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Mali: Sixth Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for Modification of Performance Criteria and Augmentation of Access—Staff Report; Informational Annex; Statement by the Staff Representative; Statement by the Executive Director for Mali; and Press Release on the Executive Board Discussion

In the context of the sixth review under the three-year arrangement under the extended credit facility and request for modification of performance criteria and augmentation of access, the following documents have been released and are included in this package:

- Staff Report for the Sixth Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for Modification of Performance Criteria and Augmentation of Access, prepared by a staff team of the IMF, following discussions that ended on April 19, 2011 with the officials of Mali on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 26, 2011. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- Informational Annex
- Statement by the Staff Representative, of June 8, 2001, updating information on recent developments
- Statement by the Executive Director for Mali
- Press Release summarizing the views of the Executive Board as expressed during its June 13, 2001, discussion of the staff report that completed the request and/or review

The documents listed below have been or will be separately released:

Letter of Intent sent to the IMF by Mali's authorities*
Memorandum of Economic and Financial Policies*
Technical Memorandum of Understanding*
Mali—Ex Post Assessment of Longer-Term Program Engagement
Public Information Notice summarizing the views of the Executive Board as expressed during its June 13, 2001, discussion of the ex post assessment of longer-term program engagement
*Also included in the staff report

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

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INTERNATIONAL MONETARY FUND

MALI

Sixth Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for Modification of Performance Criteria and Augmentation of Access

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

Approved by Roger Nord and Thomas Dorsey

May 26, 2011

Discussions. The discussions were held in Bamako during March 21–April 1, 2011 and continued in Washington during April 15–19. The staff team comprised Mr. Josz (head), Ms. Farahbaksh, and Messrs. Ghazanchyan, Hitaj (all AFR), Belhocine (FAD), Féler (resident representative) and Traore (local economist). The team met Mr. Toure, former Minister of Finance and Economy; Mr. Bouare, new Minister of Finance and Economy; Mr. Ly, National Director of the Central Bank of West African States (BCEAO); and other ministers and senior officials; the Vice-President of the National Assembly's Finance Commission; as well as representatives from the private sector, trade unions, civil society, and the donor community.

ECF arrangement. The three-year arrangement under the Extended Credit Facility (ECF) was approved on May 28, 2008, in the amount equivalent to SDR 27.99 million (30 percent of quota). The fifth review was completed on January 26, 2011, and the arrangement was extended until end-December 2011. The authorities are requesting the seventh disbursement under the arrangement (SDR 1 million), and an augmentation of access in the amount of SDR 25 million (27 percent of quota) to cushion the impact of the crises in Côte d'Ivoire and Libya.

Staff views. Based on the strong program implementation and the authorities' policy intentions, and in view of the impact of external shocks on Mali's economy, the staff recommends completion of the sixth review, modification of the performance criteria (PC) for the seventh and last review, and augmentation of access.

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ACRONYMS

BCEAO	Central Bank of West African States
BHM	*Banque de l'Habitat du Mali* (Housing Bank of Mali)
CFAF	CFA francs
CMDT	*Compagnie Malienne pour le Développement des Textiles* (Cotton Ginning Company of Mali)
DGD	Directorate General of Customs
DGDP	Directorate General of Public Debt
DGI	Directorate General of Taxes
DME	Medium-sized Taxpayer Office
DNDC	National Directorate of Property Titles
DNTCP	National Directorate of Treasury and Public Accounting
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
EDM	*Energie du Mali* (State Utility Company)
EITI	Extractive Industry Transparency Initiative
FSAP	Financial Sector Assessment Program
G-PRSP	Growth and Poverty Reduction Strategy Paper
LOI	Letter of Intent
MEFP	Memorandum of Economic and Financial Policies
MDGs	Millennium Development Goals
PC	Performance Criterion
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PGT	General Payment Office
RGD	Revenue Collection Office
SMEs	Small and Medium-sized Enterprises
SOTELMA	*Société de Télécommunications du Mali* (Telephone Company of Mali)
TMU	Technical Memorandum of Understanding
TOFE	Central Government Consolidated Financial Operations Table
VAT	Value Added Tax
WAEMU	West African Economic and Monetary Union

Executive Summary

Program performance has been strong, which has contributed to favorable macroeconomic outcomes in 2010. All performance criteria (PC) and indicative targets through end-December were observed, except for the indicative target on priority spending, which was missed by a small margin. All measures subject to end-year structural benchmarks were observed except one, on which the authorities are making good progress.

The authorities are requesting an augmentation of access under the ECF arrangement in the amount of SDR 25 million (27 percent of quota) to cope with the impact of the crises in Côte d'Ivoire and Libya. These shocks will contribute to a widening of the overall balance of payments deficit compared to original expectations in 2011, requiring a substantial drawdown on the BCEAO's foreign exchange reserves. Beyond 2011, the balance of payments is expected to recover, illustrating the sudden and temporary nature of the shocks.

Faced with these external shocks, the authorities plan to continue implementing stability-oriented macroeconomic policies and growth enhancing and poverty reducing policies. In this context, they will:

- introduce a supplementary budget to Parliament that will provide resources for underestimated spending in the initial budget and make adjustments in non-priority areas to address the impact of the recent external shocks on the budget, while keeping the deficit target almost unchanged; and

- advance key reforms in tax policy and administration, public financial management (PFM), financial sector development, the cotton sector, and the electricity sector.

Adjusting domestic energy prices to international oil prices is urgent to safeguard resources for implementing the Growth and Poverty Reduction Strategy Paper (G-PRSP). Increasing prices would prevent losing fiscal revenue that is very much needed to progress towards the Millennium Development Goals (MDGs).

On the basis of the authorities' achievements and policy intentions, and in view of the impact of external shocks on Mali's economy, the staff recommends completion of the review, modification of the PC for the seventh and last review, and augmentation of access.

I. Background

1. **In April 2011, President Toure appointed a new cabinet to prepare the ground for the presidential and parliamentary elections scheduled for mid-2012**. The new government intends to continue the ongoing economic and financial reforms in cooperation with the Fund. The security situation continues to deteriorate in northern Mali, where terrorist activities have been reported.

2. **The government has launched the preparation of its third G-PRSP in collaboration with civil society, the private sector, and development partners**. The G-PRSP III will provide a framework for the government's economic, financial, and sectoral policies for the period 2012-17. It will guide the preparation of the 2012 budget and is expected to be completed by end-2011 (MEFP, ¶9).

II. Recent Economic Developments and Program Implementation

3. **The economy has stayed on a robust growth trajectory and inflation has been low.** Real GDP growth reached 5.8 percent in 2010, on account of agriculture's strong growth (+16.1 percent), which more than offset the sharp decline in gold production (-14.3 percent) due to production difficulties that have since been overcome (Figure 1, Tables 1 and 2). Thus far, the recent surge in international food prices has had no impact on inflation (1.4 percent on average in 2010 and 1.6 percent on average for the 12-month period ending in April 2011) due to the favorable harvest in 2010.

4. **Fiscal performance was better than programmed.** The basic fiscal balance[1] recorded a deficit of 1.2 percent of GDP in 2010, compared with a programmed deficit of 2.4 percent (Tables 3 and 4; MEFP, ¶6). This result was due to a good revenue performance and expenditure restraint in part because of delays in the execution of capital expenditures owing to rejection of contracts that did not respect procurement rules. All pending bills outstanding at end-2009 (2.8 percent of GDP) were cleared by August 2010, while pending bills outstanding at end-2010 (1.5 percent of GDP) were slightly below the programmed amount.

5. **The balance of payments weakened significantly in 2010 following the exceptional surplus recorded in 2009**. The current account deficit, including grants, increased slightly (to 7.5 percent of GDP) as the favorable impact of rising gold and cotton prices was outweighed by rising oil prices and the drop in gold production (¶3, Table 5). The capital and financial account surplus fell to 5.6 percent of GDP in 2010 from the exceptional

[1] The fiscal policy anchor is the basic fiscal balance (revenue excluding grants minus domestically financed expenditure), which measures the fiscal stance flowing from revenue and expenditure under the authorities' control.

level of 13.1 percent of GDP recorded in 2009 owing to capital inflows from the privatization of the telecom company ($400 million) and the SDR allocation (SDR 74 million). As a result, the overall balance-of-payments showed a deficit of about $174 million.

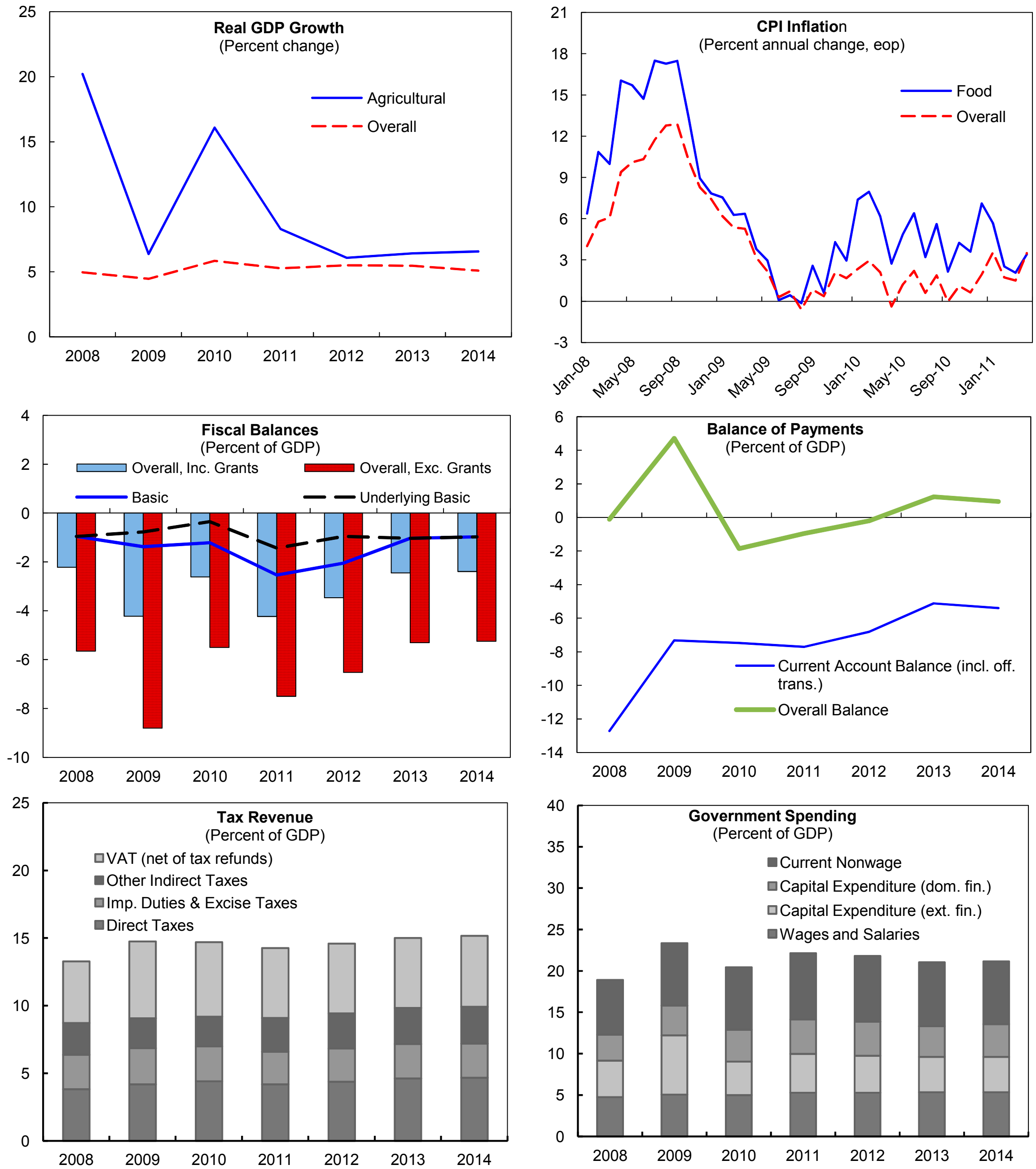
6. **Broad money grew by less than nominal GDP in 2010, driven by domestic credit**. Credit to the private sector increased by 13.5 percent in response to heightened demand for credit during the crop season and for consumption during the final quarter (Table 6).

7. **The financial soundness of the banking sector improved somewhat in 2010.** The capital of the banking system increased to 11 percent of assets, as all but one bank complied with the increased minimum capital requirement (CFAF 5 billion or about $10 million). But non-performing loans remained high at 22 percent of total loans (Table 7).

8. **Almost all end-December 2010 quantitative targets were met** (MEFP, Table 1 and ¶6). The only exception was the indicative floor on priority spending, which was missed by a small margin (CFAF 1.8 billion or 0.04 percent of GDP).

9. **On the structural front, all but one measure subject to end-2010 structural benchmarks have been implemented** (MEFP, Table 2 and ¶7). The remaining measure concerns implementing the steps to ensure the timely payment of VAT credits. The government will start shortly funding the treasury account opened at the BCEAO to refund Value Added Tax (VAT) credits (MEFP, ¶19). Good progress has also been made towards implementing measures subject to structural benchmarks for the 7th review (MEFP, ¶¶18, 25, 29, and Table 4).

Figure 1. Mali: Macroeconomic Developments, 2008-14



Source: Malian authorities; and IMF staff estimates.

III. PROGRAM ISSUES

A. The Macroeconomic Framework

10. **Mali's economy has been hit by the crisis in Côte d'Ivoire and the conflict in Libya** (MEFP, ¶¶ 10-12). These crises are weakening the balance of payments through higher transport costs, losses of remittances, and lower exports and foreign direct investment. The full impact is estimated at about 0.6 percent of GDP in 2011. Moreover, the banking system is exposed to Côte d'Ivoire (by about FCFA 100 billion, 2 percent of GDP, or about 60 percent of banking sector equity) mainly through holdings of government securities. The banking sector is also exposed to the conflict in Libya, as the Libyan government is a majority shareholder in two local banks, with total assets of about 3 percent of the entire banking system.

11. **Notwithstanding these shocks and the rise in international commodity prices, the macroeconomic outlook remains favorable** (Text Table 1 and Tables 1-6). In 2011-14, real GDP growth rate is projected to hover above 5 percent driven by the agricultural and gold sectors. Average inflation should rise to 3.5 percent in 2011 reflecting the increase in transport costs stemming from the crisis in Côte d'Ivoire and some lagged impact of the increase in international food and oil prices. But, assuming good rainfall, it should decline to below WAEMU's convergence target of 3 percent thereafter. The overall impact of higher international commodity prices on the balance of payments in 2011 is positive owing to the very high level of the price of gold, which makes up about ¾ of Mali's exports. Nevertheless, even assuming a return to normalcy in Côte d'Ivoire in the second half of the year, the balance of payments should stay in deficit in 2011, requiring a significant drawdown of the BCEAO's foreign exchange reserves (by about $103 million). Beyond 2011, the balance of payments should turn to a surplus as gold production increases in 2012-13. The fiscal stimulus in 2009-12, financed with revenue from the privatization of the telecom company SOTELMA, has set the basic fiscal deficit on a trajectory that diverges from its sustainable level (of about 1 percent of GDP).[2] During this time, fiscal policy will aim to keep the underlying basic fiscal balance (excluding spending financed with the SOTELMA privatization revenue) close to its sustainable level.

[2] In light of the level of general budgetary assistance expected in the medium term, staff estimates the sustainable level of the basic fiscal deficit at about 1 percent of GDP.

Text Table 1. Mali: Key Economic Indicators, 2008-14

	2008	2009	2010		2011		2012	2013	2014
			Prog.[1]	Est.	Prog.[2]	Rev. Prog.		Proj.	
	(in percent of GDP, unless otherwise indicated)								
Real GDP	5.0	4.5	5.1	5.8	6.0	5.3	5.5	5.5	5.1
Consumer price inflation (average)	9.1	2.2	2.1	1.4	2.0	3.5	2.2	2.3	2.3
Revenue	15.5	17.1	16.9	17.4	16.4	16.7	17.1	17.5	17.7
Grants	3.4	4.6	3.9	2.9	4.7	3.3	3.0	2.9	2.9
Total expenditure and net lending	21.2	25.9	25.5	22.9	25.4	24.2	23.6	22.8	22.9
Overall balance (payment order basis, including grants)	-2.2	-4.2	-4.6	-2.6	-4.3	-4.2	-3.5	-2.5	-2.4
Basic fiscal balance [3]	-1.0	-1.4	-2.4	-1.2	-2.0	-2.5	-2.0	-1.0	-1.0
Underlying basic fiscal balance [4]	-1.0	-0.8	-1.1	-0.4	-1.3	-1.4	-1.0	-1.0	-1.0
Total public debt	21.6	24.2	26.2	27.8	29.8	27.5	28.1	28.4	28.7
Current external balance (including official transfers)	-12.7	-7.3	-7.9	-7.5	-8.0	-7.7	-6.8	-5.1	-5.4
Overall balance of payments	-0.1	5.0	-0.5	-1.9	0.4	-1.0	-0.2	1.2	0.9

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

[1] IMF Country Report No. 10/255: Mali —2010 Article IV Consultation and Fourth Review Under the ECF.
[2] IMF Country Report No. 11/37: Mali —Fifth Review Under the ECF.
[3] Defined in Table 3, footnote 3.
[4] Defined in Table 3, footnote 4.

B. Fiscal Policy and Reforms

12. **The authorities will submit a supplementary budget to Parliament that will provide resources for VAT credit and address the impact of the recent external shocks on the budget, while keeping the deficit target almost unchanged** (Text Table 2 and Tables 3-4; MEFP, ¶¶ 15-17). The supplementary budget will aim for almost the same underlying basic fiscal deficit target (1.4 percent of GDP) as in the initial budget because of the expansionary fiscal stance flowing from the spending of the SOTELMA privatization revenue and the need to rein in domestic absorption to restrain the overall balance of payments deficit (¶11). To improve confidence in the VAT system, the supplementary budget will provide for the underestimation of VAT credits refund in the initial budget (0.6 percent of GDP). Current expenditure will increase (by 0.4 percent of GDP) because of additional transfers to the electricity company (¶13), the need to facilitate the return of migrants from Côte d'Ivoire and Libya, higher allocation to the agriculture sector, and increased spending on election preparations. These additional expenditures will be financed by higher tax revenue (through better tax administration) and non-tax revenue (through higher dividends from the gold companies) and some cuts in non-priority capital expenditure. Capital spending from domestic resources will nonetheless remain almost unchanged due to the carryover of spending financed by the SOTELMA privatization revenue not executed in 2010. Foreign-financed capital spending will be lower (by 2.3 percent of GDP) due to a downward revision of project grants and loans, in light of the 2010 budget execution.

Text Table 2. Mali: Central Government Consolidated Financial Operations, 2010-11

	2010		2011			(b)-(a)
	Prog.[1]	Est.	Budget (a)	Prog.[2]	Sup. Bud./ Rev. Prog. (b)	
	(in percent of GDP)					
Total revenue and grants	20.9	20.3	21.8	21.1	20.0	-1.9
Tax revenue	14.7	14.7	14.9	14.4	14.3	-0.6
of which : Tax refund	0.0	-0.1	-0.1	-0.6	-0.7	-0.6
Nontax revenue [3]	2.2	2.7	2.0	2.0	2.4	0.4
Grants	3.9	2.9	5.0	4.7	3.3	-1.7
Total expenditure and net lending (payment orders)	25.5	22.9	26.1	25.4	24.2	-1.9
Current expenditure	13.3	13.0	13.4	13.4	13.8	0.4
Capital expenditure	10.1	7.9	11.2	10.5	8.9	-2.3
Externally financed	5.9	4.0	7.0	6.8	4.7	-2.3
Domestically financed	4.2	3.9	4.1	3.7	4.2	0.0
Adjustment to cash basis [4]	-1.7	-1.8	-0.2	-0.2	-0.2	0.0
Overall fiscal balance (cash)	-6.3	-4.4	-4.4	-4.5	-4.4	0.0
External financing	3.5	2.8	3.2	3.5	2.7	-0.5
Domestic financing	2.8	1.6	1.2	1.0	1.7	0.5
Memorandum items						
Basic fiscal balance [5]	-2.4	-1.2	-2.0	-2.0	-2.5	-0.6
Underlying basic fiscal balance [6]	-1.1	-0.4	-1.2	-1.3	-1.4	-0.2

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

[1] IMF Country Report No. 10/255: Mali —2010 Article IV Consultation and Fourth Review Under the ECF.

[2] IMF Country Report No. 11/37: Mali —Fifth Review Under the ECF.

[3] Including Special funds and annexed budgets.

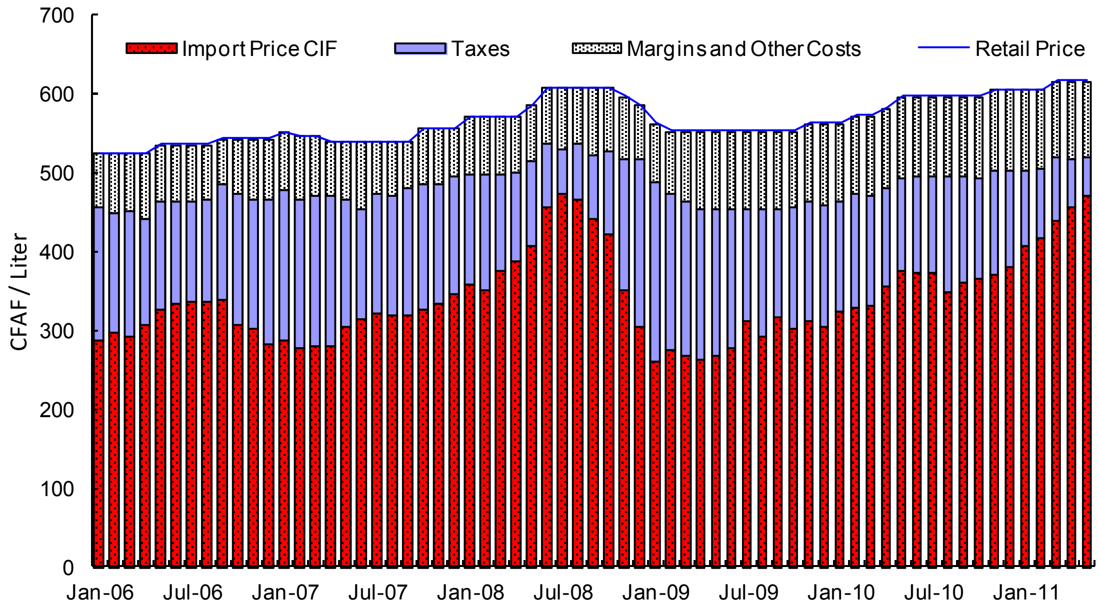
[4] Including variation of arrears.

[5] Defined in Table 3, footnote 3.

[6] Defined in Table 3, footnote 4.

13. **The authorities are taking steps to adjust domestic energy prices to international oil prices**. Absent a change in pricing practice, the rise in international fuel prices would lower fuel tax receipts (by about 0.6 percent of GDP in 2011 compared to the budget). Until late last year, the government shielded domestic fuel prices from international prices by regularly adjusting oil imports taxation to keep oil prices at the pump relatively stable (Figure 2). In December 2010, the authorities adopted a pass-through mechanism of international oil prices to domestic prices, which they have started implementing in March 2011. If the mechanism is not used for social reasons, they have committed to take additional revenue or expenditure measures to keep the fiscal program on track (MEFP, ¶16). Similarly, the authorities are finalizing an electricity price indexing mechanism with the assistance of the World Bank. They have committed to using it in the second half of 2011, either to increase prices or to calculate the budgetary transfers needed to safeguard the financial position of the utility company EDM (MEFP, ¶36). In the mean time, they have decided to increase transfers to EDM (by 0.4 percent of GDP) in the supplementary budget (MEFP, ¶17).

Figure 2. Mali: Retail Price Components of the Basket of Oil Products, January 2006-April 2011 [1]



Sources: Malian authorities.

[1] Weighted average of the three main oil products.

14. **Streamlining the tax code and modernizing tax and customs administrations will be critical to increase revenue and improve the business environment** (MEFP, ¶¶18-21). In 2011, the authorities will: (i) continue to place priority on reforming the VAT system; (ii) introduce a reform to simplify the tax code and widen the tax base in the 2012 budget (structural benchmark; MEFP, Table 4); (iii) connect the tax and customs administrations to the new accounting software in the Treasury to enhance the monitoring of revenue collection; and (iv) continue to implement reforms started at the medium-sized tax payers' office and at customs to modernize tax collection.

15. **Advancing the agenda in PFM reform will be vital to enhance the quality of expenditures, strengthen cash management, and improve fiscal transparency** (MEFP, ¶¶ 22-27)**.** The authorities will continue to implement their rolling action plan, which was updated in close collaboration with donors, with a view to improving budget preparation, monitoring, execution, and audit, and strengthening cash management. Under the program, the authorities will: (i) produce an improved table of the central government's consolidated financial operations (TOFE); (ii) carry out an impact study of transferring most of the accounts held by government entities in commercial banks to the BCEAO (structural benchmarks; MEFP, Table 4); and (iii) incorporate WAEMU's PFM directives into Malian law. The authorities will also strengthen oversight mechanisms to address weaknesses in

PFM and tax collection highlighted by Mali's Auditor General and clear audit backlogs.[3] Finally, they will produce reports reconciling government and gold mining companies' revenue data to adhere to the EITI (MEFP, ¶38).

C. Debt Sustainability

16. **Prudent debt management is needed to maintain debt sustainability** (MEFP, ¶¶28-29). The 2011 debt sustainability analysis (DSA) increased the risk of debt distress from low to moderate due to increased vulnerabilities related to higher volatility of gold exports.[4] Given the anticipated decline in gold exports in the medium-term and the sensitivity of the DSA to financial terms, the authorities will continue to finance their external needs by grants and concessional loans. But, on the occasion of the full DSA that will be prepared in collaboration with the World Bank next fall, they would like to determine the size of the envelope of non-concessional lending for infrastructure investments that would be compatible with debt sustainability. The authorities have begun addressing weaknesses in domestic debt recording by setting up and updating a database of all domestic debt contracted or guaranteed by the government (structural benchmark; MEFP, Table 4).

D. Other Structural Reforms

17. **Financial stability and accelerated financial sector development are critical for growth and poverty reduction** (MEFP, ¶¶ 31-33). The authorities are closely monitoring the impact of the crises in Côte d'Ivoire and Libya on the stability of the banking system. As part of the implementation of their financial sector development strategy, they plan to: (i) complete the restructuring of the state housing bank (BHM), with a view to selling it in 2012; (ii) increase capital requirements of banks and other financial institutions; (iii) establish (small) loan guarantee funds for small and medium-sized enterprises; (iv) carry out initiatives to mobilize remittances from migrants; and (v) tighten supervision of microfinance institutions.

18. **The privatization of the cotton ginning company (CMDT) is on track** (MEFP, ¶34). The government has chosen one investor (out of a pool of three bidders) to purchase two of the four regional subsidiaries of CMDT, and will launch a new call for tenders for the remaining subsidiaries. Privatization is taking place in close cooperation with the World Bank to ensure the economic and financial viability of the cotton sector.

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[3] According to the 2010 Annual Report of the Auditor General, the government lost CFAF 35 billion (0.8 percent of GDP) in 2010 because of irregular spending procedures, including the lack of respect of the procurement code, and insufficient tax collection on petroleum products.

[4] IMF Country Report No. 11/37. Mali: Joint IMF/IDA Debt Sustainability Analysis for Low Income Countries.

19. **The government is taking measures to develop the electricity sector** (MEFP, ¶¶ 35-36). Electricity tariffs have increased only by 4 percent since 2004, while international oil prices have doubled. Accordingly, EDM has recorded a loss (of about 0.3 percent of GDP) in 2010 as fuel oil is a key source of power generation in Mali. Moving forward, the authorities are taking steps to increase prices (¶13). They also are implementing a strategy to increase production by connecting to the grid in Côte d'Ivoire and developing Mali's hydroelectric potential with the World Bank's assistance.

E. Program Modalities and Risks

20. **The last review of the ECF will be based on revised PCs at end-June 2011 and unchanged structural benchmarks** (MEFP, Tables 3-4). The proposed revised PC on government bank and market financing and the revised indicative target on tax revenue reflect the supplementary budget (¶12). Staff also proposes to: (i) change the definition of non-concessional external debt from a residency to a currency-based criterion, with a view to facilitating monitoring, harmonizing definitions across WAEMU countries, and promoting financial market development in the CFAF zone (TMU, ¶14);[5] and (ii) narrow the definition of the issuer of such debt for program purposes to the state and the largest state-owned companies (EDM and CMDT) that are the only public sector entities allowed to contract external debt (TMU, ¶15). The additional fiscal risks that may arise from CFAF borrowing by these state-owned companies from non-residents are mitigated by the ongoing privatization of CMDT (¶18) and the authorities' strategy to develop the electricity sector (¶19).

21. **The government requests an augmentation of the current arrangement in the amount of SDR 25 million (27 percent of quota) to cope with the negative consequences of the crises in Côte d'Ivoire and Libya** (LOI, ¶ 5). These crises are expected to weaken the balance of payments by about SDR 44 million in 2011 and to contribute to keeping the balance of payments in deficit this year, requiring a significant drawdown of the BCEAO's foreign exchange reserves (¶10). The proposed augmentation would raise overall access under the arrangement to 57 percent of quota, well below the access norm of 120 percent of quota for a three-year ECF arrangement and the annual limit of 100 percent of quota, while outstanding Fund credit to Mali would peak at 65 percent of quota (Table 8). Staff proposes a frontloaded disbursement of the augmentation, with SDR 20 million made available at the time of the sixth review as the negative impact of the Côte d'Ivoire crisis should be felt mostly during the first semester. The Fund's quick response to Mali's immediate financing need is expected to be catalytic of donor support over the medium term, and not substitute for it. Beyond 2011, the balance of payments should recover, illustrating the sudden and

[5] Staff will monitor the contracting of new debt with entities that have ultimate ownership outside the CFAF zone to ensure that the currency-based definition of external debt does not become an avenue to circumvent the program's concessionality limit.

temporary nature of the shocks stemming from these crises. Mali's good track record of program implementation, low level of Fund credit, and adequate capacity to repay the Fund are factors in support of the proposed access level.

22. **There are risks to program implementation**. The political cycle or higher-than-budgeted security spending could cause fiscal slippages.

IV. Staff Appraisal

23. **Program performance continued to be strong in 2010.** All PC and indicative targets at end-year were met, except for the indicative target on priority spending, which was missed by a small margin. All measures subject to end-year structural benchmarks were observed except one (the implementation of measures to improve the repayment of VAT credits), on which the authorities are making good progress.

24. **The planned supplementary budget is adequate to keep the program on track in 2011**. It appropriately keeps the deficit target almost unchanged, which is needed in view of the expansionary fiscal stance flowing from the spending of the SOTELMA privatization revenue and the need to contain the overall balance of payments deficit. The supplementary budget provides resources not specified in the approved 2011 budget to refund VAT credits, and addresses the impact of the recent external shocks on the budget.

25. **Adjusting domestic energy prices to international oil prices is urgent to safeguard resources for implementing the G-PRSP**. While the commitment to take additional revenue or spending measures to keep the fiscal program on track if prices are not increased for social reasons is welcome, delays to adjusting domestic prices would be very costly in terms of revenue that would be lost and overwhelmingly captured by the better-off. Adjusting prices and spending the associated fiscal revenue on growth enhancing and poverty reducing spending would help Mali progress towards the MDGs.

26. **Notwithstanding the progress in PFM and tax administration, much remains to be done to improve domestic revenue mobilization, cash management, fiscal transparency and oversight**. The authorities need to simplify the tax code and modernize tax and customs administrations in order to increase domestic revenue mobilization and improve the business environment. They also need to reduce the excessive number of accounts held in commercial banks, implement WAEMU directives to increase fiscal transparency, and strengthen oversight to correct weaknesses in revenue collection and budget execution, such as those highlighted by the Auditor General.

27. **Prudent debt management is warranted owing to the decline of gold exports in the medium term**. The authorities should continue to finance their external financing needs through grants and concessional loans.

28. **To sustain growth momentum, further progress is needed in financial sector development and cotton and electricity sector reform.** The authorities need to continue to closely monitor the fallout of the crises in Côte d'Ivoire and Libya on the financial sector. They should complete the long-awaited privatization of the cotton ginning company, prepare the state housing bank for sale, and vigorously implement a strategy to boost the capacity of the electricity sector, while ensuring its financial sustainability.

29. Based on the strong program implementation and the authorities' policy intentions, and in view of the impact of external shocks on Mali's economy, the staff recommends completion of the sixth review, modification of the PC for the seventh and last review, and augmentation of access.

Table 1. Mali: Selected Economic and Financial Indicators, 2008-14

	2008	2009	2010		2011		2012	2013	2014
			Prog . [1]	Est.	Prog. [2]	Rev. Prog.		Proj.	
				(annual percentage change)					
National income and prices									
Real GDP	5.0	4.5	5.1	5.8	6.0	5.3	5.5	5.5	5.1
GDP deflator	8.8	3.6	3.6	3.6	3.6	4.4	1.3	2.4	2.4
Consumer price inflation (average)	9.1	2.2	2.1	1.4	2.0	3.5	2.2	2.3	2.3
External sector (percent change)									
Terms of trade (deterioration -)	32.7	8.3	6.6	-1.3	5.1	12.7	-8.0	4.8	0.7
Real effective exchange rate (depreciation -)	8.0	0.3	…	-6.3	…	…	…	…	…
Money and credit (contribution to broad money growth)									
Credit to the government	-3.2	-13.9	10.4	2.5	6.0	6.1	5.3	-1.0	-1.4
Credit to the economy	5.2	7.2	5.7	8.4	3.1	8.5	7.4	7.8	8.3
Broad money (M2)	0.5	16.0	16.7	8.9	11.5	10.8	11.9	11.3	10.3
				(in percent of GDP, unless otherwise indicated)					
Investment and saving									
Gross domestic investment	19.0	20.3	20.0	18.4	19.3	20.4	21.1	21.5	22.7
Of which : government	7.5	10.8	7.5	7.9	7.8	8.9	8.6	8.0	8.2
Gross national savings	6.3	12.9	12.1	10.9	11.3	12.6	14.2	16.4	17.3
Of which : government	0.6	0.5	1.5	1.6	-0.6	2.3	0.8	1.6	1.9
Gross domestic savings	4.7	12.7	10.3	9.7	12.4	12.8	14.8	17.4	18.2
Central government finance									
Revenue	15.5	17.1	16.9	17.4	16.4	16.7	17.1	17.5	17.7
Grants	3.4	4.6	3.9	2.9	4.7	3.3	3.0	2.9	2.9
Total expenditure and net lending	21.2	25.9	25.5	22.9	25.4	24.2	23.6	22.8	22.9
Overall balance (payment order basis, including grants)	-2.2	-4.2	-4.6	-2.6	-4.3	-4.2	-3.5	-2.5	-2.4
Basic fiscal balance [3]	-1.0	-1.4	-2.4	-1.2	-2.0	-2.5	-2.0	-1.0	-1.0
Underlying basic fiscal balance [4]	-1.0	-0.8	-1.1	-0.4	-1.3	-1.4	-1.0	-1.0	-1.0
Domestic debt [5]	2.5	3.0	2.0	3.6	3.7	3.7	3.2	2.7	2.4
External sector									
Current external balance (including official transfers)	-12.7	-7.3	-7.9	-7.5	-8.0	-7.7	-6.8	-5.1	-5.4
Current external balance (excluding official transfers)	-13.9	-9.3	-10.2	-9.0	-9.1	-9.0	-8.1	-6.4	-6.7
Exports of goods and services	28.7	26.2	28.9	24.7	29.5	26.8	26.9	27.4	26.1
Imports of goods and services	43.0	33.8	38.5	33.4	36.5	34.3	33.2	31.5	30.7
Debt service to exports of goods and services	3.7	4.1	3.7	2.9	1.8	3.2	2.7	2.9	3.2
External debt	19.1	21.2	24.2	24.2	26.1	23.8	24.9	25.6	26.3
Memorandum items:									
Nominal GDP (CFAF billions)	3,913	4,233	4,609	4,642	5,032	5,104	5,455	5,892	6,341
Overall balance of payments (US$ millions)	-9.9	445.9	-44.1	-174.4	36.6	-102.9	-23.1	149.2	122.3
Money market interest rate in percent (end of period)	6.0	4.0	...	4.1	...	...	...	...	...
Gross international reserves (US$ millions)									
Central Bank of West African States (BCEAO)	11,300	13,200	...	12,875	...	...	...	...	...
in percent of broad money	56.0	69.3	...	57.9	...	...	...	...	...
in months of imports of g. and s.	5.8	6.5	...	6.1	...	...	...	...	...
BCEAO Mali (imputed) [6]	1,033	1,602	1,389	1,295	1,435	1,240	1,196	1,325	1,426
in percent of broad money	48.6	60.6	51.5	49.7	48.9	41.5	36.0	36.2	35.6
US$ exchange rate (end of period)	481.5	449.3	…	496.2	…	…	…	…	…
Gold Price (US$/fine ounce London fix)	872	973	1,183	1,225	1,221	1,427	1,446	1,478	1,530
Petroleum price (crude spot)(US$/bbl)	97.0	61.8	78.3	79.0	78.8	107.2	108.0	105.5	104.5

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

[1] IMF Country Report No. 10/255: Mali —Article IV Consultation and Fourth Review Under the ECF.
[2] IMF Country Report No. 11/37: Mali —Fifth Review Under the ECF.
[3] Revenue excluding grants minus domestically financed expenditure.
[4] Basic fiscal balance excluding spending financed by the revenue from the privatization of the telecom company SOTELMA.
[5] Includes BCEAO statutory advances, government bonds, treasury bills, and other debts.
[6] For 2009, reflects new SDR allocation and privatization receipts of SOTELMA.

Table 2. Mali: National Accounts, 2008-14

	Share [1]	2008	2009	2010		2011		2012	2013	2014
				Prog . [2]	Est.	Prog . [3]	Rev. Prog.		Proj.	
				(annual percentage change, at constant prices)						
Primary sector	32.6	13.2	5.6	5.3	11.5	5.7	6.5	5.4	5.6	5.7
Agriculture	13.6	20.2	6.4	5.9	16.1	6.4	8.3	6.1	6.4	6.6
Food crops, excluding rice	3.1	14.4	5.6	4.0	14.0	6.3	6.3	6.3	6.3	6.3
Rice	3.1	48.5	6.0	8.0	24.0	5.5	5.8	5.8	5.8	5.8
Industrial agriculture, excluding cotton	1.0	22.0	9.0	9.5	9.5	5.0	5.0	7.8	7.8	7.8
Cotton	1.0	-16.8	16.8	15.0	9.2	15.0	60.0	4.0	9.8	11.9
Livestock	8.5	4.0	4.2	4.3	4.3	4.3	2.8	4.4	4.4	4.4
Fishing and forestry	0.7	3.7	5.3	4.6	4.5	4.6	4.6	3.7	3.7	3.7
Secondary sector	20.4	-4.6	3.5	4.5	-2.1	12.3	5.4	8.4	7.2	3.8
Mining	6.7	-6.4	1.5	-1.7	-14.3	21.2	3.3	10.1	10.0	-2.0
Industry	2.6	-14.4	0.9	7.4	0.1	9.1	6.0	8.5	3.9	5.8
Agrobusiness	0.0	-20.0	8.0	8.4	4.0	5.5	4.0	5.4	4.5	4.3
Textile	1.3	-34.0	5.0	15.0	4.9	17.0	12.0	20.0	4.0	9.8
Others	1.3	16.2	-9.2	0.5	-8.4	8.0	4.0	2.6	3.0	3.7
Energy	1.9	10.0	10.0	11.0	10.0	10.0	9.0	9.4	9.4	9.4
Construction and public works	4.9	4.5	6.0	7.0	7.0	6.5	5.0	5.6	5.6	5.6
Tertiary sector	36.9	4.3	3.5	5.2	4.6	3.9	4.2	4.9	4.9	5.0
Transportation and telecommunications	5.6	10.0	1.9	5.0	5.0	4.5	5.5	5.5	5.5	5.5
Trade	14.3	4.4	4.5	7.4	5.5	4.5	4.5	6.5	6.5	6.5
Financial services	0.8	2.0	3.5	3.5	3.5	3.5	3.0	4.1	4.1	4.1
Other nonfinancial services	6.9	1.0	5.3	4.7	4.0	4.0	3.5	4.0	4.0	4.0
Public administration	9.7	2.0	1.9	1.9	3.0	2.0	3.0	2.0	2.0	2.0
Banking services	-0.4	5.5	4.0	3.0	5.0	3.2	5.0	5.0	5.0	5.0
Indirect taxes	10.1	-2.0	5.9	5.0	4.2	4.4	4.3	2.4	3.0	5.6
GDP (market prices)	100.0	5.0	4.5	5.1	5.8	6.0	5.3	5.5	5.5	5.1
Memorandum items:										
Nominal GDP (in CFAF billions)		3,913	4,233	4,609	4,642	5,032	5,104	5,455	5,892	6,341
GDP deflator (annual percent change)		8.8	3.6	3.6	3.6	3.6	4.4	1.3	2.4	2.4

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

[1] Share of 2007 Nominal GDP.

[2] IMF Country Report No. 10/255: Mali —2010 Article IV Consultation and Fourth Review Under the ECF.

[3] IMF Country Report No. 11/37: Mali —Fifth Review Under the ECF.

Table 3. Mali: Central Government Consolidated Financial Operations, 2008-14

	2008	2009	2010		2011			2012	2013	2014
			Prog. [1]	Est.	Budget	Prog. [2]	Rev. Prog.		Proj.	
	(in CFAF billions)									
Revenue and grants	741.5	918.9	962.2	940.0	1,099.4	1,062.6	1,019.3	1,097.0	1,199.5	1,301.4
Total revenue	607.3	725.0	780.5	806.3	848.9	824.8	852.5	930.6	1,031.4	1,120.5
Budgetary revenue	540.6	653.2	709.0	727.6	777.4	753.3	781.0	853.5	947.3	1,030.0
Tax revenue	519.4	624.3	677.1	681.8	747.3	723.2	727.9	796.2	884.3	961.3
Direct taxes	149.7	177.1	188.7	204.6	204.1	204.5	214.1	238.5	271.9	296.6
Indirect taxes	369.7	447.2	488.3	477.2	543.2	518.7	513.8	557.8	612.4	664.6
VAT	200.8	247.4	276.7	261.8	300.7	293.1	300.7	321.0	347.6	379.2
Excises on petroleum products	35.2	23.1	22.5	25.5	24.1	23.9	24.1	27.5	31.3	34.2
Import duties	64.3	90.1	91.0	94.6	98.4	106.6	98.4	107.0	118.8	126.0
Other indirect taxes	91.9	93.6	100.1	102.3	124.1	127.7	127.5	141.8	157.4	171.7
Tax refund	-22.5	-7.0	-2.0	-6.9	-4.1	-32.6	-37.0	-39.5	-42.7	-46.5
Nontax revenue	21.2	28.9	31.9	45.8	30.1	30.1	53.1	57.3	63.0	68.8
Special funds and annexed budgets	66.7	71.8	71.5	78.7	71.5	71.5	71.5	77.1	84.1	90.5
Grants	134.2	193.9	181.8	133.7	250.5	237.8	166.9	166.4	168.1	180.9
Projects	54.6	96.5	79.8	57.2	167.3	154.6	83.7	81.0	79.4	85.5
Budgetary support	79.6	97.4	102.0	76.5	83.2	83.2	83.2	85.3	88.6	95.4
Of which: general	25.0	51.9	54.4	54.9	47.1	47.1	47.1	50.3	54.4	58.5
Of which: sectoral	54.6	45.5	47.6	21.6	36.1	36.1	36.1	35.0	34.3	36.9
Total expenditure and net lending (payment orders basis)	828.2	1,097.8	1,174.5	1,061.3	1,314.5	1,279.4	1,235.3	1,286.4	1,344.2	1,453.1
Budgetary expenditure	753.9	1,004.4	1,075.5	967.9	1,234.1	1,199.9	1,154.9	1,209.2	1,260.1	1,362.7
Current expenditure	459.1	549.0	611.8	601.2	672.3	673.2	703.0	742.4	789.5	840.4
Wages and salaries	186.0	213.5	235.7	231.8	270.2	269.8	270.2	288.7	314.1	338.0
Goods and services	164.7	190.2	214.1	213.2	225.5	224.8	232.5	245.5	262.6	285.0
Transfers and subsidies	94.3	129.6	140.1	137.1	151.5	153.5	175.3	188.9	193.2	196.1
Interest	14.1	15.7	22.7	19.1	25.1	25.1	25.1	19.3	19.6	21.4
Of which: domestic	1.6	3.3	7.9	6.1	8.0	8.0	8.0	4.9	4.2	5.0
Capital expenditure	294.9	455.4	463.7	366.7	561.8	526.7	451.9	466.8	470.6	522.2
Externally financed	172.8	303.2	270.0	187.6	353.0	340.1	239.4	243.9	251.9	271.0
Domestically financed	122.1	152.2	193.6	179.1	208.8	186.6	212.4	222.9	218.7	251.2
Special funds and annexed budgets	66.7	71.8	71.5	78.7	71.5	71.5	71.5	77.1	84.1	90.5
Net lending	7.6	21.6	27.4	14.7	8.9	8.0	8.9	0.0	0.0	0.0
Overall fiscal balance (excl. grants)	-220.9	-372.8	-394.0	-255.0	-465.6	-454.5	-382.8	-355.7	-312.8	-332.6
Overall fiscal balance (incl. grants)	-86.7	-178.9	-212.2	-121.3	-215.1	-216.7	-216.0	-189.4	-144.7	-151.8
Variation of arrears	0.0	0.0	-29.0	-29.0	-8.0	-10.3	-12.3	-12.3	0.0	0.0
Adjustment to cash basis	49.2	-26.0	-78.1	-53.3	0.0	0.0	4.2	-25.2	1.4	4.8
Overall balance (cash basis, incl. grants)	-37.5	-204.8	-290.3	-203.6	-223.1	-227.0	-224.1	-226.9	-143.3	-147.0
Financing	37.5	204.8	290.3	203.7	223.0	227.0	224.1	226.9	143.3	147.0
External financing (net)	82.5	180.3	163.3	131.2	160.7	177.9	137.6	151.6	160.0	171.6
Loans	99.9	200.8	184.9	152.6	187.5	187.3	164.4	175.7	189.8	204.2
Project loans	70.8	161.1	142.6	108.8	149.6	149.4	119.7	127.9	138.2	148.7
Budgetary loans	29.1	39.7	42.2	43.8	37.9	37.9	44.7	47.8	51.6	55.5
Amortization	-28.3	-33.5	-33.9	-32.4	-40.8	-23.4	-40.8	-24.1	-29.8	-32.6
Debt relief	10.9	13.0	12.4	11.0	14.0	14.0	14.0	0.0	0.0	0.0
Domestic financing (net)	-45.0	24.5	127.0	72.4	62.3	49.1	86.5	75.4	-16.7	-24.7
Banking system	-31.7	-142.8	123.6	69.0	50.0	80.4	79.2	75.4	-16.7	-24.7
Net credit to the government	-31.7	-142.8	123.6	69.0	50.0	80.4	79.2	75.4	-16.7	-24.7
IMF (net)	13.4	1.5	4.3	2.9	3.7	2.7	17.6	-0.9	-2.2	-4.0
Central bank credit (net)	-2.3	49.4	-2.5	-2.5	0.0	-2.6	-2.6	-2.5	-2.4	-2.3
Other	-42.8	-193.7	121.8	68.6	54.6	80.3	64.2	78.7	-12.1	-18.4
Privatization receipts	39.1	180.4	3.3	0.2	3.3	3.3	3.3	0.0	0.0	0.0
Other financing	-52.4	-13.1	0.1	3.3	9.0	-34.6	4.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items										
Basic fiscal balance [3]	-37.3	-58.1	-111.5	-56.4	-98.6	-100.4	-129.4	-111.8	-60.9	-61.6
Underlying basic fiscal balance [4]	-37.3	-32.7	-51.7	-16.5	-62.3	-64.4	-73.5	-52.1	-60.9	-61.6
General budgetary assistance	54.1	91.6	96.6	98.7	85.1	85.0	91.8	98.1	106.0	114.0
Nominal GDP (in billions of CFAF)	3,913	4,233	4,609	4,642	5,032	5,032	5,104	5,455	5,892	6,341

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

[1] IMF Country Report No. 10/255: Mali —Article IV Consultation and Fourth Review Under the ECF.
[2] IMF Country Report No. 11/37: Mali —Fifth Review Under the ECF.
[3] Revenue excluding grants minus domestically financed expenditure.
[4] Basic fiscal balance excluding spending financed by the revenue from the privatization of the telecom company SOTELMA.

Table 4. Mali: Central Government Consolidated Financial Operations, 2008-14

	2008	2009	2010		2011			2012	2013	2014
			Prog . [1]	Est.	Budget	Prog . [2]	Rev. Prog.		Proj.	
					(in percent of GDP)					
Revenue and grants	19.0	21.7	20.9	20.3	21.8	21.1	20.0	20.1	20.4	20.5
Total revenue	15.5	17.1	16.9	17.4	16.9	16.4	16.7	17.1	17.5	17.7
Budgetary revenue	13.8	15.4	15.4	15.7	15.4	15.0	15.3	15.6	16.1	16.2
Tax revenue	13.3	14.7	14.7	14.7	14.9	14.4	14.3	14.6	15.0	15.2
Direct taxes	3.8	4.2	4.1	4.4	4.1	4.1	4.2	4.4	4.6	4.7
Indirect taxes	9.4	10.6	10.6	10.3	10.8	10.3	10.1	10.2	10.4	10.5
VAT	5.1	5.8	6.0	5.6	6.0	5.8	5.9	5.9	5.9	6.0
Excises on petroleum products	0.9	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Import duties	1.6	2.1	2.0	2.0	2.0	2.1	1.9	2.0	2.0	2.0
Other indirect taxes	2.3	2.2	2.2	2.2	2.5	2.5	2.5	2.6	2.7	2.7
Tax refund	-0.6	-0.2	0.0	-0.1	-0.1	-0.6	-0.7	-0.7	-0.7	-0.7
Nontax revenue	0.5	0.7	0.7	1.0	0.6	0.6	1.0	1.1	1.1	1.1
Special funds and annexed budgets	1.7	1.7	1.6	1.7	1.4	1.4	1.4	1.4	1.4	1.4
Grants	3.4	4.6	3.9	2.9	5.0	4.7	3.3	3.0	2.9	2.9
Projects	1.4	2.3	1.7	1.2	3.3	3.1	1.6	1.4	1.3	1.3
Budgetary support	2.0	2.3	1.0	1.6	1.7	1.7	1.6	1.4	1.5	1.5
Of which: general	0.6	1.2	1.2	1.2	0.9	0.9	0.9	0.9	0.9	0.9
Of which: sectoral	1.4	1.1	1.0	0.5	0.7	0.7	0.7	0.6	0.6	0.6
Total expenditure and net lending (payment order basis)	21.2	25.9	25.5	22.9	26.1	25.4	24.2	23.6	22.8	22.9
Budgetary expenditure	19.3	23.7	23.3	20.9	24.5	23.8	22.6	22.2	21.4	21.5
Current expenditure	11.7	13.0	13.3	13.0	13.4	13.4	13.8	13.6	13.4	13.3
Wages and salaries	4.8	5.0	5.1	5.0	5.4	5.4	5.3	5.3	5.3	5.3
Goods and services	4.2	4.5	4.6	4.6	4.5	4.5	4.6	4.5	4.5	4.5
Transfers and subsidies	2.4	3.1	3.0	3.0	3.0	3.1	3.4	3.5	3.3	3.1
Interest	0.4	0.4	0.5	0.4	0.5	0.5	0.5	0.4	0.3	0.3
Of which: domestic	0.0	0.1	0.2	0.1	0.2	0.2	0.2	0.1	0.1	0.1
Capital expenditure	7.5	10.8	10.1	7.9	11.2	10.5	8.9	8.6	8.0	8.2
Externally financed	4.4	7.2	5.9	4.0	7.0	6.8	4.7	4.5	4.3	4.3
Domestically financed	3.1	3.6	4.2	3.9	4.1	3.7	4.2	4.1	3.7	4.0
Special funds and annexed budgets	1.7	1.7	1.6	1.7	1.4	1.4	1.4	1.4	1.4	1.4
Net lending	0.2	0.5	0.6	0.3	0.2	0.2	0.2	0.0	0.0	0.0
Overall fiscal balance (excl. grants)	-5.6	-8.8	-8.5	-5.5	-9.3	-9.0	-7.5	-6.5	-5.3	-5.2
Overall fiscal balance (incl. grants)	-2.2	-4.2	-4.6	-2.6	-4.3	-4.3	-4.2	-3.5	-2.5	-2.4
Variation of arrears			-0.6	-0.6	-0.2	-0.2	-0.2	0.0	-0.2	0.0
Adjustment to cash basis	1.3	-0.6	-1.1	-1.1	0.0	0.0	0.1	-0.5	0.0	0.1
Overall balance (cash basis, incl. grants)	-1.0	-4.8	-6.3	-4.4	-4.4	-4.5	-4.4	-4.2	-2.4	-2.3
Financing	1.0	4.8	6.3	4.4	4.4	4.5	4.4	4.2	2.4	2.3
External financing (net)	2.1	4.3	3.5	2.8	3.2	3.5	2.7	2.8	2.7	2.7
Loans	2.6	4.7	4.0	3.3	3.7	3.7	3.2	3.2	3.2	3.2
Project loans	1.8	3.8	3.1	2.3	3.0	3.0	2.3	2.3	2.3	2.3
Budgetary loans	0.7	0.9	0.9	0.9	0.8	0.8	0.9	0.9	0.9	0.9
Amortization	-0.7	-0.8	-0.7	-0.7	-0.8	-0.5	-0.8	-0.4	-0.5	-0.5
Debt relief	0.3	0.3	0.3	0.2	0.3	0.3	0.3	0.0	0.0	0.0
Domestic financing (net)	-1.2	0.6	2.8	1.6	1.2	1.0	1.7	1.4	-0.3	-0.4
Banking system	-0.8	-3.4	2.7	1.5	1.0	1.6	1.6	1.4	-0.3	-0.4
Net credit to the government	-0.8	-3.4	2.7	1.5	1.0	1.6	1.6	1.4	-0.3	-0.4
IMF (net)	0.3	0.0	0.1	0.1	0.1	0.1	0.3	0.0	0.0	-0.1
Central bank credit, net	-0.1	1.2	-0.1	-0.1	0.0	-0.1	-0.1	0.0	0.0	0.0
Other	-1.1	-4.6	2.6	1.5	1.1	1.6	1.3	1.4	-0.2	-0.3
Privatization receipts	1.0	4.3	0.1	0.0	0.1	0.1	0.1	0.0	0.0	0.0
Other financing	-1.3	-0.3	0.0	0.1	0.2	-0.7	0.1	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items										
Basic fiscal balance [3]	-1.0	-1.4	-2.4	-1.2	-2.0	-2.0	-2.5	-2.0	-1.0	-1.0
Underlying basic fiscal balance [4]	-1.0	-0.8	-1.1	-0.4	-1.2	-1.3	-1.4	-1.0	-1.0	-1.0
General budgetary assistance	1.4	2.2	2.1	2.1	1.7	1.7	1.8	1.8	1.8	1.8
Nominal GDP (in billions of CFAF)	3,913	4,233	4,609	4,642	5,032	5,032	5,104	5,455	5,892	6,341

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

[1] IMF Country Report No. 10/255: Mali —2010 Article IV Consultation and Fourth Review Under the ECF.

[2] IMF Country Report No. 11/37: Mali —Fifth Review Under the ECF.

[3] Revenue excluding grants minus domestically financed expenditure.

[4] Basic fiscal balance excluding spending financed by the revenue from the privatization of the telecom company SOTELMA.

Table 5. Mali: Balance of Payments, 2008–14

	2008	2009	2010 Prog .[1]	2010 Est.	2011 Prog .[2]	2011 Rev. Prog.	2012	2013	2014
								Proj.	
				(in CFAF billions)					
Current account balance									
Excluding official transfers	-545.2	-392.1	-469.2	-420.0	-456.6	-460.4	-443.0	-378.8	-425.2
Including official transfers	-497.6	-309.7	-365.2	-347.1	-404.5	-393.5	-371.5	-301.6	-342.1
Trade balance	-306.1	-95.9	-152.8	-146.7	-3.8	-80.4	-22.3	89.2	65.0
Exports, f.o.b.	917.6	935.4	1,128.4	980.8	1,301.8	1,192.7	1,285.9	1,424.1	1,460.6
Cotton fiber	65.6	68.8	80.2	89.5	105.2	174.0	143.9	141.2	140.6
Gold	652.1	737.7	817.6	746.0	1,010.5	870.4	976.6	1,106.6	1,132.0
Other	199.9	128.9	230.6	145.4	186.0	148.4	165.4	176.3	188.0
Imports, f.o.b.	-1,223.7	-1,031.3	-1,281.2	-1,127.5	-1,305.5	-1,273.1	-1,308.2	-1,334.9	-1,395.6
Petroleum products	-261.2	-210.4	-236.4	-289.3	-313.8	-402.6	-419.1	-423.1	-440.7
Foodstuffs	-153.0	-149.1	-139.2	-145.8	-168.0	-161.5	-162.3	-167.7	-177.1
Other	-809.5	-671.9	-905.6	-692.4	-823.8	-709.1	-726.8	-744.1	-777.8
Services (net)	-255.2	-223.5	-291.6	-259.1	-346.1	-303.4	-318.0	-332.3	-351.3
Credit	203.4	174.1	202.1	166.0	184.3	176.2	182.8	190.8	197.1
Debit	-458.7	-397.6	-493.7	-425.1	-530.4	-479.5	-500.8	-523.1	-548.4
Of which : freight and insurance	-266.3	-199.6	-281.2	-246.9	-301.3	-293.8	-301.9	-313.1	-327.4
Income (net)	-140.0	-220.1	-160.3	-173.1	-246.3	-229.5	-258.3	-293.5	-299.3
Of which: interest due on public debt	-16.2	-12.4	-14.8	-13.0	-17.1	-17.1	-14.4	-15.4	-16.4
Transfers (net)	203.7	229.8	239.6	231.7	191.7	219.8	227.0	234.9	243.6
Private transfers (net)	156.2	147.4	135.6	158.8	139.6	153.0	155.5	157.7	160.5
Official transfers (net)	47.5	82.4	104.0	72.9	52.1	66.9	71.5	77.2	83.1
Of which: budgetary grants	25.0	51.9	54.4	54.9	47.1	47.1	50.3	54.4	58.5
Capital and financial account	109.2	554.7	343.5	260.9	423.2	344.2	360.4	374.0	401.9
Capital account (net)	147.3	179.9	169.8	118.6	199.0	128.1	124.9	123.3	132.7
Capital transfers	147.3	179.9	169.8	118.6	199.0	128.1	124.9	123.3	132.7
Of which: project grants	109.2	142.0	127.4	78.8	190.7	119.8	116.0	113.7	122.4
Financial account	302.1	374.7	173.7	129.9	224.2	202.2	235.5	250.7	269.2
Private (net)	230.5	154.9	22.8	9.7	60.3	78.6	84.0	90.7	97.6
Direct investment (net)	80.5	201.4	52.5	84.8	95.8	77.3	82.6	89.2	96.0
Portfolio investment private (net)	3.4	18.5	4.6	1.2	5.2	1.3	1.4	1.5	1.6
Other private capital flows	146.6	-65.0	-34.4	-76.3	-40.7	0.0	0.0	0.0	0.0
Official (net)	71.6	219.8	151.0	120.2	163.9	123.6	151.6	160.0	171.6
Disbursements	99.9	200.8	184.9	152.6	187.3	164.4	175.7	189.8	204.2
Budgetary	29.1	39.7	42.2	43.8	37.9	44.7	47.8	51.6	55.5
Project related	70.8	161.1	142.6	108.8	149.4	119.7	127.9	138.2	148.7
Monetary authority	0.0	52.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization due on public debt	-28.3	-33.5	-33.9	-32.4	-23.4	-40.8	-24.1	-29.8	-32.6
Errors and omissions	43.9	-35.0	-0.4	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-4.4	210.0	-22.1	-86.2	18.7	-49.3	-11.1	72.4	59.8
Financing	4.4	-210.8	22.1	86.2	-18.7	49.3	11.1	-72.4	-59.8
Foreign assets (net)	-6.5	-223.8	9.7	73.8	-32.7	35.3	11.1	-72.4	-59.8
Of which: IMF (net)	13.4	1.5	4.4	2.9	2.7	17.6	-0.9	-2.2	-4.0
HIPC Initiative assistance	10.9	13.0	12.4	12.4	14.0	14.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				(in percent of GDP, unless otherwise indicated)					
Current account balance									
Excluding official transfers	-13.9	-9.3	-10.2	-9.0	-9.1	-9.0	-8.1	-6.4	-6.7
Including official transfers	-12.7	-7.3	-7.9	-7.5	-8.0	-7.7	-6.8	-5.1	-5.4
				(annual percentage change)					
External trade									
Export volume index	-3.9	-8.1	3.9	-0.2	18.5	0.5	20.2	7.4	2.3
Import volume index	50.3	-17.6	1.1	2.6	11.3	6.2	5.4	4.1	5.0
Export unit value	25.5	10.9	19.2	5.1	12.6	21.0	-10.3	3.1	0.3
Import unit value	-5.4	2.5	11.9	6.4	7.1	7.3	-2.5	-1.6	-0.5
Terms of trade	32.7	8.3	6.6	-1.3	5.1	12.7	-8.0	4.8	0.7

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

[1] IMF Country Report No. 10/255: Mali —2010 Article IV Consulatation and Fourth Review Under the ECF.

[2] IMF Country Report No. 11/37: Mali —Fifth Review Under the ECF.

Table 6. Mali: Monetary Survey, 2008-14

	2008	2009	2010		2011		2012	2013	2014
			Prog. [1]	Est.	Prog . [2]	Rev. Prog.		Proj.	
			(in CFAF billions)						
Net Foreign Assets	496.4	742.4	749.7	726.0	782.5	676.8	665.6	738.0	797.9
BCEAO	467.1	638.3	628.6	552.2	648.0	502.9	491.8	564.2	624.0
Commercial Banks	29.4	104.0	121.1	173.8	134.5	173.8	173.8	173.8	173.8
Net Domestic Assets	527.2	445.5	636.5	568.0	719.7	757.0	938.9	1,047.5	1,171.4
Credit to the government (net)	-156.2	-299.0	-175.3	-269.9	-83.7	-190.7	-115.2	-131.8	-156.4
BCEAO	5.5	-113.4	…	-74.1	…	…	…	…	…
Commercial banks	-161.7	-185.5	…	-195.7	…	…	…	…	…
Other	0.0	-0.1	…	-0.1	…	…	…	…	…
Credit to the economy	671.2	745.0	812.3	845.3	803.8	955.1	1,061.5	1,186.7	1,335.1
Other items (net)	12.2	-0.5	-0.5	-7.4	-0.5	-7.4	-7.4	-7.4	-7.4
Money supply (M2)	1,023.6	1,187.9	1386.2	1,294.0	1,502.2	1,433.8	1,604.5	1,785.6	1,969.2
Currency outside banks	317.1	304.5	355.4	314.1	385.1	348.0	389.4	433.4	478.0
Bank deposits	706.6	883.4	1030.9	980.0	1,117.1	1,085.8	1,215.1	1,352.2	1,491.3
Memorandum item:									
Base Money (M0)	491.1	569.9	634.6	620.8	687.7	687.9	769.8	856.6	944.8
Gross international reserves BCEAO	497.5	719.7	714.5	642.6	734.9	594.4	578.3	645.7	700.5
in percent of broad money	48.6	60.6	51.5	49.7	48.9	41.5	36.0	36.2	35.6
			(in percent of beginning-of-period broad money)						
Contribution to growth of broad money									
Money supply (M2)	0.5	16.0	16.7	8.9	11.5	10.8	11.9	11.3	10.3
Net foreign assets	-2.9	24.0	0.6	-1.4	2.4	-3.8	-0.8	4.5	3.4
BCEAO	0.6	16.7	-0.8	-7.2	2.4	-3.8	-0.8	4.5	3.4
Commercial banks	-3.6	7.3	1.4	5.9	0.0	0.0	0.0	0.0	0.0
Net domestic assets	3.5	-8.0	16.1	10.3	9.0	14.6	12.7	6.8	6.9
Credit to the central government	-3.2	-13.9	10.4	2.5	6.0	6.1	5.3	-1.0	-1.4
Credit to the economy	5.2	7.2	5.7	8.4	3.1	8.5	7.4	7.8	8.3
Other items net	1.5	-1.2	0.0	-0.6	0.0	0.0	0.0	0.0	0.0
			(variation in percent, unless otherwise specified)						
Memorandum items:									
Money supply (M2)	0.5	16.0	16.7	8.9	11.5	10.8	11.9	11.3	10.3
Base money (M0)	5.0	16.0	16.7	8.9	11.5	10.8	11.9	11.3	10.3
Credit to the economy	8.5	11.0	9.0	13.5	5.4	13.0	11.1	11.8	12.5
Velocity (GDP/M2)	3.8	3.6	3.3	3.6	3.4	3.6	3.4	3.3	3.2
Money Multiplier (M2/M0)	2.1	2.1	2.2	2.1	2.2	2.1	2.1	2.1	2.1
Currency outside banks / M2	31.0	25.6	25.6	24.3	25.6	24.3	24.3	24.3	24.3

Sources: BCEAO; and Fund staff estimates and projections.

[1] IMF Country Report No. 10/255: Mali —2010 Article IV and Fourth Review Under the ECF.
[2] IMF Country Report No. 11/37: Mali —Fifth Review Under the ECF.

Table 7. Mali: Financial Soundness Indicators for the Banking Sector, 2002-10[1]

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Capital									
Capital (net worth) in percent of assets	10.0	9.7	7.4	9.7	9.2	7.2	7.4	8.7	11.3
Asset quality									
Nonperforming loans in percent of total loans	19.5	15.6	19.6	30.2	25.0	25.1	25.3	21.9	21.5
Nonperforming loans net of provisions in percent of total credits net of provisions	9.6	7.3	9.9	16.3	12.6	10.7	9.3	9.1	8.9
Provisions as percent of nonperforming loans	56.4	57.5	55.0	55.0	57.0	65.5	66.9	64.3	63.4
Earnings and profitability									
Net profit (before tax) in percent of net income	14.6	13.1	-28.3	14.3	13.5	-13.9	15.9	8.4	8.4
Return on equity	7.7	7.6	-22.6	8.7	8.7	-12.1	13.3	13.2	13.2
Global margin (yield on loans minus cost of capital)	6.0	6.4	6.2	6.5	7.0	7.3	7.9	9.0	9.0
Liquidity									
Liquid assets/short term liabilities	55.6	33.3	72.7	54.5	60.0	80.0	73.3	88.1	99.2

Source: BCEAO, and IMF staff estimates.

[1] Ratios calculated on the basis of average stocks of the period.

Table 8. Mali: Indicators of Capacity to Repay the Fund, 2008–17

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
					(in millions of SDRs)					
Fund obligations based on existing credit										
Principal	0.0	0.0	0.1	0.4	1.2	2.9	5.2	5.7	6.1	5.6
Charges and interest	0.1	0.1	0.0	0.1	0.2	0.2	0.1	0.1	0.1	0.1
Fund obligations based on existing and prospective credit										
Principal	0.0	0.0	0.1	0.4	1.2	2.9	5.2	5.7	8.2	10.4
Charges and interest	0.1	0.1	0.0	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Total obligations based on existing and prospective credit										
In millions of SDRs	0.1	0.1	0.1	0.5	1.4	3.1	5.4	5.9	8.4	10.6
In billions of CFA francs	0.1	0.2	0.2	0.6	1.9	4.1	7.1	7.6	10.8	13.7
In percent of government revenue	0.0	0.0	0.0	0.1	0.2	0.4	0.6	0.6	0.8	0.9
In percent of exports of goods and services	0.0	0.0	0.0	0.0	0.1	0.3	0.4	0.4	0.6	0.7
In percent of debt service	0.3	0.5	0.4	1.2	4.3	8.3	13.1	13.8	18.4	21.8
In percent of GDP	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.2
In percent of quota	0.1	0.1	0.1	0.5	1.5	3.3	5.8	6.3	8.9	11.3
Outstanding Fund credit										
In millions of SDRs	26.0	28.0	31.9	60.5	59.3	56.4	51.2	45.5	37.3	26.9
In billions of CFA francs	36.9	38.5	42.2	80.6	78.8	74.4	67.1	59.2	48.3	34.8
In percent of government revenue	6.1	5.3	5.2	7.6	8.5	7.2	6.0	4.9	3.6	2.4
In percent of exports of goods and services	3.3	3.5	3.7	5.9	5.4	4.6	4.0	3.4	2.7	1.9
In percent of debt service	117.1	106.4	104.3	155.3	181.1	150.6	124.3	107.2	82.1	55.6
In percent of GDP	0.9	0.9	0.9	1.6	1.4	1.3	1.1	0.9	0.7	0.4
In percent of quota	27.9	30.0	34.1	64.8	63.5	60.4	54.8	48.8	40.0	28.8
Disbursements and Repurchases	18.0	2.0	3.9	28.6	-1.2	-2.9	-5.2	-5.7	-8.2	-10.4
Disbursements	18.0	2.0	4.0	29.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	0.0	0.0	0.1	0.4	1.2	2.9	5.2	5.7	8.2	10.4
Memorandum items:			(in CFAF billions, unless otherwise indicated)							
Nominal GDP	3913	4233	4642	5104	5455	5892	6341	6827	7352	7909
Exports of goods and services	1121	1109	1147	1369	1469	1615	1658	1733	1814	1867
Government revenue	607	725	806	1063	931	1031	1121	1219	1326	1442
Debt service	32	36	41	52	43	49	54	55	59	63
CFA francs/SDR (period average)	482	449	496	...	...	...	...	...	...	...

Sources: IMF staff estimates and projections.

Table 9. Mali: Schedule of Disbursements Under the ECF Arrangment, 2008-11 [1]

Amount	Available date	Conditions for disbursement
SDR 12.99 million	May 28, 2008	Executive Board approval of the three year ECF arrangement.
SDR 5.00 million	December 10, 2008	Observance of the performance criteria for June 30, 2008, and the completion of the first review under the arrangement.
SDR 2.00 million	July 6, 2009	Observance of the performance criteria for December 31, 2008, and the completion of the second review under the arrangement.
SDR 2.00 million	February 3, 2010	Observance of the performance criteria for June 30, 2009, and the completion of the third review under the arrangement.
SDR 2.00 million	July 16, 2010	Observance of the performance criteria for December 31, 2009, and the completion of the fourth review under the arrangement.
SDR 2.00 million	January 26, 2011	Observance of the performance criteria for June 30, 2010, and the completion of the fifth review under the arrangement.
SDR 21.00 million	June 13, 2011	Observance of the performance criteria for December 31, 2010, and the completion of the sixth review under the arrangement.
SDR 6.00 million	December 1, 2011	Observance of the performance criteria for June 30, 2011, and the completion of the seventh review under the arrangement.

Source : IMF staff estimates and projections.

[1] The future disbursements reflect the proposed augmentation.

Table 10. Mali: Millennium Development Goals 1990-2008

	1990	1995	2000	2005	2008
Goal 1: Eradicate extreme poverty and hunger	**2015 target = halve 1990 poverty and malnutrition rates**				
Employment to population ratio, 15+, total (%)	49	48	49	47	47
Employment to population ratio, ages 15-24, total (%)	40	39	40	36	35
GDP per person employed (constant 1990 PPP $)	1,874	1,929	2,094	2,463	2,608
Income share held by lowest 20%	7	5	6	7	7
Malnutrition prevalence, weight for age (% of children under 5)	..	38	30	28	28
Poverty gap at $1.25 a day (PPP) (%)	13	53	26	19	19
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	40	86	61	51	51
Vulnerable employment, total (% of total employment)	..	96	..	..	..
Goal 2: Achieve universal primary education	**2015 target = increase net enrollment to 100**				
Literacy rate, youth female (% of females ages 15-24)	..	..	17	31	31
Literacy rate, youth male (% of males ages 15-24)	..	..	32	47	47
Persistence to last grade of primary, total (% of cohort)	..	..	86	73	76
Primary completion rate, total (% of relevant age group)	12	16	31	44	57
Total enrollment, primary (% net)	..	..	45	61	75
Goal 3: Promote gender equality and empower women	**2015 target = increase education ratio to 100**				
Proportion of seats held by women in national parliaments (%)	..	2	12	10	10
Ratio of female to male primary enrollment (%)	59	67	74	78	83
Ratio of female to male secondary enrollment (%)	51	..	55	61	64
Ratio of female to male tertiary enrollment (%)	16	..	47	53	45
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	..	..	..	35	..
Goal 4: Reduce child mortality	**2015 target = reduce 1990 under 5 mortality by two-thirds**				
Immunization, measles (% of children ages 12-23 months)	43	52	49	68	68
Mortality rate, infant (per 1,000 live births)	139	132	120	109	103
Mortality rate, under-5 (per 1,000)	250	233	217	202	194
Goal 5: Improve maternal health	**2015 target = reduce 1990 maternal mortality by three-fourths**				
Adolescent fertility rate (births per 1,000 women ages 15-19)	..	..	167	164	161
Births attended by skilled health staff (% of total)	..	40	41	49	49
Contraceptive prevalence (% of women ages 15-49)	..	7	8	8	8
Maternal mortality ratio (estimate, per 100,000 live births)	..	..	..	970	..
Pregnant women receiving prenatal care (%)	..	94	57	70	70
Unmet need for contraception (% of married women ages 15-49)	..	26	29	31	31
Goal 6: Combat HIV/AIDS, malaria, and other diseases	**2015 target = begin to reverse AIDS and other major diseases**				
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	..	32	32
Condom use, female (% of females ages 15-24)	..	3	3	4	4
Condom use, male (% of males ages 15-24)	..	26	26	29	29
Incidence of tuberculosis (per 100,000 people)	275	287	300	313	322
Prevalence of HIV, total (% of population ages 15-49)	0	1	1	2	2
Tuberculosis case detection rate (all forms)	..	12	14	17	21
Goal 7: Ensure environmental sustainability					
CO2 emissions (kg per PPP $ of GDP)	0	0	0	0	0
CO2 emissions (metric tons per capita)	0	0	0	0	0
Forest area (% of land area)	12	11	11	10	10
Improved sanitation facilities (% of population with access)	35	39	42	45	45
Improved water source (% of population with access)	33	42	51	60	60
Terrestrial protected areas (% of total surface area)	..	..	..	..	2
Goal 8: Develop a global partnership for development					
Net ODA received per capita (current US$)	55	57	34	59	76
Internet users (per 100 people)	0	0	0	1	2
Mobile cellular subscriptions (per 100 people)	0	0	0	6	27
Telephone lines (per 100 people)	0	0	0	1	1
Other					
Fertility rate, total (births per woman)	7	7	7	7	7
GNI per capita, Atlas method (current US$)	250	250	250	440	580
Gross capital formation (% of GDP)	23	23	25	23	23
Life expectancy at birth, total (years)	43	44	46	47	48
Literacy rate, adult total (% of people ages 15 and above)	..	..	19	26	26

Source: World Bank, World Development Indicators (http://ddp-ext.worldbank.org/ext/ddpreports).

APPENDIX I. LETTER OF INTENT

Bamako, May 26, 2011

Mr. John Lipsky
Acting Managing Director
International Monetary Fund
Washington, DC 20431
USA

Dear Mr. Lipsky:

1. The fifth review of our economic and financial program, supported by an arrangement under the Extended Credit Facility (ECF), was completed favorably by the IMF Executive Board on January 26, 2011.

2. The attached Memorandum on Economic and Financial Policies (MEFP) describes recent developments in the Malian economy and the progress made in implementing our program in 2010. This memorandum also sets out the economic and financial policies that the Malian government intends to pursue in 2011.

3. The government's ongoing efforts to strengthen the tax and customs administration and to control public expenditure enabled it to meet all the performance criteria and indicative targets for end-December 2010, with the exception of the floor on social spending which fell slightly short of the programmed amount. In addition, the government implemented all of the measures associated with structural benchmarks for end-December 2010, with the exception of the funding of the Treasury account opened at the BCEAO to receive revenues intended for refunding Value Added Tax (VAT) credits, which will start shortly.

4. In 2011, the government will continue conducting a prudent fiscal policy, carry out reforms in all areas of fiscal management, and further its efforts to develop the financial sector and restructure the cotton and electricity sectors. In view of our overall achievements and based on the measures spelled out in the attached MEFP, we request the favorable conclusion of the sixth review under our ECF-supported program and a modification of performance criteria for end-June 2011.

5. In addition, the government requests that the IMF Executive Board augment its access to Fund resources under the current arrangement under the ECF in the amount of SDR 25 million (27 percent of Mali's quota), in order to mitigate the balance-of-payments

impact resulting from the crises in Côte d'Ivoire and Libya. These crises are causing a downturn in exports, in remittances from migrant workers, and in foreign direct investment (FDI), as well as an increase in import transport costs, for an overall impact estimated at SDR 44 million (0.6 percent of GDP) in 2011. Provided this augmentation of access is accepted, we request a disbursement in an amount equivalent to SDR 21 million, including SDR 20 million for the increase and SDR 1 million for the disbursement under the sixth review.

6. The government believes that the measures and policies described in the attached MEFP are appropriate for attaining the objectives of its program in 2011. It will take any additional steps necessary to that end. Mali will consult with the IMF on the adoption of such measures and before any revision of the policies described in the attached MEFP, in accordance with the IMF's policies on such consultations. The government will provide Fund staff with any required information referred to in the Technical Memorandum of Understanding (TMU) concerning progress made under the program. During the program, the government will not introduce or strengthen any exchange controls, multiple exchange rate practices, or import restrictions for balance of payments purposes, or conclude any bilateral payment agreements that are inconsistent with Article VIII of the Fund's Articles of Agreement.

7. The government intends to make public the contents of the IMF staff report, including this letter, the attached MEFP, the TMU, as well as the informational annex. It therefore authorizes the IMF to publish these documents on its website following the conclusion of the sixth review by the IMF Executive Board.

Sincerely yours,

/s/

Lassine Bouaré
Minister of Economy and Finance

Attachments:
- Memorandum on Economic and Financial Policies
- Technical Memorandum of Understanding

ATTACHMENT I. MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES

1. The present memorandum of economic and financial policies describes recent developments in Mali and sets out the country's economic and financial policies in 2011 as part of the sixth review under the three-year arrangement under the Extended Credit Facility (ECF).

I. RECENT ECONOMIC DEVELOPMENTS AND PROGRAM IMPLEMENTATION DURING 2010

2. In 2010, real GDP growth is expected to remain at approximately 5.8 percent. The sharp decline in gold production (-14.3 percent) due to the delay in commencing the operation of a new mine has been more than offset by the strong growth in the agricultural sector (+ 16.1 percent), which has benefited from favorable levels of rainfall and positive conditions for the crop season, including the government's financial support for farmers in the form of input subsidies. The positive conditions for the crop season held inflation at 1.4 percent for the year as a whole.

3. The balance-of-payments current account deficit, including grants, widened slightly to 7.5 percent of GDP. The favorable impact of rising gold and cotton prices has been outweighed by rising oil prices and transportation costs. The balance of payments current account deficit has been only partially financed by net capital inflows, primarily through foreign aid and foreign direct investment. As a result, the overall balance of payments showed a deficit of about CFAF 86 billion (US$174 million), financed by drawing on the foreign exchange reserves of the Central Bank of West African States (BCEAO).

4. The money supply increased by 8.9 percent during 2010, driven mainly by credit to the private sector. The latter increased by 13.5 percent in response to heightened demand for credit for the crop season and for consumption during the final quarter.

5. The latest available data in regard to financial sector stability point to an improvement in the banking sector capital, which reached 10 percent of total assets at end-December 2010. All banks (except for one) meet the minimum capital requirement, which was raised to CFAF 5 billion. The stock of non-performing loans (less provisioning) stayed at 9 percent of total credits (less provisioning) as provisioning rate (64 percent) remained unchanged.

6. The program targets for end-December 2010 with respect to government finances were met. The basic fiscal balance recorded a deficit of CFAF 56 billion (1.2 percent of GDP), whereas a deficit of CFAF 112 billion (2.4 percent of GDP) had been programmed. The underlying basic fiscal balance (excluding spending financed by revenues from the privatization of SOTELMA) has recorded a decline (deficit of CFAF 17 billion or 0.4 percent of GDP) relative to the programmed amount (deficit of CFAF 51 billion or 1.1 percent of

GDP). This result is due to the favorable performance of tax and non-tax receipts, control of current and capital expenditures, and delays in executing the capital expenditures financed by the telecommunication company (SOTELMA) privatization revenues because of the time needed to comply with the procurement procedures. All pending bills for 2009—which amounted to CFAF 129 billion—were cleared during the first 8 months of the year, and pending bills at end-FY 2010 were held slightly below the programmed amount of CFAF 80 billion. Consequently, all performance criteria and indicative targets for end-December were observed, except for the floor on priority spending, where the execution shortfall posted throughout the current year was almost entirely made up during the final quarter (Table 1).

7. The government has implemented almost all the measures covered by structural benchmarks for end-December 2010 (Table 2):

- The government has begun implementing all the measures set forth in its MEFP of December 31, 2010 to ensure regular repayment of the value added tax (VAT) credits beginning in January 1, 2011.[1] The only one of these measures to have taken longer than anticipated is the funding of the Treasury account opened at the BCEAO to receive revenues intended for refunding VAT credits, which will start shortly (¶19).

- The Ministry of Economy and Finance has prepared an assessment of the restructuring of the Malian Housing Bank (BHM), including the use of public funds transferred to the BHM during the first half of 2010 in order to restart its lending activity.

- To strengthen revenues further while rationalizing and modernizing tax legislation, the Directorate General of Taxation (DGI) prepared a memorandum proposing the strategy for reforming the tax system based on types of taxes. In particular, this memorandum took account of the diagnostic analyses performed and the recommendations put forward by the technical assistance mission from the Fund's Fiscal Affairs Department in September 2010.

- The Treasury's new integrated accounting application (AICE) and its interface with the expenditure management software (PRED 5) was put in operation in the General Payments Office (PGT) of the Treasury (the accounting office which processes 80 percent of national budget expenditure) by January 3, 2011.

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[1] See Mali: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding, December 31, 2010, ¶21.

II. THE PROGRAM IN 2011

A. Implementation of the Growth and Poverty Reduction Strategy Paper (G-PRSP)

8. Budget policy is aligned with the priority sectors of the G-PRSP II for the period 2007-11. In 2011, priority measures will focus chiefly on six areas, which will receive special emphasis out of the 14 priority areas indicated in G-PRSP II. These areas are as follows: education; health; food security and rural development; the development of small and medium-sized enterprises; the follow up of reforms in the business environment; and the promotion of democratic governance and public freedoms.

9. The G-PRSP III will provide a framework for the government's economic, financial, and sectoral policies implemented in 2012-17. Preparation of the new G-PRSP is participatory, involving civil society, the private sector, and technical and financial partners (TFPs). The final version of G-PRSP III should be available by end-2011, but its major outlines and priority areas should be known in time to be incorporated into preparations for the 2012 budget.

B. Impact of the crises in Côte d'Ivoire and in Libya, and rising food and oil prices

10. In early 2011, the Malian economy was confronted with a combination of several external shocks: the economic and political crisis in Côte d'Ivoire since end-2010, the crisis in Libya, and rising food and oil prices on international markets.

11. Assuming a return to normal economic conditions in Côte d'Ivoire during the second half of 2011, the crisis in that country will leave its mark on the Mali economy for about six months through the following transmission channels:

- a 5 percent increase in transportation costs corresponding to approximately CFAF 8 billion (0.2 percent of GDP) due to the diversion of exports and imports to more distant ports (about 12 percent of Mali's imports and 1 percent of Mali's exports transited through Côte d'Ivoire in 2010);

- a decline in livestock exports, valued at CFAF 5 billion (0.1 percent of GDP);

- a decrease in income repatriated by Malians living in Côte d'Ivoire, estimated at CFAF 10 billion (0.2 percent of GDP);

- the Malian banking system is exposed to Côte d'Ivoire (by about CFAF 100 billion or 2 percent of GDP, equivalent to about 60 percent of banking sector equity) mainly through holdings of treasury bills and bonds issued by the Ivorian government but also through and credit to the Ivorian banking system equivalent to about half of banking sector's equity (23 billion CFAF or 0.4 percent of GDP)..

12. The crisis in Libya raises questions about the continuation of foreign direct investment in the hotel and agricultural sectors amounting to approximately CFAF 16 billion (0.3 percent of GDP) in 2011. This situation also calls for a careful monitoring of the two Libyan-owned banks in the local market, whose cumulative balance sheet accounts for about 3 percent of the size of the entire banking system.

13. In addition, the Malian economy is facing an anticipated increase in international oil prices of about 30 percent compared to 2010 as well as a 20 percent increase in global food prices. The favorable agricultural production recorded in 2010 indicates that foodstuffs are resilient to shocks. However, the failure to adjust retail oil and electricity prices could lead to a significant deterioration in the fiscal position through a loss of tax receipts on petroleum products in the amount of CFAF 30 billion (0.6 percent of GDP, ¶16) and require an increase in transfers to the utility company EDM of about CFAF 20 billion (0.4 percent of GDP, ¶36).

C. Macroeconomic Framework

14. In spite of these shocks, real growth in GDP is expected at 5.3 percent thanks to the increase in gold and agricultural production, driven by the high levels of gold and cotton prices. Due to the rise in transportation costs in the wake of the crisis in Côte d'Ivoire and the increase in imported food prices, inflation is expected to rise to about 3.5 percent. Fiscal policy will remain cautious and will focus on maintaining the underlying basic fiscal balance at 1.4 percent of GDP. The increase in gold and cotton exports should help improve the current account balance and the overall balance of the balance of payments. However, these improvements will be diminished by the negative impact of the crises in Côte d'Ivoire and Libya, which will contribute to keeping the overall balance of the balance of payments in deficit, and will require a further drawdown on the BCEAO's foreign exchange reserves in the amount of about CFAF 53 billion (US$111 million). The growth in credit to the government and to the private sector is expected increase in the money supply in line with nominal GDP.

D. Economic and Financial Policies

Fiscal policy and reform

Fiscal policy

15. To address these shocks, and to meet the needs for which no resources were allocated in the 2011 budget law approved by Parliament, the government is preparing a supplementary budget law, which targets an underlying basic balance of CFAF 73.5 billion (1.4 percent of GDP), a level very close to the one specified in the initial budget law. The government will submit the draft supplementary budget law to Parliament by end-June. While making provision for an underlying basic fiscal balance close to the level set forth in the initial budget law, the draft supplementary budget law will reflect key policy changes and adjustments in comparison with the initial budget law.

16. The following changes are proposed on the revenue side:

- Tax revenue losses on petroleum products in the event of a failure to bring about an upward adjustment in retail fuel could reach CFAF 30 billion (¶13). The government has decided to implement a mechanism for indexing retail oil prices to changes in the supplier price, which will make it possible to safeguard government tax revenue, while cushioning excessively sharp increases in retail prices. If the government decides against implementing this mechanism for economic and social reasons, it will adopt revenue or expenditure measures to maintain the underlying basic balance at the level envisaged in the supplementary budget law.

- To improve confidence in the VAT system, the draft supplementary budget law will revise the amount of the tax refund upward from CFAF 4 billion to CFAF 37 billion, of which CFAF 33 billion will be used for refunding VAT credits to exporters and to local operators, and CFAF 4 billion will be used for exemptions.

- Additional revenues are envisaged by DGI in the amount of CFAF 10 billion, which is an upward revision in light of the 2010 results.

- Additional revenues are envisaged by the National Directorate of Government Property and the Land Registry (DNDC) in the amount of CFAF 26.4 billion arising from: supplemental dividends expected from SOTELMA in the amount of CFAF 5 billion, additional dividends expected from the mining companies in the amount of CFAF 15.6 billion, nontax receipts in the amount of CFAF 2.4 billion, and additional tax receipts in the amount of CFAF 3.4 billion.

17. On the expenditure side, the proposed changes are as follows:

- To respond to the crisis in Côte d'Ivoire and Libya, out of the CFAF 10 billion in funds allocated to social safety net in the initial budget law, CFAF 2 billion will be devoted to accommodating migrant workers returning from those two countries.

- To organize the constitutional referendum in 2011 and prepare for the legislative and presidential elections in 2012, expenditures on goods and services for these items have been revised upward by CFAF 12 billion, but other goods and services have been lowered by CFAF 5 billion and transfers have also been lowered by CFAF 5 billion.

- As a result of its decision not to raise electricity prices, the government is proposing to increase transfers to Energie du Mali (EDM) from CFAF 2 billion to CFAF 20 billion, following its energy sector policy (¶36).

- To allow for a favorable crop season in 2011/12, subsidies for agricultural inputs will be raised by CFAF 10.8 billion.

- Capital expenditures financed by SOTELMA privatization income will be increased by CFAF 19.9 billion, i.e., the amount of expenditures recorded in the 2010 supplementary budget law and not executed in 2010 (Table 6).

- Other capital spending from domestic resources will be reduced by CFAF 18 billion.

- Payments of arrears from previous financial years will be increased from CFAF 8 billion in the approved budget to CFAF 12.3 billion in the supplementary budget, of which CFAF 10 billion are for the payment of VAT credit arrears, following the verification of these arrears by DGI (¶19), and CFAF 2.3 billion for the payment of guarantees, following an inventory conducted by the Directorate General of Public Debt (DGDP) of the all the agreements regarding domestic debt and the commitment to guarantee domestic debt provided by the government (¶29).

Reforms of public financial management

Tax policy

18. In light of the tax reform strategy established by the DGI (¶7), the government will propose an action plan for the next three years aimed at modernizing and simplifying tax legislation and bringing it in line with regional directives. In pursuance of this plan, by June 30, the government will identify the tax-related measures to be included in the 2012 draft budget (structural benchmark, Table 4). The DGI has requested technical assistance from the IMF's Fiscal Affairs Department for this purpose. Without waiting for this to be done, the government will take the necessary steps to make a lasting improvement in the workings of the VAT as described below.

Tax and customs administration

19. In 2011, priority will be given to putting in place reforms that will make a lasting improvement in the workings of the VAT, which accounts for about 40 percent of tax revenue. To that end, the government is implementing the following measures:

- A Treasury account was opened at the BCEAO on January 18, 2011 to receive: (a) the full amount of VAT receipts paid by mining companies on their imports; and (b) 10 percent of domestic VAT receipts. The use of this account is reserved for refunds of VAT credits. This practice will ensure effective and regular refunding of VAT credits owed to mining companies on their imports and to all other enterprises; in 2011, the relevant amounts are projected at CFAF 21 billion and CFAF 12 billion, respectively. The monthly funding of this account by the DGI and the DGD has not yet begun due to the time required to prepare the account's operating arrangements in accordance with budget procedures but will start shortly.

- The DGI has determined the value of VAT credits accumulated as of December 31, 2010 which remains to be refunded by the government; these are equivalent to CFAF 31.4 billion. The results will be validated by all stakeholders and will be used to determine the timing and other arrangements for settling the arrears in question. The 2011 supplementary budget will include CFAF 10 billion (¶17).

- On May, 31 2011, the import tax regime of 6 percent rate without entitlement to a VAT credit, which had benefited two gold mining companies, as well as the VAT exemption enjoyed by their subcontractors will end. Therefore, as of June 1, 2011, all gold mining companies and their subcontractors will be subject to the standard VAT regime at the sole rate of 18 percent.

- No later than September 30, 2011, the threshold for the application of VAT will be raised from CFAF 30 million to CFAF 50 million to simplify the collection of VAT.

- No later than September 30, 2011, the system of withholding of VAT at source will end, except for the Treasury. The Treasury will phase out withholding of VAT at source by December 31, 2011.

- Not later than by the time the 2012 draft budget is presented to Parliament, the government will propose amendments to tax legislation to bring Malian legislation on VAT into line with the WAEMU directive on VAT.

20. The DGI and DGD will pursue their efforts to improve tax and customs administration with technical assistance from the IMF. The DGI will modernize the taxpayer administration managed by the Large Business Directorate (DGE) by implementing a system of filing on-line, encouraging large businesses to pay their taxes by bank transfer, with the objective of obtaining ISO certification for the DGE. The DGI will continue to pay special attention to the functioning of the new Medium-Size Business Directorate (DME), which will take steps to follow up systematically on taxpayers that do not abide by their filing obligations. The DGI will pay particularly close attention to improving the facilities and strengthening the personnel of the DME. Similarly, the DGD will introduce an automated targeted system for customs inspections from the beginning of 2012 onward. To that end, the DGD will set up a technical Risk Management Section, which will complete all the necessary preparatory tasks in 2011. Strengthening tax administration resources will also make it necessary to modernize the DNDC, established in 2002, and to build up its capacities. In 2011, the DNDC will carry out a study to determine the potential for obtaining government revenue from property tax and enhancing the collection of such revenues, and will further conduct a study to prepare and implement a computerization plan. The DNDC will pursue its efforts to set up a land registry and will implement a secure archiving system.

21. The Treasury's new integrated accounting application and its interface with the DGD (ASYCUDA) and DGI (SIGTAS) applications will be put into operation in the District of Bamako revenue collection office (RGD) in January 2012.

Management of public expenditure and transparency of public finance

22. The results of the Public Expenditure and Financial Accountability (PEFA) assessment finalized in 2011 show the progress made in the public expenditure management system in Mali, particularly in regard to budget credibility and comprehensiveness and the preparation of budget legislation. Nevertheless, there are some persistent weaknesses regarding the monitoring of domestic arrears, accounting, and external auditing.

23. To build on the progress made thus far, the government adopted a new action plan in July 2010 to strengthen and modernize public financial management (PAGAM-GFP II), covering the period 2011-15. The action plan is organized around four strategic objectives: sustainable optimization of revenues; budget preparation and execution consistent with international standards; accountability of stakeholders and increasing transparency of public finance; and further deconcentration and decentralization.

24. This action plan reflects the government's desire to play a leading role in implementing WAEMU directives in the area of public expenditure. The government is committed to incorporating WAEMU Directives 5 to 10 of 2009 in Malian laws and regulations regarding transparency, budgets, public accounting, budget nomenclature, the government's chart of accounts, and the Central Government Consolidated Financial Operations Table (TOFE) by October 31, 2011. In pursuance of these directives, during 2011 budget execution, no further payment authorizations will be processed after December 31, 2011 and no payments will be made after January 31, 2012.

25. In the short-run, the government also will pursue its efforts in improving budget execution, managing cash flow and domestic debt, and strengthening accounting, external auditing, and government finance statistics:

- *Changes in borrowing during the year will be reported in a consolidated fashion in draft supplementary budgets or draft legislation to settle accounts.* All regulatory measures to alter budget appropriations during the course of the year (decrees concerning advances, transfers, payments, carry-overs, cancellations, credit funds, etc.) will be provided as reference information attached to the first draft supplementary budget following the measure in question or, if there is no such supplementary budget, attached to the draft legislation concerned with the settlement of accounts (*loi de règlement*) for the corresponding fiscal year.

- *A key step will be taken toward establishing a Single Treasury Account.* With technical assistance from the IMF's Fiscal Affairs Department and AFRITAC West, the Treasury is pursuing its efforts to produce a full status report on the bank accounts of government entities held with commercial banks and the BCEAO. It will be updated every month in the case of those entities covered by the TOFE and every three months for other entities. Some accounts found to be held with commercial banks will be closed by end-2011. An impact study on the transfer from commercial banks to the BCEAO of all accounts held by government entities situated in Bamako, Mopti, and Sikasso (except for project accounts whose establishment is explicitly provided for under agreements concluded with technical and financial partners) will be carried out by September 30, 2011 (structural benchmark, Table 4). Accounts held with commercial banks by departments within the Ministry of Economy and Finance in Bamako, Mopti, and Sikasso will be transferred to the BCEAO according to a timetable based on the results of that study.

- *The quality of accounts will be progressively strengthened.* Abnormal balances found on current accounts, third-party accounts, and financial accounts in the general balance sheets of the Central Treasury Accounting Bureau (ACCT), the PGT, and the RGD will be cleared by June 30, 2011.

- *The production and auditing of the government's annual accounts will be speeded up.* The Accounts Section of the Supreme Court is implementing a strategy to clear accounts on the basis of the assessment of the situation of the accounts produced by the National Directorate of Treasury and Public Accounting (DNTCP). For the public accounts prior to 1992, the government will adopt a draft validation law by June 30, 2011. The public accounts for the fiscal years 1992-2008 will be reviewed on an expedited basis. Parliament voted on the law validating the accounts for FY 2007. The government has submitted the draft law validating the accounts for FY 2008 to Parliament. The Accounts Section has examined the draft law validating the accounts for 2009. The government will adopt draft legislation validating the 2010 accounts by September 30, 2011.

- *Work will continue on improving government financial statistics*. As of May 31, 2011, changes will be made to the TOFE as described in the Technical Memorandum of Understanding (TMU, ¶23; structural benchmark, Table 4).

- *Tracking of payment times will be strengthened.* The new PRED 5 expenditure management software will be used to ensure that payments are made within 90 days after payment orders have been issued. For this purpose, monthly reports will be produced.

26. In the context of improving the budget process, the government intends to organize with Parliament a budget policy debate before the session of October 2011.

Internal and external oversight

27. Internal and external oversight mechanisms have shown a number of administrative weaknesses in the management of Mali's public finances. At the internal level, the Office of the Inspector General of Public Services has highlighted that there are not enough procedures manuals and that they are not being used. At the external level, the Office of the Auditor General has drawn attention to large sums outstanding to be recovered by the Public Treasury. To remedy these problems, the government is working swiftly to adopt a national internal oversight strategy for the period 2011-15, with the support of several technical and financial partners.

Debt management

28. From the updated debt sustainability analysis prepared with IMF and World Bank staff, it is clear that Mali's risk of debt distress has shifted from low to moderate because of increased vulnerability to external shocks. The volatility of gold exports has increased more than was expected in the previous analysis. The update also confirmed that Mali's debt sustainability depends on pursuing a prudent macroeconomic policy anchored on maintaining the deficit level, in terms of the underlying basic fiscal balance, at close to 1 percent of GDP. The government therefore reiterates its commitment to cover its external financing requirement by means of grants, and by concessional borrowings having a level of concessionality of at least 35 percent (continuous PC, Table 3). However, the government intends to take advantage of the next the debt sustainability analysis prepared with IMF and World Bank staffs next Fall to determine the potential envelope for non-concessional borrowing, compatible with maintaining debt sustainability, which would be potentially available to the government under IMF and World Bank policy.

29. To strengthen domestic debt management, the Minister of Economy and Finance assigned the DGDP the task of producing a full list of all the agreements under which the government has contracted domestic debt or given a commitment to guarantee domestic debt, with deadlines and maturity dates, so that this information can be recorded in public debt data and budgets (structural benchmark, Table 4). The DGDP has started working on this by contacting local banks. These efforts have already made it possible to identify debts with the banking system, not yet verified and reconciled, for the amount of CFAF 65 billion (1.3 percent of GDP), including CFAF 21 billion in guarantees. The payment schedule is now being negotiated with creditors, and CFAF 2.3 billion will be appropriated in the 2011 supplementary budget. The difficulties involved in reconciling and verifying debts have made it necessary to implement a new schedule for the list to be completed by end-June 2011.

Reform of the Malian Social Security Fund

30. The government intends to take steps to ensure the actuarial equilibrium of the Malian Social Security Fund (*Caisse Malienne de Sécurité Sociale* (CMSS)), which manages

the pension system and health/disability insurance plan for civil servants. The government recently commissioned a new actuarial study, indicating that unless reforms are implemented, the annual balancing subsidy (*subvention d'équilibre*) for the CMSS could increase from CFAF 34 billion (0.7 percent of GDP) in 2011 to CFAF 60 billion (0.9 percent of GDP) in 2015. In light of the results of the study conducted in 2005, the government has submitted to Parliament a pension reform project whose adoption will reduce the deficit of the CMSS.

Policy on maintaining the stability and development of the financial sector

31. The government will pay close attention to developments in the banking system in connection with the post-electoral crisis in Côte d'Ivoire and developments in Libya (¶11-12). To limit the impact of the Côte d'Ivoire crisis on bank soundness, the BCEAO, under instructions from the Council of Ministers and on the basis of a mandate by the Minister of Economy and Finance of Côte d'Ivoire, is organizing auctions on behalf of Côte d'Ivoire to roll over the maturing T-bills while capitalizing the interest payments. Maturing interest payments on Ivoirian bonds issued with BCEAO cooperation are paid by the issuance of 6-month T-bills subscribed by bondholders. Claims on Ivorian companies will be monitored regularly in accordance with the existing prudential regulations, particularly the provisioning rules. The government will also monitor closely the situation of two small banks owned by Libya in cooperation with the monetary authorities of WAEMU.

32. The government will continue to implement its development strategy for the financial sector adopted in 2008, taking into account the Financial Sector Assessment Program (FSAP) recommendations for Mali and the WAEMU zone from the same year. The strategy has four main pillars:

- strengthening and developing the banking and capital markets sector;
- strengthening and developing nonbanking financial institutions;
- consolidating, strengthening, and developing the microfinance sector; and
- improving the legal and judicial framework.

33. In 2011, the government will place high priority on the following measures:

- *Restructuring the BHM:* implementing the restructuring plan adopted on December 30, 2009 calls for the government to withdraw its equity stake in the BHM by 2012. A call for tenders was launched with the support of the World Bank to recruit a consulting firm consisting of an investment bank and a law firm to implement the privatization successfully. Until then, the Ministry of Economy and Finance and the BCEAO will closely follow the BHM's operations to ensure that the government resources made available to it for recapitalization (up to CFAF 11.4 billion in 2010) and the allocation to the BHM of funds from the national budget to finance social housing (up to CFAF 7 billion in 2011) will result in productive loans.

- *Raising the minimum capital requirements for banks and other financial institutions*: the increase in the minimum capital requirement under WAEMU regulations (CFAF 5 billion, and CFAF 10 billion as of some future time to be determined) will be regularly monitored by the BCEAO.

- *Putting in place mechanisms to guarantee loans to small and medium-size enterprises (SMEs)*: a mechanism to provide partial guarantees in the amount of US$26 million (0.3 percent of GDP) has been set up with two banks, in collaboration with the International Finance Corporation (IFC). The government has set up a fund in the amount of CFAF 595 million (less than 0.1 percent of GDP) to provide partial guarantees during 2009-13 to facilitate access to bank financing for 200 SMEs. The government has also launched two feasibility studies to set up a guarantee fund and an investment fund for the private sector.

- *Setting up a corporation to manage the banks' real estate holdings*: the purpose of this entity will be to buy real estate assets received by banks as a result of the execution of guarantees so as to take them off the banks' books. In agreement with the World Bank, it has been decided to assign this role to the Property Transfer Agency (ACI), a semipublic corporation whose purpose is to clean up property holdings and sell them.

- *Developing microfinance*: microfinance will be promoted by adopting new regulations concerned with decentralized financial systems and implementing a national microfinance development plan, in collaboration with technical and financial partners.

- *Enabling the financial sector to mobilize remittances from migrants*: this effort will focus on a study and a workshop on initiatives and mechanisms relating to remittances from migrants.

Reform of the cotton sector

34. The government plans to complete the privatization of the Malian Textiles Company (CMDT) in 2011. Upon completion of the call for tenders, six prospective investors stepped forward, three submitted a bid, and one investor was chosen to buy two of the four regional subsidiaries of CMDT. The government intends to launch a new call for tenders for the two subsidiaries that have not yet found a buyer. The government will watch this privatization operation closely to ensure that it takes place in optimal conditions, to assure the continued economic and financial viability of the cotton sector.

Reform of the electricity sector

35. The government intends to honor its commitments regarding EDM. Since the early 2000s, the government has been implementing an electricity pricing policy, which provides the option to adjust electric power prices to reflect changes in the firm's operating costs or to refrain from implementing the policy for economic and social reasons by means of payment of a subsidy allowing EDM to meet its assigned objectives. Under this policy, the government has applied only two price adjustments since 2003—a 10 percent decrease in 2004 and a 4 percent increase in 2009—even though international oil prices have doubled since 2004. This policy means that EDM has recorded a loss estimated at CFAF 13.9 billion in 2010.

36. Pursuant to its policy of electricity tariff setting, the government will include CFAF 20 billion in the 2011 supplementary budget law to improve the financial situation of EDM. This appropriation is necessary in part because of the government's decision not to adjust the price of electricity in 2010 and during the first half of 2011. This amount will be reviewed in September 2011 in the light of the financial situation of EDM, and with the help of a mechanism to index prices that the Electricity Regulatory Commission of Electricity and Water will finalize with support from the World Bank. The government will apply this mechanism from the second half of 2011 to adjust rates or determine, if necessary, budgetary transfers to strengthen the financial situation of EDM. In the meantime, the government will continue to regularly pay its electricity bills and to implement its development strategy for the sector in cooperation with the World Bank.

Governance

37. The recent separation of the functions of budget and human resource management previously assigned to the Directors of Administrative and Financial Affairs of each ministerial department has led the government to establish a position of Human Resource Directors and a position of Directors Finance and Materials (DFM). To invigorate the function of DFM, the decrees appointing the DFM were repealed on April 13, 2011. The subsequent appointment of new DFMs has been based, inter alia, on good governance criteria.

38. Moved by the desire to make the mining sector an engine of development and a means of combating poverty, Mali applied to join the Extractive Industries Transparency Initiative (EITI) in 2006. As part of that process, Mali produced an initial report on reconciling flows of payments by mining companies against government revenues for the 2006 fiscal year, on the basis of external auditors' findings. From the results contained in that report, the assessor named by the EITI Secretariat concluded that Mali had made significant progress but was not yet compliant. Drawing lessons from that first report, the government has started work on preparing a second report concerned with mining revenues in 2007 and 2008 with a view to joining the EITI by end-2011.

III. PROGRAM MONITORING

39. The 2011 program will be evaluated on the basis of revised performance criteria and indicative targets for end-June, revised indicative targets for end-September, continuous performance criteria (Table 3), and structural benchmarks (Table 4). These criteria are defined in the Technical Memorandum of Understanding (TMU), which also specifies the nature and frequency of the data reporting required in order to assure the proper monitoring of the program.

40. Discussions for the seventh review of the program will focus on the preparation of the 2012 draft budget, taking into account the need to anchor the government's finances on an underlying basic deficit of close to 1 percent of GDP.

Table 1. Mali: Quantitative Performace Criteria and Indicative Targets for 2010 [1]

	March				June				Sep.				Dec.			
	Indic. Targets	Adjusted Targets	Est.	Status	Perf. Criteria	Adjusted Targets	Est.	Status	Indic. Targets	Adjusted Targets	Est.	Status	Perf. Criteria	Adjusted Targets	Est.	Status Prel.
								(in CFAF billions)								
Quantitative performance criteria																
Net domestic financing of the Government (ceiling) [2]	0.0	52.4	19.3	Met	79.8	128.7	-32.8	Met	113.7	176.0	-1.4	Met	127.0	144.7	72.4	Met
Of which: Bank and market financing [2]	0.0	52.4	46.9	Met	99.3	148.2	62.7	Met	128.7	191.0	56.7	Met	138.6	156.4	76.0	Met
Cumulative increase in external payments arrears (ceiling) [3]	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0	…	0.0	Met
New external borrowing at terms of one year or more contracted or guaranteed by the government on nonconcessional terms (ceiling) [3]	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0	…	0.0	Met
New short-term external credits (less than one year) contracted or guaranteed by the government on nonconcessional terms (ceiling) [3]	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0	…	0.0	Met
Net tax revenue (floor)	130.0	…	154.8	Met	304.7	…	343.0	Met	490.9	…	503.0	Met	677.1	…	681.8	Met
Indicative targets																
Basic fiscal balance (floor)	-30.0	…	23.3	Met	-52.8	…	80.8	Met	-92.4	…	55.4	Met	-111.5	…	-56.4	Met
Basic fiscal balance, underlying (floor) [4]	10.0	…	23.3	Met	-38.8	…	106.7	Met	-48.4	…	81.3	Met	-51.7	…	-16.5	Met
Priority spending (floor)	…	…	…		117.0	…	97.3	Not met	175.0	…	150.0	Not met	235.0	…	233.2	Not met
Memorandum items:																
External budget support [5]	20.0	…	15.5		68.3	…	50.9	…	96.4	…	90.6		144.1	…	120.3	
Pending bills reduction	-2.0	…	-54.4		-43.7	…	-83.6	…	-48.7	…	-108.2		-49.1	…	-53.3	
VAT credits refunds	0.0	…	0.0		0.0	…	-1.8	…	0.0	…	-2.8		-29.0	…	-34.7	

Source: Malian authorities.

[1] Cumulative figures from the beginning of the year. Noncontinuous targets at end-March and end-September 2010 are indicative targets. See Technical Memorandum of Understanding (TMU) of June 28, 2010 for definitions.

[2] The targets for these performance criteria and indicative targets are subject to adjustment for external budgetary assistance, reduction of pending bills and payment of VAT credits. See TMU of June 28, 2010 for more details.

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

[4] Excluding expenditure financed with revenue from the privatization of SOTELMA.

[5] As defined in paragraph 7 of TMU of December 31, 2010.

Table 2. Mali: Structural Benchmarks for the Sixth Review Under the ECF Program

Measures	Macroeconomic rationale	Status
For end-December 2010		
Implement a system for the management and timely payment of Value Added Tax (VAT) credits to eligible companies.	To prevent accumulation of VAT credit arrears and ensure neutrality of VAT on exports.	In progress
Produce an evaluation of restructuring of the Housing Bank of Mali (BHM), including the use of State funds transferred to the BHM in the first half of 2010 to relaunch its lending activities.	To ensure that the BHM is effectively on a recovery track.	Met
Elaborate a program for the reform of the tax system, aiming at a greater mobilization of revenue while ensuring greater rationalization and modernization of the tax laws, including through reconsideration of tax exemptions.	To simplify and make the tax system more buoyant, while implementing regional directives.	Met
Implement the new public accounting software in the Treasury with the necessary links to the budget application software to ensure monitoring of spending from commitment to payment, including the stock of pending bills.	To ensure improved recording and reporting of financial operations of the State.	Met

Source: Malian authorities.

Table 3. Mali: Proposed Quantitative Performance Criteria and Indicative Targets, 2011 [1]

	March	June		Sep.		Dec.	
	Indic. Targ.	Perf. Criteria		Indic. Targets		Indic. Targets	
	Prog. [2]	Prog. [2]	Rev. Prog.	Prog. [2]	Rev. Prog.	Proj. [2]	Rev. Proj.
	(in CFAF billions)						
Quantitative performance criteria							
Government bank and market financing (ceiling) [3]	118.4	189.8	78.4	179.2	122.6	66.5	74.9
Cumulative increase in external payments arrears (ceiling) [4]	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New external borrowing at terms of one year or more contracted or guaranteed by the government on nonconcessional terms (ceiling) [4]	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New short-term external credits (less than one year) contracted or guaranteed by the government on nonconcessional terms (ceiling) [4]	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross tax revenue (floor)	181.4	362.9	359.5	559.4	554.5	755.8	764.8
Indicative targets							
Basic fiscal balance (floor)	-26.0	-62.7	-81.3	-79.9	-112.3	-100.4	-129.4
Basic fiscal balance, underlying (floor) [5]	-17.0	-44.7	-53.3	-52.9	-70.3	-64.4	-73.5
Priority spending (floor)	50.8	112.8	152.8	188.3	252.4	271.4	352.0
Memorandum items:							
External budget support [6]	73.9	74.5	79.9	94.1	99.5	121.1	127.9
Pending bills reduction	-80.0	-80.0	-18.1	-80.0	-43.8	0.0	4.2
Tax refunds	-7.7	-15.4	-18.5	-24.0	-27.6	-32.6	-37.0
Arrears payment	-5.2	-10.3	-12.3	-10.3	-12.3	-10.3	-12.3

Sources: Malian authorities; and IMF staff projections.

[1] Cumulative figures from the beginning of the year. Noncontinuous targets at end-March, end-September 2010 and end-December 2011 are indicative targets. See Technical memorandum of understanding (TMU) for definitions.

[2] IMF Country Report No. 11/37: Mali —Fifth Review Under the Extended Credit Facility (ECF).

[3] The targets for this performance criterion or indicative target are subject to adjustment for external budgetary assistance, reduction of pending bills, tax refunds, and arrears payment. See TMU for more details.

[4] These performance criteria will be monitored on a continuous basis since the beginning of the year.

[5] Excluding expenditure financed with revenue from the privatization of SOTELMA.

[6] As defined in paragraph 6 of TMU .

Table 4. Mali: Structural Benchmarks for the Seventh Review Under the ECF Program

Measures	Macroeconomic rationale	Timing	Status
In the context of the seventh program review			
Prepare a data base of: (i) all the domestic debt contracts signed by the governement including the stock of the debt at end-2010, and the quarterly interest payments and amortization due; and (ii) the debts guaranteed by the government.	Strengthen domestic debt management.	28-Feb	Postponed to June 30
Present the Central Government Consolidated Financial Operation (TOFE) at end-March 2011 according to the presentation decribed in paragraph 23 of the Technical Memorandum of Understanding (TMU).	Strengthen fiscal transparency.	31-May	
Do a study to analyze the impact of transferring all outstanding balances of accounts held by line ministries in commercial banks, except of accounts established by contracts with donors in the context of externally-financed projects, to the Treasury Single Account at the BCEAO.	Strengthen cash management.	30-Jun	Postponed to September 30
Introduce in the draft 2012 budget law a reform of the tax system, aiming at a greater mobilization of revenue while ensuring greater rationalization and modernization of the tax laws, including through a reduction of tax exemptions.	Strengthen revenue mobilization and the business environment.	30-Sep	

Source: Malian authorities.

Table 5. Mali: Central Government Consolidated Financial Operations, 2011

	March	June		September		December	
	Prog.[1]	Prog.[1]	Rev. prog.	Prog.[1]	Rev. prog.	Prog.[1]	Rev. prog.
	(in CFAF billions)						
Revenue and grants	283.6	522.0	487.8	793.5	745.9	1,062.6	1,019.3
Total revenue	199.1	398.3	399.5	611.6	617.2	824.8	852.5
Budgetary revenue	181.3	362.5	365.9	557.9	565.4	753.3	781.0
Tax revenue	173.7	347.5	341.0	535.4	526.9	723.2	727.9
Direct taxes	51.1	102.3	100.6	153.4	155.2	204.5	214.1
Indirect taxes	122.6	245.2	240.4	382.0	371.7	518.7	513.8
VAT	69.0	138.0	141.3	215.6	218.0	293.1	300.7
Excises on petroleum products	5.4	10.8	11.3	17.3	17.5	23.9	24.1
Import duties	24.0	48.0	46.2	77.3	71.3	106.6	98.4
Other indirect taxes	31.9	63.9	59.9	95.8	92.4	127.7	127.5
Tax refund	-7.7	-15.4	-18.5	-24.0	-27.6	-32.6	-37.0
Nontax revenue	7.5	15.1	25.0	22.6	38.5	30.1	53.1
Special funds and annexed budgets	17.9	35.8	33.6	53.6	51.8	71.5	71.5
Grants	84.5	123.7	88.2	182.0	128.7	237.8	166.9
Projects	38.7	77.3	41.8	116.0	62.7	154.6	83.7
Budgetary support	45.8	46.4	46.4	66.0	66.0	83.2	83.2
Of which: general	17.2	17.8	17.8	34.4	34.4	47.1	47.1
Of which: sectoral	28.6	28.6	28.6	31.6	31.6	36.1	36.1
Total expenditure and net lending (payment order basis)	331.4	649.5	618.1	960.7	924.1	1,279.4	1,235.3
Budgetary expenditure	311.5	609.8	580.0	901.1	865.6	1,199.9	1,154.9
Current expenditure	160.3	335.9	343.5	501.5	522.2	673.2	703.0
Wages and salaries	63.7	127.4	127.6	198.6	198.9	269.8	270.2
Goods and services	53.3	113.1	116.3	164.5	174.4	224.8	232.5
Transfers and subsidies	37.4	83.4	87.6	121.0	131.4	153.5	175.3
Interest	5.9	12.1	12.1	17.5	17.5	25.1	25.1
Of which: domestic	2.5	2.5	2.5	4.4	4.4	8.0	8.0
Capital expenditure	151.2	273.9	236.5	399.5	343.4	526.7	451.9
Externally financed	104.6	180.6	130.3	259.6	184.1	340.1	239.4
Domestically financed	46.6	93.3	106.2	139.9	159.3	186.6	212.4
Special funds and annexed budgets	17.9	35.8	33.6	53.6	51.8	71.5	71.5
Net lending	2.0	4.0	4.5	6.0	6.7	8.0	8.9
Overall fiscal balance (excl. grants)	-132.2	-251.3	-218.5	-349.1	-306.9	-454.5	-382.8
Overall fiscal balance (incl. grants)	-47.8	-127.6	-130.3	-167.2	-178.1	-216.7	-216.0
Variation of arrears	-5.2	-10.3	-12.3	-10.3	-12.3	-10.3	-12.3
Adjustment to cash basis	-80.0	-80.0	-18.1	-80.0	-43.8	0.0	4.2
Overall balance (cash basis, incl. grants)	-132.9	-217.9	-160.7	-257.5	-234.2	-227.0	-224.1
Financing	132.9	217.9	160.7	257.5	234.2	227.0	224.1
External financing (net)	62.5	97.6	76.5	131.9	103.0	177.9	137.6
Loans	65.5	102.8	93.3	140.2	123.3	187.3	164.4
Project loans	37.4	74.7	59.8	112.1	89.8	149.4	119.7
Budgetary loans	28.1	28.1	33.5	28.1	33.5	37.9	44.7
Amortization	-4.6	-13.1	-23.8	-17.9	-30.8	-23.4	-40.8
Debt relief	1.6	7.9	7.0	9.6	10.5	14.0	14.0
Domestic financing (net)	70.5	120.3	84.2	125.6	131.3	49.1	86.5
Banking system	59.4	104.3	80.5	113.9	125.8	80.4	79.2
Net credit to the government	59.4	104.3	80.5	113.9	125.8	80.4	79.2
IMF (net)	1.4	1.2	1.2	1.1	13.1	2.7	17.6
Central bank credit (net)	-0.6	-1.3	-1.3	-1.9	-1.9	-2.6	-2.6
Other	58.6	104.3	80.6	114.7	114.6	80.3	64.2
Privatization receipts	0.0	0.0	1.7	3.3	2.5	3.3	3.3
Other financing	11.1	16.0	2.0	8.4	3.0	-34.6	4.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items							
Basic fiscal balance [2]	-26.0	-62.7	-81.3	-79.9	-112.3	-100.4	-129.4
Underlying basic fiscal balance [3]	-17.0	-44.7	-53.3	-52.9	-70.3	-64.4	-73.5
External budget support [4]	73.9	74.5	79.9	94.1	99.5	121.1	127.9
Government bank and market financing	79.2	133.0	78.4	139.1	122.6	66.5	74.9

Sources: Ministry of Finance; and IMF staff projections.

[1] Same as in IMF Country Report No. 11/37: Mali —Fifth Review Under the Extended Credit Facility (ECF), with the exception of total grants for March, June and September, which have been corrected, and corresponding changes in the overall fiscal balance and domestic financing.

[2] Revenue excluding grants minus domestically financed expenditure.

[3] Basic fiscal balance excluding spending financed by the revenue from the privatization of the telecom company SOTELMA.

[4] As defined in paragraph 6 of TMU .

Table 6: Use of Revenue from the Sale of 51 percent of the Telecom Company SOTELMA
(in CFAF millions)

	2009	2010		2011		2012	Total
		Prog.	Real.	Prog.	Rev. Prog.		
Fiscal consolidation	9,500	2,000	2,000	0	0	30,500	42,000
Economic operators	0	0	0	0	0	24,000	24,000
Banks	9,500	2,000	2,000	0	0	6,500	18,000
Human resource development	1,000	11,253	8,253	5,255	8,255	0	17,508
Youth, education, jobs	0	9,300	7,100	5,255	7,455	0	14,555
Higher education	0	3,900	3,182	3,755	4,473	0	7,655
Construction of university facilities in Bamako and Ségou	0	3,188	3,017	3,755	3,926	0	6,943
Establishment of research competitiveness fund	0	500	0	0	500	0	500
Université de Bamako interconnection	0	212	165	0	47	0	212
Secondary education, professional training, youth, and jobs	0	5,400	3,918	1,500	2,982	0	6,900
Construction and equipment, technical high schools and IFPs (1)	0	4,400	2,918	1,000	2,482	0	5,400
Building financial capacities of the Youth Employment Agency (APEJ)	0	1,000	1,000	500	500	0	1,500
Health and social development	1,000	1,953	1,153	0	800	0	2,953
Supplemental funding for construction of Mopti Hospital	0	1,000	1,000	0	0	0	1,000
Supplemental funding for construction of Sikasso Hospital	1,000	0	0	0	0	0	1,000
Computer equipment, manadatory health insurance	0	953	153	0	800	0	953
Infrastructure and equipment	0	7,747	3,580	11,263	15,430	0	19,010
Roads and bridges	0	3,375	2,637	3,875	4,613	0	7,250
Kayes: Paving of 6 km of Bafoulabé-Mahina road	0	1,000	1,000	0	0	0	1,000
Koulikoro: Paving of 5 km of roads	0	1,000	1,000	0	0	0	1,000
Kidal: Paving of 5 km of roads	0	375	0	875	1,250	0	1,250
Bamako: Construction of Yirimadio hospital access road	0	1,000	637	0	363	0	1,000
Sikasso: Bridge over the Baoulé between Manankoro-Tienfinzo	0	0	0	3,000	3,000	0	3,000
Communication and transportation	0	4,372	943	7,388	10,817	0	11,760
1 outdoor broadcasting van, 12 cameras	0	1,950	795	0	1,155	0	1,950
1 production van with four cameras	0	700	0	0	700	0	700
1 audio production and broadcasting van	0	45	0	105	150	0	150
1 Fly and vehicle accessories	0	108	0	252	360	0	360
1 terrestrial broadcasting station	0	669	147	931	1,453	0	1,600
Acquisition of second national television (ORTM) channel	0	0	0	4,000	4,000	0	4,000
Acquisition of 2 flatboats for the Malian Navigation Company (COMANAV)	0	900	0	2,100	3,000	0	3,000
Agricultural development	0	13,675	7,405	225	6,495	0	13,900
Municipal works	0	3,330	1,318	225	2,237	0	3,555
Maintenance upgrade outreach infrastructures Niger Office	0	4,100	4,100	0	0	0	4,100
Contribution to National Agricultural Development Fund	0	5,000	1,188	0	3,812	0	5,000
Support for development/assistance measures		445	0	0	445		445
PRODEVALAIT (2)	0	800	799	0	1	0	800
Improving living conditions	0	18,206	11,753	5,708	12,161	0	23,914
Contribution to the National Fund for Local Government Investment	0	6,000	0	4,000	10,000	0	10,000
Rehabilitation of military barracks	0	3,292	3,279	1,708	1,721	0	5,000
Social-interest housing program	0	6,500	6,141	0	359	0	6,500
Development of Diafrana Ko	0	1,614	1,533	0	81	0	1,614
Construction of the fiftieth anniversary monument	0	800	800	0	0	0	800
Financial support for development of small and medium-size enterprises and industries	0	0	0	6,000	6,000	0	6,000
Establishment of a private sector guarantee fund	0	0		3,000	3,000	0	3,000
Establishment of a national investment fund	0	0		3,000	3,000	0	3,000
Economic reform and improved governance	0	6,900	6,900	0	0	0	6,900
Restructuring of the government-controlled mortgage bank (Banque de l'Habitat de Mali, BHM)	0	5,000	5,000	0	0	0	5,000
Support for the national civil-registration census (recensement administratif à vocation d'état civil, RAVEC)	0	1,900	1,900	0	0	0	1,900
Miscellaneous projects	0	0		7,579	7,579	0	7,579
Public investments in partnership with donors and lenders	0	0	0	0	0	28,577	28,577
Establishment of the technology hub	0	0	0	0	0	...	...
Connection of secondary cities to the national road network, over 100 Km	0	0	0	0	0	...	...
Construction of a second bridge in Kayes	0	0	0	0	0	...	...
Improvement and development of the Lake Faguibine System	0	0	0	0	0	...	...
Improvement of the Bamako Sénou industrial park	0	0	0	0	0	...	...
Implementation of modern land register for the cities of Bamako and Kati	0	0	0	0	0	...	...
Strengthening logistical capacities of the armed forces and regional governments	0	0	0	0	0	...	...
Restructuring plan	15,000	0	0	0		0	15,000
Total	25,500	59,781	39,891	36,030	55,920	59,077	180,388

1/ IFP: Professional training institutions
2/ Project to Develop and Promote Dairy Production in Mali.

ATTACHMENT II. TECHNICAL MEMORANDUM OF UNDERSTANDING

1. This memorandum of understanding defines the quantitative performance criteria and indicative targets for the program supported by the Extended Credit Facility (ECF) in 2011. It also specifies the frequency and deadlines for reporting data to the staff of the International Monetary Fund (IMF) for program-monitoring purposes.

I. DEFINITIONS

2. Unless otherwise indicated, the government is defined as the central government of the Republic of Mali and does not include local governments, the central bank, or any other public entity with autonomous legal personality that is not included in the Central Government Consolidated Financial Operations Table (TOFE).

II. PERFORMANCE CRITERIA AND INDICATIVE TARGETS

3. Except as noted, the following financial targets will constitute performance criteria for end-June and indicative targets for end-September.

A. Ceiling on Net Domestic Financing of the Government by Banks and the Financial Market

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

5. The net government position is defined as the balance between government claims and debts vis-à-vis the central bank and commercial banks. The scope of the net government position is that used by the Central Bank for West African States (BCEAO) and is consistent with the IMF's general practice in this area. It implies a broader definition of the government than that specified in paragraph 2 and includes local governments and certain government administrative agencies and projects. Government claims include the CFAF cash balance, postal checking accounts, secured liabilities, and all deposits of government agencies with the BCEAO and commercial banks, with the exception of government industrial and commercial agencies (EPIC) and public enterprises, which are excluded from the calculation. Government debts to the banking system include all debts to these same financial institutions. Deposits of the Cotton Stabilization Fund and government securities held outside the Malian banking system are not included in the calculation of the net government position. The net government position vis-à-vis the State is calculated by the BCEAO.

Adjustment factors

6. The ceiling on net domestic financing of the government by banks and the financial market will be adjusted downward if **external budget support** exceeds program projections. Budget support is defined as grants, loans, and debt relief operations (excluding project loans and grants, IMF resources, and debt relief under the HIPC Initiative, but including general and sectoral budget support). The adjustment factor will be applied at the rate of 0 percent for amounts up to CFAF 25 billion; and 100 percent for amounts in excess of CFAF 25 billion. The ceiling on net domestic financing of the government by banks and the financial market will be adjusted upward if external budget support falls short of program projections. The adjustment factor will be applied at the rate of 100 percent up to a threshold of CFAF 25 billion and at the rate of 0 percent for larger amounts.

7. The ceiling on net domestic financing of the government by banks and the financial market will be adjusted upward (downward) if the **net reduction in pending bills** exceeds (is less than) the programmed amounts (MEFP, Table 3). Pending bills are defined as payment orders not paid by the National Directorate of Treasury and Public Accounting (DNTCP) in the context of budget execution or on miscellaneous correspondent and depositor accounts, regardless of their age.

8. Finally, the ceiling on net domestic financing of the government by banks and the financial market will be adjusted upward (downward) for the **payment of VAT credits, other tax refunds, and arrears from previous fiscal years** exceeding (under) the programmed amounts (MEFP, Table 3).

B. Non-accumulation of External Public Payments Arrears

9. The stock of external payments arrears is defined as the sum of payments due but not paid on external liabilities of the government and the external debt owed or guaranteed by the government. The definition of external debt provided in paragraph 11(a) applies here.

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

C. Ceilings on Non-Concessional External Debt with a Maturity of One Year or More and on Short-Term External Debt Contracted or Guaranteed by the Government and/or Public Enterprises

11. **Definition of debt.** For the purposes of the relevant assessment criteria, the definition of debt is set out in Executive Board Decision No.6230-(79/140), Point 9, as revised on August 31, 2009 (Decision No. 14416-(09/91):

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

> (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);
>
> (ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and
>
> (iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains title to the property. For the purpose of this guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

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

12. **Debt guarantees.** For the purposes of the relevant assessment criteria, the guarantee of a debt arises from any explicit legal obligation of the government to service a debt in the event of nonpayment by the debtor (involving payments in cash or in kind).

13. **Debt concessionality**. A debt is considered concessional if it includes a grant element of at least 35 percent;[1] the grant element is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The

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[1] The following reference on the IMF website creates a link to a tool that allows for the calculation of the grant element of a broad range of financing packages: http://www.imf.org/external/np/pdr/conc/calculator.

PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt.[2] The discount rates used for this purpose are the currency specific commercial interest reference rates (CIRRs), published by OECD.[3] For debt with a maturity of at least 15 years, the ten-year-average CIRR is used to calculate the PV of debt and, hence, its grant element. For debt with a maturity of less than 15 years, the six-month average CIRR is used. The margins for differing repayment periods (0.75 percent for repayment periods of less than 15 years, 1 percent for 15 to 19 years, 1.15 percent for 20 to 29 years, and 1.25 percent for 30 years or more) are added to the ten-year and six-month CIRR averages.

14. **External debt.** For the purposes of the relevant assessment criteria, external debt is defined as debt borrowed or serviced, or requiring repayment, in a currency other than the CFAF. This definition also applies to debt among WAEMU countries.

15. **Debt-related assessment criteria.** The relevant assessment criteria apply to the contracting and guaranteeing of new nonconcessional external debt by the government, Energie du Mali (EDM), and the Compagnie Malienne des Textiles (CMDT), insofar as the government is a majority shareholder. The criteria apply to debt and commitments contracted or guaranteed for which value has not yet been received. The criteria also apply to private debt for which official guarantees have been extended and which, therefore, constitute a contingent liability of the government. These performance criteria are monitored on a continuous basis. No adjuster will be applied to these criteria.

16. **Special provisions.** The assessment criteria do not apply to: (i) debt rescheduling transactions of debt existing at the time of the approval of the arrangement; (ii) short-term external debt (maturity of less than one year) related to imports; (iii) external debt of the CMDT guaranteed by cotton export proceeds; and iv) short-term external debt (maturity of less than one year) contracted by EDM to finance the purchase of petroleum products.

17. **Reporting requirements.** The government will report any new external borrowing and its terms to Fund staff as soon as external debt is contracted or guaranteed by the government, but no later than within two weeks of such external debt being contracted or guaranteed.

[2] The calculation of concessionality will take into account all aspects of the debt agreement, including maturity, grace period, payment schedule, upfront commissions, and management fees.

[3] For debts in foreign currencies for which the OECD does not calculate a CIRR, calculation of the grant element should be based on the composite CIRR (weighted average) of the currencies in the SDR basket.

D. Floor on Gross Tax Revenue

18. Gross tax revenue of the government is defined as the revenue appearing in the TOFE and includes all tax revenue in the national budget, before deduction of tax refunds generated, particularly VAT credits accumulated.

E. Floor on the Basic Fiscal Balance

19. The basic fiscal balance is defined as the difference between total net revenue, excluding grants and privatization receipts, and total expenditure cleared for payment plus net lending, excluding capital expenditure financed by foreign creditors or donors and HIPC expenditure.

F. Floor on the Basic Fiscal Balance Excluding Expenditure Financed with SOTELMA Privatization Receipts

20. The basic fiscal balance expenditure financed with SOTELMA privatization receipts is defined in accordance with the basic fiscal balance defined in paragraph 19, less expenditure financed with SOTELMA privatization receipts drawn from the special account at the BCEAO.

G. Floor on Priority Poverty-Reducing Expenditure

21. Priority poverty-reducing expenditure is defined as the sum of the expenditure of the Ministry of Elementary Education, the Ministry of Secondary and Higher Education and Scientific Research, the Ministry of Health, and the Ministry of Social Development. It excludes capital expenditure financed by external technical and financial partners in the form of projects.

III. Structural Measures

22. Information on the introduction of measures constituting structural benchmarks will be sent to IMF staff no later than two weeks after the date set for their implementation.

23. As of May 31, 2011, **changes** will be made **to the Central Government Consolidated Financial Operations Table (TOFE)** as described below. Revenues and expenditures recorded in suspense accounts will be recorded above the line as revenues or expenditures without being broken down. As part of the adjustment to cash basis, a distinction will be made between transactions under previous fiscal years and transactions under the current fiscal year, as well as, in the latter case, a distinction between the “float” (less than three months) and types of arrears (more than three months) with respect to budget expenditures (including VAT credits and calls upon guarantees and pledges). Within the entry “net domestic financing,” a distinction will be made between bank financing, privatization income, and other financing sources. Bank financing includes changes in the net

government position vis-à-vis the central bank, the IMF, and resident commercial banks. In showing operations with commercial banks, a distinction will be made between the Treasury, the National Social Insurance Administration (INPS), and other government entities. Within Treasury transactions, deposits and withdrawals on the SOTELMA privatization income account will be specifically identified. Other financing will consist mainly of checks that have not been cashed, advance tax installments received in the current year for the following year, the regularization of advance tax installments received the previous year for the current year, operations with nonresident WAEMU creditors, and changes in deposits from Treasury correspondents.

IV. Additional Information for Program Monitoring

24. To facilitate program monitoring, the government will provide IMF staff with the information indicated in the following summary table.

Summary of Reporting Requirements

Type of data	Tables	Frequency	Reporting deadline
Real sector	National accounts	Annual	End of year + 9 months
	Revisions of the national accounts	Variable	8 weeks following the revision
	Disaggregated consumer price indexes	Monthly	End of month + 2 weeks
Government finances	Net government position (including the position of other government agencies' accounts with the banking system) and breakdown of nonbank financing	Monthly	End of month + 3 weeks (provisional); end of month + 6 weeks (final)
	Balance of the account recording SOTELMA privatization receipts on deposit with the BCEAO	Monthly	End of month + 3 weeks
	Central government TOFE and consolidated TOFE	Monthly	End of month + 3 weeks (provisional); end of month + 6 weeks (final)
	Budget execution through the expenditure chain, as recorded in the automated system	Monthly	End of month + 2 weeks
	Breakdown of the revenue and expenditure recorded in the TOFE	Monthly	End of month + 6 weeks
	Separate report on HIPC-financed expenditure	Monthly	End of month + 6 weeks
	Execution of the capital budget	Quarterly	End of quarter + 8 weeks
	Tax revenue as recorded in the TOFE Showing tax refunds (including VAT credits)	Monthly	End of month + 6 weeks
	Wage bill as recorded in the TOFE	Monthly	End of month + 6 weeks
	Basic fiscal balance as recorded in the TOFE	Monthly	End of month + 6 weeks
	Customs exemptions	Monthly	End of month + 4 weeks

Type of data	Tables	Frequency	Reporting deadline
	Order setting the prices of petroleum products, tax revenue from petroleum products, and total exemptions granted	Monthly	End of month
	Imports of petroleum products by type and point of entry	Monthly	End of month + 2 weeks
	Expenditure cleared for payment but not paid 90 days after issuance of the payment order	Monthly	End of month + 1 week
Monetary and financial data	Summary accounts of the BCEAO, summary accounts of banks, accounts of monetary institutions	Monthly	End of month + 4 weeks (provisional); end of month + 8 weeks (final)
	Foreign assets and liabilities and breakdown of other items net of the BCEAO and of commercial banks	Monthly	End of month + 8 weeks
	Lending and deposit interest rates, BCEAO policy rate, BCEAO reserve requirements	Monthly	End of month + 4 weeks
	Bank prudential ratios	Monthly	End of month + 6 weeks
Balance of payments	Balance of payments	Annual	End of year + 12 months
	Revisions of the balance of payments	Variable	8 weeks following each revision
External debt	Breakdown of all new external borrowing	Monthly	End of month + 4 weeks
	Debt service, indicating amortization, interest expenses, and relief obtained under the HIPC Initiative	Monthly	End of month + 4 weeks
Budget Directorate	Priority poverty-reducing expenditure as defined in ¶ 21.	Quarterly	End of quarter + 4 weeks

INTERNATIONAL MONETARY FUND

MALI

Sixth Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for Modification of Performance Criteria and Augmentation of Access—Informational Annex

Prepared by the African Department
(In collaboration with other departments)

Approved by Roger Nord and Thomas Dorsey

May 26, 2011

- **Relations with the Fund.** Describes financial and technical assistance from the Fund and provides information on the safeguards assessment and exchange rate system.

- **Joint Management Action Plan (JMAP).** Describes the priorities and main activities of the World Bank Group and areas of cooperation with the IMF in their work with Malian authorities.

- **Statistical Issues.** Assesses the quality of economic statistics. Data provision for surveillance purposes is adequate overall, but weaknesses in a broad range of economic statistics are hampering the analyses of economic developments.

Contents Page

I. MALI: RELATIONS WITH THE FUND

(As of April 30, 2011)

I. Membership Status: Joined: September 27, 1963; Article VIII

II. General Resources Account:	**SDR Million**	**%Quota**
Quota	93.30	100.00
Fund holdings of currency (Exchange Rate)	83.30	89.28
Reserve Tranche Position	10.00	10.72

III. SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	89.36	100.00
Holdings	73.43	82.17

IV. Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
ECF Arrangements	33.72	36.15

V. Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF [1/]	May 28, 2008	Dec 31, 2011	27.99	25.99
ECF [1/]	Jun 23, 2004	Nov 30, 2007	9.33	9.33
ECF [1/]	Aug 06, 1999	Aug 05, 2003	51.32	51.32

[1/] Formerly PRGF.

VI. Projected Payments to Fund [2/]
(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2011	2012	2013	2014	2015
Principal	0.40	1.20	2.90	5.20	5.67
Charges/Interest	0.06	0.17	0.16	0.16	0.14
Total	0.46	1.37	3.06	5.35	5.81

[2/] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

VII. Implementation of HIPC Initiative:

I. Commitment of HIPC assistance	Original Framework	Enhanced Framework	Total
Decision point date	Sep 1998	Sep 2000	
Assistance committed			
by all creditors (US$ Million) [1/]	121.00	417.00	
Of which: IMF assistance (US$ million)	14.00	45.21	
(SDR equivalent in millions)	10.80	34.74	
Completion point date	Sep 2000	Mar 2003	
II. Disbursement of IMF assistance (SDR Million)			
Assistance disbursed to the member	10.80	34.74	45.54
Interim assistance	--	9.08	9.08
Completion point balance	10.80	25.66	36.46
Additional disbursement of interest income [2/]	--	3.73	3.73
Total disbursements	10.80	38.47	49.27

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

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

VIII. Implementation of Multilateral Debt Relief Initiative (MDRI):

I. MDRI-eligible debt (SDR Million)[1/]	75.07
Financed by: MDRI Trust	62.44
Remaining HIPC resources	12.63

II. Debt Relief by Facility (SDR Million)

	Eligible Debt		
Delivery Date	**GRA**	**PRGT**	**Total**
January 2006	N/A	75.07	75.07

[1/] The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

IX. Safeguards Assessments

The Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union (WAMU). The most recent safeguards assessment of the BCEAO was completed on March 1, 2010. The 2010 update assessment found that the BCEAO continues to have controls in place at the operational level. The overall governance framework needed nonetheless to be strengthened by the addition of an audit committee to ensure that the Board of Directors exercises appropriate oversight over the control structure, including the audit mechanisms and financial statements. The Institutional Reform of the WAEMU and the BCEAO completed after the approval of the safeguards report stipulated the creation of the Audit Committee, which should now start working. Efforts to implement fully the International Financial Reporting Standards reporting framework should also be pursued.

X. Exchange Rate Arrangement

Mali is a member of the WAEMU. The exchange system, common to all members of the union, has no restrictions on the making of payments and transfers for current international transactions. The union's common currency, the CFA franc, was pegged to the French franc at the rate of CFAF 50 = F 1 from 1948 until early 1994. Effective January 12, 1994, the CFA franc was devalued, and the new parity set at CFAF 100 = F 1. Effective January 1, 1999, the CFA franc was pegged to the Euro at a rate of CFAF 655.96 = EUR 1.

As of June 1, 1996, Mali and other members of WAEMU accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Fund's Articles of Agreement.

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

Mali's exports to the European Union generally enjoy non-reciprocal preferential treatment in the form of exemption from import duties under the Everything but Arms initiative. Malian goods enjoy nonreciprocal preferential access to the markets of developed countries other than the European Union under the Generalized System of Preferences. Mali is also eligible to benefits from the United States' African Growth and Opportunity Act. At the WAEMU level, officially Mali experiences no regulatory impediments to its exports.

XI. Article IV Consultations

Mali's Article IV consultation cycle is governed by the provisions of the July 2002 decision on consultation cycles. The Executive Board completed the 2010 Article IV consultation (Country Report No. 10/255) on July 16, 2010. The next Article IV consultation is expected to be completed by July 2012.

XII. Technical Assistance

Department	Type of Assistance	Time of Delivery	Purpose
AFRITAC	Expert	Apr. 2011	TOFE
FAD	Expert	Apr. 2011	Public Accounting, Fiscal Reporting, Cash Management
FAD	Expert	Mar. 2011	Public Accounting, Fiscal Reporting, Cash Management
FAD	Expert	Feb. 2011	Public Accounting, Fiscal Reporting, Cash Management
AFRITAC	Expert	Jan. 2011	National Accounts
AFRITAC	Expert	Sep.2010	Tax Administration
FAD	Staff	Sep.2010	Tax Policy
AFRITAC	Banking Supervision Advisor	Jun.2010	Restructuring of a government owned bank
AFRITAC	Expert	May.2010	Program budgeting
AFRITAC	Expert	May.2010	Customs administration
AFRITAC	Expert	Apr.2010	Land registry administration
MCM	Staff	Apr.2010	Public Debt Management
FAD	Expert	Apr.2010	Tax Administration
FAD	Expert	Mar.2010	Expenditure administration
AFRITAC	STA Advisor	Feb. 2010	Compile the financing data of the TOFE
AFRITAC	STA Advisor	Aug.2009	Workshop on the use of GFSM 2001 methodology to compile GFS data
FAD	Expert	Jun.2009	Tax Administration
FAD	Expert	Nov. 2008	Help establish medium-size taxpayer unit
AFRITAC	STA Advisor	Oct. 2008	Workshop on the current TOFE
FAD	Expert	Oct. 2008	Assist Treasury computerization
AFRITAC	Expert	Sept. 2008	Prepare the source data for the 2006 national accounts

XIII. Resident Representative

Mr. Alain Feler has been the Fund Resident Representative in Bamako since November 2008.

II. RELATIONS WITH THE BANK

THE JMAP BANK–FUND MATRIX

Title	Products	Provisional Timing of Missions	Provisional Delivery Dates
A. Mutual Information on Relevant Work Programs			
Bank Work Program	Poverty Reduction Strategy Credit (PRSC – 6)	Identification: August 2011 Pre-appraisal: November 2011 Appraisal and negotiations: January 2012	March 2012
	Governance and Budget Decentralization Technical Assistance	Supervision: February 2012	April 2012
	Poverty and Gender Notes Economic Sector Work	Data cleaning and tabulations: December 2010 Workshop to discuss preliminary poverty profile: May 2011	December 2011
Fund Work Program	Seventh ECF Review/possibly discussion of a new arrangement	September 2011	December 2011
	Article IV Consultation/ possibly first review of new arrangement	March 2012	June 2012
	Treasury Advisor	May 2011	April 2012
B. Requests for Work Program Inputs			
Fund request to the Bank	Comments on the composition of the 2012 Budget and linkages between budget allocations and the G-PRSP	September 2011	December 2011
	Budgetary implications of pension system, social safety net, and electricity sector reforms	September 2011	December 2011
Bank request to the Fund	Information on recent macroeconomic developments, macroeconomic projections and analysis for 2012 and the medium term	November 2011 March 2012 September 2012	January 2012 June 2012 December 2012
C. Agreement on Joint Products			
Joint Work Program	Joint Bank-Fund Debt Sustainability Analysis	September 2011	December 2011
	Joint Bank-Fund Staff Advisory Note on G-PRSP III	March 2012	June 2012

III. MALI—STATISTICAL ISSUES APPENDIX (As of May 10, 2011)
A. Assessment of Data Adequacy for Surveillance
General: Data provision has some shortcomings, but is broadly adequate for surveillance.
National Accounts: The economic accounts of Mali are prepared by the National Institute of Statistics (INSTAT), in accordance with the *System of National Accounts 1968 (SNA68)* and adapted to certain characteristics specific to Mali. They are compiled on an annual basis. There are, however, weaknesses in the accuracy, coverage, and timeliness of national accounts data. The main reason has been the inadequacy of source data, along with insufficient funding and technical staffing of the National Directorate of Statistics and Data Processing (DNSI). The work on implementing the *System of National Accounts 1993 (1993 SNA)* is ongoing, with the support of the West African Economic and Monetary Union (WAEMU) Commission and AFRITAC West. At this time, the new base year, 2006, has been completed, and 2007 is near completion. It is expected that a new national accounts series spanning 1997–2007 will be available by 2011.
Price statistics: In concert with other WAEMU member countries, the INSTAT has been compiling and publishing a harmonized consumer price index (CPI) for Bamako on a monthly basis since early 1998. The CPI was rebased in 2008, with a new basket of products and revised weights.
Government finance statistics: As part of the process of economic integration among the member countries of the WAEMU, the country has made significant progress in bringing its fiscal data in line with the common framework that has been developed with technical assistance from the Fund (the harmonized table of government financial operations—TOFE). However, further efforts are needed to improve the timeliness of the TOFE, and the consistency of some of its source data. Work is progressing with the assistance of STA and AFRITAC West to develop compiling tools, implement the regional statistics guideline adopted in June 2009, and train the Malian officials on the *GFSM 2001* methodology. Fiscal data are disseminated on the Central Bank of West African States (BCEAO), and the INSTAT and the WAEMU's website. In February 2010, AFRITAC West staff visited Mali to assist the authorities in the compilation of the financing data of the TOFE. Particular attention was given to the consistency between financing data and revenue and expenditure data. Public debt statistics are prepared and monitored by separate agencies; external debt by the National Public Debt Directorate (NPDD) and domestic debt by the National Directorate of the Treasury and Government Accounting. The NPDD uses CS-DRMS accounting software. Debt data and projections are of generally good quality, although there is scope for improving the presentation as well as the coverage of debt relief (multilateral and bilateral). A procedure for regularly updating exchange rate projections is needed as well as a full mastering of the software.

Monetary statistics: Monetary and financial statistics, compiled and disseminated by the BCEAO, are broadly adequate and their institutional coverage is comprehensive. Accuracy is somewhat hampered by the use of outdated sorting coefficients to estimate cross-border amounts of banknotes among BCEAO countries, which in turn, are used to estimate currency in circulation and to adjust the net foreign assets of each member country.	
Balance of payments: The BCEAO is responsible for compiling Mali's balance of payments statistics. Under the provisions governing financial relations with the rest of the world, the central bank is authorized to request any individual or legal entity to provide any information necessary for compiling the balance of payments. For validation, compiled data must be approved by Mali's Balance of Payments Committee, chaired by the minister responsible for finance. On Mali's behalf, the BCEAO serves as the secretariat of the Balance of Payments Committee. The central bank currently bases its data collection on surveys of economic agents. It is testing a method of compiling data from settlements by banks, financial institutions, and the Office National des Postes (postal service) with the rest of the world. Concepts and definitions used to compile the balance of payments statistics are in broad conformity with the guidelines presented in the fifth edition of the *Balance of Payments Manual* (*BPM5).*	
B. Data Standards and Quality	
Participant in the General Data Dissemination System (GDDS) since September 2001. Metadata need to be updated.	No Data ROSC is available.
C. Reporting to STA	
Exchange rates, Fund position, International liquidity, Monetary Authorities, Deposit Money Banks, Monetary Survey, Interest rates, Prices (CPI), International Transactions & Positions, Balance of Payments, Government Finance, National Accounts, and Population are currently reported to the STA for publication in the *International Financial Statistics*. Data on international investment position is published in *IFS* and *Balance of Payments Statistics Yearbook* up to 2008.	

Common Indicators Required for Surveillance

(As of April 29, 2011)

	Date of latest observation	Date received	Frequency of data[7]	Frequency of reporting[7]	Frequency of publication
Exchange Rates	Current	Current	D	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Dec. 2010	Mar. 2011	M	M	M
Reserve/Base Money	Dec. 2010	Mar. 2011	M	M	M
Broad Money	Dec. 2010	Mar. 2011	M	M	M
Central Bank Balance Sheet	Dec. 2010	Mar. 2011	M	M	M
Consolidated Balance Sheet of the Banking System	Dec. 2010	Mar. 2011	M	M	M
Interest Rates[2]	Current	Current	I	W	M
Consumer Price Index	Mar. 2011	Apr. 2011	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	N/A	N/A			
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	Q4 2010	Mar. 2011	M	Q	A
Stocks of Central Government and Central Government-Guaranteed Debt[5]	2010	Mar. 2011	M	I	A
External Current Account Balance	2010	Mar. 2011	A	A	A
Exports and Imports of Goods and Services	2010	Mar. 2011	A	A	A
GDP/GNP	2010	Mar. 2011	A	A	Semi-A
Gross External Debt	2010	Mar. 2011	A	A	A
International Investment Position[6]	2008	Apr. 2009	A	A	A

[1] Any reserve assets that are pledged of otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Includes external gross financial asset and liability position vis-à-vis nonresidents.
[7] Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).

Statement by the IMF Staff Representative on Mali

June 8, 2011

1. This statement provides information that has become available since the issuance of staff report on May 27, 2011. The new information does not alter the thrust of the staff appraisal.

2. Preliminary estimates indicate that the indicative target on tax revenue at end-March was missed by CFAF 18 billion (0.4 percent of GDP) owing to shortfalls mainly in indirect taxes. The indicative targets on the basic fiscal balance and the government bank and market financing were nonetheless met owing to lower-than-programmed spending.

3. The authorities have met the end-May 2011 structural benchmark on the presentation of an improved Central Government Consolidated Financial Operations Table (TOFE) at end-March (Memorandum of Economic and Financial Policies [MEFP], Table 4 and ¶25).

Statement by Kossi Assimaidou, Executive Director for Mali

June 8, 2011

1. My Malian authorities are thankful to the Board, Management, and the staff for the valuable policy advice they continue to receive from the Fund in support of the implementation of their economic program supported by the Extended Credit Facility (ECF). As the current ECF arrangement is headed toward its final months, they much appreciate the inclusive approach adopted by staff in the preparation of the Ex-Post Assessment (EPA) of the Fund's longer-term program engagement that is being considered by the Board along with the staff report.

2. Economic developments in 2010 were characterized notably by robust growth, low inflation, better-than-expected fiscal performance, weaker external position, and improved financial soundness indicators. In addition, program performance has been strong, with all end-December 2010 performance criteria and indicative targets being met, except for the indicative target on priority spending. On the structural front, all but one benchmark were implemented, thus translating into further improvements in tax and customs administration, lower vulnerabilities in the banking system, and better management of public finances. At the same time, the establishment of a system for managing and ensuring timely payment of value added tax credits to eligible companies—which is the essence of the missed benchmark—is underway.

Policy and Reform Agenda for 2011

3. The reform agenda will continue to place a heavy focus on measures aimed at increasing the efficiency of tax and customs administration, further improving debt management, strengthening public financial management and the financial system, and advancing reforms in the cotton sector.

4. On the fiscal front, prudence will continue to guide the authorities' policies, materializing into efforts aimed at containing the basic fiscal deficit. In this endeavor, necessary spending and revenue adjustments will be made in the context of the forthcoming supplementary budget. On the revenue front, additional resources are expected to be secured by improved tax collection and higher non-tax revenue. The implementation of the recently adopted pass-through mechanism of international oil prices to domestic prices will help protect revenue from taxation of petroleum products and thus limit the budgetary impact of higher global oil prices. Other key revenue-enhancing measures will include the three-year action plan to be developed with a view to streamlining tax legislation as well as the phasing out of the preferential import tax regime benefiting some gold mining companies and the value-added tax exemptions granted to their subcontractors. On the expenditure front, better management of non-priority capital spending is expected to play a key role going forward.

5. Implementation of the government public financial management action plan will be pursued. In particular, steps will be taken to ensure increased compliance of budget preparation, execution and transparency with regional standards. In this connection, specific measures that are envisaged include analyzing the implications of transferring accounts held by government entities in commercial banks to the Treasury account at the central bank and improving the presentation of fiscal tables.

6. In order to strengthen debt management, the authorities plan to put in place a comprehensive database of domestic debt contracts and government guarantees. While preference will continue to be given to concessional financing, the authorities will determine with staff in the context of the next DSA exercise the level of nonconcessional borrowing that could be consistent with the need to preserve debt sustainability.

7. Financial sector reform will continue to be guided by the authorities' financial sector development strategy. In particular, work will continue to be undertaken toward completing the restructuring of the state housing bank (BHM) and increasing capital requirements of banks and other financial institutions. Strengthening the supervision of microfinance institutions will also remain central in the financial sector reform agenda; so will be improving credit access to small and medium-sized enterprises.

8. Cotton sector reform will be pursued with the ultimate aim of completing the ongoing process of privatizing the cotton ginning company, CMDT, while safeguarding the viability of the cotton sector. Recent progress made toward this goal relates to the recent selection of an investor interested in buying two of the four CMDT subsidiaries. Efforts will be made to find other potential buyers of remaining subsidiaries.

9. It is the authorities' view that an augmentation of access under the Extended Credit Facility (ECF) would contribute to mitigating the impact of the recent and ongoing crises in Cote d'Ivoire and Libya on the balance of payments. The main transmission channels of these crises include lower remittances, weaker foreign direct investment, and increased vulnerabilities in the banking system. In view of Mali's exposure to these external shocks, Directors' support for the requested augmentation of access under the ECF would be welcome.

Ex-Post Assessment of Longer-Term Program Engagement

10. At this juncture, the Ex-Post Assessment (EPA) of the Fund's longer-term program engagement in Mali is timely and welcome. Encouragingly, the EPA notes that some of the key achievements under the last Fund-supported programs under review relate to the maintenance of macroeconomic and financial stability and sustainable external debt position. However, the EPA conclusion that the last two Fund-supported programs were only partially effective in achieving core objectives calls for further improvements in program design.

11. While the recent streamlining of conditionality is a step in the right direction, there seems to be scope for program design to do a better job of helping achieve growth and poverty reduction objectives' set forth in Mali's Fund-supported programs. Indeed, as noted in the EPA report, although both Fund-supported programs under review placed a heavy focus on growth in line with the recommendations made in the 2003 EPA, growth was still weaker than average growth in Sub-Saharan Africa.

12. While the EPA rightly stresses the need for the Malian authorities to diversify the economy and promote private sector development to raise the country's growth potential, it would have been useful if it had underscored how program design could better contribute to this desirable goal. For instance, program conditionality on public debt and insufficient external financing constitute, in the authorities' view, key impediments to the achievement of adequate levels of public investment needed for strong and sustainable economic growth. Unfortunately, the EPA disregards how program requirements in the area of debt management may have constrained program growth objectives. Moreover, while the heavy focus of program conditionality on fiscal reform may have been useful in maintaining moderate levels of fiscal deficits, it is not clear that it contributed to creating fiscal space for development spending. Indeed, as the authorities noted in their response to the EPA, implementation of structural conditions on the fiscal front may have led to fiscal consolidation but their effects on economic growth have not been always perceptible.

13. In the concluding section of the EPA report, staff notes that the lack of ownership by key domestic stakeholders was the primary cause of the slow implementation of structural reforms. Unfortunately, it does not explicitly identify other factors related to program design that could have played a role in explaining the uneven program performance on the structural front. For instance, the EPA conclusion that implementation of structural reforms improved in recent years following greater ownership and the streamlining of the reform agenda seems to suggest that aspects of program design might have contributed to this outcome but the report does not further elaborate on this issue. In addition, the EPA questions whether program measures related to the privatization of CMDT are likely to solve the problems facing the cotton sector and whether the privatization of the BHM could be completed without taking steps to improve the soundness of the bank.

14. Based on the good program performance and the policy objectives under the ECF, I would appreciate Directors' favorable consideration of my authorities' request for the completion of the sixth review and modification of the performance criteria for the seventh review under the ECF.

INTERNATIONAL MONETARY FUND
EXTERNAL RELATIONS DEPARTMENT

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International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Sixth Review Under Extended Credit Facility for Mali, Approves a US$40 Million Augmentation and US$33.7 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the sixth review of Mali's performance under the economic program supported by the Extended Credit Facility, approved an augmentation of access in an amount equivalent to SDR 25 million (about US$40 million; or 27 percent of quota) to cushion the impact of the crises in Côte d'Ivoire and Libya, and approved the modification of performance criteria. The completion of the review enables the immediate disbursement of an amount equivalent to SDR 21 million (US$**33.7** million), bringing total disbursements under the program to an amount equivalent to SDR 46.99 million (US$75.3 million).

Mali's arrangement under the ECF was approved by the Executive Board on May 28, 2008, in the amount equivalent to SDR 27.99 million (about US$45.7 million; see Press Release No. 08/126). On January 26, 2011 Executive Board approved an extension of the arrangement until end-December 2011 (see Press Release No.11/20).

Following the Executive Board's discussion on Mali, Ms.Nemat Shafik, Deputy Managing Director and Acting Chair, stated:

"Macroeconomic developments in Mali have been favorable. Performance under the ECF-supported program continues to be strong, reflecting the authorities' commitment to the program objectives. The 2011 economic outlook is positive, with a projected strengthening of economic activity. Continued prudent macroeconomic policies and decisive implementation of structural reforms will be necessary to reduce vulnerabilities, diversify the economy, further raise economic growth, and reduce poverty.

"Fiscal policy continues to be cautious. The 2011 supplementary budget is well aligned with the program's macroeconomic objectives. Domestic energy prices need to be adjusted to changes in international oil prices in order to safeguard resources for making further progress towards the Millennium Development Goals.

"While public financial management has been strengthened, further progress is needed. The authorities have committed to simplifying the tax code and modernizing tax and customs administration to increase domestic revenue mobilization and improve the business environment. The authorities also plan to reduce the excessive number of accounts held by the government entities in commercial banks, implement the directives of the West African Economic and Monetary Union to increase fiscal transparency, and strengthen oversight in order to improve revenue collection and budget execution.

"To reduce external vulnerabilities stemming from the exports' concentration on gold, the authorities need to continue to pursue prudent debt management and step up efforts to diversify the economy. Timely privatization of the cotton ginning company, reform of the electricity sector, and financial sector development will be critical steps going forward," she noted.