3.3	3.2	3.1	3.0	3.0
Debit	-12.6	-12.4	-11.8	-12.1	-11.4	-11.2	-11.3	-10.9	-11.4	-11.2	-11.0	-10.8	-10.7
Of which: freight and insurance	-4.3	-4.3	-4.2	-4.4	-4.3	-3.9	-3.9	-4.2	-4.0	-4.0	-3.9	-3.9	-3.9
Income (net)	-3.3	-3.0	-3.0	-3.0	-2.9	-3.1	-3.5	-2.7	-3.5	-3.5	-3.5	-3.5	-3.5
Of which: interest due on public debt	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4	-0.2	-0.3	-0.4	-0.4	-0.4	-0.4
Transfers (net)	9.7	9.2	9.2	9.3	8.5	6.6	6.6	8.0	7.9	8.6	8.6	8.4	8.2
Private transfers (net)	4.9	4.8	4.6	4.4	4.4	3.1	4.3	4.2	4.5	4.7	4.8	5.0	5.0
Official transfers (net)[3]	4.8	4.4	4.6	4.8	4.1	3.5	2.3	3.8	3.3	3.9	3.8	3.5	3.2
Of which: budgetary grants	0.5	0.4	0.9	1.1	1.0	1.4	0.5	1.0	0.4	0.8	0.9	0.6	0.5
Capital and financial account	7.8	5.7	5.0	7.1	4.5	-0.1	3.6	4.4	3.8	4.6	4.6	4.6	5.1
Capital account (net)	1.7	1.4	2.2	1.5	1.9	2.1	1.3	1.5	1.8	1.2	1.2	1.2	1.3
Of which: debt forgiveness	0.2	0.2	0.2	0.2	0.0	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0
Of which: project grants	1.1	0.8	1.5	0.8	1.4	1.6	0.7	1.0	1.5	0.9	0.9	0.9	0.9
Financial account	6.1	4.3	2.9	5.6	2.6	-2.2	2.3	3.0	2.0	3.4	3.4	3.4	3.8
Private (net)	4.4	2.8	-0.1	1.3	1.1	-1.5	0.6	1.2	0.5	0.5	0.5	0.5	0.5
Direct investment (net)	3.6	2.7	1.8	1.8	2.5	0.9	1.4	2.6	1.1	1.1	1.1	1.1	1.1
Portfolio investment private (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other private capital flows	0.8	0.1	-1.9	-0.5	-1.4	-2.4	-0.8	-1.4	-0.6	-0.6	-0.6	-0.6	-0.6
Official (net)	1.7	1.5	3.0	4.3	1.6	-0.7	1.7	1.8	1.5	2.9	2.9	2.9	3.3
Portfolio investment public (net)	0.2	1.3	0.4	1.5	0.4	0.9	1.2	0.4	1.0	1.0	1.0	1.0	1.0
Disbursements	2.3	1.0	3.6	3.7	2.3	2.4	1.5	2.2	1.8	3.4	3.4	3.4	3.4
Budgetary	0.6	0.2	2.7	2.7	0.5	0.6	0.6	0.4	0.0	1.4	1.4	1.4	1.4
Project related	1.8	0.8	0.9	1.0	1.8	1.9	0.9	1.8	1.8	2.0	2.0	2.0	2.0
Amortization due on public debt	-0.8	-0.8	-1.0	-0.9	-1.1	-1.2	-1.1	-0.8	-1.3	-1.5	-1.4	-1.4	-1.0
Errors and omissions	-1.0	0.3	1.1	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-0.5	1.1	1.3	2.6	0.1	-3.7	1.6	-0.2	1.4	1.7	1.0	0.2	-0.2
Financing	0.5	-1.1	-1.3	-2.6	-0.4	0.6	-1.6	-0.1	-1.4	-1.7	-1.0	-0.2	0.2
Foreign assets (net)	-0.5	1.1	-1.7	2.6	-0.4	0.5	1.6	-0.1	1.4	1.7	1.0	0.2	-0.2
IMF based on existing drawing (net)	0.2	0.7	0.0	0.0	-0.1	0.5	1.2	-0.1	0.5	0.0	-0.2	-0.2	-0.3
Financing gap	0.0	0.0	0.0	0.0	0.1	3.1	0.0	0.1	0.0	…	…	…	…
External trade						(Annual percentage change)							
Export volume index	11.1	-0.6	2.3	-0.1	3.9	-8.6	-9.9	2.4	-5.0	7.9	2.8	2.9	3.0
Import volume index	-14.2	-12.1	5.9	10.1	5.7	-2.3	-6.4	5.0	6.7	8.2	4.7	4.6	5.0
Export unit value	-9.4	19.1	1.9	10.0	4.9	14.1	22.8	0.1	6.7	-5.0	-1.6	-1.1	-0.3
Import unit value	21.3	19.3	-0.3	0.1	0.1	-8.4	-6.8	-0.1	2.7	-0.2	0.8	1.2	1.5
Terms of trade	-25.3	-0.1	2.2	9.8	4.8	24.6	31.8	0.2	3.9	-4.8	-2.4	-2.3	-1.7

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

[1] IMF Country Report No. 20/8, Mali : First Review Under the Extended Credit Facility Arrangement.

[2] IMF Country Report No. 20/153, Mali: Requests for Disbursement Under the RCF and Rephasing of Access Under the ECF.

[3] Includes financing by the international community for imports of security services in relation to the foreign military intervention in the country.

Table 5. Mali: Monetary Survey, 2016–20

	2016	2017	2018	2019		2020		
				1st Review[1]	Proj.	1st Review[1]	RCF[2]	Proj.
				(CFAF billion)				
Net Foreign Assets	243	214	311	486	578	533	508	739
BCEAO	-85	-3	104	279	289	327	218	449
Commercial Banks	329	217	207	207	290	207	290	290
Net Domestic Assets	1858	1998	2242	2541	2221	2831	2591	2711
Credit to the government (net)	208	323	530	677	337	814	498	815
BCEAO	36	93	135	110	-89	180	31	99
Commercial banks, net	-247	-170	122	330	77	302	113	386
Other	418	400	273	237	348	332	354	330
Credit to the economy	2197	2315	2426	2574	2480	2728	2547	2571
Other items (net)	-344	-377	-380	-376	-306	-376	-165	-389
Money supply (M2)	2311	2410	2752	3026	3000	3364	3099	3450
Currency outside banks	451	466	517	569	641	633	662	737
Bank deposits	1859	1944	2235	2457	2359	2732	2437	2713
Memorandum item:								
Base Money (M0)	763	714	845	906	992	982	1016	1104
Contribution to growth of broad money				(In percent of beginning of period broad money)				
Money supply (M2)	10.7	4.3	14.2	10.0	9.0	11.2	3.3	15.0
Net foreign assets	-15.8	-1.3	4.0	6.2	9.7	1.6	-2.3	5.4
BCEAO	-14.7	3.6	4.4	6.2	6.7	1.6	-2.3	5.4
Commercial banks	-1.2	-4.8	-0.4	0.0	3.0	0.0	0.0	0.0
Net domestic assets	25.0	6.1	10.1	10.7	-0.7	9.6	12.4	16.3
Credit to the central government	11.3	5.0	8.6	5.3	-7.0	4.5	5.4	16.0
Credit to the economy	12.5	5.1	4.6	5.4	2.0	5.1	2.2	3.0
Other items net	1.9	-1.4	-0.1	0.0	2.7	0.0	4.7	-2.8
Memorandum items:				(Annual percent growth rate)				
Money supply (M2)	10.7	4.3	14.2	10.0	9.0	11.2	3.3	15.0
Base money (M0)	0.5	-6.4	18.5	7.2	17.4	8.4	2.4	11.2
Credit to the economy	13.4	5.4	4.8	6.1	2.2	6.0	2.7	3.7
Velocity (GDP/M2)	3.6	3.7	3.4	3.4	3.4	3.2	3.4	2.9
Money Multiplier (M2/M0)	3.0	3.4	3.3	3.3	3.0	3.4	3.1	3.1
Currency outside banks / M2	19.5	19.3	18.8	18.8	21.4	18.8	21.4	21.4

Sources: BCEAO; and Fund staff estimates and projections.

[1] IMF Country Report No. 20/8, Mali : First Review Under the Extended Credit Facility Arrangement.

[2] IMF Country Report No. 20/153, Mali: Requests for Disbursement Under the RCF and Rephasing of Access Under the ECF

Table 6. Mali: Financial Soundness Indicators for the Banking Sector, 2016–20
(in percent)

	2016	2017	2018 [1]		2019		2020	
			June	Dec.	June	Dec.	June	Sept.
Solvency ratios								
Regulatory capital to risk weighted assets	15.9	15.4	12.7	13.2	13.5	13.9	13.6	...
Tier I capital to risk-weighted assets	14.4	13.5	11.1	12.1	12.6	13.0	12.8	...
Provisions to risk-weighted assets	9.7	11.0	10.2	5.8	4.8	5.1	5.1	...
Capital to total assets	8.2	8.0	7.6	9.0	9.0	8.9	8.6	...
Composition and quality of assets								
Total loans to total assets	51.5	53.3	55.0	53.8	55.8	54.9	52.2	...
Concentration: loans to 5 largest borrowers to capital[2]	78.7	74.3	86.9	67.7	82.3	91.2	91.0	...
Sectoral distribution of loans								
Agriculture	3.7	3.6	3.4	4.1	3.0	3.2	4.0	...
Extractive industries	2.2	2.1	2.1	3.3	2.5	2.3	2.5	...
Manufacturing	13.1	13.6	15.0	14.5	14.8	15.4	13.0	...
Electricity, water and gas	7.5	6.8	6.0	5.2	6.7	5.2	2.2	...
Construction	6.8	6.9	6.9	6.6	7.4	7.0	8.7	...
Retail and wholesale trade, restaurants and hotels	43.2	41.6	42.1	42.6	39.8	39.8	43.5	...
Transportation and communication	9.6	11.9	11.9	11.8	12.3	11.5	11.8	...
Insurance, real estate and services	7.8	7.7	7.3	6.4	8.3	9.2	9.7	...
Other services	6.1	5.7	5.5	5.6	5.1	6.4	4.5	...
Gross NPLs to total loans	15.6	16.7	16.8	13.5	11.8	10.4	10.2	10.7
Provisioning rate	56.4	57.8	59.8	50.5	46.7	53.5	57.5	58.5
Net NPLs to total loans	7.5	7.8	7.5	7.2	6.6	5.1	4.6	4.8
Net NPLs to capital	47.1	51.9	54.0	42.9	41.0	31.7	27.9	...
Earnings and profitability								
Average cost of borrowed funds	2.4	2.5	...	2.4	...	0.3	...	...
Average interest rate on loans	9.4	8.9	...	7.8	...	7.1	...	...
Average interest margin[3]	7.0	6.5	...	5.4	...	6.8	...	...
After-tax return on average assets (ROA)	1.4	1.2	...	1.4	...	1.1	...	...
After-tax return on average equity (ROE)	17.0	14.4	...	15.2	...	11.0	...	...
Noninterest expenses/net banking income	56.6	58.7	...	63.3	...	60.5	...	...
Salaries and wages/net banking income	25.3	25.3	...	29.9	...	27.0	...	...
Liquidity								
Liquid assets to total assets	31.1	31.5	33.5	32.3	33.4	32.8	30.8	...
Liquid assets to total deposits	52.9	52.7	54.7	53.7	54.9	53.6	49.8	...
Total loans to total deposits	96.2	98.8	99.8	96.0	97.1	95.0	89.9	...
Total deposits to total liabilities	58.7	59.8	61.2	60.1	60.8	61.2	61.8	...
Sight deposits to total liabilities[4]	34.1	35.0	35.6	34.9	35.4	36.0	36.5	...
Term deposits to total liabilities	24.6	24.8	25.7	25.1	25.4	25.2	25.2	...

Source: BCEAO.

[1] First year of data reporting in accordance with Basel II/III prudential standards and the new banking chart of account.

[2] Indicators do not account for the additional provisions required by the WAEMU Banking Commission.

[3] Excluding tax on bank operations.

[4] Including saving accounts.

Table 7. Mali: Quantitative Performance Criteria and Indicative Targets, 2019–21[1]

(CFAF billion, unless otherwise indicated)

	2019				2020					2021	
	December				June				December	June	December
	Prog.	w/ adjust.	Actual	Status	Prog.	w/ adjust.	Actual	Status	Prog.[7]	Proposed	Proposed
Performance criteria											
Ceiling on net domestic financing[2]	123	142	-41	Met	140	136	301	Not met	499	265	481
Ceiling on new external debt contracted or guaranteed by the government[3]	329	329	77	Met	526	526	110	Met	526	772	772
Ceiling on the overall fiscal deficit (commitment basis)	307	307	171	Met	152	152	154	Not met	558	331	603
Floor on net tax revenue[4]	1,480	1,484	1,496	Met	775	748	665	Not met	1,415	695	1,545
Continuous performance criteria											
Ceiling on external payments arrears (zero)	Not met								0	0	0
Ceiling on domestic payments arrears (zero)[6]	Not met								0	...	...
Indicative target											
Floor on priority social and development spending[5]	506	506	473	Not met	188	188	260	Met	651	274	610
Ceiling on domestic payments arrears (zero)[6]	...	...	...	...	...	...	...	...	...	0	0
Memorandum items											
Budget support loans	275		271		16		31		62	2	3
Budget support grants	94		104		22		22		37	32	42
Net change in budgetary float (– = reduction)	-61		-80		-3		28		43	9	18
Payment of tax refunds	-72		-68		-39		-66		-128	-68	-135

Sources: Malian authorities; and IMF staff projections.

[1] Cumulative figures from the beginning of the year, unless otherwise indicated. See Technical Memorandum of Understanding for definitions.

[2] This performance criterion is subject to adjustment for budget support loans, net change in budgetary float, and payment of tax refunds.

[3] In PV terms, cumulative from the program approval.

[4] The floor on net tax revenue will be adjusted downward (upward) to the extent that tax refunds exceed (fall short of) the projected amount.

[5] The definition of priority social spending as of 2020 is different from 2019 as specified in the TMU.

[6] Changed from continuous performance criteria to indicative target starting with the date after Board consideration of the second and third reviews.

[7] Mali: Request for Modification of Performance Criteria Under the Extended Credit Facility, EBS/20/194, approved on an LOT basis on January 7, 2021.

Table 8. Mali: Structural Benchmarks, 2019–2021

Structural Benchmarks for the 2nd and 3rd reviews	Program Date	Status	Revised Date
Fiscal Policy			
Approval by the Parliament of a 2020 budget law that complies with program parameters arising from the ECF arrangement	31-Dec-19	Met	
Revenue Administration			
Finalize and operationalize the formal framework for collaboration and information-sharing among the DGI, the DGD, the Treasury, the DGB, the DGMP-DSP, the DGCC, the INPS, and the CAISFF	31-Dec-19	Met	
Introduce the electronic acceptance of air waybills in ASYCUDA WORLD and eliminate non-electronic acceptance	31-Dec-19	Not met (Used by major but not yet all airlines)	31-Dec-21
Introduce the automation of procedures for the control of suspensive regimes	31-Dec-19	Met	
Deploy the necessary actions (structural, technical and IT) for a strictly regulatory application of the transaction value throughout the national territory	31-Mar-20	Implemented with delay	
Reserve the direct collection procedure (emergency procedure), covered by D24 declarations, for the airport office only and for a short list of goods (medicines, perishable goods, newspapers, urgent spare parts)	1-Apr-20	Implemented with delay	
Prepare an action plan to identify and introduce the payment of certain taxes through mobile banking	30-Jun-20	Met	
Establish and operationalize two new tax centers for medium-sized businesses (CIME) in Bamako	30-Jun-20	Implemented with delay	*Prior action*
Public Financial Management			
To enable electronic payments, implement the functionality of the STAR module (Automated Transfer and Settlement System) and the WAEMU Interbank Clearing System (SICA), dedicated to the integrated application of public accounting (AICE2)	31-Mar-20	Not met	30-Jun-21
Governance			
Provide for government approval of the revised draft Law on the Prevention and Suppression of Illicit Enrichment (Law No. 2014-015) to clarify and extend the scope of those subject to asset declaration	31-Mar-20	Not met	31-Mar-21
Prior actions		**Comments**	
Revenue Administration			
Make operational transaction value module in ASYCUDA WORLD (MEFP¶13)		Met	*Prior action*
Operationalize the two new tax centers for medium-sized businesses (CIME) in Bamako (MEFP¶12)		Met	*Prior action*
Governance			
Publication of COVID-19 related spending reports (MEFP¶22)		Met	*Prior action*
New structural benchmarks			
Fiscal Policy			
All new tax exemptions or tax rate changes to be approved by parliament (MEFP¶7)			*Continuous*
Conduct a comprehensive review of tax expenditures (MEFP¶7)			30-Jun-21
Undertake a comprehensive study of the wage bill policy with technical support from international partners (MEFP¶8)			30-Jun-21
Revenue Mobilization			
Sign a contract with a reputable provider to ensure color tracing of exempt fuel products (MEFP¶7)			31-Mar-21
Extend e-filling and e-payment of taxes to all large enterprises (MEFP¶12)			30-Jun-21
Open access to e-payments platform to other banks (MEFP¶12)			31-Dec-21
Public Financial Management			
A circular letter by MEF to require subsidized SOEs to bring their procurement rules in line with the procurement code, strengthen MEF control over procurement practices and strengthen reporting (MEFP¶21)			28-Feb-21
Decision by the Cabinet of Ministers to setup and modalities of a unit for monitoring SOEs (MEFP¶21)			30-Jun-21
Implement automatic data sharing between the Treasury and the revenue collecting agencies (MEFP¶14)			30-Sep-21
Introduce commitment plans in all ministries (MEFP¶15)			31-Dec-21
Governance			
Publication of documentation on large public procurement projects related to COVID-19 and the names of the companies and their owners (beneficial owners) that were issued contracts (MEFP¶22)			31-May-21
Publish results of the independent third party audit of COVID-19 related spending (MEFP¶22)			30-Jul-21

Table 9. Mali: Schedule of Disbursements Under Three-year ECF Arrangement, 2019–22

Amount	In percent of quota[1]	Availability date	Conditions for disbursement[2]
SDR 20 million	10.7	August 28, 2019	Executive Board Approval of a new arrangement under the Extended Credit Facility.
SDR 20 million	10.7	December 15, 2019	Observance of continuous and end-September 2019 performance criteria, and completion of the first review under the arrangement.
SDR 20 million	10.7	August 31, 2020	Observance of continuous and end-December 2019 performance criteria, and completion of the second review under the arrangement.
SDR 20 million	10.7	January 11, 2021	Observance of continuous and end-June 2020 performance criteria, and completion of the third review under the arrangement.
SDR 20 million	10.7	June 15, 2021	Observance of continuous and end-December 2020 performance criteria, and completion of the fourth review under the arrangement.
SDR 20 million	10.7	December 15, 2021	Observance of continuous and end-June 2021 performance criteria, and completion of the fifth review under the arrangement.
SDR 19.95 million	10.7	June 15, 2022	Observance of continuous and end-December 2021 performance criteria, and completion of the sixth review under the arrangement.
SDR 139.95 million	75.0	Total amount of the arrangement	

Sources: IMF staff estimates and projections.

[1] Using the new quota under the 14th General Review of Quotas (SDR 186.6 million)

[2] In addition to the generally applicable conditions under the Extended Credit Facility.

Table 10. Mali: Indicators of Capacity to Repay the Fund, 2020–33

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Fund obligations based on existing credit														
Principal (SDR millions)	17.2	13.4	17.0	26.9	36.1	54.8	68.4	62.7	50.0	37.3	16.7	0.0	0.0	0.0
Charges and interest (SDR millions)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit[2]														
Principal (SDR millions)	17.2	13.4	17.0	26.9	36.1	54.8	74.4	80.7	70.0	57.3	36.7	14.0	2.0	0.0
Charges and interest (SDR millions)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total obligations based on existing and prospective credit														
In millions of SDRs	17.2	13.4	17.0	26.9	36.1	54.8	74.4	80.7	70.0	57.3	36.7	14.0	2.0	0.0
In billions of CFA francs	13.8	10.5	13.2	34.4	46.3	69.4	95.2	103.2	89.6	73.4	46.9	17.9	2.6	0.0
In percent of government revenue	0.7	0.5	0.6	1.4	1.8	2.5	3.1	3.2	2.6	1.9	1.2	0.4	0.1	0.0
In percent of exports of goods and services	0.5	0.4	0.5	1.2	1.5	2.3	3.0	3.2	2.7	2.1	1.3	0.5	0.1	0.0
In percent of debt service	6.1	3.8	3.8	9.1	11.5	18.8	24.0	24.3	19.7	15.1	9.0	3.2	0.4	0.0
In percent of GDP	0.1	0.1	0.1	0.3	0.3	0.5	0.6	0.6	0.5	0.4	0.2	0.1	0.0	0.0
In percent of quota	9.2	7.2	9.1	14.4	19.4	29.4	39.8	43.2	37.5	30.7	19.6	7.5	1.1	0.0
Outstanding Fund credit[1]														
In millions of SDRs	383.2	449.8	452.7	425.9	389.7	335.0	260.6	180.0	110.0	52.6	16.0	2.0	0.0	0.0
In billions of CFA francs	307.2	351.7	352.8	332.1	304.1	264.3	203.6	140.6	85.9	41.1	12.5	1.6	0.0	0.0
In percent of government revenue	16.3	16.6	15.6	13.6	11.6	9.4	6.7	4.3	2.5	1.1	0.3	0.0	0.0	0.0
In percent of exports of goods and services	11.1	12.5	12.2	11.3	10.1	8.6	6.4	4.3	2.5	1.2	0.3	0.0	0.0	0.0
In percent of debt service	135.1	126.3	102.1	88.0	75.6	71.4	51.4	33.1	18.9	8.4	2.4	0.3	0.0	0.0
In percent of GDP	3.0	3.3	3.0	2.7	2.3	1.9	1.3	0.9	0.5	0.2	0.1	0.0	0.0	0.0
In percent of quota[3]	205.3	241.0	242.6	228.2	208.9	179.5	139.7	96.4	58.9	28.2	8.6	1.1	0.0	0.0
Disbursements and Repurchases	149.5	66.6	3.0	-26.9	-36.1	-54.8	-74.4	-80.7	-70.0	-57.3	-36.7	-14.0	-2.0	0.0
Disbursements (SDR millions)	166.7	80.0	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases (SDR millions)	17.2	13.4	17.0	26.9	36.1	54.8	74.4	80.7	70.0	57.3	36.7	14.0	2.0	0.0
Memorandum items:														
Nominal GDP	10,138	10,704	11,573	12,394	13,274	14,217	15,226	16,307	17,465	18,705	20,033	21,456	22,979	24,611
Exports of goods and services	2,757	2,808	2,889	2,936	2,997	3,086	3,162	3,266	3,374	3,487	3,606	3,730	3,860	3,996
Government revenue	1,884	2,112	2,260	2,447	2,625	2,823	3,025	3,256	3,504	3,769	4,053	4,362	4,693	5,051
Debt service	227	278	346	377	402	370	396	425	455	487	522	559	598	641
Quota (SDR millions)	187	187	187	187	187	187	187	187	187	187	187	187	187	187

Sources: IMF staff estimates and projections.

[1] Total debt service includes IMF repurchases and repayments.

[2] Includes future disbursements proposed in Table 9.

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

Table 11. Mali: External Financing Requirements, 2019–23
(Billions of CFAF)

	2019	2020	2021	2022	2023
	Est.	Projections			
Financing need	**852**	**436**	**670**	**855**	**991**
Current account balance (excl. official transfers)	945	437	616	783	916
Private capital and financial flows	-184	-107	-83	-97	-104
Amortization of public loans (excl. IMF)	91	107	137	169	179
Financing	**852**	**436**	**670**	**855**	**991**
Official loans	377	157	192	393	420
Project loans	105	95	189	230	246
Budgetary loans	271	62	3	163	174
Official transfers	586	318	520	552	579
Project grants	79	75	156	101	109
Budget grants	112	54	46	89	109
Other[1]	395	189	319	362	361
Portfolio investment public, net	153	122	103	112	120
NFA central bank	-264	-161	-145	-202	-128
IMF transactions	5	120	52	2	-21
Residual Gap	**0**	**0**	**0**	**0**	**0**

Sources: Malian authorities; IMF staff estimates and projections

[1] Financing by the international community for imports of security services in relation to the foreign military intervention in the country and debt foregiveness.

Annex I. Mali August 2020 Coup D'Etat

A. The Timeline of the Coup

1. Following months of socio-political turmoil, a coup d'état on August 18, 2020 ousted the president and led to the fall of the government and parliament. The bloodless military coup led to the arrest of high-level officials, including President Keïta, Prime Minister Cissé and the President of the National Assembly (all later freed). While under arrest, President Keïta resigned and dissolved the government and the National Assembly. The coup was unanimously condemned by Mali's regional and international partners (the Economic Community of West African States (ECOWAS), African Union (AU), United Nations (UN), European Union (EU), International Organization of the Francophonie (OIF), France, US).

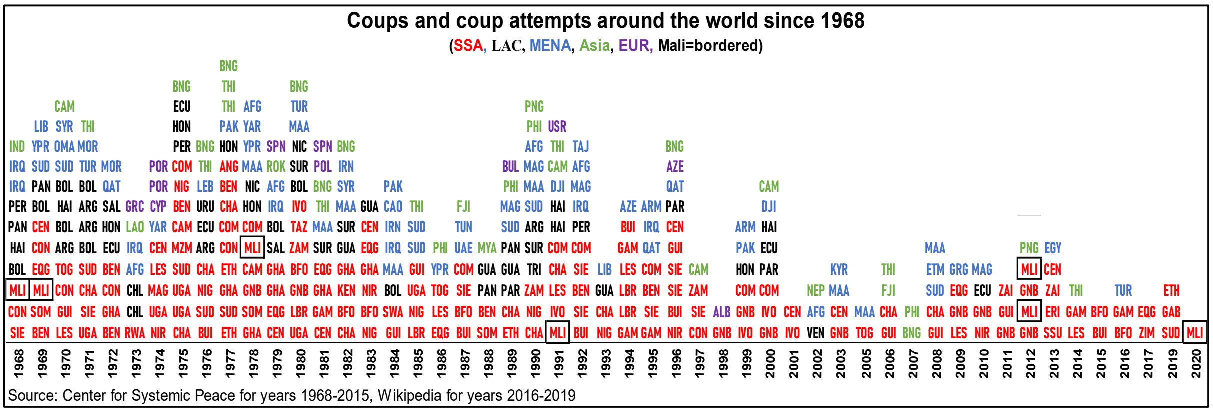
2. The coup has been followed by an immediate transportation, economic and financial blockade of Mali, pending the return of power to a civilian-led transition government, in line with ECOWAS protocol on Democracy and Good Governance that prohibits any unconstitutional change of power. The sanctions included a full blockade of: (i) land and air transport between Mali and 15 ECOWAS countries; (ii) all trade flows with ECOWAS countries (excluding imports of basic food, medicine, fuel and electricity); and (iii) economic and financial flows. The latter has cut off the de facto authorities (military junta) from the Treasury Single Account at the regional central bank (BCEAO) and from central bank facilities.

3. A transition civilian government was formed almost two months after the coup. Following national consultations and facilitation by regional/international partners, the military junta—which called itself the National Committee for the Salvation of the People (CNSP)—(i) agreed to an 18 months transition to general elections; (ii) appointed a civilian President and Prime Minister on September 21 (sworn in on September 25) and September 27, respectively, to lead this transition; and (iii) adopted a Transition Charter defining the roadmap and architecture of the transition. A Vice-Presidency position was also created, held by the leader of the CNSP, charged with reforms in the defense and security sectors. A 25-member government—where 4 portfolios related to security, defense, territorial administration and decentralization, and national reconciliation, were allotted to the military— was appointed on October 5. On October 6, ECOWAS member countries recognized the transition government, lifted the sanctions and called on international partners to support Mali. ECOWAS urged the transition authorities to officially dissolve the CNSP and abide by human rights protocols and follow due legal process vis-à-vis the arrest of the high-ranking officials. Following ECOWAS, other countries and international organizations (AU, UN, EU, OIF, etc.) announced their support for Mali. The arrested officials were eventually released on October 7. The establishment of the National Council of the Transition (the legislative body of the Transition) is pending.

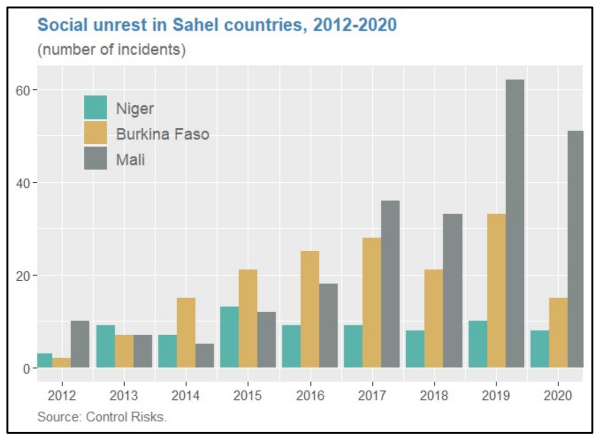
A. The Coup in Context

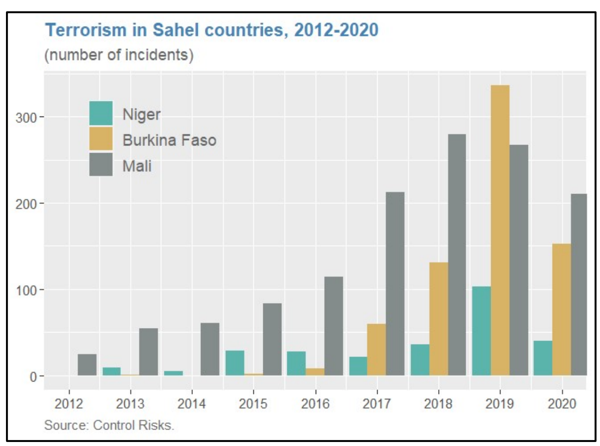
4. Against the backdrop of fewer coups, more frequent elections, and more representative governments in sub-Saharan Africa, Mali stands out in terms of continued

frequency of coups. The August coup is the seventh (fourth successful) coup in Mali since independence in 1960 and the third since 2012.[1] The previous successful coup in 2012 led to the election of President Keïta in 2013 (re-elected in 2018) on a mandate to tackle the incipient security crisis and corruption.



5. **The immediate catalysts for the coup were the rising socio-political tensions that erupted in mass protests in June 2020, led by an influent Muslim leader, Imam Mahmoud Dicko.** The mass protests were triggered by the perception that the results of the long-delayed parliamentary elections were rigged by the Constitutional Court in favor of the ruling coalition. Protesters demanded the dissolution of the new parliament and of the Constitutional Court, as well as the resignation of President Keïta (in power since 2013). Social tensions were also heightened by months-long teacher protests for salary increases and the kidnapping of the opposition leader ahead of the legislative elections.





6. **The causes of the coup, however, run deeper into the multifaceted systemic fragilities facing Mali.** These include:

- *Eroding national cohesion* by opposing group identities, including the pressure for more autonomy by Tuareg movements in the north.
- *Continued deterioration in the security*

[1] There were two coups in 2012: one that overthrew President Amadou Toumani Touré in March and an unsuccessful counter-coup attempt to reinstate him in April.

situation during 2017–20—despite support from France, the UN, US, EU and the Sahel neighbors—giving rise to a spiral of violence and intercommunal clashes, displacing thousands and leaving large swaths of the country (north and center) outside the perimeter of government control and basic public services.

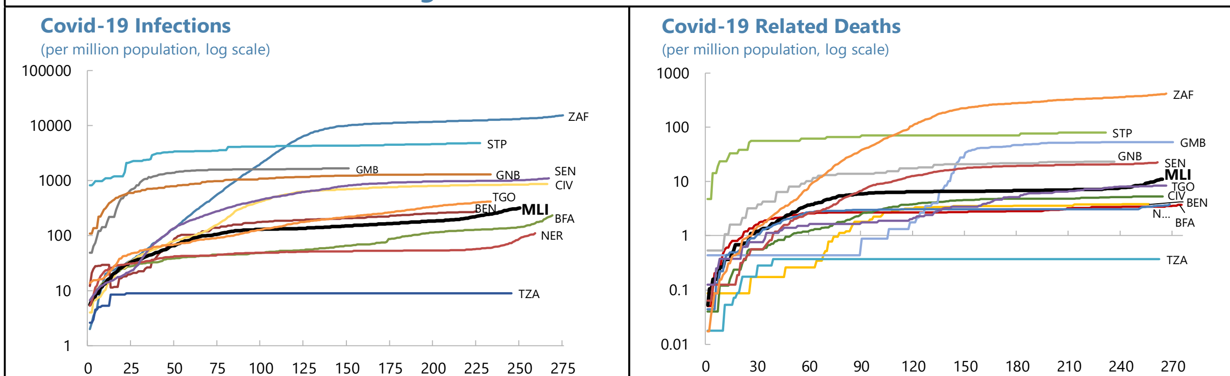
- *Poor governance and weak state capacity*. Perception of limited progress in tackling poor governance, coupled with the government's limited capacity to deliver basic public services, fueled the population's dissatisfaction with the government.

Annex II. COVID-19 Update

1. The spread of the pandemic accelerated significantly since November 2020 with the onset of the second wave. The latest information suggests 5,969 registered cases (267 deaths) as of December 17, 2020.

- *First wave*. During the first wave of the pandemic in March-August 2020, the rate of infection in Mali appeared more contained compared to other countries in the region and around the world. While more than one third of countries in Africa have experienced doubling in the number of COVID-19 cases in June-July, in Mali the spread of the virus remained relatively slow. The likely factors could have been young population, and relatively low airline connectivity, as well as early containment measures put in place by the government. At the same time, the number of cases may likely be underestimated due to low testing capacity.

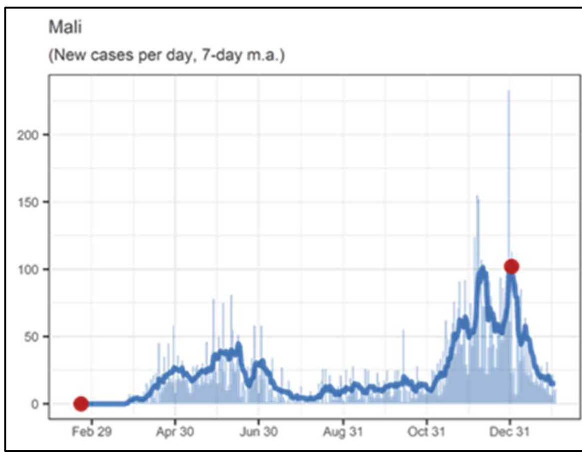
Annex Figure 1. COVID-19 in Sub-Saharan Africa



Sources: Johns Hopkins University; and IMF staff calculations.
Note:Note: x=0 is the day since the 100th case was recorded Data as of December 17, 2020.

Sources: Johns Hopkins University; and IMF staff calculations.
Note: x=0 is the day since the 100th case was recorded. Data as of December 17, 2020.

- *Second wave*. The rate of infections accelerated in November-December 2020, reaching a new peak of over 100 new daily cases in December, the highest since the onset of the pandemic. The rate of positive results during the second wave peaked at 7.03 percent against 3.4 percent in early November. Mali is among the five countries on the continent where death rate from COVID-19 was above 5 percent but declined to around 4 percent although daily deaths picked up with the resurgence of the virus. A number of factors may have led to a recent acceleration in the spread of the virus, including limited healthcare system capacity and difficulty enforcing social distancing given the large informality (80 percent of the urban population), and living in crowded settlements, especially in urban areas.



2. With the second wave of the pandemic, the authorities have strengthened their efforts to contain the spread of the virus. On December 1, 2020, the government announced reinforcement of a number of measures, including stricter application of preventive measures in public places (e.g. mandatory wearing of masks, physical distancing, etc.); monitoring of the pandemic through mass-testing in public places, systematic tracing of contact-persons, and stricter controls of COVID-19 testing evidence at air and land borders; enhancing awareness campaigns; and improving medical care capacity through strengthened human resources, better availability of medicines, respirators, and testing kits. As part of the new preventive measures, the authorities extended teleworking and a rotation system for the private sector companies employing more than 50 persons, and extended schools and universities closure until January 25, 2021.

3. The COVID-19 crisis, the needed containment measures and the economic fallout are expected to have had a damaging social impact in the context of already high poverty rate, unemployment and informality. According to the World Bank, there were 8.2 million extreme poor in Mali before the crisis (42 percent of the population). Mali is among the countries with the highest poverty rates in the world—22nd lowest in terms of income per capita. The country also faces considerable challenges in the area of human development where it ranks in the bottom ten. World Bank estimates suggest that the economic contraction due to the pandemic and other factors in 2020 would lead to an increase in the number of the poor of at least 850,000 people, slowing down the progress in poverty reduction and worsening prospects of human capital development. Growing poverty will exacerbate food insecurity. The FAO projected 1.3 million people in Mali to be in severe acute food insecurity in June-August in 2020, with additional 280,000 due to the pandemic.[1] High informality and considerable employment vulnerability will exacerbate the effects of the pandemic as the workers in the informal sector may be hit the most due to job insecurity, loss in earnings and no access to social protection.

4. The authorities took a number of fiscal, monetary and prudential policy measures to contain the social and economic fallout from the pandemic. Following preventive containment measures and monetary and financial measures taken by the regional central bank (BCEAO) in March 2020, a package of supportive fiscal measures to vulnerable households and firms was announced on April 10. The package totaled about 2 percent of GDP in spending measures, along with tax relief measures estimated in the revised budget at 0.6 percent of GDP. It included an emergency health plan and purchase of medical supplies (0.5 percent of GDP), support to vulnerable households (1.2 percent of GDP), and support to firms (0.5 percent of GDP) (Annex Box 1).

Annex Box 1. Policy Measures to Contain the Fallout from the Pandemic

Fiscal Measures: supporting households and firms

- *Cash transfers to vulnerable households*. These include a one-time cash transfer (of CFAF90,000) to poor households. The estimated cost of the measure is 1 percent of GDP, with 0.3 percent of GDP expected to be disbursed in the first round to households registered in the *unified social registry*. The authorities are considering modalities for providing the remaining 0.7 percent of GDP in social support, in consultations with local authorities and civil groups.
- *Food distribution.* Distribution of cereals and food for livestock should directly support about 700,000 people between May and September 2020. The food distribution program is expected to limit the escalation of food insecurity in the northern and central regions, as well as to indirectly contribute to the stabilization of cereal prices in these regions.

[1] FAO, June 2020, http://www.fao.org/3/ca9768en/ca9768en.pdf

Annex Box 1. Policy Measures to Contain the Fallout from the Pandemic (concluded)

- *Utility bill assistance.* Households covered by the social tranche in the electricity and water provision, had their water and electricity utility bills suspended for the months of April and May. The authorities will compensate the electricity (EDM-SA) and water utilities (SOMAGEP) for the cost.
- *Temporary tax exemptions for the three months of April-June* from: (i) import duties on rice and milk imports, to prevent food price increases following border closures; and (ii) VAT on the electricity and water bills for all consumers.
- *Price controls*. The government set ceilings on the price of main staples (rice, bread, sugar, oil, milk) until end-2020.
- *SME guarantee fund.* The capital of the existing guarantee fund will be increased through a transfer of 0.2 percent of GDP (CFAF 20 billion). The fund will issue guarantees to specific sectors (such as tourism, hospitality, seasonal exports) based on requests from banks, at a higher coverage ratio of 80 percent of the loan (compared to the traditional 50 percent) and at a reduced guarantee fee (50 percent of 2–2.5 percent). There are no additional risks from the fund to the fiscal position, given that guarantees will be issued only up to the approved amount.
- *Temporary suspension of the simplified income tax (impôt synthétique) and property tax for firms during May-December, along with a 50 percent reduction in penalties accruing on tax arrears* for audited firms. A quarterly report will be sent to Cabinet on companies that requested penalty reductions.
- *Deferral of the first quarter tax installment payments* due by March 31 to May 31 for a number of smaller taxes (car registration tax, road transport sticker cost, patent and synthetic taxes).
- *Subsidies to EDM and SOMAGEP.* The draft revised budget for 2020 includes additional transfers to the utility companies: (i) CFAF 7 billion to cover the utility bill waivers, and (ii) CFAF 32 billion as additional subsidies for investment and operational costs.

Monetary and financial sector measures by the regional central bank (BCEAO)

- *The weekly monetary auctions* were moved in early April from fixed allotment-variable rate mechanism (whereby the quantities auctioned are rationed, but the interest rate varies by bank) to a fixed rate-variable allotment mechanism (whereby banks can borrow any desired amount at the fixed rate of 2.5 percent, which was the minimum interest rate for bidding on open market transactions). This constituted a de facto lowering of the policy interest rate by about 25bp relative to early March. The amounts auctioned would be limited only by the collateral rules (e.g. the central bank cannot hold country bonds as collateral in excess of 35 percent of the government revenues of the previous year).
- *The pool of acceptable collateral* was widened to include loans to highly rated private companies (1,700 firms rated A), and government guaranteed loans to a limited number of enterprises rated B, using the same 10 percent haircut as for the sovereigns.
- *The servicing of bank loans by firms was suspended* for 3 months without affecting credit quality, but only on agreement by the bank that the firm has been affected by the crisis (BCEAO will serve as a mediator)
- *Reduction in the policy rates.* On June 22, the Monetary Policy Committee of the BCEAO cut the ceiling and the floor of the monetary policy corridor by 50 basis points, to 4 and 2 percent respectively.
- *Strengthening capital buffers.* In December 2020, the BCEAO instructed WAEMU banks to refrain from distributing dividends with a view to strengthening their capital buffers in anticipation of the impact of the COVID crisis on asset quality.

Temporary suspension of the WAEMU convergence criteria

- On April 27, Heads of states of WAEMU declared a temporary suspension of the WAEMU growth and stability Pact setting six convergence criteria, including the 3 percent of GDP fiscal deficit rule to allow member-countries to raise their overall fiscal deficit temporarily and use the additional external support provided by donors in response to the COVID-19 crisis.

5. **Preliminary estimates indicate that 95 percent of the planned COVID-19-related spending had been implemented in 2020 (text table)**. While the post-coup sanctions have cut the authorities' access to government's Treasury Single Account at the BCEAO, and delayed spending on COVID-19 related measures, the authorities stepped up implementation of the policy measures after the sanctions were lifted. Specifically: (i) support to electricity and water SOEs and the food distribution plans have been fully executed; (ii) COVID prevention and medical support spending registered 74 percent execution; while (iii) 100 percent of the household income support has been transferred to the social program carrying out the cash transfers, but the support is only expected to reach households in 2021 as potential beneficiaries are still being identified due to the limited coverage of the existing social safety nets.[2] Further spending allocations to combat COVID-19 have been budgeted for 2021, albeit at a lower scale.

Policy Measures to Combat COVID-19 Crisis

(preliminary estimation, central government, accrual basis)

	2020 Budget		2020 Execution			2021 Budget	
	CFAF bn	% GDP	CFAF bn	% GDP	% exec.	CFAF bn	% GDP
Revenue	**15**	**0.1**				**...**	**...**
VAT relief on electricity for three months	9						
Tariff relief on imports of rice and milk	7						
Expenditure	**214**	**2.2**	**204**	**2.0**	**95**	**88**	**0.8**
Medical support	40	*0.5*	*30*	*0.3*	*74*	25	*0.2*
Medical supplies and other costs	40		*30*				
World Bank project	15.6*						
Support to the economy	*52*	*0.5*	*52*	*0.5*	*100*	*48*	*0.4*
EDM (electricity) support	17		17				
SOMAGEP (water) support	15		15			8	
Support to private firms	20		20				
CMDT support	0		0			40	
Household income support	*122*	*1.2*	*122*	*1.2*	*100*	*15*	*0.1*
Special fund for vulnerable households	100		100			0	
Food distribution	15		15			8	
Utility bill support (social tranche)	7		7			7	

Note: measures as announced by the authorities, not all accounted above the line.

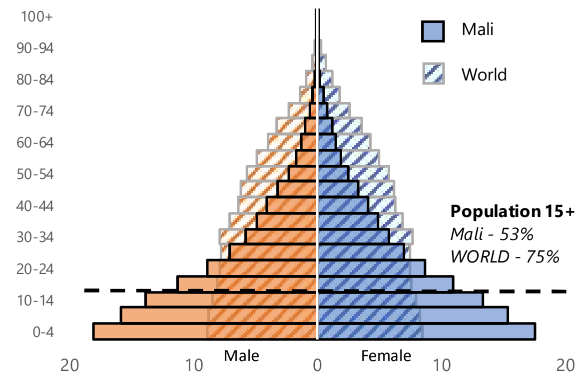
Sources: Malian authorities. (*) excluded from total.

6. **International community supported the Malian government while dealing with the pandemic**. In particular, the financing was provided by (i) the IMF through Rapid Credit Facility (about 1.2 percent of GDP) and two rounds of debt service relief under the Catastrophe Containment and Relief Trust of about CFAF11.5 billion (0.1 percent of GDP); (ii) the World Bank in the amount of US$25.7 million (0.1 percent of GDP) to strengthen public health preparedness; and (iii) the African Development Bank with US$49.2 million (0.3 percent of GDP), (iv) the European Union by accelerating the grant disbursement (EUR 33 million, CFAF 21.6 billion, 0.2 percent of GDP); (v) West African Development Bank (CFAF 28 billion, 0.3 percent of GDP) and (iv) the G20 Debt Service Suspension Initiative to defer debt service to Paris Club and other bilateral creditors during May-December 2020 (around 0.25 percent of GDP requested, but only 0.07 percent of GDP in debt service effectively suspended as of December), and the newly launched January-June 2021 extension.

[2] The social safety nets in Mali have been established relatively recently with support from the World Bank, with the cornerstone *Unified Social Registry* covering only 10 percent of the population, compared to 42 percent in extreme poverty. The main cash transfer program that relies on the *Registry* is Jigisémèjiri, and the cash transfers will be made by this program once the new beneficiaries are identified.

7. The government elaborated a national plan for introducing the COVID-19 vaccine. The plan envisages the rollout of about 8.4 million doses of vaccine under the COVAX initiative starting in April 2021.[3] This will cover about 20 percent of the population or about 40 percent of the population over 15 years of age (chart), reaching medical workers (4 percent of the population), people over 60 years of age (6 percent) and those with underlying health conditions (10 percent).[4] The cost of vaccination—excluding logistics and purchase of the necessary equipment (e.g. freezers)—is estimated at around USD 78 million (CFAF 39 billion) or 0.4 percent of GDP, a fifth of which will be financed by the Global Alliance for Vaccines and Immunization (GAVI) and the World Bank. To achieve higher levels of immunization, the cost will be respectively higher. Since the budgeted amounts for COVID-related spending (0.3 percent of GDP) may not be sufficient to absorb the vaccination costs, the ECF program now includes an adjustor for vaccination costs up to 0.3 percent of GDP, to limit fiscal risks (TMU¶18).

Population pyramid
(2020 estimate, percent by age group)



Source: UN World Population Prospects 2019, staff calculations

[3] Mali opted for using the AstraZeneca COVID-19 vaccine that does not need to be stored at ultra-cold temperatures. In addition to logistics, the rollout of the vaccines in the northern and central regions due to insecurity will present an additional challenge.

[4] Additional efforts at the regional ECOWAS level aim to help member countries fund the vaccination campaign through a pooled procurement and fundraising approach.

Annex III. Alternative Scenario: Protracted Pandemic in 2021

1. **Even after the significant downgrade to the economic outlook caused by the pandemic and the military coup, downside risks remain.** These stem largely from the prospects of protracted pandemic and accelerating spread of the virus in 2021, continued political instability as pressures for a more inclusive transition continue, a deterioration in the security situation, impact on growth of the lower than planned government spending and investment, and a possible weaker performance in the cotton and gold sectors.

2. **Staff has considered an alternative downside scenario that assumes some of these risks materialize.** This scenario is based on the assumption of a slower growth in 2021 and a more protracted recovery due to scarring effect from the second wave of the COVID-19, with some permanent output losses (the key assumptions of the alternative scenario are presented in Box 2).

- Under the assumption of a more protracted and harmful global pandemic relative to the baseline, a weaker global recovery will weigh on Malian external trade, inflows of remittances and foreign investment, while domestically the need for new stricter containment measures would dampen economic activity, private consumption and investment, and will further disrupt the performance in all sectors of the economy.
- The fiscal deficits would be higher and return to WAEMU criterion of 3 percent more gradual. In 2021, tax revenues would be hit harder through lower trade flows and taxpayer compliance, while pressure on expenditures would increase to combat the economic fallout of the pandemic. This would lead to an assumed increase in the fiscal deficit to 6 percent compared to 5.5 percent in 2021 in the baseline scenario. The public debt to GDP ratio will rise to almost 49 percent of GDP in 2021 and will continue to rise to above 49 percent in 2023 before declining afterward but will remain higher than in the baseline (Annex Figure 1). The assumed fiscal deficit path in 2021-25 is a result of the growth and support measures assumptions and does not reflect possible staff advice in the circumstances.

Annex Box 1. Adverse Scenario Assumptions

Real sector: Output contraction and protracted recovery

- On the demand side, private consumption and investment will contract further relative to baseline.
- On the supply side, there will be a slower recovery in the services and primary sectors.

Government accounts: Larger fiscal deficit and increase in public debt

- Lower tax revenues at 13.9 percent of GDP vs 14.4 percent of GDP in the baseline in 2021.
- Higher spending related to COVID in 2021 relative to baseline.
- A more gradual path to the WAEMU deficit ceiling of 3 percent of GDP.
- An increase in public debt to over 49 percent of GDP in 2021.

External position: Deterioration of current account balance

- Lower volume of cotton and gold exports in 2021 relative to the baseline.
- Lower remittances in 2021 relative to the baseline.
- Lower volume in international travel in 2021 relative to the baseline.
- Lower volume of other exports in 2021 relative to the baseline.
- Lower volume of petroleum and other imports in 2021 relative to the baseline.

3. Should the adverse scenario materialize, fiscal policy will have to adapt to deepening challenges of protecting people, supporting demand and facilitating recovery. Fiscal policy would need to continue accommodating health care needs to save lives and provide emergency lifelines to protect the most vulnerable. To address the additional fiscal pressures from large revenue losses and growing spending needs, the authorities will need to consider the following options.

On the Expenditure Side:

- As an emergency policy measure to create the needed fiscal space, a prioritization of current and capital spending may be considered, undertaken on a transparent basis and aiming to minimize the negative impact on long-term growth.
- The authorities may also need to consider limiting growth in the public wage bill, including through reduced hiring relative to current plans.

On the Revenue Side:

- While tax and customs administration reforms should continue, reforms that are more likely to close existing loopholes should be prioritized and deepened (e.g. those related to the taxation of fuels).
- The authorities will need to speed up the adoption of those tax policy measures that are easier to introduce or are at a more advanced stage of preparation, such as the introduction of a communication tax, reforming excise taxes or reducing tax exemptions, as outlined in the MEFP.

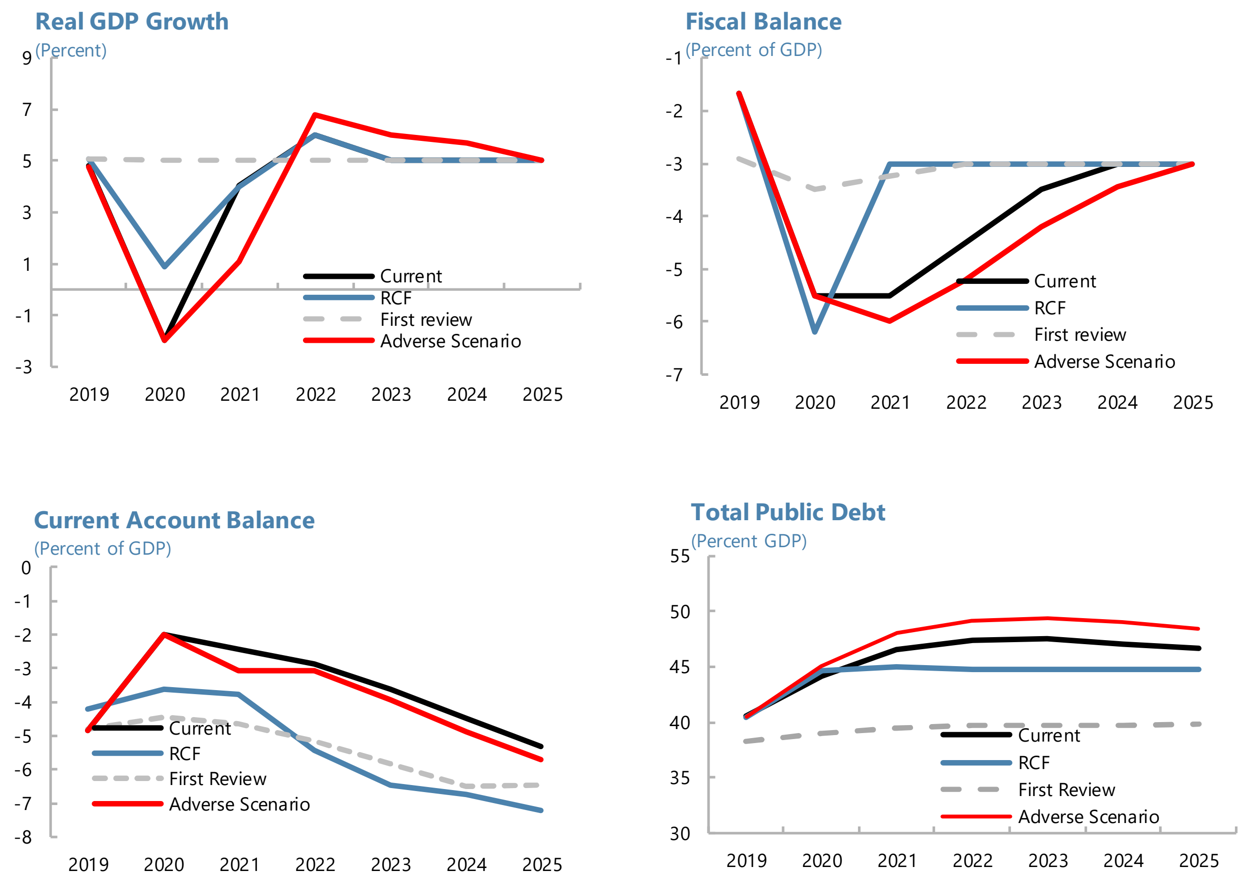
Structural Reforms:

- To ensure that the authorities are equipped to address the challenges of a more protracted pandemic, an accelerated implementation of the Treasury Single Account can help mobilize available idle resources.
- Given the urgency of the reforms, the authorities can prioritize such reforms that can be implemented relatively quickly and promote contactless procedures, such as digitalization of tax filing and payments and the automatic exchange of information across different directorates.

Donor Support:

- As financial needs under this scenario would be large, the authorities may need to consider options to raise additional financing, including external concessional financing from international partners, further issuances on the regional market, or Fund financial support. Given the elevated risks for the outlook, keeping the current IMF financing arrangement on track could boost confidence and support a rapid government response if downside risks materialize.

Annex Figure 1. Mali: Alternative Adverse Scenario



Source: Staff estimates and calculations.

Letter of Intent

Bamako, February 5, 2021

Madame Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C., 20431
U.S.A

Dear Ms. Georgieva,

The Transition government is grateful to the International Monetary Fund (IMF) for its continued support to Mali under the Extended Credit Facility (ECF) arrangement and the Rapid Credit Facility (RCF) approved by the IMF Executive Board. Early IMF emergency assistance was essential in providing needed resources for health and economic relief to address the negative impact of the COVID-19 pandemic. We also greatly appreciate the continued capacity development extended to Mali, which is helping to steadily improve the quality of administrative services across the public sector.

Since the conclusion of the first review of the ECF in January 2020, our economy has faced a series of major shocks. Like other countries, Mali has been impacted by the COVID-19 pandemic since early 2020 and the spread of infections is now seeing a larger second-wave resurgence that is straining our health, economic and social systems. In addition, a socio-political crisis unfolded throughout the summer, with a subsequent dissolution of the Government and the National Assembly in August 2020, leading to two months of heavy economic sanctions against Mali and finally to a political Transition in the fall of 2020. We faced these shocks against a backdrop of an unprecedented security crisis and social challenges, with recurring terrorist attacks and intercommunal clashes costing lives and causing thousands of population displacements. The socio-political environment has also remained tense after the political transition, including through continued strikes for higher public sector wages.

These unanticipated strains have changed the macroeconomic and policy context in which we operate. We expect the economy to contract by 2 percent in 2020, compared to a 5 percent expansion at the time the program was designed, with already very high poverty estimated to increase further to over 9.1 million people. The downturn in activity and the cost of the policy measures to combat the pandemic have rendered most of the fiscal quantitative targets under the program unreachable, despite our efforts to minimize underperformance through major cuts in nonpriority spending. We therefore request waivers for the non-observance of three quantitative performance criteria on revenue collections, the overall deficit (which was only missed by a small amount), and on domestic financing (which was breached as a result of our emergency borrowing under the RCF). In addition to the effects of the pandemic, the economic and financial sanctions imposed in August-October by the ECOWAS in line with their directives have prevented us from making any payments out of the government's single treasury account, including for servicing of external and domestic debt and spending obligations. This has forced a temporary breach in the continuous quantitative performance criteria on no external and domestic arrears, which was corrected soon after the sanctions were lifted and for which we also request waivers. Finally, we also request that the continuous performance criterion on the non-accumulation of domestic spending arrears—which we currently cannot credibly monitor on a continuous basis—be changed to a continuous indicative target until we build the infrastructure needed to set, monitor and control expenditure commitments by line ministries through ongoing reforms of public financial management.

Amidst these new challenges, we have adapted our strategy for meeting the program objectives. The attached Memorandum of Economic and Financial Policies (MEFP) describes our policy objectives for 2021 and beyond. The main objectives of our revised program are to (i) support economic recovery in the near term while initiating a fiscal consolidation next year based on a permanent expansion in the revenue base; (ii) ensure the durability of the fiscal adjustment by initiating reforms of the public enterprise subsector and of wage setting in the public sector, where fiscal pressures have built up; (iii) revert to the regional 3 percent fiscal deficit target under the WAEMU by 2024; (iv) deepen reforms in revenue administration, public financing management and governance, to support better delivery of public services and their transparency. These objectives are guided by the Government Action Plan, which on top of laying the groundwork for the upcoming general elections, revolves around restoring peace and security, improving transparency and governance and ending impunity, enhancing domestic revenue mobilization, improving the delivery of public services, achieving inclusive and sustainable growth, and fighting COVID-19. The attached Technical Memorandum of Understanding (TMU) also sets our specific objectives under the program and the modalities for monitoring their implementation.

We believe that the policies set out in the MEFP will serve to achieve the economic and social objectives of the program. In this context, and in view of Mali's track record of satisfactory performance under IMF-supported arrangements and the exceptional nature of the health shock, we request IMF's continued support for our economic program through the completion of the second and third reviews under the ECF arrangement. We remain committed to taking any further measures that may prove necessary to meet the objectives of the program. The Government will consult with the IMF prior to the adoption of any such measures, and in advance of revisions to the policies contained in the MEFP, in accordance with applicable IMF policies. The Government will also work with other international donors to increase access to concessional financing and grants, in order to obviate the need to tap the more expensive regional markets.

In line with our commitment to transparency, we authorize the IMF to publish this letter, the attached MEFP and TMU, and the accompanying Executive Board documents for the combined reviews.

Sincerely yours,

Alousséni SANOU

/s/

Minister of Finance
Mali

Attachment I. Memorandum of Economic and Financial Policies

1. **The Transition Government continues to implement the program supported by the Extended Credit Facility (ECF).** The main objective of the ECF program is to preserve macroeconomic stability through a credible fiscal policy and to strengthen the foundations for sustained and inclusive growth in line with the objectives outlined in the Transition Charter and in the Strategic Framework for Economic Recovery and Sustainable Development (CREDD) for 2019-2023. The Transition Charter has been used as the basis for an action program and timetable aimed primarily at: (i) stabilizing the security situation in the country and restoring peace; (ii) conducting institutional reforms that will lead to transparent, credible elections; (iii) strengthening the economic framework to ensure more inclusive and sustainable economic growth; (iv) improving the provision of basic social services; (iv) strengthening economic governance; (v) improving the mobilization of domestic resources; and (vi) stepping up the response to the COVID-19 pandemic and its economic and social consequences.

A. Economic Performance and Outlook

2. **In 2020, real GDP growth is projected at -2 percent, while average inflation has accelerated due to rising food prices and is expected to reach about 0.7 percent.** The COVID-19 pandemic and the socio-political crisis are expected to have a significant impact on the economy. The construction, hotel and restaurant, and transportation sectors have been hit the hardest. There has been a slowdown in the gold sector and a contraction in cotton fiber production. The collapse of external demand and the embargo have slowed down exports, especially of cotton. Gold exports have remained fairly steady owing to the rise in international prices. With the drop in oil prices, the current account balance should improve thanks in particular to a significant improvement in the terms of trade. In 2021, real GDP growth is projected at 4 to 5 percent and inflation is expected to remain within the regional ceiling of 3.0 percent. The current account deficit is expected to gradually widen over the medium term as the terms of trade deteriorate.

B. Fiscal Policy in 2020-2022

Budget Execution in 2020

3. **Budget execution in 2020 was seriously disrupted by the COVID-19 pandemic and the socio-political crisis.** A decline in tax revenues (projected at 14.1 percent of GDP) and an increase in spending required to address the pandemic required a revision of the 2020 budget by the previous government, with an increase in the deficit from 3.5 percent of GDP to 6.2 percent of GDP. The current government has adhered to this inherited budget envelope even with the pressure on spending, which has been intensified by wage demands in the education sector, one of Mali’s priority sectors. The interruption in external financing after the coup d'état, however, is limiting our ability to fully implement the spending plans in this budget. This will result in a budget deficit of about 5.5 percent of GDP, which is lower than what was projected.

4. The implementation of a number of measures under the Government's response plan to the COVID-19 pandemic has experienced some delays following the political crisis. Overall, the execution of expenditures related to COVID-19 amounts to about CFAF 129 billion as of November 30, 2020, which represents an average execution rate of 61 percent. As of November 30, 2020, the measures to support the economy (CFAF 52 billion) have been fully implemented, but those related to the improvement of medical care and support to vulnerable households could not be fully executed. While CFAF 24 billion could be executed out of a projected amount of CFAF 40 billion to support improved medical care, the under-execution of the cash transfer program for vulnerable households was more significant, with CFAF 54 billion spent out of a projected amount of CFAF 122 billion (1.2 percent of GDP), mainly due to the sociopolitical crisis. The government commits to carry out the remainder of the cash transfer (CFAF 67 billion) in fiscal year 2020. In addition, it intends to explore venues for reforms aimed at expanding the coverage of the unified social registry with assistance from the World Bank.

Fiscal Policy in 2021

5. Fiscal policy in 2021 will focus on the action program of the transition government, while maintaining fiscal discipline and public debt sustainability. The implementation of this action program will be based in particular on improving governance and domestic revenue mobilization to help stabilize the security situation in the country, make economic growth more inclusive and sustainable, improve the provision of social services and strengthen the response to the Covid-19 pandemic. Given the economic slowdown resulting from the pandemic and security challenges, the fiscal deficit is projected at 5.5 percent of GDP in 2021, before returning gradually to the WAEMU ceiling in a way consistent with public debt sustainability: that is, a deficit of 4.5 percent in 2022, 3.5 percent in 2023 and 3 percent in 2024. This gradual fiscal adjustment will take place while preserving the quality of fiscal policies, that is safeguarding priority development and social spending, containing wage bill pressure, improving the performance of public enterprises, and gradually and sustainably increasing tax revenues.

6. The government has prepared the 2021 budget law that is consistent with the agreed performance criteria under the ECF program. This budget law will be adopted no later than December 31, 2020, by decree or otherwise, in accordance with Article 57 of Law 2013-28.[1]

C. Preparing the Ground for a High-Quality Fiscal Adjustment

7. The government is committed to expand the tax base to achieve a more sustainable increase in tax revenues:

- **Tax policy.** In preparation for the fiscal adjustment that will begin in 2022 and to increase the

[1] Article 57 of Law No. 2014-043 of September 3, 2014, amending Law 2013-028 of July 11, 2013, on Budget Laws stipulates that, if the draft Budget Law could not be voted on before the beginning of the fiscal year, the government is authorized to continue to collect taxes and to perform expenditures under the previous year's budget in provisional twelfths.

resources available to address significant expenditure pressures, the government is considering reforms to broaden the tax base and streamline tax expenditures. The reform options include: (i) broadening the tax base in the agricultural and informal sectors, whose current contributions to tax revenues remain limited; studies by international experts are already advanced; (ii) increasing excise tax rates on certain products that are taxed below the West African Economic and Monetary Union (WAEMU) ceilings (e.g., tobacco, alcoholic beverages, vehicles) and introducing excise taxes on certain products that are not subject to such taxes; (iii) introducing a tax on international telecommunications (telephone calls and data) in 2021; (iv) taxation of remittances and e-commerce; studies are under way; (v) reform of property taxation (see below); and (vi) reductions in tax expenditures (see below). To ensure that the necessary measures are included in the draft 2022 budget before September 2021, the government will finalize the reform proposals by June 2021.

- **Property taxation**. The government plans to improve property taxation by adopting, by end-2021, a draft law establishing a new tax on developed and undeveloped land properties, which would replace the current property tax. In addition, the government is committed to making significant improvements in the recording of property and real estate titles in the database of the Information System for Property and Real Estate Titles (SITFI) that is currently being developed by the National Property Directorate (DND) (by end-2021). This database will be accessible to the staff of the General Directorate of Taxes (DGI), the Treasury, and audit and control structures (Comptroller General of Public Services, Office of the Auditor General, Central Office for Combating Illicit Enrichment (OCLEI), etc.).

- **Reduction in VAT rates.** With regard to the VAT reduction granted to some enterprises in the industrial sector in 2019, the government is committed not to renew the agreement on this issue with the representatives of the industrial sector. This reduction in the VAT rate has resulted in a tax revenue shortfall of around CFAF 2.5 billion. It is also a source of discrimination among companies and complicates the VAT administration. The government will work with its peers in the Economic Community of West African States (ECOWAS) to identify and correct weaknesses in the application of rules of origin by multinationals, which lead to unfair competition with industrial firms established in Mali. Going forward, the government is committed not to grant exemptions or changes in discretionary tax rates without submitting these changes for parliamentary approval—no later than a month after their approval by the government or as soon as the Parliament is in session (*continuous structural benchmark*). To this end, all exemptions must be granted in accordance with the law governing exemptions.

- **New Mining Code**. The new Mining Code, which takes into consideration the recommendations of IMF experts, was adopted by the government by Decree No. 2019-022/P-RM of September 27, 2019 and was approved by Parliament on May 11, 2020. It makes it possible to better streamline tax exemptions while clarifying the beneficiaries (now limited to suppliers whose activities are directly related to mining). The government has adopted the implementing decree and signed the standard agreement on December 8, 2020.

- **Review of tax exemptions.** The government is committed to complete a full review of tax expenditures and their justifications by end-June 2021 (*structural benchmark*), with technical assistance from the IMF if necessary, to achieve a more streamlined, efficient, and transparent system of tax incentives. The results of this full review will be used to update the annex of the draft budget law for 2022 on the list of tax exemptions and their estimated tax cost.

- **Strengthening the taxation of petroleum products**. The government intends to address weaknesses in the taxation of imported petroleum products, which lead to revenue shortfalls. To this end, the government plans to introduce the color-marking of exempt petroleum products. It will sign and register by end-March 2021 a contract with a reputable supplier to ensure the color marking of petroleum products that benefit from preferential taxation (*structural benchmark*), and its cost must be borne by the beneficiary of the exemption and not by the state. The government will meet all of the legal conditions necessary for the entry into force of the contract by end-March 2021. In addition, the government is committed to reducing the range of exempt petroleum products by end-September 2021, by streamlining the list of equipment eligible to use tax-exempt fuel at mining companies, the Mali Energy Company (EDM-SA), and international forces – to be agreed upon by the Ministry of Mines and the General Directorate of Customs – as well as by annually updating this list. On the basis of this list, the General Directorate of Customs and the National Directorate of Geology and Mines on the one hand, and the General Directorate of Customs and the Directorate of Energy on the other hand, will evaluate and determine the semi-annual quantities of petroleum products necessary for the functioning of the equipment, machinery, and vehicles intended for production and present on the sites.

8. The government will ensure a more coherent management of the wage bill. The wage bill is projected to exceed 48 percent of tax revenue in 2021—which is well above the WAEMU standard of 35 percent—reflecting in particular the proliferation of special categories of civil servants. To ensure that the wage bill is management in a manner consistent with safeguarding budget space for priority social and development expenditure, the government is committed to:

- Working with social partners to harmonize the salary schedules in the civil service;
- Undertaking an in-depth study of wages, bonuses, and compensation and the wage setting policy in the civil service with technical assistance from international partners (by June 2021), to enable a more effective balancing of efficiency and fairness requirements while preserving fiscal sustainability (*structural benchmark*);
- Undertaking a physical review of public employees, to identify not only the number of civil servants in each sector but also any ghost workers who may be present, by end-September 2021;
- The government is committed to putting in place by September 2021 a comprehensive unified digital database for the territorial civil service with a view to strengthening the management of the wage bill by the local authorities. Implementation of the decentralization process following the transfer of responsibilities and of resources, requires precise knowledge of the staffing of the local authorities (staff transferred from the State Budget, staff recruited directly by the local governments, etc.), their evolution, and a system for controlling the execution of wage expenditures.

9. The government is committed to maintaining its initial objectives in terms of investment and priority spending, in particular in the education and health sectors. It will ensure that an emergency budget plan and prioritization of expenditure items accompanies the 2021 budget law. The level of social and priority development spending (health, education, social development, decentralization/National Local Government Support Fund (FNACT), and roads) for 2021 is set at about CFAF 610 billion (5.7 percent of GDP).

10. Contingency budgetary measures. The government plans to apply budget control measures in the event of underperformance in revenue collection. To this end, it will take steps to freeze and/or cancel budget appropriations in accordance with the regulatory provisions, while preserving the social and priority expenditures, especially investments. In the event of overperformance in revenue collection, the government is committed to consulting with the IMF on the use of the additional resources.

More Effective Tax and Customs Administration

11. Two of the government's top priorities are to continue the reform of the tax and customs administration. The government is committed to continuing the reforms to improve tax and customs administration within the framework of the ECF program, with a view to ensure a sustainable increase in revenues and promote tax compliance.

General Directorate of Taxes (DGI)

12. The government is committed to implementing the following major reforms:

- Generalizing the use of electronic procedures (e-filing, e-payment, mobile tax) and a systematic use of the Standard Integrated Government Tax Administration System (SIGTAS). The government is committed to ensuring the broad use of e-filing and e-payments for all businesses subject to VAT, and also to launching the payment of taxes by mobile phone for other taxpayers. While e-filing is already available for a sample of large taxpayers, the development of the platform for e-payments is still underway. The use of electronic procedures[2] (tax filing and payments) will be extended to all large taxpayers by June 2021 (*structural benchmark*), followed by medium-sized businesses starting in January 2022. The government is committed to allowing all banks to develop an e-payment platform by end-December 2012 (*structural benchmark*) and to gradually rolling out the use of mobile phones for the payment of taxes by small taxpayers managed at all Tax Centers.
- Mobile banking services. The government expects to make the payment of certain taxes through mobile banking services available by September 2021 with a view to simplifying the procedures for taxpayers and encouraging tax compliance. This could allow taxpayers from the informal

[2] The provisions of the Tax Procedures Handbook have been modified to make the use of electronic services mandatory for companies subject to the VAT (Tax Annex to Order No. 2020-001/P-CNSP of September 4, 2020).

sector to join the tax base. An action plan has been prepared and will be implemented together with the deployment of e-payments.

- In addition, the government intends to accelerate the intensive and full use of all available applications (verification and recovery) in SIGTAS, as well as the *disputes* and *exemption tracking* modules, which will be operationalized by June 2021 at the latest.
- The government is committed to continuing the clean-up of the central taxpayer database by deactivating the Tax Identification Numbers (TINs) and tax accounts of inactive taxpayers. Moreover, it is committed to continuing efforts to increase the use of the TIN as the only reference for the tax population and to facilitate the online accessibility of the general taxpayer database to the departments of the Ministry of Economy and Finance and to all partner departments and agencies.
- The government is committed to: (i) continue broadening the tax base by expanding the tax administration's information sources; (ii) connect databases and systematically exchange data with partner departments and agencies (Customs, Budget, Public Procurement, Competition, National Social Security Institute (INPS), Mali Electricity Company, etc.); and (iii) process the data collected in order to improve tax controls.
- The government has committed to operationalize the two Tax Centers for Medium-Sized Businesses (CIMEs) in Bamako by end-January 2021 (*prior action*), and to establish the CIME in Kati by end-December 2021.
- Improved processing of claims for VAT credit refunds. The procedure for refunding the VAT, which remains lengthy and cumbersome, does not guarantee the neutrality of the VAT and it continues to affect companies' cash flow. To alleviate this situation, the government has committed to modernizing the procedure for VAT credit refunds by taking the following measures: (i) risk-based, differentiated monthly processing of requests, which has already been implemented by an instruction; (ii) elimination of the systematic advance verification; (iii) limiting the application of deferred payment of the VAT upon import (or self-assessment of the VAT) to low-risk companies that are frequently in a VAT credit situation due to their activity; and (iv) sufficient replenishment of the special account for the reimbursement of VAT credits in terms of resources and expenditures by means of an advance decree in accordance with the regulations. In addition, the government commits to conduct an independent audit of the management of funds mobilized under the VAT Credit Refund Fund and to perform an audit of the VAT credit refunds by end-February 2021; the terms of reference have already been prepared.
- Modernization of human resources management and the incentive system. The government is committed to redeploying and adapting the personnel roster to reflect the new organizational structure and objectives of the tax administration, finalizing and applying transparent rules for the assignment and promotion of officials, streamlining and clarifying individual and collective personnel objectives, and continuing the recruitment and redeployment of departmental employees. Moreover, a professional development plan that responds to the tax administration's strategic priorities will be prepared and implemented throughout the coming years. In addition,

the government intends to adapt the incentive system to all staff in the context of a two-way managerial dialogue, based on objective and transparent performance criteria, such as the quality of services provided to users, productivity, effectiveness, and efficiency.

General Directorate of Customs (DGD)

13. The government plans to continue to strengthen the organizational and functional structure of Customs, as well as to strengthen deficient procedures. To this end, it intends to implement an action plan based on the following main measures:

- **Transaction value**. The government has deployed the necessary actions (structural, technical and IT) for a strictly rule-based application of the transaction value throughout the country. The entry into operation of the ASYCUDA WORLD "Value" Module and the application of transaction value to 45 tariff lines are scheduled for January 1, 2021 (*prior action*). The automatic updating of data on the value of products targeted in the module is scheduled for end-April 2021. To this end, the government intends to rapidly release the additional resources needed to ensure a timely implementation of the customs valuation module, in collaboration with the IMF's Technical Assistance Center for West Africa and UNCTAD.
- **Consolidation of the processing of direct collections** by restricting the use of this procedure to the goods exclusively listed in the regulation. From November 1, 2020, direct collections will be authorized only at the Airport Office. A new order to this effect was issued on October 30, 2020. Starting November 11, 2019, the operations of the companies who have not cleared their direct collection forms D24s are being blocked. A report on the monitoring of direct collections by product is compiled quarterly.
- **The electronic acceptance of air waybills (AWB)** in ASYCUDA WORLD has been partially implemented (starting with Air France, Cargo Lux, and DHL on February 29, 2020, which cover about 85 percent of total air freight). The government commits to continue the issuance of reminders and the consultations between the airport authorities and airlines for full implementation of this measure by end-2021 (*structural benchmark*).
- **New Customs Code**. The government has drafted a Customs Code Act to take into account international best practices, improve the efficiency of the administration and modernize its procedures, and has submitted it to the National Assembly. It was initially expected to be adopted by June 30, 2020 but was delayed owing to the sociopolitical crises. The government plans to resubmit the law to the National Transition Council once this council has been set up. It intends to issue all necessary regulations for the implementation of the new Customs Code (decrees, orders, instructions) no later than six months following the adoption of the code.
- **Interconnection of the Interconnected System for the Management of Goods in Transit (SIGMAT)**. The interconnection with Senegal scheduled for end-March 2020 and the subsequent interconnections with Côte d'Ivoire and other countries (Benin, Burkina Faso, Guinea, Niger, and Togo) were not completed owing to the Covid-19 health crisis. Work has since resumed and the interconnection should be completed by end-December 2021.

- **The government has strengthened the monitoring of commitments.** It has begun the systematic closing of assessments of duties and fees at the end of the calendar month and the closing of collections five (5) business days later. The government is committed to continue to strictly apply this measure.
- **Automated risk management for all operational departments.** Work is currently underway to improve its reliability, particularly through the computerization of litigations (TAC). The staff of the Intelligence and Risk Analysis Division (DRAR) was increased in the second half of 2019 (five IT staff)**.**
- **Strengthening physical inspection of goods**. The implementation and use of scanners on certain strategic routes (for example, at Sikasso on the Abidjan-Bamako route; at Mahinamine and Kayes on the Dakar-Bamako route; at Koury and Sikasso on the Ouagadougou-Bamako route; at Nioro du Sahel on the Nouakchott-Bamako route; at Bureau 200 on the Conakry-Bamako route) allow agents now to scan goods. Goods declared to be suspect are subject to escort and mandatory physical inspection, and the deployment of mobile units to combat fraud in other cities (currently deployed only in the cities of Diema and Kadiolo).
- **Price structure of petroleum products.** The government simulated a change in the unit for measuring petroleum products from weight to volume but the results were inconclusive. The simulation will be reconducted in the coming months with IMF assistance, as soon as in-person missions are authorized again.

Improving Public Financial Management

14. Cash management. The authorities are continuing their efforts to modernize public cash management and to strengthen the system and instruments for budget execution to control the level of payment arrears and to avoid any risk of accumulating new arrears. For that purpose:

- *Efficient data management*. The government will seek to accelerate the interconnection of business applications (AICE2, SIGTAS, ASYCUDA WORLD, SIGED) and the automatic data sharing among the National Treasury and Public Accounting Directorate (DNTCP) and the DGI and the DGD by end-September 2021 (*structural benchmark*). In addition, the government will seek to: (i) finalize the development and deployment of the SITFI application used by the National Property and Land Registry Directorate, and its interfacing with other systems by end-2021; and (ii) interface the ASYCUDA WORLD and the computer system of the National Directorate of Trade and Competition.
- *Treasury Single Account (TSA).* The government continues the consolidation of the TSA with a view to ensuring effective cash management, with technical assistance from the IMF. TSA coverage will be expanded to include deposits of 50 national public institutions by end-2021; the other public institutions (approximately 80) will be gradually integrated by end-June 2022.
- *Preparing the ground for electronic payments.* In addition, a module that allows for interconnection of the Integrated Government Accounting Application (AICE2) with the WAEMU banking system is in the process of being activated in order to automate expenditure and

revenue transactions. Despite some delay and the impact of the pandemic and the socio-political crisis, the contract with the supplier was signed and the module will be operationalized by end-June 2021 (*structural benchmark*). The scoping meeting to launch the work for the development and integration of the module with the functionalities of the WAEMU Automated Transfer and Settlement System (STAR) and Automated Interbank Clearing System (SICA) was held on November 12, 2020.

- *Operationalizing electronic payments*. Once the cash management module of the AICE2 is operational and electronic payments by the Treasury are possible, the government is committed to expanding the electronic payments to all beneficiaries (civil servants, service providers). The government will take the necessary measures by end-June 2021 to enable the Treasury to move to electronic payments and it will require all recipients of Treasury payments who currently hold bank accounts to provide the standardized references for these accounts as soon as they are available. For the recipients who do not have a bank account or who are not able to provide the standardized reference, the government will take the necessary measures to ensure that all payments to these recipients are made by other electronic means, such as bank cards (for example, cards provided by the WAEMU Interbank Electronic Banking Group, or GIM). To this end, the government will seek to put in place the necessary prerequisites for the connection of the Treasury to GIM-WAEMU and for interfacing the electronic banking platform with AICE2 by end-December 2021, in accordance with the timetable agreed upon between the technical teams for the electronic banking platform and the Central Bank of West African States (BCEAO). The cards provided by GIM-WAEMU will be distributed and put into service starting in January 2022.

15. The quality of expenditure programming will be enhanced in order to ensure a smooth budget execution, protect priority expenditures, and avoid the accumulation of domestic payment arrears. For that purpose, the Ministry of Economy and Finance will continue the dynamics undertaken in 2020 that made it possible to: (i) hold a national training workshop on commitment plans in February 2020; (ii) develop and validate the outline of the commitment plan in April 2020; (iii) train staff in the pilot ministries to fill in the outline of the commitment plan in April 2020; (iv) work with eight pilot ministries to prepare their commitment plans (by program and on a consolidated basis) with support from various partners and the IMF technical assistance from March to July 2020; and (v) develop, in June 2020, the computerized commitment plan model with a view to designing the management module for the commitment plan within the information system PRED. The deployment of this tool and the training needed for its use will be rolled out to the remaining ministries during the fiscal year 2021 (*structural benchmark*), while the development (design, execution, updating) of the management module for the commitment plan should be completed by June 2021 and its operationalization for programming expenditures within the 2022 budget should be completed by December 2021. On the other hand, it will be important to strengthen the coordination of expenditure commitments with government procurement plans and the cash plans so as to optimize the programming of expenditure based on available liquidity. These activities will be carried out in collaboration with IMF technical assistance.

16. Public financial management. The government is committed to deepen the reforms aimed at ensuring integrity and transparency in Public Financial Management (PFM) as part of the implementation of the Mali Public Financial Management Reform Plan (PREM) for 2017-2021. The government will also take the necessary steps to adopt the new 2022-2026 PFM reform program before end-June 2021.

- The government intends to strengthen the selection and implementation of investment projects, in particular by following the recommendations of the 2017 Public Investment Management Assessment (PIMA). A follow-up IMF mission on the recommendations from the 2017 PIMA mission is expected to identify measures to reduce the efficiency gap.
- On the basis of existing studies, the government prepared the terms of reference for developing a list of standard costs for transportation, construction, and agricultural irrigation infrastructure by end-June 2021, which would be applied from December 2021.
- As for the evaluation of the public procurement system on the basis of the Methodology for Assessing Procurement Systems (MAPS), the terms of reference were shared with the various technical and financial partners and the comments were registered. The process of recruiting the consultant is in progress with the World Bank. The relevant results will be available at end-2021.
- The government developed a project to reform the Inspectorate of Finance and is committed to adopt, by end-2021 at the latest, documents concerning the creation of the General Inspectorate of Finance to replace the current Inspectorate of Finance. In order to do this, the missions of the current inspectorate will be expanded to include audit, research, and evaluation by discarding the one-level horizontal structure in favor of a new structure with two hierarchical levels. The relevant draft documents have been approved by the Ministry of Economy and Finance and need to be forwarded to the Government Office of the Secretary General (SGG) for initiation of the approval process.

17. Public-private partnerships (PPPs). The government intends to strengthen the investment framework and increase the attractiveness of foreign direct investment by strengthening PPPs. The revision of the Law on PPPs will follow processes at the level of the WAEMU Commission. The transposition of these regional texts into Mali's Law on PPPs is expected to occur after the regional texts are adopted, which is tentatively planned for 2021. In the context of the envisaged revision of the PPP Law, the government plans to establish an incentive system for the performance of projects, while seeking to strengthen the institutional framework, allowing for the monitoring, assessment, and management of fiscal risks associated with PPPs in line with the recommendations of the IMF's Fiscal Affairs Department. The Program to Support the Competitiveness of the Malian Economy (PACEM), supported by the African Development Bank (AfDB), will provide support for the launching of the PPP Unit and assistance in the implementation of PPP activities. This support will include capacity building for the staff of the PPP Unit and the Malian administration by end-June 2021, the provision of external expertise in the field of PPPs, and the training of trainers. In the short term, these efforts will focus on the recruitment of legal and financial advisors, the development of standard PPP contracts, and the training of participants in the PPP process.

18. The government will continue to manage its debt policy in a manner consistent with maintaining debt sustainability.

- *Debt management.* The government is committed to reducing refinancing risk by favoring long-term concessional external loans and accelerating the implementation of the short- and medium-term debt management strategy (for 2021-2023). With that in mind, efforts are now being made to issue longer maturity bonds (five years, seven years, and even eight years), to mobilize financing at more fixed interest rates, and to strengthen the capacity to manage exchange risk.
- *Data transparency.* The government is committed to establishing a mechanism for the regular publication of information on public debt. Specifically, starting in March 2021 the General Directorate of Public Debt will regularly publish information on domestic and external public debt and loan guarantees on its website.

Monitoring the Financial Position of Public Enterprises

19. Financial viability of the electricity sector. The government is pursuing the implementation of the Recovery Plan for the Electricity Sector, which was adopted by the government in April 2020, with support from the World Bank. The execution of this plan should allow EDM-SA to regain a financial balance and to eliminate the annual subsidy from the state by 2025. The plan addresses fundamental elements, including:

- Modification of the energy mix, that is, the exercise of strict control over decisions concerning an increase in production capacity and avoiding signing costly emergency production contracts and contracts for production based on diesel fuel, which have been the norm for a number of years, in favor of a low-cost production plan including imports and clean domestic energy sources, complementing the existing heavy fuel oil (HFO) thermal power plants. In this regard, the government also commits to clear, by mid-December 2020, about CFAF 62 billion in arrears (including CFAF 24 billion in outstanding drafts) on imports from Côte d'Ivoire, a strategic supplier, according to a new multi-year plan to be concluded with the government of Côte d'Ivoire.
- An increase in revenue (for example, ensuring that payment for public sector consumption is made to EDM-SA) and a reduction in costs (especially on fuel supplies). In this regard, the government is committed to prepay for the electricity consumption by the general government.
- Given the sector's structural deficit between the cost of service and rates paid by users, steps should be taken to ensure adequate funding for the sector. In this regard, there needs to be greater transparency in terms of the annual real structural deficit of the sector in the amount of CFAF 78 billion (0.8 percent of GDP) in 2020, which is covered in part by an operating subsidy of around CFAF 30 billion, and the rest by arrears to suppliers. As a result, arrears to suppliers grew to CFAF 125 billion (1.2 percent of GDP) in November 2020. Given the structural deficit of around CFAF 85 billion projected for 2021, and in the absence of sufficient budget subsidies, the arrears could rise to CFAF 180 billion (1.7 percent of GDP) at end-2021. A sufficient budget subsidy will be necessary for 2021 in order to enable EDM-SA to discharge its obligations to its

suppliers and to prevent recourse to short-term debt, given the financial situation of EDM-SA. To this end, revenues over and above the budget targets, including those from the new tax introduced in 2021, will be used to supplement the current subsidy of CFAF 30 billion available to EDM-SA.

20. In addition, the performance of EDM-SA needs to be improved. In order to achieve this objective, a performance contract between the government and EDM-SA was signed on November 18, 2019. The performance contract defines the reciprocal commitments for the government's assistance in the financial recovery of EDM-SA, i.e., the buyout and renegotiation of the bank debt, implementation of a prepayment mechanism for general government electricity consumption, the financing of investments needed for the recovery of EDM-SA, and the clearing of the central government's consumption arrears to support EDM-SA's cash flow. An annex to the performance contract called "the EDM-SA Performance Improvement Plan" is in the process of being developed with support from the World Bank. The Ministry of Energy and Water and the Ministry of Economy and Finance will ensure that (i) EDM-SA implements the performance contract signed in 2019, (ii) continued implementation of the contract will be overseen by the Monitoring Committee that has been established, and that (iii) that the contract is updated as needed to ensure its monitorability The Monitoring Committee held two meetings (on February 24, 2020 and June 4, 2020), but has not convened since due to COVID-19 and recent events.

21. In addition to EDM-SA, the government undertakes to strengthen the financial monitoring of public enterprises (such as the Textile Development Company of Mali, or CMDT) to prevent them from exerting additional pressure on the government budget. Public enterprises could become a major source of contingent liabilities that, if not monitored regularly, could undermine fiscal sustainability if they materialize. To improve the situation, the government commits to:

- As a first step, adopt a decision at the level of the Council of Ministers by end-April 2021 with regard to the establishment and the modalities of the constitution of a Unit for Public Enterprises responsible for monitoring the economic, financial, etc., situation of public enterprises and informing the government of the situation on a regular basis (at least quarterly), in order to determine the fiscal risks associated with contingent liabilities (*structural benchmark*). This monitoring Unit will be set up by end-2021.
- In order to further improve the performance of public enterprises receiving budget subsidies (EDM-SA, CMDT, the Malian Water Supply Management Company (SOMAGEP)), the government will aim to reduce the budget costs of these enterprises by requiring that their procurement be consistent with the general framework of public procurement (Code on Public Procurement and Delegation of Public Services). To this end a circular letter issued by the Ministry of Economy and Finance by end-February 2021 will require all subsidized public enterprises that do not conduct their procurement through the National Directorate of Public Procurement (DGMP) (*structural benchmark*) that:

(i) the enterprises present their procurement plans to the DGMP for the coming year three months before the beginning of the year, but as an exception, procurement plans for 2021 will be submitted by end-March 2021;

(ii) the enterprises develop a specific manual for the procurement of goods and services - separate from their manual of administrative, accounting and financial procedures. The objective is to bring the procurement procedures followed by public enterprises into conformity with the provisions of the Public Procurement Code, with the needed adaptation, and above all to ensure that major procurement operations are carried out in accordance with said Code by employing as much as possible and appropriate open competition. The manual will develop all aspects related to the institutional framework; conduct of the operational procurement process; internal and a priori control procedures and the performance of an independent external audit; and the procedure for handling appeals and disputes. The manual will be developed with the assistance of the DGMP and the approval of the Ministry of Economy and Finance in addition to the approval of the respective Boards of Directors by the end of June 2021;

(iii) DGMP will set up in these enterprises a unit responsible for assisting the procurement services of public companies, by the end of March 2021, in order to strengthen their capacity in terms of the application of procurement procedures;

(iv) DGMP will report quarterly (at least during the first year) to the Minister of Economy and Finance on the compliance of companies with the revised procedures. Information on the performance in terms of strengthening competition; improvements in the advertising of tenders and awards, deadlines for contract signature and payment will be monitored and disseminated through this report.

(v) At the end of each fiscal year, an independent audit by the Public Procurement Regulatory Authority and Public Service Delegations will be undertaken, with the reports of these audits also transmitted simultaneously to the responsible Minister, to the Minister of Economy and Finance, to the SOE Unit and to the Prime Minister

These requirements will be included in the revised 2021 EDM-SA Performance Plan by the end of March 2021 and in a Performance Plan to be concluded with the CMDT for 2021.

- To develop a more comprehensive SOE strategy aimed at improving the management and governance of SOEs and the monitoring of the sector, the government will request the World Bank to support the preparation of an integrated assessment of the state enterprise sector or "iSOEF".
- With regard to national public institutions (EPNs), continue broadening the coverage of fiscal statistics to all EPNs through the introduction in all extrabudgetary units with own resources of a new software, which will enable the provision of regular and timely statistics in line with the *Government Finance Statistics Manual 2014* (*GFSM*). The Treasury Directorate will produce and publish the consolidated budget execution reports for the EPN subsector as of June 30 and December 31 of each year starting with December 2021. Data for June 30 will be published at

end-August of the same year and the data for December will be published at end-February of the following year. To this end, a circular from the Minister of Economy and Finance will be sent to all EPN managers by end-February 2021.

- The Governance Assessment that will be undertaken in the first half of 2021 is expected to provide additional recommendations on the fiscal reporting of public enterprises and institutions outside the central government, as well as on the governance and oversight of these institutions. On the basis of these recommendations, the government undertakes to develop a plan to address institutional weaknesses in order to strengthen the financial monitoring of public enterprises.

D. Supporting Stronger Growth, Including Through Good Governance

22. Respecting the transparency and accountability commitments under the Rapid Credit Facility (RCF) to address the pandemic. Under the commitments to strengthen good governance that were made at the RCF approval, the government:

- commits to publish the reports on expenditure execution related to COVID-19 (*prior action*). The government published the first two monthly reports on expenditure execution related to COVID-19 for October and November on November 26 and December 7, respectively,[3] and will continue to publish them on a monthly basis.
- commits to publish, on an easily accessible governmental website, by end-May 2021 and on an ongoing basis thereafter, documents on large public procurement contracts in connection with COVID-19 and the names of the entities along the beneficial owner(s) information of awarded entities (*structural benchmark*), as well as the *ex-post* validation of their execution.[4]
- has commissioned an independent audit of COVID-19 expenditure by the Office of the Auditor General (BVG).
- commits to publish the results of the independent audit of COVID-19 expenditure by end-July 2021 (*structural benchmark*).

23. Revision of the Procedural Manuals of the Accounts Section of the Supreme Court. The revision should bring the procedural manuals in line with the regional guidelines in what concerns verification procedures and methods by financial jurisdictions, thereby aligning national legislation and regulation with the International Standards of Supreme Audit Institutions (ISSAI). The mandate of the Accounts Section of the Supreme Court, which has been extended to new tasks such as the certification of accounts, performance auditing and the evaluation of public policies, will be based on these standards. The four volumes of the procedural manual for judicial and non-judicial judgments harmonized at the community level have been validated by the Steering Committee set

[3] https://www.finances.gouv.ml/sites/default/files/DGB_NT_SEB_Covid19_30-11-2020.pdf
https://www.finances.gouv.ml/sites/default/files/Situation%20depenses%20COVID19%20au%2031-10-2020.pdf

[4] In this context, the term "*major public procurement projects*" shall mean those projects entered into by, or contracted by or on behalf of, the government of Mali in response to the ongoing COVID-19 pandemic with a value equivalent to $50,000 USD and above.

up by the WAEMU Court of Accounts. Final validation by the WAEMU Council of Ministers was delayed until 2021 as a result of the constraints in connection with the COVID-19 crisis.

24. Prevention and suppression of illicit enrichment (Law No. 2014-015 of May 27, 2014).

- **Review of the legal anti-corruption framework.** The government continues to be committed to accelerating the legal review of the Criminal Code and the Law on the Prevention and Suppression of Illicit Enrichment (Law No. 2014-015) with the aim of taking the necessary corrective measures to criminalize acts of corruption in line with the requirements of the United Nations Convention against Corruption (UNCAC) and to address difficulties in application and deficiencies arising from, or identified in, the implementation of the law. Based on the report of the Commission for the Identification and Correction of Difficulties and Deficiencies under that law, a draft amendment of the law (designed to effectively expand the base of parties subject to the asset declaration requirement) and a draft decree establishing the implementing mechanisms for the law were filed with the Government Office of the Secretary General in November 2020, for adoption by the government by end-March 2021 (*structural benchmark*) and by the legislative body by end-December 2021, while ensuring that the asset declaration regime is in line with international standards and best practices, including appropriate coverage of the persons subject to the asset declaration obligation, the frequency and content of declarations, the submission process, access to information, enforcement, and sanctions. Those subject to the new asset declaration regime will include civil servants at risk, including politically exposed persons, and at a minimum, the Head of State, the Head of Government, Ministers, Deputy Ministers and Secretaries of State, Members of the National Assembly, senior officials in the civil service, the Malian Armed Forces, and managers of public enterprises.
- **Strengthening the asset declaration regime**. The government is committed to ensuring that the definitive list of obligated parties[5] submit their declarations and that they are regularly updated within the deadline provided by law. A total of 223 (8 percent) of the declarations were submitted to the Supreme Court as of December 12, 2020 compared to 336 (23 percent) as of December 31, 2019. To address this deterioration in the monitoring of declarations, the Prime Minister issued a circular letter on October 30, 2020, inviting all members of the government to submit their asset declarations to the Supreme Court and to report no later than November 6, 2020. A reminder letter dated November 26, 2020, was sent to all members of the government, inviting them to ensure that the officials under their authority are subject to the same requirement to report their assets, to be executed no later than December 5, 2020. The government commits to continue monitoring compliance in order to achieve a reporting rate of 50 percent by end-June 2021 and 75 percent by end-September 2021.
- **A call center was created** to enable as many persons as possible to report potential cases of illicit enrichment, corruption, and/or fraud to OCLEI. The center has a toll-free number, equipment for receiving calls, message recording and transcription software, staff responsible for processing the information, and a senior call dispatch manager who is responsible for directing captured entries to the investigation division of OCLEI and to judicial authorities

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[5] The list of senior officials who are clearly identified in Law No. 2014-015 as being obliged to declare their assets.

(divisions with jurisdiction over economic and financial matters). The government will continue campaigns to raise public awareness of the existence of the call center. As part of the public awareness initiatives, an anti-corruption week was organized in early December to mark the Global Anti-Corruption Day.

25. Promoting coordination among auditing, inspection, and control bodies. In order to conduct a more effective campaign against corruption, the government is committed to aligning the actions of the control, auditing, and inspection bodies. In this respect, it has set up two frameworks for consultation between:

- The Ministry of Justice and control, auditing, and inspection bodies. The government plans to put in place a database to enhance the efficacy of this coordination mechanism of the internal control units (Auditor General of Public Services and Chief Inspectors of the 16 inspection units in the ministerial departments). The government commits to allow the internal control units to be informed of the legal outcomes of their denunciations of financial and/or administrative irregularities to the Public Prosecutor's Office, to the State Litigation or to the Accounts Section of the Supreme Court via implementing quarterly meetings between these units and the Ministry of Justice by June 2021.
- The Ministry of Justice will set up a framework for consultation between the OCLEI, the Office of the Auditor General, the Economic Division, the National Financial Intelligence Processing Unit (CENTIF), and other control, audit and inspection structures by end-March 2021.

26. The government remains committed to improving the administration and dispensing of justice with regard to economic and financial offenses, including the prevention and prosecution of cases of corruption within the judicial system.

- **The government is committed to introducing direct referrals to the Prosecutor General** by the authorities for control and audit (including general control by staff and the Office of the Auditor General) and inspection, as well as to incorporating a systematic procedure for the referral of cases by prosecutors to investigative magistrates or criminal court in the Code of criminal procedure by end-March 2021. For that purpose, adoption of the new Code of criminal procedure is being considered by end-June 2021 at the level of the Permanent Legislative Committee (CPL) set up within the National Judiciary Affairs and Justice Directorate (DNAJS).
- **The government intends to create a specialized Economic and Financial Prosecution service** with national jurisdiction operating under the Bamako Court of Appeals. For that purpose, a draft amending law is included in the transitional government's action plan for the implementation of this service by end-June 2021. The new specialized service will focus solely on investigating financial irregularities denounced by the control and verification bodies, and will thus promote monitoring and diligent handling of such irregularities.

27. Anti-Money Laundering and Terrorist Financing (AML/CFT). The government is finalizing its National Risk Assessment (NRA) for money laundering and terrorist financing, which began in October 2018 with support from the World Bank. This assessment has been delayed as a result of the COVID-19 crisis. It also carried out the Peer Review (Mutual Evaluation) of its AML/CFT system, for which the final report was approved by the 21st Meeting of the Ministerial Committee of the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) held in Senegal on November 16, 2019. This report identified significant weaknesses in the AML/CFT framework, exacerbated by gaps in the legal framework and lack of effectiveness in the fight against money laundering and financing of terrorism. This is particularly problematic given Mali's vulnerability to terrorism and to terrorist financing. It prepared an action plan designed to address the shortcomings of the AML/CFT framework identified in the peer evaluation that was validated by the AML/CFT Interministerial Committee. This action plan, the mutual assessment report, and the related written communication were submitted to the Government Office of the Secretary General to be presented to the Council of Ministers during the first quarter of 2020. The Ministry of Economy and Finance will present this action plan to the Council of Ministers for its approval by end-January 2021 to ensure its implementation without delay. Mali has not been able to participate in the activities of its regional FATF-type body as a result of the measures taken by ECOWAS. Mali's status was restored by ECOWAS in October, and this should enable it to participate once again in GIABA activities and to obtain technical assistance. In terms of future recommendations, the priority actions under the Mutual Evaluation Report would provide a good starting point.

28. Governance Diagnostic mission. The government reiterated its willingness to welcome the IMF mission as soon as possible, for the purpose of performing a detailed diagnostic analysis of vulnerabilities in the area of governance, including those in relation to the public finances.

- A synthetic assessment of budget transparency will also be carried out at that time to identify possible areas for improvement in the transmission of fiscal information by end-May 2021, to propose future reforms.
- The diagnostic mission will also include an examination of public and budget execution procedures with a view to identifying scope for improvements in their digitalization (computerization) by end-May 2021.

As is customary, the mission anticipates the publication of a final report and this exercise will help to sequence and prioritize measures in this area of the program.

29. Non-operating fixed assets in the banking sector. The government is assisting the financial system in the process of removing non-operating assets from banks' balance sheets with the aim of ensuring compliance with the prudential policy in effect within the union. In this context, the Ministry of Economy and Finance have conducted since 2018 a series of actions, starting with an exhaustive inventory of banks' non-operating fixed assets and the development of a strategy for their treatment, which resulted in the decision to create an independent unit for managing such assets. Further, a feasibility and sustainability study was conducted on the establishment of such an independent unit, for which the final report has been available since February 2020. Finally, the Ministry of Economy and Finance decided to seek technical assistance by a consultant for the formal establishment of this Non-Operating Fixed Asset Management Unit, and particularly the allocation of the legal, financial, technical, and human resources it requires. This technical assistance, scheduled for six months, started on December 9, 2020.

E. Improving Statistical Data

30. Rebasing of the national accounts, quarterly accounts, and short-term indicators. The government will finalize the national accounts with the new 2015 base year and the 2016 national accounts no later than end-March 2021 in light of the delay as a result of COVID-19 and the socio-political crisis. This will imply, on the one hand, making up for the delays in the production of the national accounts for 2017, 2018, and 2019, and on the other hand, in undertaking the extrapolation of the national accounts back to 1997. The distribution of the quarterly accounts began as scheduled at the end of 2019. Implementation of the new short-term indicators also could not be completed by the end of the first quarter of 2020 as a result of the successive crises that occurred during 2020. Efforts have been made, however, to continue the work despite the difficulties in accessing the enterprises. Implementation of these short-term indicators will be finished no later than September 2021.

F. Program Monitoring

31. Performance vis-à-vis the policies supported by the ECF. Three of the four structural benchmarks from the second program review were met (Table 1). These are the structural benchmarks on the approval by Parliament of a 2020 Budget Law that meets the performance criteria under the ECF agreement; finalization and implementation of the formal framework for collaboration and information-sharing among the DGI, the DGD, the Treasury, the General Directorate of the Budget (DGB), the General Directorate for Public Procurement and Public Service Delegation (DGMP-DSP), the General Directorate for Trade, Consumer Affairs, and Competition (DGCC), the INPS, and the Support Unit for the Computerization of Tax and Financial Services (CAISFF); and automation of the procedures for the for the control of suspensive regimes. The fourth benchmark (elimination of non-electronic receipt) has been partially completed. Four of the six structural benchmarks under the third program review have been implemented. These are the structural benchmarks on: (i) the deployment of the necessary measures for a strictly regulatory application of the transaction value throughout the national territory; (ii) the reservation of the direct collection procedure (emergency procedure) covered by D24 declarations for the airport office only and for a short list of goods (medicines, perishable goods, newspapers, urgent spare parts, etc.); (iii) the development of an action plan to identify and introduce the payment of certain taxes and fees through mobile banking; and (iv) the operationalization of the two tax centers for medium-sized businesses in Bamako; the first two and the fourth benchmarks were implemented with a delay.

32. The fourth, fifth, and sixth reviews will be based on end-December 2020, end-June 2021, and end-December 2021 performance criteria, respectively, and on the performance criteria monitored on a continuous basis (Table 2), prior actions and structural benchmarks (Table 1), and indicative targets (Table 2). The performance criteria and indicative targets are defined in the Technical Memorandum of Understanding (TMU), which also specifies the nature and frequency of the information and the data to be provided for program monitoring.

Table 1. Mali: Prior Actions and Structural Benchmarks for 2019-2021

Structural Benchmarks for the 2nd and 3rd reviews	Program Date	Status	Revised Date
Fiscal Policy			
Approval by the Parliament of a 2020 budget law that complies with program parameters arising from the ECF arrangement	31-Dec-19	Met	
Revenue Administration			
Finalize and operationalize the formal framework for collaboration and information-sharing among the DGI, the DGD, the Treasury, the DGB, the DGMP-DSP, the DGCC, the INPS, and the CAISFF	31-Dec-19	Met	
Introduce the electronic acceptance of air waybills in ASYCUDA WORLD and eliminate non-electronic acceptance	31-Dec-19	Not met (Used by major but not yet all airlines)	31-Dec-21
Introduce the automation of procedures for the control of suspensive regimes	31-Dec-19	Met	
Deploy the necessary actions (structural, technical and IT) for a strictly regulatory application of the transaction value throughout the national territory	31-Mar-20	Implemented with delay	
Reserve the direct collection procedure (emergency procedure), covered by D24 declarations, for the airport office only and for a short list of goods (medicines, perishable goods, newspapers, urgent spare parts)	1-Apr-20	Implemented with delay	
Prepare an action plan to identify and introduce the payment of certain taxes through mobile banking	30-Jun-20	Met	
Establish and operationalize two new tax centers for medium-sized businesses (CIME) in Bamako	30-Jun-20	Implemented with delay	*Prior action*
Public Financial Management			
To enable electronic payments, implement the functionality of the STAR module (Automated Transfer and Settlement System) and the WAEMU Interbank Clearing System (SICA), dedicated to the integrated application of public accounting (AICE2)	31-Mar-20	Not met	30-Jun-21
Governance			
Provide for government approval of the revised draft Law on the Prevention and Suppression of Illicit Enrichment (Law No. 2014-015) to clarify and extend the scope of those subject to asset declaration	31-Mar-20	Not met	31-Mar-21
Prior actions		**Comments**	
Revenue Administration			
Make operational transaction value module in ASYCUDA WORLD (MEFP¶13)		Met	*Prior action*
Operationalize the two new tax centers for medium-sized businesses (CIME) in Bamako (MEFP¶12)		Met	*Prior action*
Governance			
Publication of COVID-19 related spending reports (MEFP¶22)		Met	*Prior action*
New structural benchmarks			
Fiscal Policy			
All new tax exemptions or tax rate changes to be approved by parliament (MEFP¶7)			*Continuous*
Conduct a comprehensive review of tax expenditures (MEFP¶7)			30-Jun-21
Undertake a comprehensive study of the wage bill policy with technical support from international partners (MEFP¶8)			30-Jun-21
Revenue Mobilization			
Sign a contract with a reputable provider to ensure color tracing of exempt fuel products (MEFP¶7)			31-Mar-21
Extend e-filling and e-payment of taxes to all large enterprises (MEFP¶12)			30-Jun-21
Open access to e-payments platform to other banks (MEFP¶12)			31-Dec-21
Public Financial Management			
A circular letter by MEF to require subsidized SOEs to bring their procurement rules in line with the procurement code, strengthen MEF control over procurement practices and strengthen reporting (MEFP¶21)			28-Feb-21
Decision by the Cabinet of Ministers to setup and modalities of a unit for monitoring SOEs (MEFP¶21)			30-Jun-21
Implement automatic data sharing between the Treasury and the revenue collecting agencies (MEFP¶14)			30-Sep-21
Introduce commitment plans in all ministries (MEFP¶15)			31-Dec-21
Governance			
Publication of documentation on large public procurement projects related to COVID-19 and the names of the companies and their owners (beneficial owners) that were issued contracts (MEFP¶22)			31-May-21
Publish results of the independent third party audit of COVID-19 related spending (MEFP¶22)			30-Jul-21

Table 2. Mali: Quantitative Performance Criteria and Indicative Targets for 2019-2021[1]

(in billions of CFAF)

	2019				2020					2021	
	December				June				December	June	December
	Prog.	w/ adjust.	Actual	Status	Prog.	w/ adjust.	Actual	Status	Prog.[7]	Proposed	Proposed
Performance criteria											
Ceiling on net domestic financing[2]	123	142	-41	Met	140	136	301	Not met	499	265	481
Ceiling on new external debt contracted or guaranteed by the government[3]	329	329	77	Met	526	526	110	Met	526	772	772
Ceiling on the overall fiscal deficit (commitment basis)	307	307	171	Met	152	152	154	Not met	558	331	603
Floor on net tax revenue[4]	1,480	1,484	1,496	Met	775	748	665	Not met	1,415	695	1,545
Continuous performance criteria											
Ceiling on external payments arrears (zero)	Not met								0	0	0
Ceiling on domestic payments arrears (zero)[6]	Not met								0	...	...
Indicative target											
Floor on priority social and development spending[5]	506	506	473	Not met	188	188	260	Met	651	274	610
Ceiling on domestic payments arrears (zero)[6]	...	...	...	...	...	...	...	...	...	0	0
Memorandum items											
Budget support loans	275		271		16		31		62	2	3
Budget support grants	94		104		22		22		37	32	42
Net change in budgetary float (– = reduction)	-61		-80		-3		28		43	9	18
Payment of tax refunds	-72		-68		-39		-66		-128	-68	-135

Sources: Malian authorities; and IMF staff projections.

[1] Cumulative figures from the beginning of the year, unless otherwise indicated. See Technical Memorandum of Understanding for definitions.
[2] This performance criterion is subject to adjustment for budget support loans, net change in budgetary float, and payment of tax refunds.
[3] In PV terms, cumulative from the program approval.
[4] The floor on net tax revenue will be adjusted downward (upward) to the extent that tax refunds exceed (fall short of) the projected amount.
[5] The definition of priority social spending as of 2020 is different from 2019 as specified in the TMU.
[6] Changed from continuous performance criteria to indicative target starting with the date after Board consideration of the second and third reviews.
[7] Mali: Request for Modification of Performance Criteria Under the Extended Credit Facility, EBS/20/194, approved on an LOT basis on January 7, 2021.

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) defines the performance criteria and indicative targets presented in Table 1of 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.

DEFINITION OF GOVERNMENT

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.

PERFORMANCE CRITERIA

3. Except as noted, the following financial targets will serve as performance criteria at end-December 2019, end-June 2020, end-December 2020, end-June 2021, and end-December 2021 (MEFP, Table 1).

A. Ceiling on Net Domestic Financing

4. **Net domestic financing of government**, as defined in paragraph 2, is defined as the sum of (i) the change in the net position (difference between the government's claims and debts) vis-à-vis the central bank and the commercial banks 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).

Adjustors

5. The ceilings on net domestic financing of government will be adjusted upward if **external budget support** falls short of program projections (MEFP, Table 1) up to a maximum of CFAF 144 billion. External budget support is defined as grants, loans, and debt relief operations (excluding project grants and loans, sectoral budget support, IMF resources, and HIPC debt relief, but including general budget support).

6. The ceiling on net domestic 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, Table 1) as recorded in the TOFE.

7. The ceiling on net domestic financing will be adjusted upward (downward) for the **payment**

of VAT credits, other tax refunds, and audited arrears from previous fiscal years, which exceed (fall short of) program amounts (MEFP, Table 1).

B. Ceiling on Accumulation of Government External Payments Arrears

8. **External payment arrears** are defined as external debt obligations of the government that have not been paid when due in accordance with the relevant contractual terms (taking into account any contractual grace periods). Under the program, the government agrees not to accumulate external payment arrears on its debt, except arrears arising from external payment obligations being renegotiated with creditors. Non-accumulation of new external arrears by the government is a performance criterion to be observed continuously during the program. 'External' is defined by the residency of the creditor.

C. Ceiling on Accumulation of Government Domestic Payment Arrears

9. **Domestic payment arrears** are defined as undisputed overdue payment obligations for which the payment date exceeds 90 days, unless terms and conditions for settlement specify a longer grace period. Arrears on the domestic debt service to banks or to financial market refer to debt service obligations for which the payment date exceeds 30 days. Under the program, the government agrees not to accumulate new domestic payment arrears. Non-accumulation of new domestic payment arrears by the government is a continuous performance criterion until the conclusion of the second and third review (test dates for end-December 2019 and end-June 2020) and will thereafter become a continuous indicative target (until automatic controls on expenditure commitments are operationalized in all ministries; to be agreed with IMF staff). The authorities will monitor this indicative target on a continuous basis and notify the IMF (by email) if this indicative target has not been met. IMF staff will monitor compliance with this indicative target at the end of each month. 'Domestic' is defined by the residency of the creditor.

D. Ceiling on the External Debt Contracted or Guaranteed by the Government

10. **Definition of the debt**. The definition of debt is set out in IMF Executive Board Decision No. 15688-(14/107), Point 8, as published on the IMF website. The term "debt" will be understood to mean all current, i.e. not contingent, liabilities, 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 various 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 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 these guidelines, 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.

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 a contractual obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

11. **Guaranteed debt**. A government debt guarantee means an explicit legal obligation to service a debt in the event of nonpayment by the borrower (through payment in cash or in kind)

12. **Concessional debt and present value of debt**. A debt is considered concessional if it includes a grant element of at least 35 percent.[1] 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 using a discount rate of five percent.[2]

13. **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 (with the exception of the West African Development Bank (BOAD) which is considered external debt). This definition also applies to the debts contracted between WAEMU member countries that are denominated or that must be repaid in a currency other than the CFA franc.

14. **External debt performance criterion**. The ceiling on the contracting or guaranteeing of new external debt (MEFP, Table 1) applies to present value of all new external debt. It is measured using the contraction date (the date of signature by the creditor and the authorities) of new external debt on a cumulative basis from August 28, 2019, i.e. the date of the IMF Executive Board's approval of the ECF arrangement

15. **Special provision.** The performance criterion shall not apply to import-related, short-term

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

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

external loans (with maturities of less than one year).

16. **Reporting**. The government shall immediately report to the IMF staff any new external loans it contracts or guarantees, stating the conditions of these loans.

E. Ceiling on the Overall Fiscal Deficit

17. The **overall fiscal deficit (commitment basis)** is the difference between total budgetary resources and total spending and net lending as recorded in the TOFE.

Adjustor

18. The ceiling on the **overall fiscal deficit (commitment basis)** will be adjusted upward:

i. by the amount of the shortfall in **budget support grants** relative to program projections (MEFP, Table 1) up to a maximum of CFAF 45 billion, and

ii. by the amount of unbudgeted spending directly related to the cost of **COVID-19 vaccination** in 2021 not financed by grants or donations and up to a maximum of CFAF 30 billion.

Safeguarding Program Execution.

19. Since budgeted revenues are above program projections, the current clause clarifies how budgeted spending will be adjusted to meet the program targets.

i. Execution of budget revenues will be monitored according to the monthly projections:

Expenditure	Monthly cash flow plan annexed to the 2021 Budget Law												
	Total	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
in billion CFAF	2,280.7	118.5	167.6	183.6	176.3	171.2	188.4	184.7	181.8	168.1	171.3	183.3	386.2

ii. Budget spending commitments, which are authorized on a semi-annual basis, will be preliminarily scheduled as follows, but issued six-months (semester) ahead:

(in billion CFAF)

Total Expenditure	**Treasury plan annexed to the 2021 Budget Law**		
	Total	**January - June**	**July - December**
Wages	758.024	379.012	379.012
Goods and services	434.403	164.686	269.717
Interest payments	141.201	65.752	75.449
Transfers and subventions	385.352	169.225	216.127
Capital Spending	262.629	106.044	156.585
Special Investment Spending	299.104	120.772	178.332
TOTAL	**2,280.713**	**1,005.491**	**1,275.222**

iii. At the end of a semester, if there is a shortfall in revenues collected relative to the budgeted revenues as specified in (i) above, the authorities will reduce the commitment authorization pro tanto in the following semester in the amount that corresponds to the difference in the projected revenue for the entire year. These authorization commitments will be reported to the Fund staff for each semester as soon as they are issued, and during the second semester on a monthly basis as they are modified.

F. Floor on Net Tax Revenue

20. The government's **net tax revenue** is defined as the revenue appearing in the TOFE and includes all tax revenue in the national budget, after deducting the tax refunds generated during the year, in particular VAT credits.

Adjustor

21. The floor on net tax revenue will be adjusted downward (upward) by the amount of the tax refunds exceeding (falling short of) the projected amount (MEFP, Table1).

INDICATIVE TARGET

22. Unless otherwise indicated, the following serves as an indicative target at end-December 2019, end-June 2020, end-December 2020, end-June 2021 and end-December 2021.

G. Floor on Priority Social Spending

23. Priority social spending for 2019 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. It excludes project-related capital expenditure financed by foreign technical and financial partners. For 2020 and thereafter, priority social spending also includes priority development spending, such as on roads.

PRIOR ACTION

24. Prior action on the operationalization of the two tax centers for medium-sized enterprises (CIME) in Bamako will be considered as met with appointments of the directors for the two centers and staff distributed between the two centers.

STRUCTURAL BENCHMARKS

25. Information concerning the implementation of measures constituting structural benchmarks will be reported to the IMF staff when the measures are implemented.

26. The end-June 2021 structural benchmark on the use of e-procedures (for returns and

payments) by all large taxpayers will be considered as met if at least 95 percent of large taxpayers use e-procedures by the end of June 2021.

27. Structural benchmark on publication of documentation on large procurement projects related to COVID-19 will be considered as met with publication by end-May of information on:

i. large procurement contracts, where the value of the contract exceeds US$50,000;
ii. beneficial owner(s) of awarded entities involved in COVID contracts as per the legal and regulatory procurement framework in force at the time the contact was awarded;
iii. in addition to beneficial ownership, the published information will include the date and reference of the contract, the name of the parties to the contract, the object of purchase under the contract and the value, company type, and legal owners.

Beneficial Ownership is defined in line with Article 1 (¶12) of the AML/CFT Law 2016-008 and will be understood to be the natural person(s) who "ultimately owns or controls" or has "ultimate effective control" over a legal person (e.g., company, foundation, non-profit organizations), as reported by the companies that benefit from the procurement contracts. "Ultimately owns or controls" and "ultimate effective control" refer to situations in which ownership/control is exercised through a chain of ownership or by means of control other than direct control.

ADDITIONAL INFORMATION FOR PROGRAM MONITORING

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

Summary of Reporting Requirements

Sectors	Type of Data	Frequency	Reporting Deadline
Real Sector	National accounts	Yearly	Year-end + 9 months
	Revised national accounts	Variable	8 weeks after revision
	National accounts	Quarterly	End of quarter + 8 weeks
	Consumer price index breakdowns	Monthly	Month-end + 2 weeks
Public Finance	Central government TOFE	Monthly	Month-end + 4 weeks (provisional); Month-end + 6 weeks (final)
	Monthly revenue table	Monthly	Month-end + 2 weeks
	Information on social and developmental priority spending execution	Quarterly	End of quarter + 4 weeks

Summary of Reporting Requirements (continued)			
	Information on social and developmental priority spending execution	Quarterly	End of quarter + 4 weeks
	Information on social and developmental priority spending execution	Quarterly	End of quarter + 4 weeks
	Information on COVID-19 vaccine expenditures	Quarterly	End of quarter + 4 weeks
	Information on military and security spending	Quarterly	End of quarter + 4 weeks
	Information on transfers and subsidies	Quarterly	End of quarter + 4 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
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
Balance of Payments	Balance of payments	Yearly	Year-end + 12 months
	Revised balance of payments	Variable	8 weeks after each revision

Summary of Reporting Requirements (concluded)			
External Debt	Debt service with breakdown of principal, interest, relief obtained under the HIPC Initiative	Monthly	Month-end + 4 weeks
	Updated information on borrowing plans, including the contraction date for any new external debt	Quarterly	Month-end + 4 weeks
EDM	Detailed financial statements showing EDM's total revenues, including subsidies received; total expenditures; the level of debts to banks; and the situation in terms of arrears.	Quarterly	Month-end + 4 weeks

MALI

SECOND AND THIRD REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUESTS FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA AND MODIFICATION OF PERFORMANCE CRITERION—DEBT SUSTAINABILITY ANALYSIS

February 8, 2021

Approved by
Annalisa Fedelino and Bjoern Rother (IMF) and Marcello Estevão (IDA)

Prepared jointly by the staffs of the International Monetary Fund (IMF) and the International Development Association (IDA)

Mali: Joint Bank-Fund Staff Debt Sustainability Analysis	
Risk of external debt distress:	*Moderate*
Overall risk of debt distress	*Moderate*
Granularity in risk rating	*Moderate risk tool: Some space to absorb shocks*
Application of judgement	*Yes, customized scenario is considered for external and overall debt distress risk rating*

Mali remains at moderate risk of both external and overall debt distress consistent with the joint Bank-Fund assessment from May 2020, but vulnerabilities have increased. The pandemic and coup-induced deterioration in the fiscal balance, a more gradual consolidation path towards the WAEMU fiscal target, and a shortfall in external donor grant support and thus a heavier reliance on more expensive domestic borrowing are driving a substantial increase in public debt levels and gross financing needs. Standardized stress tests do not result in breaches of DSA thresholds for either external or public debt, but a customized scenario demonstrates the vulnerability of Mali's external debt to a change in security conditions or other fiscal pressures that could lead to larger fiscal deficits financed on non-concessional terms.[1] Under this customized scenario, Mali's public debt and debt service levels would breach their respective thresholds if commodity prices and exports were to deteriorate, highlighting sustainability and liquidity risks. To avoid a deterioration in debt levels and the debt servicing burden it is essential that the authorities continue their efforts to mobilize tax revenue and implement structural reforms that address fiscal risks from state-owned enterprises and the cost of the civil service, as well as strengthen debt and public financial management.

[1] This DSA was jointly prepared by IMF and World Bank staff under the debt sustainability framework (DSF) for low-income countries (LICs), implemented since July 2018. The debt-carrying capacity is classified using the country-specific composite indicator (CI) composed of three macroeconomic indicators and the World Bank's Country Policy and Institutional Assessment (CPIA). Mali's capacity is assessed as "medium" using the CI (with a CI index of 2.90) based on the 2020 October WEO and 2019 CPIA that was released in July 2020.

PUBLIC DEBT COVERAGE

1. Mali's public debt covers external and domestic obligations of the central government (Text Table 1). State and local government entities do not borrow directly on their own. Detailed information on SOE debt is currently not available; the SOE contingent liability shock has be therefore been revised upward to 5 percent of GDP from the default shock of 2 percent. Staffs are supporting authorities' efforts to broaden the coverage of public debt to include SOE debt and debt of other public institutions outside the central government in public debt reports. Improvements in debt recording and reporting are critical. As for external debt, it is classified based on the currency denomination.[2]

Text Table 1. Coverage of Public Debt and Size of Contingent Liability Shock

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	
7	Central bank (borrowed on behalf of the government)	
8	Non-guaranteed SOE debt	

2. A contingent liability test with tailored magnitude of shocks is applied to reflect the potential impacts of additional liabilities (Text Table 2). The component of the contingent liability shock related to SOEs that are not accounted for in the public sector coverage is estimated to be at 5 percent of GDP, 3 percentage points higher than the default setting. Public Private Partnerships (PPPs) capital stock for Mali is estimated at 3.7 percent of GDP from the World Bank's PPP database, implying a calibrated 1.3 percent of GDP for the PPP component of the contingent liability stress test. The shock emanated from the financial sector is set at the default level of 5 percent of GDP. Total contingent liabilities for the stress test are estimated at 11.3 percent of GDP.

Text Table 2. Size of Contingent Liability Shock

1	The country's coverage of public debt	The central government, government-guaranteed debt		
		Default		Used for the analysis
2	Other elements of the general government not captured in 1.	0	percent of GDP	0.0
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	5.0
4	PPP	35	percent of PPP stock	1.3
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5.0
	Total (2+3+4+5) (in percent of GDP)			11.3

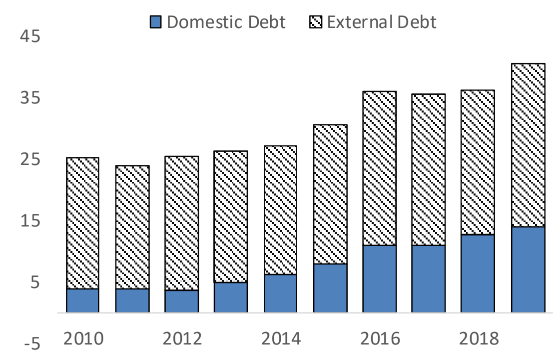
[2] BOAD (West African Development Bank) loans are treated as external debt, although they are denominated in CFAF, because program targets were set when BOAD loans were classified as external debt.

DEBT BACKGROUND

3. **At end–2019, Mali's stock of public debt amounted to 40.5 percent of GDP, with almost two-thirds consisting of external debt** (Text Figure 1 and Text Table 3). External debt amounted to CFAF 2,682 billion (26.4 percent of GDP), of which CFAF 2,044 billion (20.1 percent of GDP) to multilateral creditors and CFAF 638 billion (5.3 percent of GDP) to bilateral creditors. The main external creditors—accounting for 90 percent of the external debt stock—include IMF, the World Bank, African Development Fund, West African Development Bank, Islamic Development Bank, France (French Development Agency), China, India and Abu Dhabi (Abu Dhabi Development Fund). However, domestic debt has rapidly built up, increasing from a low base of 6.3 percent of GDP in 2014 to 14.0 percent of GDP in 2019, mostly in treasury bills and bonds issued on the WAEMU regional market. The increasing share of domestic debt increases the debt service burden on Mali, due to its higher interest rates (an average effective rate of 5.8 percent compared to 1.4 percent for external debt).

Text Figure 1. Mali: Evolution of Public Debt 2010-2019

(in percent of GDP)



Source: Malian authorities.

Text Table 3. Mali: External Debt Stock at Year-End, 2014–2019

(billions of CFAF)

	2014	2015	2016	2017	2018	2019
Total	1,485	1,754	2,074	2,182	2,215	2,682
(percent of GDP)	20.9	22.6	25.0	24.5	23.4	26.4
Multilateral	1,202	1,384	1,626	1,754	1,755	2,044
IMF	94	80	98	69	48	173
World Bank/IDA	655	814	849	872	969	1,163
African Development Fund	245	253	343	387	398	410
West African Development Bank	57	66	65	122	108	122
Islamic Development Bank	92	116	141	118	99	98
Others	59	56	131	186	133	79
Official Bilateral	282	370	448	429	460	638
Paris Club	16	49	50	48	51	87
France	3	34	34	34	38	73
Korea	7	8	8	8	8	8
Austria	2	3	3	3	3	3
Belgium	4	4	4	3	2	2
Non-Paris Club	266	321	398	380	409	551
China	149	193	263	262	294	249
India	78	84	83	71	75	58
Abu Dhabi	0	0	0	0	0	165
Others	266	321	398	380	409	386

Sources: Malian authorities.

4. The pandemic-induced economic recession and widening fiscal deficit as well as other fiscal pressures are leading to a notable increase in total debt in 2020. The overall deficit for 2020 is projected to widen to 5.5 percent of GDP compared to 3.5 percent of GDP targeted at the time of the first ECF review. As a result, public debt is projected to increase to 45.9 percent of GDP at end-2020. Additionally, given the reduction in budget support from international donors following the coup, the fiscal deficit is projected to be largely financed by domestic borrowing, which increases the share of domestic debt in total public debt to a record high at around 40 percent. The authorities were temporarily unable to service debt due to post-coup sanctions in place between late August and early October 2020.[3]

5. To cope with the fallout from the pandemic, Mali has been granted debt relief under the Catastrophe Containment and Relief Trust (CCRT) and received debt service suspension under the Debt Service Suspension Initiative (DSSI). These initiatives are expected to lower its debt payments in 2020–22. The CCRT is provided as a grant covering eligible debt payments due to the IMF. The 1^{st} and 2^{nd} tranches have provided relief on debt payments due to the IMF during April 2020-April 2021 period of CFAF 11.5 billion (about 0.12 percent of GDP). The 3^{rd} and 4^{th} tranches are expected to provide relief on debt payments of CFAF 12.2 billion (about 0.12 percent of GDP) due during April 2021-April 2022 period. The authorities also requested debt relief under the G20 DSSI initiative in 2020, which aims to ease financing constraints and free up money to respond to the pandemic. The authorities formally requested relief from the Paris Club and other official bilateral creditors for debt service amounting to 0.25 percent of GDP during May-December 2020 period, of which only 0.07 percent of GDP was effectively suspended by France, Belgium, Korea, Saudi Arabia, Libya and Kuwait. The authorities also formally requested relief under the DSSI extension in 2021, with an expected reduction in debt service of 0.23 percent of GDP for the January-June 2021 period, and have received agreement on debt service suspension of 0.05 percent of GDP (Text Table 4).

Text Table 4. Mali: DSSI Delivery and Projection
(millions of USD)

	2020 (May-December)			2021 (January-June)		
	Eligible	Requested	Effective	Eligible	Requested	Effective
Paris Club	**3.6**	**3.6**	**3.6**	**9.0**	**9.0**	**9.0**
France	3.1	3.1	3.1	9.0	9.0	9.0
Belgium	0.5	0.5	0.5	-	-	-
Korea	0.0	0.0	0.0	0.0	0.0	0.0
Non-Paris Club	**26.1**	**40.8**	**9.1**	**35.8**	**35.8**	-
G20						
China	15.6	15.6	-	19.1	19.1	Waiting
India	7.7	7.7	-	10.0	10.0	for
Saudi Arabia	2.8	2.8	2.8	6.8	6.8	response
Others						
Libya	-	6.5	3.2	-	Request not sent	
Kuwait	-	4.2	3.1	-	Request not sent	
Iraq	-	2.0	-	-	Request not sent	
Abu Dhabi	-	1.9	-	-	Request not sent	
Total	29.7	44.3	12.7	44.8	44.8	9.0
(percent of GDP)	0.17	0.25	0.07	0.23	0.23	0.05

Sources: Malian authorities.

[3] During this period, total missed debt service payments on regional and external debt amounted to US$57 million or 0.3 percent of GDP, of which 0.2 of a percentage points to external creditors, including the World Bank, syndicated debt, OPEC, Saudi Funds for Development and Exim Bank of China, and 0.1 of a percentage point to regional creditors. Of the missed payments, only 0.01 percent of GDP represented arrears as other payments were settled within respective grace periods (after sanctions were lifted and the government regained access to the Treasury Single Account at the BCEAO in early October 2020), including on IDA debt service.

UNDERLYING MACROECONOMIC ASSUMPTIONS AND COUNTRY CLASSIFICATION

A. Background on Macroeconomic Forecasts

6. This DSA is consistent with the macroeconomic framework underlying the staff report for the second and third review under the ECF arrangement. Macroeconomic conditions have been updated from the previous DSA (Text Table 5). In the near term, the main assumptions have changed as a result of the pandemic, the coup and heightened fiscal pressures. Changes are reflected in growth, inflation, fiscal balance, trade growth, current account, and external support. In the medium and long term, key macroeconomic assumptions are in line with the previous DSA.

- **Lower GDP growth in 2020 but a rebound from 2021 onward.** The outbreak of the COVID-19 pandemic and the coup d'état in late August have disrupted a prolonged period of strong economic performance. Economic growth is estimated to fall to around -2 percent in 2020 and expected to pick up in 2021 to 4 percent, before settling at its estimated potential growth of 5 percent over the medium term (Text Table 5). Despite the projected strong economic recovery, downside risks dominate, stemming especially from the prospect of continued political instability, a challenging security environment, heightened fiscal pressures, and uncertainties around the dynamics of the pandemic. The double shock from the pandemic and the coup contributed to a deteriorated outlook in 2020 from the previous DSA (-0.9 percent versus 2 percent growth), while not affecting it going forward.[4]
- **A re-anchored more gradual path for fiscal consolidation.** Fiscal performance was strong in 2019, with the overall deficit narrowing to 1.7 percent of GDP compared to the 3 percent of GDP ceiling under the program. In 2020, the overall deficit is projected to widen to 5.5 percent of GDP, with many factors contributing to the deterioration including lower revenues and higher spending due to the pandemic, wage increases in the education sector, and tighter donor grant support post-coup. While most of the COVID-19 related measures are expected to be rolled back in 2021 and international partners have started to re-engage with Mali, a number of factors are still expected to weaken the medium-term fiscal position, including the structural increase in the wage bill (1.3 percent of GDP), the weak position of state-owned enterprises and a lower yield from tax administration measures. In light of these pressures and the weaker cyclical position, the revised program envisages a more gradual return of the fiscal deficit to the regional WAEMU ceiling of 3 percent of GDP by 2024. The gradual path of the fiscal consolidation takes into account of the authorities' continued commitment to priority social spending, which is reflected in the indicative targets in 2020 and 2021.
- **Narrowed current account deficit in the near term.** The current account deficit is projected to narrow to 2.0 percent of GDP in 2020 (3.6 in previous DSA) from 4.8 percent of GDP in 2019, driven by significantly higher gold prices (main export) and lower oil prices (main import). Going

[4] A full DSA was done when the RCF was approved in April 2020 (IMF Country Report 20/153), but without a full writeup which was temporarily waived in light of the pandemic.

forward, the current account will widen over the medium term with stronger domestic demand and the gradual deterioration in the terms of trade (although it is expected to remain notably above historical levels). The current account deficit is projected to be financed mainly through official grants and loans, FDI, and IMF programs.

Text Table 5. Mali: Evolution of Selected Projected Macroeconomic Indicators

	2017	2018	2019	2020	2021	2022	2023	2024	Long term[1]
						Projections			
Real GDP growth									
Current DSA	5.3	4.7	4.8	-2.0	4.0	6.0	5.0	5.0	5.0
Previous DSA	5.0	5.2	5.1	0.9	4.0	6.0	5.0	5.0	5.0
GDP Deflator									
Current DSA	4.0	6.2	-3.3	3.7	6.7	2.8	2.4	2.2	2.9
Previous DSA	4.2	5.1	-2.9	1.3	2.8	2.5	2.3	2.2	2.2
Overall fiscal balance (including grants, percent of GDP)									
Current DSA	-2.9	-4.7	-1.7	-5.5	-5.5	-4.5	-3.5	-3.0	-3.0
Previous DSA	-2.9	-4.8	-1.7	-6.2	-3.0	-3.0	-3.0	-3.0	-3.0
Export of goods and services growth (percent)									
Current DSA	5.0	21.3	3.1	10.8	7.0	3.7	2.1	2.3	4.1
Previous DSA	5.0	21.3	1.8	1.5	11.0	5.0	5.9	6.1	4.5
Import of goods and services growth (percent)									
Current DSA	-1.7	9.5	2.5	-9.0	13.8	8.4	5.9	6.0	6.4
Previous DSA	-1.7	9.5	0.3	-8.4	12.0	9.3	7.0	6.2	6.9
Current account deficit (including grants, percent of GDP)									
Current DSA	-7.3	-4.9	-4.8	-2.0	-2.4	-2.9	-3.6	-4.5	-8.5
Previous DSA	-7.3	-4.9	-4.2	-3.6	-3.8	-5.4	-6.5	-6.7	-17.0
Official aid[2] (percent of GDP)									
Current DSA	3.9	2.3	5.6	2.9	3.7	5.0	5.2	4.9	4.5
Previous DSA	3.9	2.3	5.6	5.4	4.4	3.8	3.7	3.7	3.2

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

[1] Defined as the last 15 years of the projection period. For the current DSA, the long term covers the 2025-39 period. The previous DSA refers to the full DSA in the RCF request in May 2020 (IMF Country Report 20/153), for which the long term covers the same period from 2025 to 2039.

[2] Defined as the sum of concessional grants and loans.

- **A shortfall in external support in the near term.** Gross financing needs are projected to increase and peak in 2022, mainly driven by larger targeted deficit and heavier reliance on domestic financing that has shorter maturities and higher interest rates (compared to external financing). External borrowing (including from the Fund) is estimated to have decreased to 2.9 percent of GDP in 2020 from 3.9 percent of GDP in 2019, reflecting the temporary disengagement of international and regional partners after the coup (Text Table 6). This has created financing challenges for the execution of the 2020 budget that may persist into 2021. In particular, since budget support from the World Bank has shifted to project investment in 2020-21 and other donors are still firming up their budget support, the baseline scenario assumes lower budget support in 2021, somewhat offset by higher project lending. Over the medium term, gross financing needs will continue to be met by external multilateral sources and bonds issued in the domestic and regional bond market (UMOA-Titres and APA).

Text Table 6. Mali: External Financing, 2019-2021
(billions of CFAF)

	2019	2020	2021
		Est.	Proj.
Loans	377	157	192
(percent of GDP)	3.7	1.5	1.8
Project loans, o/w:	105	95	189
World Bank	37	25	69
Budgetary loans, o/w:	271	62	3
World Bank	124	0	0
Grants	191	141	202
(percent of GDP)	1.9	1.4	1.9
Project grants, o/w:	79	75	156
World Bank	26	28	51
Budget grants, o/w:	112	66	46
World Bank	24	0	0
IMF (CCRT)	-	12	12
IMF	16	134	63
(percent of GDP)	0.2	1.3	0.6
ECF	16	17	63
RCF	-	117	-

Sources: Malian authorities and IMF staff estimates and projections.

7. **The realism tools show that projections are broadly in line with historical and peers' experiences** (Figures 3 and 4).

- **Debt dynamics**. The dynamics of public debt shows a deterioration in the near to medium term because of the wider fiscal deficit and the more gradual return to WAEMU target, while that of external debt shows an improvement compared to the previous DSA in the near term. This different dynamic is the result of the projected shortfall in external financing in 2020 and 2021, and therefore a higher reliance on domestic borrowing and a heavier debt service burden. The projected contributions of different debt-creating factors do not deviate significantly from the historical outturns, except for the negative contribution of price and exchange rate in the projection mainly driven by the appreciation path of CFAF.

- **Fiscal adjustment**. The projected 3-year change in the primary balance (-2.1 percent of GDP) lies below the 75th percentile of the distribution of approved Fund-supported programs for LICs since 1990s, suggesting the adjustment in the primary fiscal balance is in line with peer country experiences. The difference between the baseline and the expected fiscal impulse in 2020 is explained by the economic recession caused by the pandemic and the necessary policy response to it.

- **Public investment and growth.** The public investment to GDP ratio is projected to decline over the medium term, resulting in a lower contribution of government capital stock to growth (24 percent versus 30 percent in the previous DSA, and 44 percent at the historical level), largely driven by the expenditure switch to a higher wage bill. However, the baseline scenario does not yet include the anticipated increase in revenues from the tax package to be finalized ahead of the 2022 budget; if tax reforms are carried through, additional fiscal space will open for public investment.

COUNTRY CLASSIFICATION AND DETERMINATION OF STRESS TESTS

8. **Mali is assessed as having a *medium* debt carrying capacity**. Based on the October 2020 WEO and updated World Bank's 2019 CPIA measures, Mali's composite indicator score is calculated to be 2.90 (above the lower cut-off of 2.69 but below the strong capacity cut-off of 3.05), in line with the assessment of medium debt carrying capacity applied in the previous DSA with a slight decrease mainly because of lower world economic growth. The relevant thresholds are used to assess external debt risk rating.

Text Table 6. Mali: Debt Carrying Capacity and CI Score

Debt Carrying Capacity	Medium		
Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintages
Medium	Medium 2.90	Medium 3.01	Medium 3.00

Note: Until the April 2019 WEO vintage is released, the two previous vintages ago classification and corresponding score are based solely on the CPIA per the previous framework.

Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.396	1.31	45%
Real growth rate (in percent)	2.719	4.586	0.12	4%
Import coverage of reserves (in	4.052	39.093	1.58	55%
Import coverage of reserves^2 (in percent)	-3.990	15.283	-0.61	-21%
Remittances (in percent)	2.022	5.051	0.10	4%
World economic growth (in percent)	13.520	2.928	0.40	14%
CI Score			2.90	100%
CI rating			Medium	

9. **A customized scenario is applied in addition to standardized stress tests and tailored test on commodity price**. In light of the downside risks stemming from the prospect of continued political instability, a challenging security environment, heightened fiscal pressures, and uncertainties surrounding the dynamics of the pandemic, the customized scenario illustrates risk from a deterioration in the primary fiscal balance relative to the baseline (2.5 percent of GDP higher in 2021, and then 2 percent of GDP higher

in 2022 and 2023), which generates financing gaps that are assumed to be closed by more expensive external borrowing due to a fixed envelope of available concessional financing and grants.

EXTERNAL DEBT SUSTAINABILITY ANALYSIS

10. External debt is projected to decline in the near term but increase after 2023 as external official support resumes. Under the baseline scenario, external debt is expected to decline in the near term due to the shortfall in external official support during 2020-21 and to reach 25.6 percent of GDP in 2023 (Table 1). As external official budget support is assumed to resume at its historical level starting in 2023, external debt is projected to be on an upward path until around 2030, reaching 28.5 percent of GDP, before settling at around 28 percent of GDP at the end of the projection period in 2040.

11. The risk of external debt distress remains moderate with some space to absorb shocks.

- All external debt indicators remain below their corresponding indicative thresholds under the baseline scenario and standardized stress tests, indicating space to absorb shocks. Under the baseline scenario, the PV of external debt-to-GDP ratio is projected to decrease from 21.4 percent in 2020 to 20.1 percent in 2025, and then increase back to 21.3 percent in 2030, consistent with the nominal external debt stock dynamics (Figure 1 and Table 3), below the indicative threshold of 40 percent throughout the projection period. The PV of external debt-to-exports ratio, although on an upward trajectory mainly driven by declining export in the medium to long term, is also comfortably below the 180 percent threshold. Debt service indicators are all stable and below their corresponding thresholds.
- However, under a customized fragility scenario of a deterioration in the fiscal position as a result of any of the risks discussed above, shock to export growth would result in two breaches of the 15 percent threshold for external debt service-to-exports (by 0.2 of a percentage point in 2024 and 0.4 of a percentage point in 2027), downgrading the risk rating from low to moderate. The space to absorb a depreciation shock in the customized scenario is not substantial either, with debt service-to-revenue ratio almost breaching the 18 percent threshold in 2024.

PUBLIC DEBT SUSTAINABILITY ANALYSIS

12. Public debt is projected to be on an upward trend in the near term, mainly driven by higher deficits financed by more domestic borrowing. Under the baseline scenario, public debt is expected to increase to 47 percent of GDP in 2023, and then gradually decline, reaching 43.2 percent of GDP in 2030 driven by the favorable automatic debt dynamics and the return of fiscal deficit to the WEAMU ceiling (Table 2). In the very long run, public debt is expected to stabilize at below 40 percent of GDP at the end of the projection period in 2040. The share of domestic debt in public debt follows a similar trend, peaking at 45.5 percent in 2022 (almost 10 percentage points higher than that in 2019), and declining gradually afterwards (reaching 34.1 percent in 2030), close to historical levels.

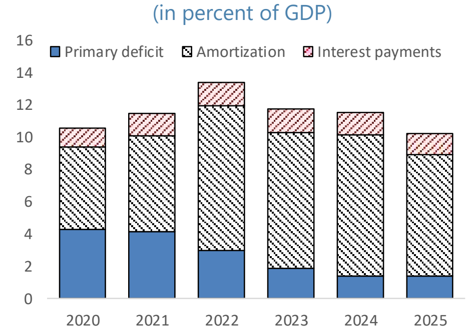
13. The risk of public debt distress also remains moderate. Consistent with the public debt dynamics, under the baseline scenario the PV of public debt-to-GDP ratio increases to about 41 percent in 2022-23 and then declines to 36 percent in 2030, remaining under the 55 percent indicative threshold throughout the projection period, even under shocks from stress tests (Figure 2 and Table 4). Other debt and debt service indicators also follow similar trends. However, under the customized scenario discussed above (a market-financed deterioration in the fiscal balance), the indicative thresholds for public debt sustainability are also breached from 2023 onwards (by 0.6 of a percentage point in 2023 and almost 7 percentage points in 2030)—in this case under a shock to commodity prices, which would lower growth and revenues—bringing the risk rating for overall public debt to moderate.

RISK RATINGS AND VULNERABILITIES

14. Mali's risk of external debt distress and overall debt distress remain moderate. While none of the external debt or public debt indicators breach their corresponding thresholds under the baseline scenario, a customized scenario of higher deficits financed at unfavorable terms underscore the vulnerabilities of Mali's external and overall debt to shocks. In such case, a shock to the commodity price would result in public debt being on a firm upward trajectory and breaching the threshold in only three years. The projected shortfall in external official support in 2020-21 improve external debt dynamics in the near term, however, liquidity risks associated with a higher debt service burden are captured in the customized scenario, in which a shock to export growth would result in a breach of the indicative threshold for the external debt service indicator.

15. Financing risks are increasing and need to be closely monitored. Larger primary deficits, tighter donor support, at least in the near term, and increasing debt service burden are compounding financing risks. Gross financing needs are estimated to average 12 percent of GDP over the next two years and 11.5 percent of GDP over the next five years, straining the authorities' ability to meet them (Text Figure 2). The need to tap the regional markets as the main source of financing in the near term will add risks not just through more expensive borrowing but also due to potential market tightening if other WAEMU countries finance their larger deficits in the regional market at the same time. Hence, Mali needs to maintain prudent macroeconomic policies to ensure macroeconomics stability, and proactively engage with external official partners to secure more grants and concessional loans, while strengthening the effectiveness of debt management and tax revenue mobilization. In addition, structural reforms that prioritize areas of fiscal pressure should continue and deepen, including measures to prevent arrears accumulation, manage the wage bill, and SOE performance to safeguard the fiscal space for needed developmental, social and security spending.

Text Figure 2. Mali: Gross Financing Needs 2020-2025
(in percent of GDP)



Source: Malian authorities.

AUTHORITIES' VIEWS

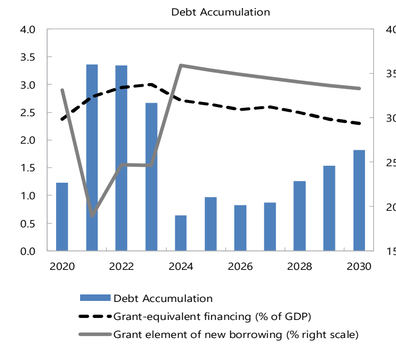
16. The authorities have agreed that Mali remains at moderate risk of debt distress with some room to absorb shocks. They have concurred with the importance of external support from international donors with whom they have been actively re-engaging. They have stressed that their debt strategy aims at mobilizing more concessional external loans, favoring domestic loans with longer maturities, maintaining a prudent policy to mobilize fixed-rate loans, and implementing a more active policy to choose currencies of loans (although flexibility is not very large).

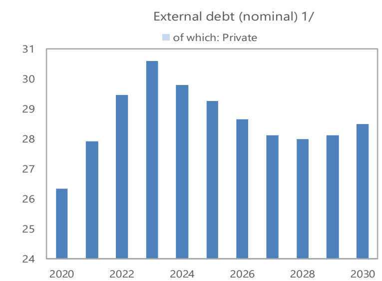
Table 1. Mali: External Debt Sustainability Framework, Baseline Scenario, 2017–40

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	**24.5**	**23.4**	**26.4**	**26.3**	**27.9**	**29.5**	**30.6**	**29.8**	**29.3**	**28.5**	**28.2**	**22.8**	**28.6**
of which: public and publicly guaranteed (PPG)	**24.5**	**23.4**	**26.4**	**26.3**	**27.9**	**29.5**	**30.6**	**29.8**	**29.3**	**28.5**	**28.2**	**22.8**	**28.6**
Change in external debt	-0.5	-1.1	3.1	-0.1	1.6	1.5	1.1	-0.8	-0.5	0.4	-1.1		
Identified net debt-creating flows	**1.5**	**-0.3**	**2.8**	**1.1**	**0.3**	**0.2**	**1.1**	**1.9**	**2.8**	**5.8**	**7.6**	**1.8**	**2.8**
Non-interest current account deficit	**7.0**	**4.7**	**4.5**	**1.6**	**2.1**	**2.3**	**2.9**	**3.7**	**4.7**	**7.8**	**9.6**	**5.4**	**4.6**
Deficit in balance of goods and services	13.7	11.1	11.1	5.1	6.8	7.9	8.7	9.4	10.0	11.9	12.5	**12.7**	**9.4**
Exports	22.5	24.5	24.9	27.2	26.2	25.0	23.7	22.6	21.7	18.0	12.5		
Imports	36.2	35.6	36.0	32.2	33.1	32.9	32.4	32.0	31.7	29.9	25.0		
Net current transfers (negative = inflow)	-9.7	-9.2	-9.3	-6.6	-7.9	-8.6	-8.6	-8.4	-8.2	-7.3	-6.0	**-10.3**	**-7.9**
of which: official	-4.8	-4.4	-4.8	-2.3	-3.3	-3.9	-3.8	-3.5	-3.2	-2.3	-1.0		
Other current account flows (negative = net inflow)	3.0	2.8	2.7	3.1	3.1	3.0	2.9	2.8	3.0	3.1	3.1	**3.0**	**3.0**
Net FDI (negative = inflow)	**-3.6**	**-2.7**	**-1.8**	**-1.4**	**-1.1**	**-1.1**	**-1.1**	**-1.1**	**-1.1**	**-1.1**	**-1.1**	**-2.6**	**-1.2**
Endogenous debt dynamics 2/	**-1.9**	**-2.2**	**0.0**	**0.9**	**-0.6**	**-1.0**	**-0.7**	**-0.7**	**-0.8**	**-0.9**	**-0.9**		
Contribution from nominal interest rate	0.3	0.2	0.3	0.4	0.4	0.5	0.7	0.7	0.6	0.4	0.5		
Contribution from real GDP growth	-1.2	-1.0	-1.1	0.5	-1.0	-1.5	-1.4	-1.4	-1.4	-1.3	-1.4		
Contribution from price and exchange rate changes	-1.0	-1.4	0.8	...	...	...	...	...	...	...	...		
Residual 3/	**-2.0**	**-0.8**	**0.3**	**-1.2**	**1.2**	**1.4**	**0.0**	**-2.7**	**-3.3**	**-5.4**	**-8.7**	**-1.2**	**-2.6**
of which: exceptional financing	-0.2	-0.2	0.0	0.0	0.0	-0.1	-0.1	-0.1	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**20.5**	**21.4**	**22.3**	**23.5**	**24.4**	**23.3**	**22.9**	**21.3**	**21.8**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**82.3**	**78.7**	**85.1**	**94.3**	**102.9**	**103.1**	**105.3**	**118.6**	**174.6**		
PPG debt service-to-exports ratio	**4.6**	**3.5**	**5.0**	**6.6**	**6.7**	**8.0**	**10.6**	**12.6**	**11.6**	**8.6**	**12.9**		
PPG debt service-to-revenue ratio	**5.6**	**6.0**	**6.3**	**9.7**	**10.2**	**11.2**	**13.8**	**14.4**	**12.6**	**7.7**	**10.4**		
Gross external financing need (Million of U.S. dollars)	691.2	479.0	689.2	347.8	525.6	678.3	985.4	1337.6	1593.1	3048.3	8463.9		
Key macroeconomic assumptions													
Real GDP growth (in percent)	5.3	4.7	4.8	-2.0	4.0	6.0	5.0	5.0	5.0	5.0	5.0	**4.4**	**4.4**
GDP deflator in US dollar terms (change in percent)	4.0	6.2	-3.3	3.7	6.7	2.8	2.4	2.2	1.1	2.0	2.7	**1.3**	**2.7**
Effective interest rate (percent) 4/	1.1	1.0	1.4	1.5	1.6	2.1	2.4	2.6	2.1	1.5	1.7	**0.6**	**1.9**
Growth of exports of G&S (US dollar terms, in percent)	5.0	21.3	3.1	10.8	7.0	3.7	2.1	2.3	2.1	3.4	4.1	**6.7**	**4.1**
Growth of imports of G&S (US dollar terms, in percent)	-1.7	9.5	2.5	-9.0	13.8	8.4	5.9	6.0	5.3	6.0	4.9	**6.6**	**5.5**
Grant element of new public sector borrowing (in percent)	...	...	...	33.1	19.0	24.7	24.7	35.9	35.4	33.3	31.8	**...**	**31.2**
Government revenues (excluding grants, in percent of GDP)	18.4	14.3	19.5	18.6	17.4	17.8	18.1	19.8	19.9	20.2	15.4	**15.8**	**19.3**
Aid flows (in Million of US dollars) 5/	248.1	210.8	326.5	368.8	621.8	726.5	785.7	756.8	768.8	867.2	1150.7		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	2.4	2.8	2.9	3.0	2.7	2.6	2.3	1.5	**...**	**2.6**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	54.3	42.0	42.6	44.2	55.5	54.4	50.4	49.7	**...**	**50.4**
Nominal GDP (Million of US dollars)	15,360	17,079	17,308	17,592	19,519	21,274	22,880	24,560	26,074	37,108	84,055		
Nominal dollar GDP growth	9.5	11.2	1.3	1.6	11.0	9.0	7.5	7.3	6.2	7.1	7.8	**5.7**	**7.2**
Memorandum items:													
PV of external debt 7/	...	...	20.5	21.4	22.3	23.5	24.4	23.3	22.9	21.3	21.8		
In percent of exports	...	...	82.3	78.7	85.1	94.3	102.9	103.1	105.3	118.6	174.6		
Total external debt service-to-exports ratio	4.6	3.5	5.0	6.6	6.7	8.0	10.6	12.6	11.6	8.6	12.9		
PV of PPG external debt (in Million of US dollars)			3553.0	3765.6	4356.6	5008.1	5574.6	5720.2	5958.0	7922.6	18312.8		
(PVt-PVt-1)/GDPt-1 (in percent)				1.2	3.4	3.3	2.7	0.6	1.0	1.8	1.0		
Non-interest current account deficit that stabilizes debt ratio	7.5	5.8	1.4	1.7	0.5	0.8	1.8	4.5	5.3	7.4	10.7		

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**No**





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

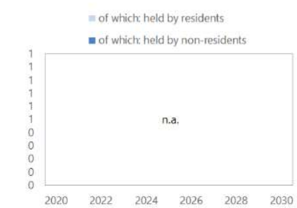
Table 2. Mali: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–2040

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	35.5	36.1	40.5	44.1	46.2	46.9	47.0	46.6	46.1	43.2	36.5	30.7	45.3
of which: external debt	24.5	23.4	26.4	26.3	25.6	25.6	25.8	26.0	26.6	28.5	28.2	22.8	26.8
Change in public sector debt	-0.5	0.6	4.4	3.7	2.1	0.7	0.1	-0.4	-0.5	-0.4	-0.4		
Identified debt-creating flows	-2.3	3.4	-0.2	3.6	2.0	0.8	0.2	-0.2	-0.2	-0.1	-0.4	0.9	0.5
Primary deficit	2.0	3.9	0.7	4.3	4.2	3.0	1.9	1.4	1.4	1.4	1.4	2.1	2.1
Revenue and grants	20.1	15.6	21.4	20.0	21.6	21.2	21.5	21.3	21.3	21.4	16.2	17.8	21.2
of which: grants	1.6	1.2	1.9	1.4	1.9	1.6	1.8	1.5	1.4	1.2	0.8		
Primary (noninterest) expenditure	22.1	19.4	22.1	24.3	25.8	24.1	23.4	22.7	22.7	22.8	17.6	19.9	23.4
Automatic debt dynamics	-4.2	-0.4	-0.9	-0.4	-1.3	-2.1	-1.6	-1.6	-1.6	-1.6	-1.8		
Contribution from interest rate/growth differential	-1.7	-1.5	-1.3	1.4	-1.0	-1.9	-1.5	-1.5	-1.6	-1.6	-1.7		
of which: contribution from average real interest rate	0.2	0.1	0.3	0.6	0.7	0.7	0.8	0.7	0.6	0.5	0.1		
of which: contribution from real GDP growth	-1.8	-1.6	-1.6	0.8	-1.7	-2.6	-2.2	-2.2	-2.2	-2.1	-1.8		
Contribution from real exchange rate depreciation	-2.6	1.1	0.5	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	-0.1	-0.1	0.0	-0.3	-0.9	-0.1	-0.1	-0.1	0.0	0.0	0.0	-0.2	-0.1
Privatization receipts (negative)	0.1	0.1	0.1	0.0	-0.6	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)*	-0.2	-0.2	-0.2	-0.3	-0.2	-0.1	-0.1	-0.1	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	1.8	-2.7	4.6	-1.8	-0.3	-0.3	-0.3	-0.2	-0.3	-0.2	-0.1	0.9	-0.5
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	34.7	38.4	40.5	40.9	40.8	40.1	39.5	36.1	30.1		
PV of public debt-to-revenue and grants ratio	...	...	162.0	192.2	187.4	193.4	189.6	188.5	185.4	168.6	185.6		
Debt service-to-revenue and grants ratio 3/	31.8	32.5	23.8	31.7	33.7	49.5	46.4	48.5	42.6	35.9	30.7		
Gross financing need 4/	8.3	8.8	5.7	10.5	10.7	13.4	11.8	11.7	10.5	9.1	6.4		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	5.3	4.7	4.8	-2.0	4.0	6.0	5.0	5.0	5.0	5.0	5.0	4.4	4.4
Average nominal interest rate on external debt (in percent)	1.2	1.0	1.4	1.5	1.5	1.5	1.6	1.6	1.2	1.5	1.7	0.6	1.4
Average real interest rate on domestic debt (in percent)	3.1	4.0	3.1	3.7	4.5	4.0	4.1	4.0	4.3	4.4	3.3	3.0	4.2
Real exchange rate depreciation (in percent, + indicates depreciation)	-11.0	4.9	2.1	...	...	...	...	...	...	...	...	1.5	...
Inflation rate (GDP deflator, in percent)	1.9	1.5	2.1	2.0	1.5	2.0	2.0	2.0	2.0	2.0	2.7	3.3	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	7.8	-7.9	19.1	7.8	10.5	-0.8	1.8	1.8	5.1	5.1	-19.5	5.3	4.7
Primary deficit that stabilizes the debt-to-GDP ratio 5/	2.5	3.2	-3.7	0.7	2.1	2.3	1.8	1.8	1.9	1.8	1.8	0.7	1.9
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/



Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, government-guaranteed debt . Definition of external debt is Currency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

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

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

* CCRT-related debt relief is included in the revenue as *a capital grant* in the fiscal account, and thereby included in the primary deficit but not in the "debt relief (HIPC and other)".

Figure 1. Mali: Indicators of Public and Publicly Guaranteed External Debt Under Alternatives Scenarios, 2020–30

Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity Price 2/	No	No
Market financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.6%	1.6%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	24	24
Avg. grace period	5	5

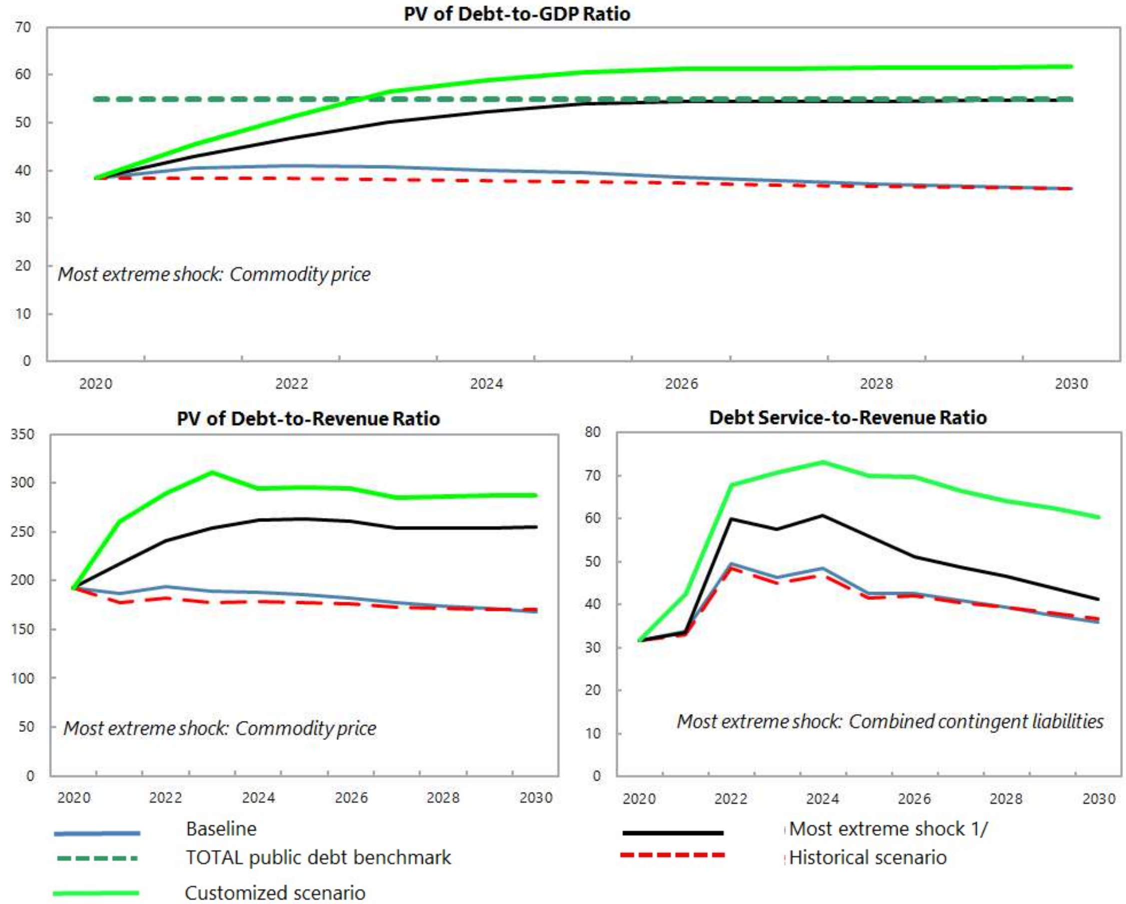
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Mali: Indicators of Public Debt Under Alternative Scenarios, 2020–30



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	32%	32%
Domestic medium and long-term	68%	68%
Domestic short-term	0%	0%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.6%	1.6%
Avg. maturity (incl. grace period)	24	24
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.9%	3.9%
Avg. maturity (incl. grace period)	4	4
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	4.5%	4.5%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Mali: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2020–2030

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	21	20	20	19	19	20	20	20	21	21	21
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	21	22	23	24	24	24	23	22	20	19	16
Customized scenario: larger fiscal deficits financed on non-concessional terms with export growth shocks	21	24	28	29	27	27	26	25	24	24	24
B. Bound Tests											
B1. Real GDP growth	21	21	21	21	21	22	22	22	22	23	23
B2. Primary balance	21	20	20	20	20	21	21	21	21	22	22
B3. Exports	21	21	23	23	23	24	24	24	24	24	24
B4. Other flows 3/	21	23	25	25	24	25	25	25	25	25	25
B5. Depreciation	21	25	21	21	21	22	22	23	23	24	24
B6. Combination of B1-B5	21	24	24	24	24	25	25	25	25	25	25
C. Tailored Tests											
C1. Combined contingent liabilities	21	22	22	23	23	24	24	25	25	26	26
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	21	22	23	23	23	23	23	23	22	22	22
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	79	76	79	82	86	93	97	102	107	113	119
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	79	84	93	101	105	110	111	110	106	100	91
Customized scenario: larger fiscal deficits financed on non-concessional terms with export growth shocks	79	100	128	138	139	142	142	143	145	148	154
B. Bound Tests											
B1. Real GDP growth	79	76	79	82	86	93	97	102	107	113	119
B2. Primary balance	79	77	80	84	89	96	101	106	111	117	123
B3. Exports	79	89	108	112	117	125	131	136	141	146	152
B4. Other flows 3/	79	86	100	104	108	115	120	124	128	132	137
B5. Depreciation	79	76	68	72	75	82	86	91	97	103	109
B6. Combination of B1-B5	79	89	89	99	103	110	115	120	125	130	135
C. Tailored Tests											
C1. Combined contingent liabilities	79	85	89	95	101	111	117	124	130	137	144
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	79	90	101	104	107	112	113	116	118	120	123
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	7	7	7	8	8	6	7	8	8	8	9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	7	7	8	9	9	7	9	9	10	10	10
Customized scenario: larger fiscal deficits financed on non-concessional terms with export growth shocks	7	7	9	13	15	14	15	15	14	13	12
B. Bound Tests											
B1. Real GDP growth	7	7	7	8	8	6	7	8	8	8	9
B2. Primary balance	7	7	7	8	8	6	7	8	8	9	9
B3. Exports	7	7	9	9	10	7	9	10	11	11	11
B4. Other flows 3/	7	7	8	8	9	6	8	9	10	10	10
B5. Depreciation	7	7	7	7	8	6	7	8	7	8	8
B6. Combination of B1-B5	7	7	8	8	9	7	8	9	10	10	10
C. Tailored Tests											
C1. Combined contingent liabilities	7	7	7	8	8	6	8	8	9	9	9
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	7	7	8	9	9	7	8	9	10	10	10
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	10	9	9	9	9	7	8	8	8	8	8
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	10	9	10	10	11	8	9	9	10	9	9
Customized scenario: larger fiscal deficits financed on non-concessional terms with export growth shocks	10	10	12	15	15	13	14	13	12	10	9
B. Bound Tests	10	10	12	15	15	13	14	13	12	10	9
B1. Real GDP growth	10	9	10	10	10	7	8	8	8	8	8
B2. Primary balance	10	9	9	9	9	7	8	8	8	8	8
B3. Exports	10	9	10	10	10	7	8	9	9	9	9
B4. Other flows 3/	10	9	10	10	10	7	8	9	10	9	9
B5. Depreciation	10	11	12	11	11	8	9	9	9	9	9
B6. Combination of B1-B5	10	10	11	10	10	7	9	10	10	9	9
C. Tailored Tests											
C1. Combined contingent liabilities	10	9	10	9	10	7	8	8	8	8	8
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	10	10	11	11	11	8	9	9	9	9	9
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

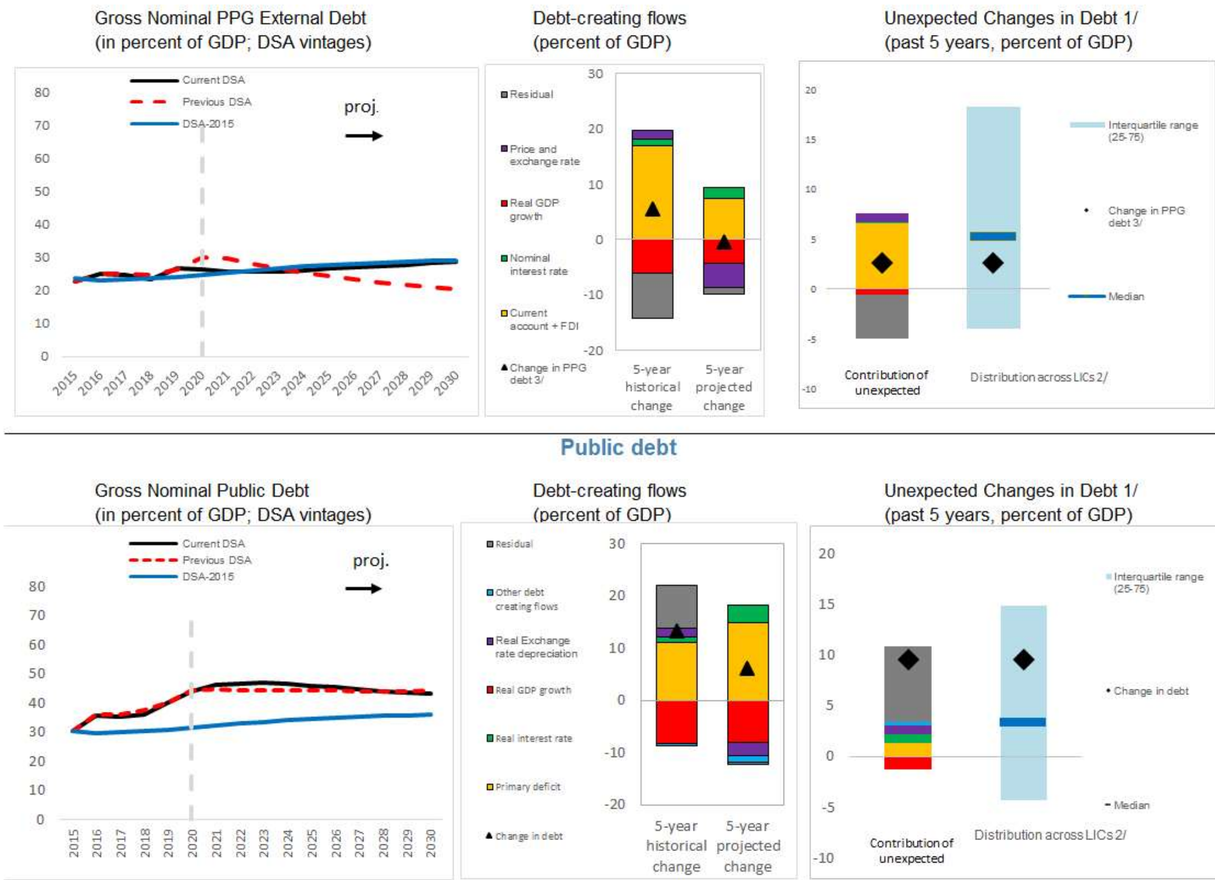
Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 4. Mali: Sensitivity Analysis for Key Indicators of Public Debt, 2020–2030

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	PV of Debt-to-GDP Ratio										
Baseline	38	40	41	41	40	39	39	38	37	37	36
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	38	38	38	38	38	38	37	37	37	36	36
Customized scenario: larger fiscal deficits financed on non-concessional terms with commodity price shocks	38	45	51	**56**	**59**	**61**	**61**	**61**	**61**	**62**	**62**
B. Bound Tests											
B1. Real GDP growth	38	43	46	47	47	48	48	48	48	49	49
B2. Primary balance	38	41	43	43	42	41	40	39	39	38	37
B3. Exports	38	42	45	44	43	43	42	41	40	39	38
B4. Other flows 3/	38	43	46	46	45	44	43	42	41	40	39
B5. Depreciation	38	44	42	41	38	37	34	32	30	29	27
B6. Combination of B1-B5	38	40	41	40	39	38	38	37	36	35	35
C. Tailored Tests											
C1. Combined contingent liabilities	38	51	50	50	49	48	47	46	45	44	43
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	38	43	47	50	52	54	54	54	54	55	55
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
	PV of Debt-to-Revenue Ratio										
Baseline	192	187	193	189	188	185	182	177	174	171	168
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	192	178	182	178	179	177	176	173	172	171	170
Customized scenario: larger fiscal deficits financed on non-concessional terms with commodity price shocks	32	42	68	71	73	70	69	66	64	62	60
B. Bound Tests											
B1. Real GDP growth	192	197	216	217	222	224	225	224	226	227	229
B2. Primary balance	192	192	202	198	197	193	189	184	180	177	175
B3. Exports	192	194	210	206	204	201	197	191	187	183	179
B4. Other flows 3/	192	200	218	213	211	208	204	197	192	188	184
B5. Depreciation	192	206	202	190	182	172	163	152	143	135	128
B6. Combination of B1-B5	192	185	193	185	184	181	177	172	169	166	164
C. Tailored Tests											
C1. Combined contingent liabilities	192	234	238	232	229	224	220	213	208	204	200
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	192	217	241	254	262	263	261	253	253	254	255
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Debt Service-to-Revenue Ratio										
Baseline	32	34	49	46	48	43	43	41	39	38	36
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	32	33	48	45	47	42	42	40	39	38	37
Customized scenario: larger fiscal deficits financed on non-concessional term	32	42	68	71	73	70	69	66	64	62	60
B. Bound Tests											
B1. Real GDP growth	32	35	53	51	55	51	52	51	51	50	49
B2. Primary balance	32	34	50	48	50	45	45	42	41	39	37
B3. Exports	32	34	50	47	49	43	43	42	40	39	37
B4. Other flows 3/	32	34	50	47	49	43	43	42	41	39	37
B5. Depreciation	32	33	49	45	47	41	41	40	38	36	34
B6. Combination of B1-B5	32	33	48	45	47	42	42	40	39	37	35
C. Tailored Tests											
C1. Combined contingent liabilities	32	34	60	58	61	56	51	49	46	44	41
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	32	37	56	55	60	56	58	57	57	56	54
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

Figure 3. Mali: Drivers of Debt Dynamics – Baseline Scenario



1/ Difference between anticipated and actual contributions on debt ratios.

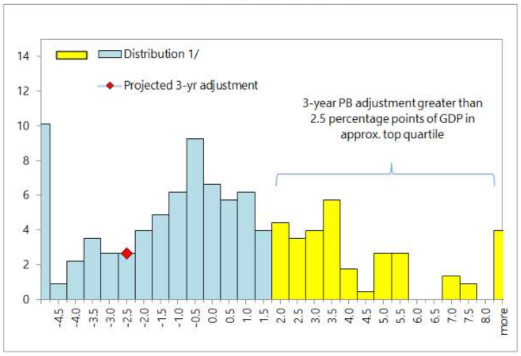
2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Sources: Malian authorities and staff estimates and projections.

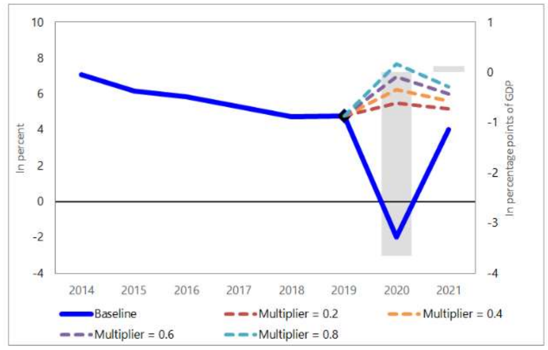
Figure 4. Mali: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

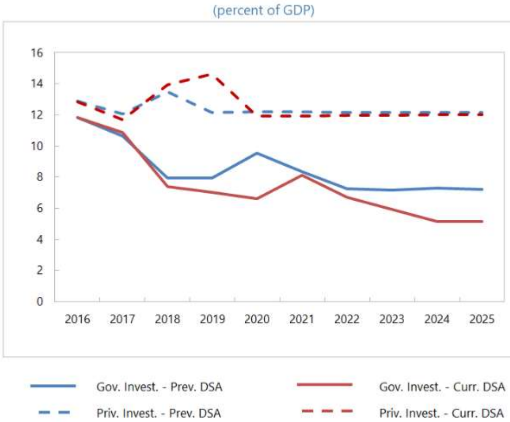
Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

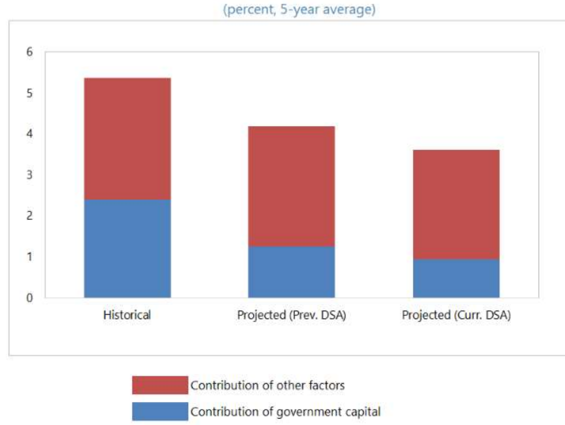
Public and Private Investment Rates

(percent of GDP)



Contribution to Real GDP growth

(percent, 5-year average)



Sources: Malian authorities and staff estimates and projections.

Figure 5. Mali: Qualification of the Moderate Risk Category. 2020–2030 1/

Sources: Country authorities; and staff estimates and projections.
1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

Statement by Mr. Andrianarivelo, Mr. Sylla, and Mr. Diakite on Mali
February 22, 2021

I. Introduction

1. On behalf of our Malian authorities, we would like to thank the Executive Board, Management, and staff for the continued support to Mali. Since early 2020, Mali has been impacted by the fallout of the Covid-19 pandemic and is now experiencing a larger second wave of infections. A response plan is being implemented to mitigate the impact of the shock on households and businesses, supported notably by the early emergency disbursement under the Rapid Credit Facility (RCF), and the debt service relief in the framework of the Catastrophe Containment and Relief Trust (CCRT). Regrettably, the recurrent terrorist attacks and the socio-political crisis experienced during much of the past year have also contributed to make the macroeconomic policy environment more difficult, and amplify the country's development challenges and fragility.

2. In this context, program implementation has been impacted despite the authorities' efforts to minimize performance gaps. The program needed to be recalibrated in light of the changed macroeconomic and political environment, while remaining faithful to its sustainability requirement. The transitional authorities are committed to maintaining macroeconomic stability and advancing the reforms envisaged under the ECF- supported program. In this vein, despite the short time since they took office, they have already taken remedial actions to improve program performance, and carry out sustainable medium-term policies compatible with debt sustainability and the West African Economic and Monetary Union's (WAEMU) convergence criteria.

II. Recent economic Developments and outlook

3. Economic growth is estimated to have dropped to -2 percent in 2020 due to the pandemic, the deterioration of the socio-political and security environments. The authorities are concerned that the already high poverty rate will continue to rise as a result affecting an estimated 9.1 million people. Activities in the construction, hotel, restaurant, and

transportation sectors were the most hit by the slowdown. Average inflation is expected to have accelerated to 0.7 percent due to higher food prices. The decline in economic activity was also accentuated by the regional economic embargo following the coup d'état, and the fall in demand for exports, including cotton. In the external sector, gold exports benefitted from rising international prices which, along with falling oil prices, contributed to improving the terms of trade and the current account balance.

4. A revised 2020 budget had to be prepared to take account of the fall in revenues, including in external grants, and the increased pandemic-related spending. As a result, the fiscal deficit is estimated to have increased from 3.5 percent to 5.5 percent of GDP. The authorities are committed to adhere to this macro fiscal framework in spite of the pressures of wage demands from various parts of the public sector. The execution of certain measures of the Government's response plan to the pandemic has experienced some delays. While the economic support measures were fully implemented, the authorities are mindful that those relating to improving medical care and support to vulnerable households need to be accelerated. In this regard, they will reform the unified social directory with the view to extend the coverage of social assistance with the support of the World Bank.

5. The medium term economic outlook is favorable despite the downside risks related to the pandemic, the security situation and exogenous shocks. In 2021, real GDP growth should be in the order of 4 to 5 percent and inflation is expected to be contained and not exceed the regional benchmark of 3 percent. The current account deficit is projected to widen gradually over the medium term as the terms of trade deteriorate.

III. Performance under the ECF program

6. Program performance at end-December 2019 was strong with all PCs met, reflecting the significant progress made on the fiscal front prior to the pandemic. On the other hand, meeting all the end-June 2020 PCs proved to be unfeasible owing to the outbreak, the sociopolitical crisis, and the subsequent regional sanctions. Accordingly, the authorities are requesting waivers for non-observation of performance criteria and the modification of a performance criterion.

7. On the structural front, three structural benchmarks out of four related to the second review have been met, and four structural benchmarks out of six have been implemented in connection with the third review. The authorities have stepped up their efforts to accelerate the completion of the remaining structural measures.

IV. Medium term policies and structural reforms

8. The policies of the transitional Government are guided by the Transition Charter and the Strategic Framework for Economic Recovery and Sustainable Development (CREDD) 2019-23. The priorities, which are consistent with the ECF-supported program, include strengthening the response to the Covid-19 pandemic, improving governance and

domestic resource mobilization, enhancing the provision of social services, and laying the ground for more inclusive and sustainable growth.

Fiscal Policy

9. Fiscal policy in 2021 will focus on the implementation of the transitional Government's action program while preserving fiscal discipline and public debt sustainability. Given the economic slowdown and security challenges, the fiscal deficit is projected to remain at 5.5 percent in 2021, before gradually returning to 3 percent in 2024, in line with debt sustainability and WAEMU regional agreement to loosen the fiscal stance due to the Covid-19 pandemic. This gradual adjustment will be made while safeguarding priority development and social outlays, containing the pressures on the wage bill, restoring the performance of public enterprises, and progressively increase tax revenues.

10. The authorities are mindful that increasing tax revenues will be key for starting the implementation of a high quality adjustment in 2022. The tax policy measures aim at broadening the tax base, notably in the agricultural and informal sectors where contributions to tax revenues remain limited. The Government also intends to change property taxation by establishing a new tax on developed and undeveloped land properties. Moreover, discretionary exemptions or changes in tax rates will be strictly regulated in accordance with the law. Other important reforms include the application of the new mining code and a more effective taxation of petroleum products which have been a source of revenue shortfalls.

11. Measures to improve efficiency and modernize procedures in the tax and customs administration will be pursued to promote tax compliance and boost revenue mobilization. Considering the need to broaden the tax base, the crosschecking of information among the tax, customs, Treasury and other agencies will be reinforced. The Government will take additional measures including the promotion of online procedures (e-filing and e-payment) for all businesses subject to the VAT, and initiate tax payment by mobile phone for other taxpayers notably in the informal sector. In the customs administration also, efforts will focus on reinforcing organizational structure, digitalizing procedures, and strengthening the fight against fraud and smuggling.

12. On the expenditure side, new fiscal pressures have come on top of the spending constraints the Government was already facing, particularly in redeploying basic social and administrative services in conflict-affected areas. However, the authorities are committed to safeguarding priority social and capital spending, particularly in the education and health sectors. In this regard, the efficient management of the wage bill will play a central role. The authorities will work with social partners to harmonize salary scales in the public service, and undertake an in-depth study on the management of the wage bill with the technical assistance from international partners. Furthermore, to maintain the initial social spending targets, the authorities will ensure that the 2021 Budget Law is supported by an emergency budgetary plan and prioritization of expenditure items should revenue underperformance occur. They will also continue to enhance the efficiency of public investment through a rigorous process of project

selection and implementation, based on the recommendations of the 2017 PIMA. The institutional framework for monitoring, evaluating and managing Public Private Partnerships (PPPs) will also be strengthened to better manage fiscal risks.

13. The authorities will continue to improve cash management and budget execution to avoid the occurrence of payment arrears. The consolidation of the cash position of the government will be strengthened, including by expanding the coverage of the Single Treasury Account (TSA). Major upgrades of IT systems are also underway to automate revenue and expenditure operations, and link them with the WAEMU banking system.

14. The Government remains committed to preserving debt sustainability. To this end, it will pursue the efforts to improve debt management, notably by addressing the refinancing risk associated with short term financing instruments in the regional market. Priority will be given to concessional long-maturity external borrowing and the implementation of the short and medium-term debt management strategy for the period 2021-23.

Financial sector

15. The authorities are committed to further deepen financial inclusion by taking advantage of the rapid development of mobile banking. They will promote access to basic banking services and change payment systems, especially for small and medium-sized enterprises. To further strengthen financial sector stability, the authorities will support the process of removing non-operating fixed assets from banks' balance sheets in order to ensure compliance with the prudential norms of the WAEMU. On AML/CFT, the finalization of the National Risk Assessment (ENR) is underway with assistance from the World Bank. A Peer Review (Mutual Evaluation) of the framework has been done, and the final report was approved in 2019 by the 21st meeting of the Ministerial Committee of GIABA. The shortcomings in Mali's AML/CFT framework identified in the report will be addressed steadfastly given the country's vulnerability to terrorism activities.

Structural reforms

16. Structural reforms to improve living standards and bolster jobs creation, especially for the youth, remain key priorities. The Government will continue the reforms aimed at improving the business environment, promoting good governance and strengthening the monitoring of the procurement and financial situation of public enterprises to contain further pressures on the state budget. To this end, the establishment of a unit on public enterprises is envisaged by the end of 2021.

17. Regarding the electricity company (EDM-SA), efforts will continue to achieve cost recovery, and ensure that it is able to meet its financial obligation and provide affordable and reliable electricity. With the support of the World Bank, the authorities are implementing a restructuring plan aimed at stabilizing the financial situation of the company and eliminating government subsidies by 2025.

18. The commitment to further promote transparency in public financial management and tackle corruption is a pillar of the authorities' mandate. The Government will ensure compliance with the requirement of transparency and accountability under the RCF. In this regard, it has started publishing the monthly reports on the execution of the Covid-19 expenditures, and will also begin to publish the documentation on large pandemic-related public procurement contracts and beneficiary ownership in end-May 2021. Moreover, an independent audit of Covid-19 expenditure by the Office of the Auditor General has been commissioned and the results are expected to be published by the end of July 2021.

19. The authorities will also ensure that the asset declarations of civil servants are enforced in a timely manner by the Ministries and other administrative institutions, and will continue the revision of the Law on illicit enrichment, to make it more effective and inclusive. The coordination between anti-corruption agencies will be strengthened to enable them to carry out their mandates effectively. The Government will consider additional actions to reinforce governance and fight corruption following the Fund's diagnostic mission expected in 2021 to identify vulnerabilities in this area.

V. Conclusion

20. The Malian authorities are pursuing sound policies and reforms under their ECF-supported program to preserve macroeconomic stability, and consolidate the foundations for strong and inclusive growth. Although the macroeconomic policy environment has been made more challenging by a series of shocks, they are determined to catch up with the progress made in program implementation prior to the crisis.

21. In view of the authorities' commitment and resolve under very difficult circumstances, we would appreciate the Executive Board's completion of the second and third reviews under the ECF arrangement, as well as the approval of requests for non-observance of performance criteria and modification of a performance criterion.