

**Mali: Report on the Observance of Standards and Codes—
Fiscal Transparency Module**

This Report on the Observance of Standards and Codes on Fiscal Transparency Module for **Mali** was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed on **February 14, 2002**. The views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of **Mali** or the Executive Board of the IMF.

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MALI

**Report on the Observance of Standards and Codes (ROSC)
Fiscal Transparency Module**

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February 14, 2002

Executive Summary

This report provides an assessment of fiscal transparency practices in Mali in relation to the requirements of the IMF *Code of Good Practices on Fiscal Transparency* based on the authorities' response to the IMF fiscal transparency questionnaire and other documents provided by the authorities.

Mali has made progress in recent years in increasing the transparency of government operations. The legislative base underlying the budget is very extensive. Some modern developments in budgeting, such as the preparation of program budgets that focus on government objectives, have become institutionalized as part of budget preparation (although the organic budget law has not been modified to include the tendency toward focusing on budget outcomes). The budget document presents a clear description of the fiscal and economic outlook, although a full-fledged medium-term budget framework has not yet been developed. Mali's Finance Committee of Parliament plays an important role in examining budget estimates.

Good-quality monthly data on central government expenditures on a payments orders basis are available within ten days after the end of a month. However, longer delays are experienced in obtaining fully comprehensive fiscal data, especially for foreign-financed projects. Most periodic fiscal reports are not published, but interested observers generally may obtain them. Internal audit institutions are quite effective—they have revealed past irregularities, which are being addressed by a high-level anticorruption committee. In contrast, the external audit agency is particularly weak and annual accounts of government are examined with many years' delay because of insufficient resources.

The Malian authorities are committed to improving fiscal transparency further. The staff comments of this report propose that, apart from speeding up the production of monthly fiscal reports, efforts should focus on four areas, prioritized as follows: (i) establish an effective external audit office and further strengthen internal audit; (ii) improve further the budget preparation process; (iii) address weaknesses in the legal framework governing the budget; and (iv) provide the public with more information on government finances.

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ABBREVIATIONS AND ACRONYMS

BCEAO	Central Bank of West African States
BSI	Special Investment Budget
CGSP	Public Services Internal Audit Office (under Prime Minister's Office)
CMDT	Compagnie Malienne pour le Développement des Textiles (cotton company)
DAF	Administrative and Financial Directorate (of spending Ministries)
DNCF	Financial Control Directorate (of MEF)
DNSI	National Statistics and Computer Services Directorate (of MEF)
EPA	Administrative public entity (dependent on transfers from central government)
FAD	Fiscal Affairs Department (of IMF)
GDDS	General Data Dissemination System
GFS	Government Financial Statistics (of IMF)
MEF	Ministry of Economy and Finance
MTBF	Medium-Term Budget Framework
SNA	System of National Accounts
TOFE	Fiscal report of central government financial operations
WAEMU	West African Economic and Monetary Union

I. INTRODUCTION¹

1. This report provides an assessment of fiscal transparency practices in the Republic of Mali against the requirements of the IMF *Code of Good Practices on Fiscal Transparency*. The assessment has two parts. The first part is a description of practice, prepared by the IMF staff on the basis of the questionnaire response and additional information provided by the authorities. The second part is an IMF staff commentary on fiscal transparency in Mali.

II. DESCRIPTION OF PRACTICE

A. Clarity of Roles and Responsibilities

2. **General government can be clearly defined.** The 1992 Constitution and related organic laws provide a comprehensive legal basis for defining general government in conformity with SNA principles. General government includes central government, autonomous administrative public entities (EPAs), and various tiers of local governments (see paragraph 4 below). In the central government budget, transfers to EPAs and local governments are included. Information on the revenues of EPAs can be obtained, but data on revenues raised by local governments are difficult to obtain. There are very few special accounts (*comptes spéciaux du Trésor*) and they are included in the budget. Public enterprises are clearly distinguished from government entities.

3. **Government intervention in public enterprises has been considerably reduced and privatization has been transparent.** Since the late 1980s, the government has withdrawn from many traditional commercial sectors through numerous privatizations or reductions in its share-holdings. Between 1988 and July 2001, the number of public enterprises in which the government is a majority shareholder declined from 90 to 10. In the key cotton sector, the government began a restructuring process in 2001; options for the full liberalization of this sector are under study. The Law 93-41 adopted in December 1993 has guided the government's divestment program, where the principle of competitive bidding is espoused.

4. **Financial relations between the various levels of government are currently in transition; they are clearly defined by law.** For many years, government operations were based on central government services being provided directly in the regions. In the 1990s, a decentralization process began, with the creation of decentralized governments: a district (Bamako), 8 regions, 49 counties (*cercles*), and, more recently, 701 communes. Each entity in these three categories of decentralized government has financial autonomy. The elected assemblies/councils must prepare and execute their own budgets. The revenues of communes are clearly defined in Law 96-05. According to Law 95-034, communes may borrow for local government investments, subject to the approval of a higher supervisory authority (*l'autorité*

¹ Discussions with the authorities were held from July 17–31, 2001 by an IMF mission composed of Mr. Lienert, Mission Chief, and Mr. Bouley, Technical Assistance Advisor (both FAD).

de tutelle), which is not specified to be the Minister of Finance. Although the areas of local government jurisdiction are set out in the law on the transfer of powers from the central government to the local governments, the procedures for transferring central government resources are not yet clear. Human and material resources at local governments to manage this reform are limited, and operations in the communes have, for the most part, not actually started up.

5. **The functions and responsibilities of the legislative and executive branches and the judiciary are clearly defined by the 1992 Constitution.** The Constitution guarantees the separation of powers between the executive branch, legislative branch, and judiciary. The President of the Republic is the head of state; he appoints the Prime Minister, who is the head of government; the government consists of 20 ministries. The National Assembly adopts the budget law (*loi de finances*) proposed by the government, as well as the budget execution law (*loi de règlement*). According to the Organic Budget Law adopted in 1996, the prerogatives of the National Assembly in budget matters are limited to introducing amendments that eliminate or reduce expenditures, or create or increase revenues. The National Assembly's Finance Committee does not currently have sufficient staff to fully oversee the financial operations of the executive branch. However, it has initiated improvements in budget preparation and presentation. The Accounts Section of the Supreme Court is the entity responsible for reviewing the *loi de règlement* and certifying the government's annual accounts that are presented to the National Assembly. The Accounts Section is financially dependent on the judicial branch of government; it is not autonomous.

6. **The government does not use the banking sector to carry out quasi-fiscal operations. Central bank provision of credit to the government is prohibited.** The Central Bank of West African States (BCEAO) is the central bank of Mali and the seven other member countries of the West African Economic and Monetary Union (WAEMU). It is responsible for implementing their common monetary policy, especially the stability of the CFA franc; it does not carry out quasi-fiscal operations on behalf of governments. The WAEMU decided that the BCEAO will no longer provide advances to member countries, as of January 1, 2002. Moreover, all advances already granted to governments by the BCEAO should have been repaid by December 31, 2001.

7. **The government's involvement in the private banking sector has been significantly reduced** in recent years: in mid-2001, the government's participation in the six banks remaining in its portfolio stood at 20 percent.²

8. **Official regulation of the private nonbanking sector is transparent.** The framework for the regulation of private enterprises is set out in the Commercial Code, the

² The full privatization of four of these banks (BMCD, BDM-SA, BCS-SA, and BIM-SA) is scheduled to be completed by end-2004; beyond this date, the government will have holdings only in the BNDA and the BHM.

Investment Code, the Mining Code, and the Accounting Law. Pricing is fully deregulated. The rules in these codes are clear and transparent, but their application varies.

9. **Fiscal management is defined in a legal and regulatory framework that is extensive, but it is outdated or imprecise in some areas.** The 1996 Organic Budget Law sets out the framework for the preparation and execution of the annual budget, as well as relations between the National Assembly and the government on budget issues and their respective areas of jurisdiction. It specifies that the Minister of Finance, under the authority of the head of government, prepares the draft budget appropriation laws that are subsequently adopted by the National Assembly; the Prime Minister allots the appropriations; the Minister of Finance is responsible for budget execution; the executive branch may increase appropriations only through a supplementary budget, except in specific cases involving emergencies or necessities in the national interest; the Minister of Finance may authorize transfers of appropriations (*virements*) under certain conditions. The organic budget law does not refer to budget-programs, which focus on the achievement of government objectives and performance indicators.

10. **The basic principles of government accounting are defined by law, not by decree.** The Public Accounting Law 96-061 defines the specific responsibilities of authorizing officers (*ordonnateurs*) and accountants who execute the budget of each agency. Both the Organic Budget Law and the Public Accounting Law contain a number of articles that would be better governed only by internal government decision, not by the legislature. Decree 97-192 lays out detailed public accounting regulations and specifies the procedures for budget execution; however, some of this decree's articles are inconsistent with the above-mentioned laws.

11. **Tax and customs legal provisions, and the relating administrative procedures, are clearly defined.** The regulations are found mainly in the Tax Code, which was last amended on April 1, 1999, and the Customs Code, which was revised in 2001. A Charter of Taxpayer Obligations, which specifies the rights of taxpayers, was adopted in 2000 for taxation (but not yet for customs). A number of exemptions are established by law or international convention. Customs exemptions are monitored on a quarterly basis and each year are quantified and analyzed. The revenue collection agencies have recently stepped up their audit activities. Nevertheless, the 2001 budget law reveals the need for measures to improve control of the tax base and step up efforts to combat evasion. Since 1995, customs officers are subject to the "Code of Conduct for Customs Officers." A similar code of conduct for tax officials was planned to come into effect by end-2001.

12. **Civil servants are not subject to a specific code of good conduct.** However, the general civil service regulations set out basic ethical guidelines that civil servants are required to respect.

B. Public Availability of Information

13. **The public has limited access to information on the past, current, and projected fiscal activity of the government.** Each quarter, the Ministry of Economy and Finance (MEF) prepares a report for the National Economic Policy Committee, which provides a detailed statement of the fiscal position and includes a quarterly statement on external and domestic debt. This report is not systematically disseminated to the public; the authorities take the view that a demand for such a document has not been expressed. Concerning government financial assets, the holdings of enterprises that remain in the government's portfolio are published in the official gazette (*Journal Officiel*) each year. The Financial Control Directorate (DNCF) in the MEF produces a report on monthly expenditure commitments and payment orders; the Treasury produces a consolidated monthly fiscal report (TOFE) on revenues, expenditures (actual payments), and financing. This information is intended exclusively to meet the needs of the MEF and certain donors.

14. **The central government budget contains considerable information on budgetary transactions.**³ In contrast, information on subnational governments' budgets is limited. For the central government budget, current expenditures are annual; for investment spending, three-year authorizations are presented to Parliament. Accompanying the budget projections for the following fiscal year are the *budget* estimates for the current year; however, the budget-programs (shown as an annex) also include expenditures for two years prior to the new budget year. During the October parliamentary session, the draft budget for the next fiscal year is accompanied by a budget execution report covering the first six months of the year in which the budget is prepared. The budget laws are published in the *Journal Officiel* and summaries are published in the press.

15. **Loans from foreign creditors are fully included in the budget, but a few grants are absent.** Approximately 80 percent of government investment is financed by external resources. Some transactions, although budgetized, are recorded separate from the treasury's accounts (e.g., grants from donors).

16. **The budget does not contain explicit statements indicating the nature of contingent liabilities and tax expenditures.** Refunds of VAT paid by exempt importers upon entry of the goods are provided for in the budget.

17. **Quasi-fiscal activities of nonfinancial public enterprises have not been quantified.** It should first be noted that, with the widespread number of privatizations, quasi-fiscal activities of nonfinancial public enterprises have been reduced considerably. In the past, the *Compagnie Malienne pour le Développement des Textiles (CMDT)* was at times

³ The *Budget d'Etat* comprises: a note explaining budgetary objectives; the *Loi de Finances* (appropriations by line item); detailed tables of revenues and expenditures; new and existing measures (*services votés—mesures nouvelles*); the annual Special Investment Budget—BSI (which includes foreign-financed projects) and the three-year *autorisations de programmes*; budget-programs for every ministry, and other annexes (e.g., for debt servicing). In 2001, subsidies to public enterprises in difficulty were explicitly included in the annual budget.

used to “tax” cotton farmers, by setting producer prices below those justified by world market prices; the “revenue” was used for the providing public services (e.g., road maintenance or extension services in rural areas) or supporting CMDT’s noncore activities such as distribution of fertilizers. However, with restructuring, the government is reducing its provision of public services through CMDT. Apart from the cotton sector, in mid-2001, the government was still directly involved in agriculture, agri-food, transport (port, airport, and rail activities), telecommunications, and postal services; although commercial principles are increasingly applied, the extent of any quasi-fiscal activities is unknown.

18. Formal commitments have been made to more regular publication of information throughout the year. In April 2001, Mali undertook to disseminate quarterly data, in accordance with the standards of the IMF’s General Data Dissemination System (GDDS), the first stage of which is defining data.

C. Open Budget Preparation, Execution, and Reporting

19. The medium-term fiscal policy objectives are stated in a supranational context. Within the WAEMU, Mali has signed a stability and convergence pact. The fiscal criteria of the pact’s first tier include: basic balance (target: at least a positive balance); total public debt (target: less than 70 percent of GDP); and no external or domestic payments arrears. The second-tier indicators include tax revenue (target: at least 17 percent of GDP). Based on the macroeconomic situation as at mid-2001, the government expects to meet all of these minimum targets by end-2004, with the exception of the target for overall debt. The preamble of the 2001 budget specifies one main target, the overall deficit (commitment basis and excluding grants); in contrast, the above-mentioned indicators are not included in the budget documentation. There is no analytical table clearly indicating the relation between the budget projections and the overall deficit.

20. Medium-term budget projections have yet to be developed. Although the annual budget law includes three-year projections for the projects in the BSI, it does not include medium-term projections for current expenditures, nor for revenues. Nevertheless, annual estimates for spending in key sectors, including health and education, take into account long-term projections made for these sectors. There is no quantitative analysis of the sustainability of fiscal policy.

21. The objectives for each ministry are defined in the annual program budgets. To clarify budget decisions, each ministry has since 1998 prepared a “program budget,” which spells out the missions of each ministry, the cost of resources, and the indicators for the projected and actual results. The program budget classification has not yet been integrated with the budget nomenclature, which uses administrative, economic, and functional classifications.

22. Forecasts for ongoing commitments are clearly distinguished from new spending authorizations. An explanatory annex to the annual budget defines the method for calculating ongoing commitments (*services votés*), provides a description of new spending

authorizations (*mesures nouvelles*), and, for each budget line, specifies the allocations for year n-1, the ongoing commitments, and new spending authorizations for year n.

23. **There is no analysis of fiscal risks in the budget.** Although the budget is prepared within a macroeconomic framework, it does not provide information explaining the fiscal risks related to changes in the macroeconomic variables. Nor is there an assessment of the risks associated with any contingent liabilities, notably debt guarantees. A budget annex identifies some budget lines subject to variation, especially the estimated appropriations (*crédits évaluatifs*) that must be paid irrespective of the budget appropriation (e.g., for government debt servicing or spending resulting from permanent agreements approved by law), and the provisional appropriations (*crédits provisionnels*) that may be paid for certain expenditures.

24. **Procedures for the execution and monitoring of expenditure are clearly specified.** The budget execution system is based on the principle of separation of the authorizing officer and the accountant. Authorizing officers are required to track commitments and payment orders in their records; the DNCF centralizes and consolidates these data and produces a monthly report on expenditure commitments and payment orders within ten days after the end of the month. The Treasury prepares the general government accounts and monthly balances. Monthly expenditure payments and cash revenue collections are recorded and presented in a consolidated monthly fiscal table (TOFE) within six to eight weeks after the end of the month. Computerization of the various expenditure and revenue stages is not yet integrated.

25. **Internal control and internal audit are quite effective** and this helps to ensure that payments arrears do not develop. Internal controls or audits are provided by: (i) the DNCF, (ii) the Finance Inspection Office (*l'Inspection des Finances*—an agency of the MEF); (iii) internal inspection officers in a number of spending ministries; and (iv) the General Public Services Internal Audit Office (CGSP), which reports to the Prime Minister. The DNCF is responsible for a priori controls on all domestically financed expenditure commitments and also controls expenditures at the payment order stage, prior to payment by the Treasury. These controls are also performed at the regional level for the appropriations administered in the regions (*crédits déconcentrés*) and delegated appropriations (*crédits délégués*) and is expected to be performed for decentralized expenditures. The Finance Inspection Office has wide powers and carries out audits of all directorates of the MEF (Tax, Customs, Budget, Treasury, etc.), as well as other users of public funds. The activities of the CGSP include conducting audits of any public service agency and investigating audit findings. It is also closely involved in the effort to combat corruption.

26. **Clear rules establishing the transparency of government procurement are in place.** These are established in Decree No. 095-401/P-RM relative to the 1995 Public Procurement Code, which was strengthened by an amendment in 1999. The Code is publicly available, and competitive bidding and announcement of results are key features. The Procurement Directorate of the MEF (*Direction Générale des Marchés Publics*) is responsible for the implementation of the Code.

27. **The legal and regulatory provisions governing budget execution are not fully respected.** Despite solid internal control and audit structures, some procedures for expenditure execution are not always followed, including for purchases that are not subject to the Procurement Code (expenditures below the ceiling for compulsory use of competitive bidding). The annual reports of the *Inspection des Finances* reveal irregularities by authorizing officers and public accountants. In 1999, a special unit was created in the Office of the President: it issues opinions on the recommendations made in the reports of the *Inspection des Finances* and the CGSP; exposes audit findings to the State Prosecutor's Office; and ensures follow-up to inspection reports.

28. **The civil service personnel regulations and wage scales are clearly defined and recruitment is on an open, competitive basis, without discrimination.** These are described especially in the General Statute of the Civil Service (Ordonnance 77-71/CLMN of 1977, modified by Law 93-059 of 1993), and also the Labor Code, wage bargaining agreements, the salary scale, and texts describing bonuses and indemnities.

29. **There is no formal requirement for a mid-year budget execution report to be submitted to the National Assembly.** However, when the Prime Minister submits the draft budget law to the National Assembly in October, an annex to the budget presents the budget outturn for the first half of the year in progress, including for the program budgets. For the annual budget execution, the Treasury submits the annual general accounts simultaneously to the National Assembly and to the Accounts Section of the Supreme Court. In principle, the Accounts Section should issue its opinion on, and certify the accuracy of, the final accounts on which the draft budget execution law is based before the draft is submitted to the National Assembly. In practice, this work began only recently and delays are being experienced.

D. Assurances of Integrity

30. **Procedures are in place to assure fiscal data quality,** particularly the data prepared following the procedures of government accounting regulations. For current expenditures, budget outcomes are usually close to budget estimates; in contrast, the investment budget is often underexecuted, mainly because of slow implementation of foreign-financed projects.⁴ Supplementary budgets are infrequent. Various data reconciliations are systematically performed: budget authorizations are regularly checked against budget appropriations; Financial Control Directorate (DNCF) accounts are reconciled with Administrative and Financial Directorate (DAF) accounts (for commitments and payment orders); and Treasury accounts are reconciled with bank accounts at frequent intervals. Although considerable work has been done by the MEF staff to improve the quality of the accounting data, nonetheless, the Accounts Section of the Supreme Court found some inconsistencies in the accounting data. The quality of nontreasury data, such as for externally financed projects financed, is less reliable.

⁴ To the extent that foreign-financed investment expenditures are not part of the annual appropriations law (*Loi de finances*) this is a less serious problem.

31. **The external audit entity (Accounts Section of the Supreme Court) is independent of the Executive Branch**, but it has few resources. As a consequence, it is not yet in a position to carry out all of its basic functions, i.e., to audit the accounts and submit an annual report by the required deadline. In mid-2001, the Accounts Section had only prepared a report on the budget execution for 1993, 1994, and 1995; this was not a full audit. To enhance its financial and operational independence from the Supreme Court and to apply a directive of WAEMU, in 2001 there was a proposition to change the 1992 Constitution by referendum and set up an independent *Cour des Comptes*, with responsibilities similar to those in other francophone countries.

32. **The macroeconomic models and main assumptions on which the budget is based are not scrutinized by independent national experts.** In contrast, the budget's assumptions are examined critically by the Bretton Woods institutions. These assumptions are known only to the executive branch—they are presented in the Budget Circular sent to spending ministries by the MEF at the start of budget preparation.

33. **The National Statistics and Computer Services Directorate is part of the MEF, not an independent institution.** However, in preparing government financial and other statistics, the Directorate is provided with operational independence. A statistics coordination committee is responsible for verifying the consistency of the statistical data that is provided to the National Economic Policy Committee.

III. IMF STAFF COMMENTARY

34. **Significant improvements have been made in fiscal transparency.** Since democratization in the early 1990s, Mali has rapidly implemented a series of economic reforms. The 1992 Constitution clearly distinguishes the roles of the executive branch, legislative branch, and judiciary. The privatization or liquidation of numerous public enterprises, and the government's withdrawal from the banking sector, have helped to clarify the role of government. Government intervention in the private sector is generally transparent, via codes and regulations.

35. **Important initiatives have been taken in the area of budget preparation.** As early as the 1980s, the MEF used a budget nomenclature in broad conformity with international standards. Since 1998, program budgets have been prepared for all ministries and departments. These have clarified the government's objectives in each area of intervention and they provide the National Assembly with a useful instrument for a more in-depth discussion of the rationale for government plans in economic and social sectors. The Finance Committee of the National Assembly, even though it has limited resources, has been quite active in recent years, and there is constructive cooperation between the legislative and executive branches.

36. **Budget execution is based on a system of solid and reasonably effective internal audit.** The lack of payments arrears is an achievement that is due in part to the numerous entities performing a priori and simultaneous controls. In this regard, the reports of the

internal audit entities have enabled the unit in the Office of the President to follow up the conclusions, occasionally leading to judicial actions against the managers of public entities.

37. Despite adequate transparency in a number of areas, an ongoing commitment by the authorities is essential to build on what has been achieved thus far. Apart from speeding up the production of comprehensive monthly fiscal reports, efforts should focus on four areas, which are prioritized as follows: (i) establish an effective external audit office and further strengthen internal audit; (ii) improve further the budget preparation process; (iii) address weaknesses in the legal framework governing the budget; and (iv) provide the public with more information on government finances.

38. Establish an effective external audit entity and further strengthen internal audit. The inefficiency and lack of resources of the Accounts Section of the Supreme Court constitute an important weakness of the budget cycle. It is essential to:

- Provide budgetary and management independence to the Accounts Section, by creating an independent external audit agency (*Cours des comptes*) to replace the Supreme Court's Accounts Section.
- Submit the draft budget execution law for year (n-1) to the National Assembly at the same time as the draft budget for year (n+1). To assist with budget analysis, the outturn, estimates and forecasts for each of the years (n-2) through (n+2) should be attached to these draft laws. The final budget estimates for year (n+1) should be based on the outturn for the first half of year n.

To this end, it is necessary to:

- Shorten the regulatory deadline for submission of the treasury accounts to the Accounts Section to enable it to certify the accuracy of the budgetary and treasury accounts; this certification should accompany the draft budget execution law.
- Simultaneously, speed up the production of treasury account balances.
- Increase substantially the human, physical, and financial resources allocated to the external audit agency (Accounts Section), to enable it to fully perform their audit and investigation functions.

Internal audit could be strengthened by:

- Ensuring that the *Inspection des Finances* and the CGSP work in a fully complementary manner.
- Taking measures to prevent overpricing of government purchases, such as disseminating a list of indicative acceptable prices for public procurement.

39. **Improve budget preparation, especially budget classification.** Maximum use should be made of the program budgets already prepared:

- The government should monitor the execution of the program budgets, while continuing to execute budget expenditure by type of expenditure and by function, for each ministry and other spending agencies.
- To this end, new modules should be added to the budget nomenclature. In addition to the classification of expenditure by economic type, by administrative unit, and by function, a classification module by program is essential to allow in-year tracking of program budgets. A classification by source of financing would also be useful, as it would make it possible to monitor all poverty-reducing expenditures financed by national and donor sources, including under the enhanced HIPC Initiative.

Moreover, as time permits, it would be helpful to:

- Ensure consistency between the macroeconomic framework, the budget objectives, and the annual budget law. To this end, an analytical bridging table should be prepared to indicate clearly the relationship between revenue and expenditure projections in the budget, on the one hand, and the overall deficit and key indicators for the WAEMU convergence program, on the other.
- Prepare a medium-term budget framework (MTBF), covering revenue, expenditure, and financing. For both current and capital expenditure, projections should be prepared by major functional category and by program. They would be accompanied by an exposition of fiscal policy objectives. The MTBF should be revised on a rolling basis, with estimated expenditures for the first fiscal year covered by the medium-term estimates becoming the basis for establishing the initial budget projections for the following fiscal year. Medium-term budget orientations would play a key role in the strategic budget discussions, whether in the Council of Ministers or in the National Assembly.
- Comprehensive quarterly tracking of all foreign-financed government investment projects should be introduced (with a dissemination lag of 1–2 months). This requires a review of the data collection procedures for grants and close collaboration with donors.
- The methodology underlying the budget forecasts and analyses of variations in these forecasts should be developed and published in the budget document. Annexes describing contingent liabilities, tax expenditures, quasi-fiscal activities, and fiscal risks should eventually be included in the budget document.

40. **Review of the entire legal framework and preparation of a modern organic law that reflects the situation prevailing in Mali.** An overhaul of Organic Budget Law 96-060 is in order. A new law would add provisions for program budgets, including: identification of

the objectives to be achieved in each program, the resources needed to achieve objectives, and the accountability of the key players in this process. The Public Accounting Law 96-061 should be repealed, as legal provisions in this area are internal to the executive branch and should be managed by decree. To improve transparency, the new organic law provisions should include:

- A clear definition of revenues, expenses, deficits, and surpluses. “Government” should also be defined clearly, distinguishing the budgets of the central government, EPAs, and decentralized governments, whose revenues and expenditures should be presented in an annex to the annual budget law.
- The Minister of Finance should be conferred with powers to exercise strict control over borrowing by subnational governments.
- Procedures for preparing, presenting, and approving the annual budget in a medium-term framework; guidelines for budget execution and internal audit; the main responsibilities of the Executive; sanctions for nonrespect of rules, etc.
- A requirement that *budgets annexes*, special accounts and funds, and the BSI be integrated in a single general budget.
- Presentation by the government of a mid-year budget execution report to the National Assembly, including expenditure by program, by function, and by economic type.

41. Coordination with the WAEMU Commission would be needed for any revision of Mali’s organic budget law. The IMF staff recognizes that Mali, as a WAEMU member country, cannot act unilaterally in an area where WAEMU has already issued guidelines. Unfortunately, the WAEMU directives on organic budget laws do not incorporate modern budgeting techniques. For example, program (or performance) budgets are not mentioned in the WAEMU directives.

42. Improve public access to fiscal information. Citizens must be able to obtain full information about budget execution within a suitable timeframe, as well as information indicating how realistic the budget forecasts are, particularly the need to make explicit the risks associated with possible changes in the macroeconomic framework. To supplement the recommendations regarding the annual accounts (see above), it is essential that the information available during the course of the year be improved. In this regard:

- A commitment should be made to publish quarterly reports summarizing the financial operations of the central government; in the medium term, this report should be supplemented with the publication of monthly data (TOFEs) based on treasury balances, published with a lag not exceeding one month.

43. Improving transparency will require trained personnel and further computerization. Actions could include:

- Training personnel in the central government, central government offices in the regions (MEF, DAFs, etc.), the secretariat serving the Finance Committee of the National Assembly and at all levels of decentralized governments. It will also be important to establish effective internal control structures in decentralized entities.
- Further computerization, for which needs should be assessed. The eventual establishment of an integrated financial management information system would enhance transparency and make data available more rapidly.