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

## Letter of Intent

Bamako, May 22, 2015

Madame Christine Lagarde  
Managing Director, IMF  
Washington, D.C. 20431  
U.S.A.

Madame Managing Director:

1. On December 18, 2013, the Executive Board of the International Monetary Fund (IMF) approved a three-year arrangement under the Extended Credit Facility (ECF) for Mali in an amount equivalent to SDR 30 million with a view to supporting the government's policies to maintain macroeconomic stability and revive growth in 2014–16. This arrangement falls within the context of broad-based support from technical and financial partners for the country's renewal following the 2012 security and political crisis.
2. The attached Memorandum of Economic and Financial Policies (MEFP) discusses recent developments in Mali's economy and the progress made in implementing our policies in 2014 and over the first few months of 2015. As explained in the MEFP, half of the performance criteria (PC) and indicative targets at end-December 2014 were met and two out of three of the measures subject to structural benchmarks were fully implemented. Therefore, the government is requesting the completion of the third review of the ECF-supported program as well as the fourth disbursement totaling the equivalent of SDR 4 million.
3. Underperformance at the level of customs administration, explained in part by a conflict with importers over the enforcement of customs legislation that significantly disrupted imports during August 2014, did not allow meeting the programmed floor for gross tax revenue. Indeed, gross tax revenue underperformed by 0.7 percent of GDP. Moreover, the delay in the disbursement of budgetary support and the belated adoption by the National Assembly of the 2014 revised budget law did not allow the programmed ceiling on net domestic financing of the government by banks and the financial market to be met: taking into account the adjusters included in the technical memorandum of understanding (TMU), this ceiling was exceeded by 1.6 percent of GDP owing to the deferral until 2015 of payment for expenditures authorized in 2014 that amounted to more than twice the programmed value. Since the beginning of 2015, the government has taken measures to implement results-based management in tax revenue collection agencies, a step that has already contributed, during the first quarter of 2015, to bringing tax revenue levels back on track to meet the program's objectives. In order to prevent a repeat of delayed budget execution in 2015, the government adopted a 2015 draft revised budget law on May 13, 2015. In light of the measures already taken and others programmed in order to achieve the targets relating to tax revenue and

bank and market financing of the government in 2014, the government is requesting a waiver for non-observance of the corresponding performance criteria for end-December 2014.

4. The 2015 revised budget law adopted by the government reflects additional expenditures stemming from the Framework Law on Military Planning drafted in collaboration with the European Union's training mission for the Malian armed forces (EUTM), the impact of the Algiers' agreement for peace in the north of Mali, and the implementation of an increase in the salaries of civil servants amounting to 0.4 percent of GDP that had been previously negotiated with labor unions but delayed significantly by the events of 2012-13. The government is also close to signing agreements for loans for which the grant element is slightly below the programmed minimum in order to finance investments aimed at improving transportation and the distribution of electricity, investments that the World Bank considers to be in line with development policy in those sectors. The government is requesting a modification of the PCs on bank and market financing of the government and new non-concessional external debt contracted or guaranteed by the government and/or public enterprises, and gross tax revenue at end-June and end-December 2015.
5. This MEFP also outlines the economic and financial policies that the Malian government undertakes to implement by the end of this year in order to maintain macroeconomic stability, consolidate economic recovery, step up implementation of reforms with a view to improving public financial management, and facilitate private-sector development.
6. The government believes that the measures and policies set out in the attached MEFP are appropriate for attaining the objectives of this program and will take any further steps that might be necessary to that end. It will consult with the IMF on the adoption of such measures prior to any revision of the policies described in the attached MEFP.
7. The government will continue to provide Fund staff with any relevant information referred to in the TMU concerning progress made under the program.
8. The government intends to make public the content of the IMF staff report, including this letter, the attached MEFP, the TMU, and the informational annex. It therefore authorizes the IMF to publish these documents on its website once the IMF Executive Board approves the third review of the three-year arrangement under the ECF.

Very truly yours,

/s/ Mamadou Igor Diarra  
Minister of Economy and Finance

Attachments:

1. Memorandum of Economic and Financial Policies
2. Technical Memorandum of Understanding

## Attachment I. Memorandum on Economic and Financial Policies

1. This Memorandum on Economic and Financial Policies (MEFP) sets out recent developments and performance in regard to Mali's economic and financial policies implemented under the three-year arrangement under the Extended Credit Facility (ECF).<sup>1</sup>

### I. ECONOMIC DEVELOPMENTS IN 2014 AND THE EARLY MONTHS OF 2015, AND PERFORMANCE RELATIVE TO POLICIES SUPPORTED BY THE ECF ARRANGEMENT

#### A. Economic Developments in 2014

1. Real GDP growth was 7.2 percent, compared to the 5.8 percent expected under the program and 1.7 percent in 2013. This performance is due to a rebound of growth in the primary and secondary sectors. Thanks to favorable rainfall and availability of agricultural inputs at the start of the season, farm production grew nearly 15 percent. In the secondary sector, output increased by over 9 percent thanks to a particularly strong rebound in the manufacturing sector. The tertiary sector grew by less than 4 percent. Consumer price inflation was only 0.9 percent thanks to the good harvest.

2. The current account deficit (including grants) of the balance of payments widened to 7.3 percent of GDP, compared to the program forecast of 7 percent and the 2013 figure of 3.4 percent. This came about in the wake of declining gold prices and increased imports associated with stronger economic growth. The current account deficit was only partly financed by net inflows of capital, mainly in the form of external assistance and foreign direct investment (FDI). As a result, the overall balance of payments posted a deficit of CFAF 174 billion (\$353 million), financed by a drawdown of Mali's foreign-exchange reserves at the Central Bank of West African States (BCEAO).

3. The money supply expanded by 7.1 percent, driven by an 18.7 percent expansion in credit to the domestic economy. The commercial banks benefit from the BCEAO's accommodative monetary policy stance by using central bank advances to finance the Malian economy and purchase securities issued by the West African Economic and Monetary Union (WAEMU).

4. The economic rebound and the government's efforts to pay its arrears to suppliers helped strengthen the stability of the financial sector. The risk-weighted capital ratio rose from 11.4 percent in December 2012 to 12.5 percent in June 2014. The stock of past-due receivables declined from 21.0 percent of all loans in December 2012 (8.7 percent after deducting provisions) to 18.9 percent in June 2014 (7.7 percent after deducting provisions). The financial stability of the microfinance

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<sup>1</sup> [IMF Country Report No. 14/337. Mali: First and second reviews under the Extended Credit Facility Arrangement. Staff report.](#)

sector also deteriorated: the share of nonperforming loans rose from 8.5 percent in 2012 to 9.8 percent at the end of 2014.

5. The overall fiscal deficit (cash basis, including grants) rose to 4.6 percent of GDP, compared to 2.9 percent in 2013. Revenue and grants totaled CFAF 1,265 billion (21.2 percent of GDP), less than the program level (23.7 percent), for a number of reasons including underperformance in customs receipts and a delay in the disbursement of general and sectoral budgetary support grants which were planned for 2014 but disbursed only in 2015. Total expenditure and net lending stood at CFAF 1,571 billion (26.3 percent of GDP). The basic fiscal balance<sup>2</sup> posted a deficit of CFAF 97.3 billion (1.6 percent of GDP), nearly twice the program level.

6. During the first quarter of 2015, tax receipts rebounded, putting the program back on track. Receipts collected by the Directorate General of Customs (DGD) were CFAF 29.8 billion in January, CFAF 35.5 billion in February, and CFAF 38.1 billion in March. Receipts collected by the Directorate General of Taxation (DGI) were CFAF 38 billion in January, CFAF 48.3 billion in February, and CFAF 59.9 billion in March. The improvement is attributable to the decision to maintain petroleum taxes at or above the same high level they stood at the start of the year (1115-16 and 22) and the measures taken to implement results-based management in the offices handling tax receipts (18). In addition, the government has given special attention to paying down the entire amount of payment orders carried over from the 2014 fiscal year into the first quarter of 2015 to avoid an accumulation of arrears, support businesses' cash-flow, and thus reduce the banks' stock of past-due receivables.

## **B. Performance Relative to Policies Supported by the ECF Arrangement**

7. Half the performance criteria (PCs) and indicative targets (ITs) as of the end of December 2014 were met, as were nearly all the indicators for the end of March 2015 (Tables 1 and 2).

- The zero ceiling PC on the cumulative increase in external payments arrears was met.
- The CFAF 49 billion (\$99 million) ceiling PC on new external debt contracted or guaranteed by the government on non-concessional terms was met.
- The floor PC on gross tax revenue was not met. Customs receipts posted a shortfall of CFAF 44 billion (\$89 million, equivalent to 0.7 percent of GDP) because of a dispute with importers concerning the application of customs legislation, which had significantly disrupted imports in August, and administrative weaknesses. This situation led the government to establish

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<sup>2</sup> The basic fiscal balance is equal to the sum of revenue and expenditure under the direct control of the government, i.e., revenue (including resources from the Heavily Indebted Poor Countries Initiative), plus grants for general budgetary support, less current expenditure and domestically-financed capital expenditure.

a new directorate within the DGD. In addition, the government resolved the dispute with importers by reducing the fine imposed on those importers that fail to participate in the pre-inspection program from 30 percent to 10 percent of the customs duties levied. In addition, the DGD will ask the inspection firm verifying imports to supply the monthly reconciliation reports, the proofs of verification (AV), and the declarations of consumption of the imported goods (AVDEC). The DGD will, by August 31, 2015, prepare a report, analyzing the monthly reconciliation reports from the inspection firm to compare the customs charges collected and pending, by declaration, in the first half of 2014 (proposed benchmark, Table 3). In light of those measures and others planned to strengthen the collection of tax revenues (¶¶20-26), the government is requesting a waiver relating to the non-observance of the gross tax revenue criterion as of the end of December 2014.

- The PC relating to the ceiling on the government's net domestic financing from banks and the financial market was not met. Taking into account the adjustment factors specified in the technical memorandum of understanding,<sup>3</sup> this ceiling was exceeded by CFAF 94 billion (\$176 million, the equivalent of 1.6 percent of GDP) because in 2015 the amount out of expenditure payments relating to payment orders from 2014 was more than twice that forecast. The reason for this abnormally high carryover of expenditure payments from the 2014 budget into 2015 is that disbursements of budgetary support were delayed, while a vote on the 2014 supplementary budget by the National Assembly was also delayed, which meant that government departments executed an abnormally high proportion of their expenditures in December. To prevent a delay in budget execution re-occurring in 2015, the government will approve its 2015 draft supplementary budget law (PLFR) by the end of May 2015 (a prior action, Table 3). In light of this measure and other program measures to tighten expenditure and cash-flow management (¶¶27-45), the government is requesting a waiver with respect to the non-observance of the ceiling on the government's net domestic financing from banks and the financial market as of the end of December 2014.
- The basic fiscal balance floor IT was not observed. Taking into account the adjustment factors specified in the technical memorandum of understanding,<sup>4</sup> this floor has been missed by CFAF 30 billion (\$61 million, or 0.5 percent of GDP), chiefly because of loss of revenue in customs receipts and delay in disbursement of general budgetary grants (¶6).
- The priority poverty-reducing expenditure floor IT was met. That floor was exceeded by CFAF 3 billion (\$6 million, or 0.1 percent of GDP).
- The gross tax receipts floor IT for the end of March 2015 was not only met but been exceeded by CFAF 7 billion. All the other ITs at end-March 2015 were also met, with the exception of

<sup>3</sup> See [IMF Country Report No. 14/337](#), p. 68, ¶¶7-9.

<sup>4</sup> See [IMF Country Report No. 14/337](#), p. 71, ¶¶22-23.

priority spending which was slightly inferior (by CFAF 3 billion or 5 percent) to the program floor.

8. Of the three structural benchmarks, two have been met. It is proposed that the remaining one be deferred for a few months (Table 2).

- The Minister of Economy and Finance (MEF) has provided a report showing that off-budget expenditures executed since September 25, 2014 stand at just CFAF 142 million (\$287,000, or 0.01 percent of total expenditure in 2014), half of which was spent by the Ministry of Health and Sanitation for strengthening health centers to prevent the spread of Ebola in Mali.
- The Office of the Inspector General of the Public Sector (*Contrôle Général des Services Publics*) (CGSP) is still not in a position to inspect contracts that are subject to an exemption on the basis of their having been classified as pertaining to a defense secret (*secret en matière de défense*) or essential government interests (*intérêts essentiels de l'État*) in order to verify whether they comply with Decree 2014-764 of October 9, 2014, concerning the procurement of goods and services excluded from the scope of Decree 08-85/P-RM of August 11, 2008, governing contracting procedures, the execution of contracts, verification, and delegated authority. The decree requires ministries engaging in such procurement to provide a list of the contracts by March 31 of the following year. Under that decree, the CGSP will conduct that inspection by June 30, 2015.
- The MEF has, in cooperation with the BCEAO's National Directorate, finalized an action plan to implement the recommendations of a January 2014 technical assistance mission by the IMF's Monetary and Capital Markets Department to strengthen the stability and development of the financial sector.

## ECONOMIC AND FINANCIAL POLICIES FOR THE REMAINDER OF 2015

9. The Growth and Poverty Reduction Strategy Paper (G-PRSP) for the period 2012-17, which was approved in December 2011 and adopted in April 2013, and the 2014-18 Government Action Program (PAG), will serve as economic and financial policy references for the period 2014-16:

- The objective of the G-PRSP is to transform Mali into an emerging country and an agro-pastoral powerhouse able to provide Malians, men and women alike, with a decent standard of living.<sup>5</sup> The G-PRSP is based on five pillars: (i) strengthening peace and security; (ii) increasing macroeconomic stability; (iii) promoting growth that is stronger, sustainable, and targeted in particular to helping the poor, aimed at creating jobs and raising income; (iv) consolidating the

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<sup>5</sup> [IMF Country Report No. 13/111. Mali: Poverty reduction strategy paper.](#)

long-term bases for development and facilitating equitable access to good-quality social services; and (v) strengthening institutions and governance.

- The PAG, prepared through a process involving all government ministries as a whole, focuses on six areas: establishing strong, credible institutions; restoring the security of persons and property throughout the country; implementing an active national reconciliation policy; rebuilding Malian schools; developing an emerging economy; and implementing an active social development policy.
- The Accelerated Development Program for the Northern Regions (PDARN) is concrete evidence of the government's will, and the will of all other stakeholders, to lead the changes necessary to undertake structured development consistent with the national vision, taking into account the vulnerability of Mali's northern regions. It centers on the objective of consolidating peace and security through socioeconomic development in the regions affected by the crisis.
- The government will bring together these various strategies in a single reference document by the end of the year.

10. Despite an uncertain international environment, Mali's macroeconomic outlook appears favorable with the gradual restoration of security, successful presidential and legislative elections, and the return en masse of the country's technical and financial partners (TFPs). The conference to support Mali's development held in Brussels on May 15, 2013, and the five follow-up meetings were a great success. They brought together 80 countries and 28 international organizations that committed to contributing €3.3 billion (\$4.4 billion or CFAF 2,200 billion, equivalent to 39 percent of GDP), of which 66 percent has already been disbursed and 33 has been disbursed through the national government budget. The fifth and final follow-up meeting was held in Bamako on February 17, 2015, where the government's efforts in the agricultural sector in particular were noted. The return of the TFPs should make it possible for GDP growth to be maintained in real terms at 5.0 percent in 2015, and then at more than 5 percent in 2016, 2017, and 2018 thanks to strong activity in the construction and services sectors. The current account deficit (including grants) is expected to decline to 4.3 percent of GDP in 2015 owing to the fall in oil prices, and to be financed entirely by foreign direct investment in the gold and telecommunications sectors and by external assistance in the form of loans. The overall balance of payments is expected to be close to equilibrium during the period 2015-2018. The implementation of prudent monetary and fiscal policies is expected to keep inflation in line with the community convergence criterion of 3 percent a year, provided that rainfall is favorable.

11. The government intends to implement a program that (i) supports growth through prudent fiscal policy while favoring priority poverty-reduction expenditures, (ii) improves financial management not only on the revenue side but also on the expenditure side, and (iii) modernizes the business environment to encourage private-sector development and improve competitiveness.

## A. Foster Growth through Prudent Fiscal Policy Aligned with Priorities for the Growth and Poverty Reduction Strategy

12. The government intends to continue implementing sustainable fiscal policies in line with its commitments as a member of the WAEMU. In particular, the government will adopt and implement a fiscal policy aimed at maintaining the basic fiscal balance close to equilibrium. Moreover, the government will maintain the overall fiscal balance (including project grants, sectoral budget support, and capital expenditure financed from external resources) at a level compatible with public debt sustainability, as indicated by the debt sustainability analysis (DSA) conducted annually in cooperation with IMF and World Bank staff (¶145) and the convergence criterion of 3 percent of GDP to be met in 2019.

13. Expenditures executed under the budgets will reflect the priorities of the G-PRSP, the PAG, and the PDARN (¶110). As proof of its determination to implement those priorities, the government undertakes to maintain spending in social sectors above a floor (indicator, Table 2).

14. In the context of those commitments, the government has introduced a 2015 draft supplementary budget law (PLFR) in the National Assembly, whose main aspects are as follows:

- The targeted level of revenue and grants is CFAF 1,508 billion (equivalent to 23.6 percent of GDP), of which CFAF 1,071 billion is in net tax revenue (16.7 percent of GDP), compared to CFAF 1,395 billion (22.3 percent of GDP) in the initial budget law. This framework also provides for sufficient resources for repayment of VAT credits (¶125).
- Proposed total expenditure and net lending is CFAF 1,712 billion (equivalent to 26.8 percent of GDP), compared to CFAF 1,653 billion (26.4 percent of GDP) in the initial budget, of which CFAF 1,402 billion (or 21.9 percent of GDP) is financed from domestic resources, compared to CFAF 1,264 billion (20.2 percent of GDP), in the initial budget. The expenditure mix is in line with the objectives set forth in the G-PRSP, with 25 percent devoted to strengthening education, health, and social spending; 24 percent to developing agriculture, water systems, public works, and urban development; 25 percent to defense and public administration, and 7 percent to developing the northern regions. A provision of CFAF 28 billion is provided to pay domestic arrears accumulated by the government vis-à-vis its suppliers following the freeze on expenditure in the wake of the events of March 2012; that figure is currently being audited (¶150).
- Accordingly, the target is for a basic fiscal balance of CFAF 49 billion (equivalent to 0.8 percent of GDP), compared to a balance in equilibrium in the initial budget, with an overall deficit, including grants (cash basis) of CFAF 321 billion (5.0 percent of GDP), compared to CFAF 275 billion (4.4 percent of GDP) in the initial budget. Most of this increase in the global deficit is attributable to the carrying over of payment orders from December 2014 owing to a delay in approving the 2014 supplementary budget (¶18).

15. The principal new measures proposed in the PLFR are as follows:

- Receipts and grants
  - A CFAF 23 billion increase in the DGI's receipts as a result of raising telecommunications taxes (TARTOP) from 2 percent to 5 percent (CFAF 8.5 billion), increasing the tax on financial operations (TAF) from 15 percent to 17 percent (CFAF 1.5 billion), and administrative measures to increase tax revenue (CFAF 13.2 billion; ¶26).
  - A CFAF 20 billion increase in the DGD's receipts as a result of keeping petroleum taxes at, or above, the historic high reached in March 2015 (¶22), raising excise taxes on tobacco, alcohol, and passenger vehicles (CFAF 2.5 billion), and administrative measures to increase customs revenue (CFAF 17.5 billion; ¶26).
  - A CFAF 38 billion increase in grants in the form of general fiscal support, including CFAF 20 billion pledged by nontraditional TFPs at the Brussels Conference (¶11) and CFAF 18 billion offered by China to finance projects yet-to-be-determined. The government undertakes to spend commensurately less in non-priority areas if the grants pledged by traditional partners do not materialize. It has also identified commensurate budget line items that will not be executed until the funds making up the Chinese grant have been received by the National Directorate of the Treasury and Public Accounting (DTNCP);
  - A CFAF 43 billion increase in grants following cancellation of monetary debt owed to France;
  - A CFAF 29 billion decline in grants as a result of a downward revision of the rate of project execution, based on the performance observed in 2014.
- Spending
  - A CFAF 18 billion increase in the wage bill arising from the implementation of the agreement with the National Workers Union of Mali (*Union Nationale des Travailleurs du Mali*, CFAF 24.1 billion), the new Law Setting the Future Course of the Military (*Loi d'orientation de la programmation militaire*) (LOPM), CFAF 2.7 billion) and a downward revision of new hires (CFAF 8.8 billion);
  - A CFAF 9 billion increase in transfers and subsidies, including CFAF 3 billion for the Algiers agreements;
  - A CFAF 15 billion increase in domestic interest payments, out of which CFAF 5 billion for the financial costs estimated by the Office of the Auditor General in its audit of a contract of equipment and supplies by the Ministry of Defense and Former Combatants (MDAC, ¶39);<sup>6</sup> the interest or other financing charges resulting from this contract will

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<sup>6</sup> See [Bureau du Vérificateur Général, Vérification de conformité et de performance, Acquisition d'un aéronef et fourniture de matériels et d'habillement, de couchage, de campement et d'alimentation \(HCCA\)](#)

(continued)

only be paid after due verification of their effectiveness by the Ministry of Economy and Finance;

- A CFAF 83 billion increase in capital expenditure using domestic financing, including CFAF 72 billion for the LOPM and CFAF 3 billion for preparations for the France-Africa Summit;
  - A CFAF 12 billion increase in payment of arrears owed to suppliers.
- Financing
    - A CFAF 16 billion increase in fiscal loans, including CFAF 8 billion offered by China to finance yet-to-be-determined projects. The government has identified commensurate budget line items up to the total amount of this loan, which will not be executed until the funds making up this loan have been received by the DTNCP;
    - A CFAF 54 billion decline in project lending as a result of a downward revision of the rate of project execution, forecast in light of experience in 2014.
    - A CFAF 11 billion increase in the government's equity stake in the state electricity company (*Énergie du Mali*—EDM, CFAF 8.8 billion; ¶155-57), the Malian Development Bank (*Banque de développement du Mali*, CFAF 1.5 billion), and the Digital Transition Fund (*Fonds de transition numérique*, CFAF 1 billion);
    - A CFAF 139 billion increase in net domestic financing from banks and the financial market.

16. Accordingly, the government is requesting a review of the performance criteria (PC) and indicative targets (IT) with respect to the government's net domestic financing from banks and the financial market (PC), gross tax revenue (PC), and the basic fiscal balance (IT) at the end of June, September, and December 2015 (Table 2).

17. Investment projects for which memoranda of understanding were signed with foreign enterprises in September 2014, for the amount of CFAF 5,500 billion (\$11 billion, equivalent to 93 percent of GDP) and regional integration projects in Mali for the amount of CFAF 1,750 billion (\$3.5 billion, or 30 percent of GDP), presented by the WAEMU Commission in September 2014 in Dubai, remain at the review stage. Consequently, they do not have any impact on the PLFR. Their impact on public finances will continue to be analyzed as future budget laws are prepared. All these projects will be implemented in keeping with the government's undertakings as to fiscal and debt sustainability and good practices in public financial management under its ECF arrangement.

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*ainsi que de véhicules et de pièces de rechange par le Ministère de la Défense et des Anciens Combattants*, ¶94, p.26, available at the following address:  
[http://www.primature.gov.ml/docs\\_a\\_telecharger/VERIFICATION-CONF-PERF-CONTRATS-BVG-2014.pdf](http://www.primature.gov.ml/docs_a_telecharger/VERIFICATION-CONF-PERF-CONTRATS-BVG-2014.pdf).

## **B. Improve Public Financial Management**

18. *The government will continue to improve public financial management, in particular by remedying the weaknesses revealed by the public expenditure and financial accountability (PEFA) assessment in 2011 and technical assistance missions by the IMF's Fiscal Affairs Department.* The PEFA assessment showed progress in Mali's public financial management system in the areas of budget credibility, comprehensiveness, and transparency, as well as budget preparation and execution. Nevertheless, it showed room for improvement in tax collection, domestic debt service, cash management, accounting, reporting, and external oversight. The government is continuing to implement the Government Action Plan to Improve and Modernize Public Financial Management in Mali (PAGAM/GFP II), covering the period 2011-15.

## Improve Revenue Management

19. The government undertakes to increase tax receipts by an amount close to the equivalent of 0.5 percent of GDP a year by implementing tax reforms designed to broaden the tax base (performance criterion, Table 2). The government intends to accomplish that by stepping up reforms undertaken by the Directorate General of Taxation (DGI), the Directorate General of Customs (DGD), and the National Directorate of Government Property and Land Registry (DNDC) by changing the institutional culture of these units—which are responsible for identifying the full scope of the tax base and collecting the payments owed—in particular by maintaining high ethical standards and ensuring results-based performance. The government also intends to strengthen the civic responsibility of revenue-collection units in enforcing tax compliance vis-à-vis economic agents.

### Reform Tax Policy

20. *The government intends to continue gradually reducing exemptions* by implementing the following measures:

- As introduced in the 2013 budget, inclusion of an annex in draft budgets containing tables of all exemptions provided in the General Tax Code, the Customs Code, the Petroleum Code, the Investment Code, the Mining Codes, the law governing property development, and all other laws or government decisions providing for tax benefits, the respective legal basis, the date of implementation in 2013 and 2014, and the government's estimated loss of revenue;<sup>7</sup>
- Use of a central tax and customs exemption file to identify stocks of exemptions granted by tax type and by legal or regulatory source, their expiry date, the identity of the beneficiary entities, and any other relevant information, finalized in 2014; and the production by August 31, 2015, of a memorandum which analyzes the exemptions listed in that file by tax type, by legal or regulatory source, by economic sector, and by date of expiry, and the amounts of those exemptions in 2014 categorized in the same manner, and which sets out ways to reduce those exemptions;

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<sup>7</sup> In 2013, total tax expenditure resulting from exemptions amounted to CFAF 233 billion (\$466 million, equivalent to 4.2 percent of GDP), consisting of CFAF 162 billion (2.9 percent of GDP) attributable to taxes collected by the DGI and CFAF 71 billion (1.3 percent of GDP) attributable to taxes collected by the DGD. In 2014, total tax expenditure resulting from exemptions amounted to CFAF 240 billion (\$486 million, equivalent to 4.0 percent of GDP), consisting of CFAF 152 billion (2.5 percent of GDP) attributable to taxes collected by the DGI and CFAF 88 billion (1.5 percent of GDP) attributable to taxes collected by the DGD.

- Approach TFPs to propose ending the tax exemptions enjoyed by the projects they finance; in 2014, such exemptions totaled CFAF 45 billion (\$91million, equivalent to 0.8 percent of GDP), consisting of CFAF 26 billion for the DGI and CFAF 19 billion for the DGD;
- Continue efforts to control discretionary exemptions and gradually, to the extent possible, reduce the exemptions provided in the General Tax Code, the Customs Code, the Investment Code, the Mining Codes, and the Petroleum Code, the law governing property development, and all other laws or government decisions that provide tax benefits, beginning with the 2016 budget.

21. *To halt the erosion of tax revenue on petroleum products,<sup>8</sup> the government intends to implement the following measures:*

- Calculation of the structure of retail petroleum product prices based on actual market values of imported products, as provided under Community legislation; determination of the forgone revenue (implicit subsidies) resulting from setting retail prices below the prices derived from that calculation; and publication of the workings of that pricing structure;
- Presentation in each year's budget of the forgone revenue from petroleum products during the previous year based on the forgone revenue per unit in pricing structures by highway, by product, and by liter;<sup>9</sup>
- Implementation of a petroleum product pricing mechanism to ensure that changes in the cost of imported petroleum products are fully reflected in pump prices within a margin of 3 percent per month;<sup>10</sup> implementation of this mechanism could be suspended in the event of particularly steep, successive increases in petroleum product costs;
- Preparation, by August 31, 2015, of a strategy to sustainably eliminate all cases of forgone revenue identified in the petroleum product pricing structure, including a communications component (proposed benchmark, Table 3) in light of Annex II to the IMF staff report on the 2012 Article IV consultations with Mali,<sup>11</sup> and [IMF Country Report No. 14/31](#).

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<sup>8</sup> Since 2005, tax revenue from petroleum products has fallen every year, except in 2009, from the equivalent of 3 percent of GDP in 2005 to less than 1 percent of GDP in 2012. See [IMF Country Report No. 14/31. Mali—Automatic fuel pricing mechanism; Technical assistance report; International Monetary Fund; Fiscal Affairs Department](#); Figure 6, p. 17.

<sup>9</sup> In 2014, forgone revenue on petroleum product taxation is estimated at CFAF 33 billion (\$67 million, equivalent to 0.6 percent of GDP).

<sup>10</sup> See [IMF Country Report No. 14/31](#), p. 23, ¶22.

<sup>11</sup> [IMF Country Report No. 13/44. Mali: 2012 Article IV Consultation. Staff report.](#)

22. *The government undertakes to simplify tax laws to lighten, to the extent possible, the administrative burden of tax return preparation on operators and of revenue collection on the DGI.* This simplification effort will cover the real system (the normal system applicable to large taxpayers or the simplified system applicable to medium-sized taxpayers), the global tax applied to small taxpayers, and the tax on wages and salaries. The government will conduct all preliminary studies and consultations in order to start implementing this simplification. In the 2015 budget, simplification is evident in the schedule of rates having been replaced by a single rate of 3 percent proportional to the taxpayer's turnover; this illustrates the course to be followed.

23. *With assistance from the IMF Topical Trust Fund on Managing Natural Resources Wealth, the government hopes to increase receipts from mining and petroleum resources while making the business environment more competitive for mining companies in Mali.* The mining and petroleum codes will be modernized in line with current international standards. The government will submit a new Petroleum Code to the National Assembly by the end of June 2015. It will introduce amendments to the Mining Code by the end of 2015. In addition, it will take the steps needed to reduce the tax stability period from 30 years to 15 years, in line with the average duration of a mining operation. To increase its share of income from mining operations, the government plans to contract the services of specialized firms to audit mining contracts to identify cases of tax optimization and tax avoidance. It also plans to strengthen the capacities of DGI and DNDC staff in auditing the companies' tax returns and costs. Finally, to increase transparency in the mining sector, the government has published all mining and petroleum contracts on the website of the Ministry of Mines and will publish the feasibility studies of companies now in the production phase by the end of June 2015.<sup>12</sup>

### **Reform the Tax, Customs, and Government Property Administrations**

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

- *To ensure that VAT credits are refunded within the established time frames, a special-purpose account has been opened, which will be used only to refund VAT credits.* It will continue to be funded by, first, all VAT receipts paid by mining companies and their subcontractors on their imports and, second, 10 percent of domestic VAT receipts or more if necessary. The Minister of Economy and Finance has issued an instruction that, if deposits to that account are insufficient to refund VAT credits, then the contribution of VAT receipts collected by the DGI can be increased commensurately; by August 31, 2015, the National Directorate of the Treasury and Public Accounting (DNTCP) will do a feasibility study on funding the account using all VAT receipts paid by mining companies and their subcontractors on their domestic purchases rather than a percentage of domestic VAT receipts, with a view to smoothing the flow of refunds of

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<sup>12</sup> See [www.mines.gouv.ml](http://www.mines.gouv.ml).

VAT credits. This mechanism ensures that VAT credits are properly and regularly refunded as required by Community legislation to exporting gold companies and to all other companies that generate VAT credits, with the exception of traders, as it currently stands. VAT refunds payable to gold companies according to the 2014 study amounted to CFAF 56 billion, of which CFAF 30 billion was paid in 2014 and CFAF 26 billion will be paid in 2015. In addition, in 2014 the government refunded CFAF 49 billion of VAT credits from previous years. In 2015, the VAT credits payable to gold companies in respect of the 2015 fiscal year are estimated at CFAF 60 billion, of which CFAF 45 billion will be paid in 2015 and CFAF 15 billion in 2016. By August 31, 2015, the DGI will produce a table showing VAT credits, by company, from the initiation of the credit up to its being refunded, specifying the form of payment (as an offset or in cash) for the 2013 and 2014 fiscal years and for the first half of the 2015 fiscal year.

- *To avoid the accumulation of VAT credits in relation to domestic operators, the system of VAT withholding at source will be completely eliminated, if possible, as from January 1, 2016, with technical assistance from the IMF Fiscal Affairs Department. As from January 1, 2016, this system will also be eliminated for the Treasury. To ensure that the elimination of VAT withholding at source does not result in a loss of tax revenue, the DGI (i) has implemented a communication campaign regarding obligations to declare and pay the VAT, targeted to suppliers to large enterprises, and will implement a similar campaign targeted to government suppliers as a whole by the end of October 2015, (ii) will strengthen its proactive oversight of effective VAT payment by suppliers to large enterprises from now on and by government suppliers once the system of VAT withholding at source that government suppliers must pay has been eliminated, and (iii) will systematize the production and improve the operation of the annex on deductible VAT in the VAT returns of taxpayers falling within the scope of the Large Taxpayers Directorate (DGE).*
- *To increase the number of businesses that effectively pay VAT,<sup>13</sup> the DGI will step up its campaign to conduct spot audits of VAT credits, beginning with businesses whose activity should not generate VAT credits systematically year after year (particularly commercial activities and service providers). It produced a report on the interim results of the audits in 2014, and will produce a new report on those results by August 31, 2015. To this end, with the support of West AFRITAC, the DGI will continue to train staff assigned to VAT research, the targeted oversight of VAT, and the auditing of VAT credits.*

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

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<sup>13</sup> In 2014, 51 percent of large enterprises and 51 percent of medium-sized enterprises effectively paid VAT, compared to 27 percent and 20 percent respectively from January 2012 to May 2013, given the large number of VAT credits reported systematically year after year. See [IMF Country Report No. 13/355. Mali: Technical assistance report: Continued modernization of the Malian tax system and administration](#), ¶49.

- *Implementation of multidisciplinary audits*
  - The Joint Economic and Financial Intelligence and Investigation Committee (CMRIEF) was established on March 15, 2012, to strengthen the effectiveness of tax audits and identify new taxpayers using, among other things, all the databases of taxpayers and economic operators available to the DGI, the DGD, the DNDC, the DGABE, and the Directorate General of Public Contracts and Delegated Authority (DGMP-DSP).
  - By comparing imports declared to the DGD and business turnover reported to the DGI, the CMRIEF found that over 80 percent of importers, or roughly 1,000 businesses, appeared to have understated their turnover declared to the DGI in 2009, 2010, and 2011 by an estimated total of CFAF 500 billion a year (¶10). As of December 31, 2014, the DGI has recovered CFAF 16 billion (\$32 million) in taxes as a result of this verification program. By August 31, 2015, the DGI will update this analysis to cover the years 2012, 2013, and 2014 (proposed benchmark, Table 3).
  - By comparing the amounts of public contracts in the DGMP database with turnover declared to the DGI, the CMRIEF found that over 90 percent of government contractors, or roughly 450 businesses, reported turnover that appeared to be lower than the value of the contracts awarded to them in 2010 and 2011.
  - The DGI has included these importers in its audit program beginning with those that appear to have underreported their turnover by the largest amounts. It has already submitted two reports to the Council of Ministers on the interim results of this audit program, on March 5, 2014, and September 10, 2014. Since the second half of 2014, the DGI has included recipients of government contracts in its audit program. On March 4, 2015, the DGI submitted an updated report to the Council of Ministers regarding importers. The next report, covering both importers and government contractors, will be submitted to the Council of Ministers by August 31, 2015.
  
- *Improved effectiveness of the DGI*
  - *Change in the DGE and DME turnover thresholds in order to streamline taxpayer administration.* To improve management of taxpayers and expand the number of taxpayers managed by the DGE and the DME, the Council of Ministers has adopted an order raising the DGE turnover threshold from CFAF 500 million to CFAF 1 billion, and will adopt an order reducing the DME turnover threshold from CFAF 100 million to CFAF 50 million as of June 1, 2015. The files of taxpayers having a turnover in the range of CFAF 50 million to CFAF 100 million will be transferred from the Tax Centers (CDIs) to the DME no later than after submission of the 2014 income statements (for which the deadline is April 30, 2015)—i.e., June 1, 2015. This restructuring will improve the DGE's management and control of large taxpayers, will quickly increase the number of taxpayers managed by the DME, and will improve VAT management by assigning all responsibility for the VAT to the DGE and the DME effective June 1, 2015, given that the turnover threshold for a taxpayer to be subject to VAT is CFAF 50 million a year.

- *Promotion of tax compliance.* Since October 2011, the DGI has been publishing on the MEF website<sup>14</sup> lists of taxpayers managed by the DGE and by the DME and updating those lists regularly so that the public can see the results of the efforts made to expand the tax base. As at March 16, 2014, the DGE handled 474 taxpayers, the DME handled 1,411 taxpayers, and the CDIs for the six Bamako communes handled 49,665 taxpayers. As at February 28, 2015, the figures were 478 taxpayers for the DGE, 1,770 for the DME, and 79,766 for the Bamako CDI.
- *Increase in the number of taxpayers managed by the DME.* Using primarily the results of audits initiated following the CMRIEF reports, the DGI has undertaken to increase the total number of taxpayers managed by the DME to 2250 by the end of 2015, with the aim of increasing the DME's share of overall DGI revenue from 5.2 percent in 2014 to 10 percent as soon as possible. To help achieve this objective, the DGI plans to implement an institutional reform to convert the DME into two Medium-Sized Taxpayer Centers (CMEs) reporting to the District of Bamako Tax Directorate as from March 31, 2016.
- *Payment of taxes to the DGE and the DME via bank transfer.* To simplify the payment of taxes and make it more secure, the DGI has been taking the necessary measures to enable more and more DGE and DME taxpayers to pay their taxes by bank transfer as from March 1, 2014. As at February 28, 2015, 78 taxpayers were doing so.
- *Strengthening the accountability of tax collectors.* The government undertakes to implement the necessary measures so that tax collectors become public accounting officers as of right and not merely in fact, in order to fully assume their tax collection responsibilities.
- *Improving the efficiency of tax audits.* The DGI undertakes to increase the proportion of large and medium-sized taxpayers audited annually from, respectively, 19 and 14 percent in 2014 to 25 percent for large taxpayers and 20 percent for medium-sized taxpayers in 2015. The DGI undertakes to reduce the rate at which medium-sized taxpayers fail to file a return from 26 percent during the period from January 2012 to April 2013 and 25 percent in 2014 and less than 10 percent in 2015. To that end, the DGI undertakes to complete the task of locating the 657 DME taxpayers that have not responded to correspondence from the DGI. The DGI undertakes to reduce the non-filer rate for taxpayers managed by the CDIs from more than 70 percent during the period from January 2012 to April 2013 and 35 percent in 2014 to less than 15 percent in 2015.
- *Identification of all taxpayers, businesses and individuals alike, by means of a national identification number (NINA) to facilitate business creation and modernize tax administration.* The government undertakes, by December 31, 2015, to conduct a

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<sup>14</sup> [http://www.dgi.gouv.ml/contenu\\_documentation.aspx?type=4](http://www.dgi.gouv.ml/contenu_documentation.aspx?type=4)

feasibility study for this migration, taking account of the expertise acquired since the taxpayer identification number (NIF) was established in 1996.

- *Improved effectiveness of the DGD*
  - *The DGD will carry out its action plan to implement the recommendations of the June 2013 technical assistance mission conducted by the IMF's Fiscal Affairs Department.*<sup>15</sup> The action plan aims to (i) optimize human resources management, (ii) improve management of material and financial resources, (iii) monitor commercial operations, (iv) intensify efforts to combat fraud and cross-border crime, (v) facilitate trade and partnerships, and (vi) optimize information and communication technologies by implementing the migration to the Automated System for Customs Data World (AYSCUDA) information system effective June 30, 2015. The purpose of this migration is to make it possible for all customs documents to be processed in paperless form and institute a fully electronic customs declaration system.
  - *To increase the collection of customs duties*, the DGD has advised operators that it will impose a 10 percent fine on imports that have not been verified prior to importation, in accordance with the applicable legislation. The DGD will ask the inspection firm to provide it with monthly reconciliation reports comparing duties received and receivable, by declaration, and will analyze them with a view to increasing the collection of customs duties (¶7, proposed benchmark, Table 2).
  - *Payment of taxes to the DGD via bank transfer*. To simplify the payment of taxes and make it more secure, the DGD is taking the necessary measures to enable more and more DGD taxpayers to pay their taxes by bank transfer.
  - *To help maintain the competitiveness of Malian businesses*, the DGD will systematically tighten the inspection of WAEMU certificates of origin in cooperation with the issuing authorities, and will produce an interim report on the results of such inspection work by August 31, 2015. To that end, in the absence of WAEMU certificates of origin, the DGD will systematically collect all duties and taxes, which will not be refunded until the necessary certificates have been submitted in due and proper order.
- *Modernization of the DNDC*. The DNDC will continue to implement the recommendations of the organizational audit sponsored by the Institutional Development Commission (*Commissariat au Développement Institutionnel*), which relate primarily to modernizing how the DNDC is organized and automating its functions. The DNDC will implement measures to increase the collection of capital-gains tax on real property sales by individuals, the collection of which began on October 1, 2011. The DNDC will continue efforts to establish the land registry and will set up a secure archiving system. It undertakes to migrate 4,000 property titles already digitized in the

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<sup>15</sup> See [IMF Country Report No. 13/355. Mali](#).

cadastral information system database by the end of December 2015, in addition to the 1,500 property titles already entered in that database.

- *Modernization of the DGABE.* The MEF will modernize the DGABE through the introduction of modern management tools such as results-based management (RBM), greater use of information technology (use of stock accounting software in the accounting offices of ministries and public institutions), and implementation of reforms for better monitoring and appraisal of the government portfolio.

## **Improve Expenditure Management**

26. The government will take measures to improve the regulatory framework for public financial management as well as for the preparation, execution, monitoring, and oversight of budget execution.

### **Transpose the Harmonized Legislative Framework Prescribed under WAEMU Directives**

27. In national laws and regulations, the government has transposed WAEMU Directives 01/2009 and 06/2009 to 10/2009 concerning the transparency code, budgets, public accounting, budget nomenclature, the government chart of accounts, and the government flow-of-funds table (TOFE). The government also undertakes to transpose Directive 01/2011 concerning the financial regimes of local governments in 2015. The government will ensure that the regulatory texts are published by December 31, 2015. They will be complemented by directives and guides as they become available to ensure that the regulatory texts are quickly and uniformly understood to facilitate implementation.

### **Improve Government Budget Preparation**

28. To improve budget presentation and facilitate assessment of the efficiency of public expenditure, the government will gradually implement program budgets and results-based management in accordance with the applicable WAEMU directive. To test budget management tools, a first step will be to present the 2016 budget law in the form of a program budget as information for the National Assembly. In addition to the annexes described in the directive, the government will, for information during a transitional period, present a breakdown of appropriations according to the current resource-based budget as well as a breakdown of appropriations by region.

29. In order to gain visibility as early as possible with respect to the budget support provided by TFPs, the government will ask TFPs to provide information in April on the budget support envisaged for the following year.

30. To involve the National Assembly as early as possible in the budget preparation process, the government organizes budget strategy deliberations in the National Assembly, in the first half of each year, with respect to the following year's budget law. For the 2016 budget law, this exercise will be organized by June 30, 2015. The information prepared for the deliberations, and all other reports relating to budget preparation and execution, will be published on the MEF website to give all stakeholders in Mali's development full information.

### **Improve Government Budget Execution**

31. *In accordance with Community directives, the following closing dates apply for 2015 budget execution:* for commitments in respect of ordinary operating expenditures and capital expenditures, November 30, 2015; for commitments in respect of other expenditures, December 20, 2015; for payment orders, December 31, 2015; and for payment order processing by accountants, payment authorization, and regularization of expenditures, January 31, 2016. Thus, the supplementary

accounting period will be limited to accounting operations, and an end-of-year circular will be sent by the end of September 2015 specifying the deadlines for expenditure commitments and validation to ensure that all commitments can be closed out by November 30, 2015.

32. *To improve transparency and expedite the process of awarding public contracts*, the DGMP-DSP will take steps to increase the amount of information on the awarding of contracts published on its website,<sup>16</sup> in line with the practices of neighboring countries. The DGMP-DSP will publish a list of government contract awards at regular intervals, specifying for each contract the contractor, the amount of the contract, the type of contracting procedure (open or restricted tendering, or direct negotiation), and indication of the provision in the public procurement code used as the basis for determining which contracting procedure was selected.<sup>17</sup> In order to reduce the average time required to award contracts,<sup>18</sup> the government adopted the following measures in April:

- Improve planning of requirements by providing the DGMP-DSP with procurement plans as from September (instead of November 30, the current date), with the possibility of initiating competitive bidding procedures up to the point of deciding a provisional contract award, pending allocation of appropriations. This represents a gain of two months in planning and processing. In consequence, the Minister of Economy and Finance will ask all contracting authorities to prepare their 2016 procurement plans and transmit them to the DGMP-DSP no later than September 30, 2015;
- Increase the signature and approval thresholds to make contracting authorities more accountable;
- Reduce the regulatory time frames imposed on various public procurement stakeholders from 108 to 80 business days, a gain of 28 business days;
- Reduce the number of contract signatories from seven to four;
- Eliminate the dual review of files involving contracts financed using external resources;
- Reduce the number of eliminatory administrative documents required from candidates and bidders for government contracts;

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<sup>16</sup> See <http://www.dgmp.gov.ml>.

<sup>17</sup> In 2014, the government awarded 1,352 contracts for a total of CFAF 266 billion (\$539 million, equivalent to 4.5 percent of GDP). Of those contracts, 85 percent were awarded by means of open calls for tenders (90 percent by value), 3 percent by means of restricted calls for tenders (3 percent by value), and 7 percent through direct negotiations (12 percent by value).

<sup>18</sup> The average time required to award contracts fell from 94 days in 2013 to 90 days in 2014.

- In accordance with the Accra Agenda, and to improve the project implementation rate, the African Development Bank—following an evaluation of Mali’s national contracting procedures which found that those procedures reflected the principles of economy, efficiency, and transparency in procurement, and applicable international best practices—signed a letter agreement with the government on July 17, 2014, authorizing the use of domestic contracting procedures in domestic calls for tenders;
- Finally, to improve the business environment further, the government contracting authority will propose a new public procurement code for approval by the government by August 31, 2015.

33. *To minimize the cost of all purchases of goods and services, the government has executed all contracts that are subject to an exemption on the basis of their having been classified as pertaining to a defense secret (“secret en matière de défense”) or essential government interests (“intérêts essentiels de l’État”) in accordance with Decree 2014-764 of October 9, 2014, concerning the procurement of goods and services excluded from the scope of Decree 08-85/P-RM of August 11, 2008, which governs contracting procedures, the execution of contracts, verification, and delegated authority since that decree was issued. As required under the provisions of that decree, the CGSP will, each year, audit contracts subject to the aforesaid exemptions by June 30 of the following year to verify that they have been executed in accordance with that decree (¶8, benchmark, Table 3).*

34. *To maximize the profitability of public investments and minimize the associated cost, the Directorate General of the Budget (DGB), the National Directorate of Development Planning (DNPDP), and the Directorate General of Public Debt (DGDP) are implementing the following measures:*

- Accelerating the implementation of investment projects by sector ministries where the execution rate was only 40 percent in the third quarter of 2014;
- Evaluating the cost of projects proposed by sector ministries using a market price list published on the MEF website on March 15, 2015;<sup>19</sup>
- Refocusing appropriations to favor the completion of key projects;
- Selecting investment projects to give preference to those that have assured programmed financing and can be started without delay;
- Strengthening the sector ministries’ expertise and the DNPDP’s capacities for critical review in selecting investment projects.

35. *With a view to gradually improving the procedures for budgeting and procedures for monitoring the execution of investment appropriations, the following measures will be taken:*

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<sup>19</sup> [http://www.finances.gouv.ml/contenu\\_documentation.aspx](http://www.finances.gouv.ml/contenu_documentation.aspx).

- The 2013 budget introduced the budgeting of commitment authorizations (AEs) and *payment appropriations (CPs) with respect to three-year public investment expenditures*. On that basis, the MEF is arranging for the PRED5 expenditure management software application to be used in monitoring AE and CP utilization.
- Beginning with the implementation of the 2016 budget, the procedure for carrying over CPs will utilize a mechanism providing for full application of the carryover provisions established under WAEMU directives, which allow only secured CPs included in the cash-flow plan to be carried over.

36. *To improve the expenditure execution process, the government will implement the relevant recommendations contained in the audit of the expenditure chain carried out with technical assistance from the IMF.* In March 2015, it organized a seminar to discuss the audit's findings with TFPs and presented an action plan to implement the audit's recommendations. It undertakes to publish the seminar proceedings and the action plan for implementing the recommendations, including monitoring indicative targets, on the MEF website by June 30, 2015.

37. *Payment deadlines will be more strictly monitored to prevent the accumulation of arrears.* Public financial management applications (PRED5 and AICE) will be used to monitor execution times for payment orders and to ensure that payments are made within 90 days after validation of the expenditure, in accordance with applicable WAEMU directives. For that purpose, monthly tables are being published on the MEF website.<sup>20</sup>

38. *The government will continue to implement the recommendations of the audit reports from the Office of the Auditor General (BVG) and the Accounts Section of the Supreme Court regarding the purchase of an aircraft and a contract for equipment and supplies awarded by the Ministry of Defense and Former Combatants (MDAC).*<sup>21</sup> In accordance with those recommendations, the government undertakes to record the 2014 purchase of the aircraft in the government's material accounting system. The government has taken steps to register the aircraft and review how it is being used. On the Prime Minister's website, the government on December 14, 2014, published a progress report on the implementation of the other recommendations by the BVG and the Supreme Court.<sup>22</sup> The government undertakes not to execute any further domestically funded expenditure by units of the central government unless they have first been included in the budget and executed in accordance with applicable budget rules and procedures. Speaking to the Council of Ministers on March 1, 2005, the Minister of Economy and Finance recalled the need to adhere strictly to budget rules. On March 6, 2015, he held a meeting with the financial directors and the directors of administration and finance of ministerial departments and other government entities to insist that the budget rules and

<sup>20</sup> <http://www.tresor.gouv.ml/documentation/position-nette-du-tresor-et-autres-comptes-publics.pdf>.

<sup>21</sup> See [IMF Country Report No. 14/337](#), pp. 38-41, ¶¶11-15.

<sup>22</sup> See <http://www.primature.gov.ml/>.

best practices for good governance, and the transparent management of public finances must be strictly observed. He will, by August 31, 2015, produce a report on extra-budgetary spending during the first seven months of the year.

## Improve Fiscal Transparency

39. *To improve transparency in the government's fiscal, liquidity, and asset position, the DNTCP will gradually implement the new WAEMU directive on the flow-of-funds table (TOFE) and other financial statements.* To assure an orderly transition to the new TOFE, the DNTCP will produce the TOFE during 2014 and 2015 using the 1998 and 2009 nomenclatures based on the TOFE as at December 31, 2013. In 2014 and 2015, program monitoring will be based on the 1998 TOFE. Beginning in 2016, the DNTCP will produce the TOFE using only the 2009 nomenclature to monitor budget execution, and the ECF program will be based on the 2009 TOFE. In 2014, the DNTCP will give priority to producing three of the four financial statements provided for under the 2009 directive, namely (i) the TOFE (benchmark, Table 2), (ii) the statement of public debt, and (iii) the report on cash-flow operations. The fourth financial statement, i.e., the balance sheet of government assets and liabilities, will be produced for the first time in 2015 based on the position as of the end of 2014.

40. *Implementation will continue of the Treasury's new integrated accounting application, the AICE.* The application was rolled out in the Koulikoro regional treasury office in January 2013 and will be rolled out in the Central Treasury Accounting Agency (ACCT), as the designated accounting office (poste comptable assignataire) by January 1, 2016. Roll-out and testing of the application's various functionalities in the Kayes, Ségou, Sikasso, Mopti, Tombouctou, Gao, and Kidal regions, and in the ACCT for the component dealing with the national consolidation of budget execution and real-time accounting with accounting offices, will be completed by the end of 2016. Rolling out the AICE in the ACCT will make it possible to produce all the consolidated statistical accounting statements of government entities, which will be linked to the application, including the integrated Treasury accounts balance and the TOFE, by January 1, 2017.

## Improve Cash Management

41. *The DNTCP will establish a monthly cash-flow plan at the start of the fiscal year and update it every month so that expenditures and payments can be executed regularly within established time frames through the year.* The monthly updates will be based on revenue collection, expenditure execution, and external financing disbursements.

42. *The DNTCP will continue the efforts under way to strengthen its command of the line items making up the net government position (NGP) vis-à-vis the banking system.*<sup>23</sup> On the MEF website, the DNTCP regularly publishes reports that analyze changes in the components of the NGP,

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<sup>23</sup> As of December 31, 2014, the net government position (NGP) vis-à-vis the banks was a creditor position of CFAF 86 billion (\$174 million, equivalent to 1.4 percent of GDP) for the government in the broad sense used in the WAEMU directive on the TOFE. That figure represents a debtor net Treasury position (NTP) of CFAF 135 billion (\$253 million, or 2.3 percent of GDP) and a net creditor position for other government entities (PNACPs) of CFAF 221 billion (\$415 million, or 3.7 percent of GDP).

highlighting the changes in the line items that are the most important in the net Treasury position (NTP), and the most important in the net position of other government entities (PNACPs).<sup>24</sup> These reports present the stocks at the beginning and close of the fiscal year and identify all owners of the accounts included in the PNACPs. The DNTCP will update the tables semiannually. The report for June 2015 will be available by August 31, 2015. The BCEAO will continue to provide the DNTCP with the NTP extracted from the monetary survey in order to compile the TOFE, in accordance with applicable WAEMU directives.

43. *The DNTCP will continue the implementation of the Treasury single account (TSA) at the BCEAO.* A first step, completed on June 30, 2014, was to transfer to the TSA the available balances in current accounts opened on behalf of government accounting officers within the scope of the NTP, with the exception of those in regions where the BCEAO has no presence. All term accounts within the scope of the NTP have been transferred to the TSA as they matured. In the second step, to be completed gradually in 2015, the funds of all public administrative institutions (EPAs) responsible for implementing government policies—institutions which receive the majority of their financing from the government, of the order of CFAF 150 billion as of December 31, 2014—will be integrated into the TSA. This obligation on the part of the EPAs to deposit funds with the Treasury will be clearly reestablished and upheld under the principle of a single Treasury and the consolidation of funds referenced in the corresponding 2009 WAEMU directive, with the exception of public hospitals subject to Law 02-050 of July 22, 2002, operating under the Malian Social Security Fund (CMSS) and the National Social Insurance Administration (INPS), bipartite entities over which the government has no direct control, and those EPAs that do not receive government subsidies. The government will introduce the necessary draft legislation to clarify existing texts relating to deposits of the EPAs' funds with the Treasury by December 31, 2015. In the interim, the government will combine Malian counterpart funds for new co-financed projects in an escrow subaccount open at the BCEAO for projects whose donors agree to the principle.

44. *The DNTCP will tighten its oversight of EPAs.*<sup>25</sup> The government made the accounting system prepared by the DNTCP mandatory for the EPAs in December 2013. The DGB will ensure that each EPA's budget is submitted to the Minister of Economy and Finance for approval. The DNTCP will ensure that it regularly receives semiannual reports on the execution of EPA projects. The MEF will advise the EPAs that the Minister of Economy and Finance will not approve their 2016 budgets until they have submitted their financial statements for the first half of 2015 to the DNTCP.

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<sup>24</sup> <http://www.tresor.gouv.ml/documentation/position-nette-du-tresor-et-autres-comptes-publics.pdf>.

<sup>25</sup> Out of the 103 EPAs, only 11 have a chart of accounts approved by the MEF. 65 sent their monthly financial reports to the DNTCP in 2014, compared to 43 in 2013.

## Strengthen Internal and External Oversight

45. *Internal and external oversight structures will be strengthened.* They have shown a number of administrative weaknesses in public financial management in Mali. In August 2011, to correct these weaknesses, the government adopted a national strategy of domestic oversight covering the period 2012–15, which it will implement with the support of several TFPs.

- With respect to internal oversight, the *Office of the Inspector General of the Public Sector (CGSP)* pointed, among a number of things, to a lack of procedural manuals and inadequate use of such manuals within the public administration.
- The *National Financial Audit Directorate (DNCF)* will fulfill the new responsibilities brought about by the implementation of the WAEMU directives (127), in particular selective ex ante review of expenditures, ex post assessment of program performance, and continued decentralization of its activities.
- With respect to external oversight, the *Office of the Auditor General (BVG)* has programmed: 29 audits in 2015, compared to 27 in 2014 and 20 in 2013. It will audit all the expenditures of the Ministry of Defense and Former Combatants from 2010 to mid-2014 based on the work program to be established.
- Staff of the *Accounts Section of the Supreme Court* will be strengthened. The section will, as soon as possible, be converted into a Court of Auditors in accordance with the applicable WAEMU directive.

46. *The production and audit of the government's annual accounts will be carried out regularly, in accordance with Community directives.* The National Assembly has approved budget review laws for the fiscal years 2008 to 2011, and the government has submitted draft budget review laws for the fiscal years 2012 and 2013 for the National Assembly's approval. The government will establish the draft budget review law for the 2014 fiscal year by the end of 2015, in accordance with the applicable Community directives.

## Place the Malian Social Security Fund and the National Social Insurance Administration on a Financially Sound Footing

47. *The government intends to take steps to ensure the financial soundness of the Malian Social Security Fund (CMSS), which manages the civil service pension plan, and the National Social Insurance Administration (INPS), which administers the pension plan, occupational accident insurance, and family benefits for private-sector employees.* According to the most recent actuarial studies available (from 2005 and 2010 for the CMSS, and from 2006 for the INPS), unless reforms are implemented, the deficits of these two entities could be the equivalent at least of 1 percent of GDP, each, in the near future. In 2008, the government submitted reform proposals to the National Assembly. Depending on the reforms adopted by the National Assembly and based on analyses under way with technical assistance from the World Bank, the government will, as soon as possible, prepare

and implement reform plans for both entities to eliminate their deficits in the medium term and create the fiscal headroom needed for priority spending under the G-PRSP.

### **Conduct a Sustainable Borrowing Policy**

48. *The government will continue to conduct a borrowing policy compatible with maintaining a sustainable level of debt (¶113).*

- The debt sustainability analysis conducted with IMF and World Bank staff concluded that the risk of external debt distress remains moderate.<sup>26</sup> The analysis also confirms that debt sustainability is highly sensitive to fluctuations in the price of gold (which accounts for 70 percent of exports, and the production of which will decline in the medium term), financial borrowing conditions, and the continuation of sustainable fiscal policies.
- The government therefore reiterates its commitment to cover its external financing needs primarily with foreign-currency grants and loans with a minimum grant element of 35 percent. In 2015, the government proposes a ceiling on non-concessional foreign borrowing of CFAF 250 billion (\$430 million, equivalent to 3.9 percent of GDP), with four loans totaling CFAF 200 billion from the Export-Import Bank of China having a grant element of 29 percent, to finance investments in transportation and electric-power distribution that the World Bank considers to be in line with the sector's development priorities, and CFAF 50 billion of loans for yet-to-be-determined projects having a high rate of return, for which financing on concessional terms is not available and which will be the subject of consultation with IMF staff before the loan agreements are signed (proposed revised continuous performance criterion, Table 2).
- To prepare to implement the new debt limits policy in IMF-supported programs, which will come into effect on June 30, 2015, with the fourth program review, the Directorate General of Public Debt (DGDP) will prepare a detailed plan of the loan agreements underpinning the execution of the 2015 draft supplementary budget and the 2016 draft budget law which will, for each loan agreement, specify the amount disbursed and the financial conditions, and will be annexed to that 2016 draft budget law (proposed benchmark, Table 2).
- In order to monitor closely the implementation of its borrowing policy, the government, by decision of March 24, 2014, made the National Public Debt Committee (CNDP) operational, one of its main responsibilities being to make decisions on any initiative or proposal with respect to government borrowing or government guarantees, and to produce a paper every year on its borrowing strategy, as an appendix to the budget.

49. *Management of domestic debt will be strengthened.*

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<sup>26</sup> See Mali—Debt sustainability analysis in [IMF Country Report No. 14/337](#).

- *To this end, the DGDP is compiling an inventory of agreements with respect to domestic borrowing, or commitments to guarantee domestic borrowing, that have been signed by the government, so that the repayment schedules can be included in the public debt data and budget laws.*
- *The government will submit the annual ceiling on variations in the stock of guarantees and sureties that can be granted by the government to the National Assembly for approval in draft budget laws. In the 2015 PLFR, the government will request authorization for a ceiling of CFAF 140 billion to confirm the CFAF 100 billion guarantee being issued to secure the crop loan provided by commercial banks to the state-owned Malian Textile Company (Compagnie Malienne de Développement des Textiles—CMDT), the CFAF 40 billion guarantee for the purchase of agricultural inputs. In accordance with the applicable budget laws and procedures, the 2016 draft budget will include a provision corresponding to 10 percent of the accrued risk, i.e., the amount of guaranteed debt falling due in 2016.*
- *The government has contracted the services of a consulting firm to conduct an audit of cumulative government domestic arrears following the spending freeze in the wake of the 2012 coup, and in previous years back to 1995. The audit found CFAF 172 billion in arrears (equivalent to 2.9 percent of GDP), a third of which was accumulated in 2012 and another third in 2010 and 2011. Of the total amount, CFAF 127 billion (equivalent to 2.1 percent of GDP) was validated by the consultant in light of the information provided by the administration. The government has already paid CFAF 88 billion of the validated arrears, broken down as CFAF 30 billion in 2013 and CFAF 58 billion in 2014. In the 2015 budget it has included a provision of CFAF 15 billion for this purpose, and in the 2015 draft supplementary budget a further provision of CFAF 12 billion (115). Before paying off these arrears, the government will ensure that the taxpayers concerned do not themselves have tax arrears, in which case the government would make deductions from its arrears payments equal to those tax arrears. The government has also asked the consulting firm to reconcile the information received by the administration with the information collected from government suppliers, and to submit its findings by August 31, 2015, if possible. The government will if necessary include, in the 2016 draft budget, provisions to pay additional validated arrears identified. Nevertheless, such claims may be securitized if they are large amounts.*

## **Improve Economic Statistics**

50. The government undertakes to approve the new SNA 1993 national accounts for the years 1999 to 2013 by August 31, 2015. This will consist of (i) publishing the definitive series for the years 1999 to 2008, (ii) finalizing and publishing the provisional series for 2009 and 2010, and (iii) preparing and publishing the new series of accounts from 2011 onward.

### **C. Improve the Business Environment to Encourage Private-Sector Development**

51. The government will strive to remove the principal constraints in the business environment identified in the latest Africa Competitiveness Report—produced jointly by the World Economic

Forum, the World Bank, and the African Development Bank—these being access to financing, corruption, insufficient infrastructure (including in the energy sector), the complexity of tax laws, government bureaucracy, and labor force qualifications.

52. The government will take measures aimed at mobilizing resources for infrastructure and simplifying tax legislation (¶23). In addition, it will take the measures described below to maintain the stability of the financial sector and improve access to financing, improve the financial position and production capacity of the electricity sector, and reduce corruption.

### **Promote Stability and Development of the Financial Sector**

53. Recognizing that a sound financial sector is critical to keeping Mali on the path to sustainable growth, the government will strive to resolve the sector's most pressing problems. In particular, the government undertakes as follows:

- To provide for the security of bank branches that have reopened in northern Mali since August 2013;
- To complete the restructuring of the Malian Housing Bank (*Banque de l'Habitat du Mali*—BHM) by the end of 2015. The government has adopted a plan to divest itself of its equity stake in the BHM by merging it with the Malian Solidarity Bank (*Banque Malienne de Solidarité*—BMS). It will enlist the services of one or more specialized firms to assess the state of affairs and the specifics of a merger-and-acquisition process;
- To present draft legislation to the National Assembly, by August 31st, 2015, to establish a credit information bureau in accordance with WAEMU requirements in this regard;
- To restore confidence in the microfinance sector by developing a detailed action plan for sector reform by the end of 2015.

### **Reform the Electricity Sector**

54. *The government will take measures to eliminate the structural deficit between the cost and selling price of electricity in Mali.* Since the early 2000s, the government has been implementing an electricity pricing policy that provides the option of either adjusting electric power prices to reflect changes in the operating costs of the power utility EDM, a public corporation, or paying a subsidy that enables the EDM to fulfill its assigned objectives. Pursuant to that policy, the government has made five price adjustments since 2003,<sup>27</sup> resulting in the average price of electricity being kept stable while international prices of petroleum products have trebled over the same period. The

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<sup>27</sup> Two decreases—of 10 percent in 2003 and 8 percent in 2004—and three increases—of 4 percent in 2009, –6 percent in 2013, and 6 percent in 2014—in the average price of electricity.

increased price of hydrocarbons, increased production, rapidly growing share of thermal production in the energy production mix, and increasing operational difficulties within the EDM (largely connected to the corporation's cash-flow problems) helped generate a loss of CFAF (40) per kilowatt-hour<sup>28</sup> in 2014 and losses prior to the government subsidy which climbed from CFAF 7 billion in 2003 to CFAF 52 billion in 2014. Consequently, the government allocated growing subsidies to the EDM to offset these losses and enable it to complete its cash-flow plan, including paying its commitments to banks and suppliers. These subsidies amounted to CFAF 5 billion in 2010, CFAF 11 billion in 2011, CFAF 30 billion in 2012, CFAF 59 billion in 2013, and CFAF 57 billion (\$116 million, equivalent to 1 percent of GDP) in 2014.

55. *In accordance with its electricity pricing policy, the government forecast a subsidy of CFAF 42 billion in the 2015 budget to keep the corporation financially afloat.* This amount, of which CFAF 12 billion has been financed by a grant from the Economic Community of West African States (ECOWAS), is based on recommendations by the task force made up of representatives of the MEF, the Ministry of Energy and Water Resources (MEH), the Electricity and Water Regulatory Commission (CREE), and the EDM to restore a profit margin between electricity's selling price and average cost price over the medium term.<sup>29</sup> The task force identified management measures and priority investments to meet demand and reduce production costs and proposed a rate adjustment of 3 percent per year on average during the period 2014-2020. The amount of the subsidy will be revised in September 2015 based on an assessment of the EDM's financial position in 2014 and through the first eight months of 2015, and the short- and medium-term outlook. The government plans to pursue the institutional reform adopted in 2009, providing for the EDM to be split into two parts: an asset-holding structure and an operating structure, as has been done in the water sector.

56. *In the interim, the government will continue to pay its electricity invoices regularly and support the implementation of the sector development strategy by mobilizing financing for structural investments.* Central to that strategy—which comprises expansion of the distribution network, interconnection with neighboring countries' networks, and diversification of production modes, and which is supported by the World Bank, among others—is an increased focus on the selection of investments based on lower-cost development criteria. The government will pay a subsidy of CFAF 42 billion at the start of the year in order to alleviate the EDM's cash-flow problems to the maximum extent possible. The EDM will take all steps necessary to increase its billing rate and reduce its operating costs, particularly by outsourcing the function of supplying fuel. The EDM will publish its financial statements and performance indicative targets (balance sheet and income statement) on its website.

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<sup>28</sup> In 2014, electricity's average selling price was CFAF 96 per kilowatt-hour while the cost price was CFAF 136 per kilowatt-hour.

<sup>29</sup> See [www.edm-sa.com.ml](http://www.edm-sa.com.ml) and [www.maliapd.org/spip.php?article365](http://www.maliapd.org/spip.php?article365).

## Promote Good Governance

57. *The government will strongly and actively pursue the promotion of good governance.*

- To this end, it undertakes to: implement all the measures described above to *improve the management and transparency of public finances*; and adopt, by August 31, 2015, a regulatory decree pursuant to the law on illicit enrichment requiring senior government officials to present annual financial disclosures to the Supreme Court.
- The government also undertakes to promote good governance *in the judicial system* by publishing the decisions of the Commercial Courts and of other courts in cases involving cases of malfeasance relating to governance,<sup>30</sup> and implementing other specific measures.
- The government will give priority to *remedying cases of malfeasance within the public administration brought to light by oversight structures, including the Office of the Auditor General in its annual and sector reports*. It will take all measures necessary to take administrative or legal disciplinary action, as appropriate, against dishonest employees. The Office of the Inspector General of the Public Sector (CGSP) has published its first annual report on the implementation of recommendations by oversight structures from 2011 to 2013.<sup>31</sup> By February 28, 2016, it will publish its second annual report presenting the results of actions taken to remedy cases of malfeasance brought to light by oversight structures in 2014, with particular emphasis on actions taken to discipline dishonest employees through administrative or legal measures.
- By August 31, 2015, the government will begin implementing an action plan to *strengthen the legal framework for combating money laundering, the financing of terrorism, and corruption*, taking into account the recommendations by the IMF technical assistance mission that visited Bamako in September 2014.

## II. PROGRAM MONITORING

58. The program will be evaluated regularly based on performance criteria as of the end of June 2015 and December 2015, on continuous performance criteria and indicative targets as of the end of September 2015 (Tables 1 and 2), and the benchmarks (Table 3). The performance criteria and indicative targets are defined in the technical memorandum of understanding, which also identifies the nature and frequency of the reporting required for proper program monitoring. The fourth and fifth reviews under the program are expected to be completed on or after November 1, 2015, and May 1, 2016, respectively.

<sup>30</sup> See <http://www.reforme-mali.org>.

<sup>31</sup> See <http://primature.gov.ml/>.

**Table 1. Mali: Performance Criteria and Indicative Targets, 2014<sup>1</sup>**  
(in billions of CFAF)

	2014															
	March				June				Sep.				Dec.			
	Prog. <sup>2</sup>	Adj. Target	Est.	Status	Prog. <sup>2</sup>	Adj. Target	Est.	Status	Prog. <sup>2</sup>	Adj. Target	Est.	Status	Prog. <sup>2</sup>	Adj. Target	Est.	Status
<b>Performance criteria</b>																
Government bank and market financing (ceiling) <sup>3</sup>	30	92	99	Not Met	48	143	118	Met	38	58	66	Not Met	100	32	128	Not Met
Cumulative increase in external payments arrears (ceiling) <sup>4</sup>	0		0	Met												
New external debt contracted or guaranteed by the government on non-concessional terms (ceiling) <sup>3,4</sup>	0		0	Met	0		0	Met	0		49	Not Met	49		49	Met
Gross tax revenue (floor)	231		231	Met	499		487	Not Met	742		715	Not Met	996		952	Not Met
<b>Indicative targets</b>																
Basic fiscal balance (floor) <sup>5</sup>	-43	-44	39	Met	-35	-42	60	Met	43	23	45	Met	-53	-67	-93	Not Met
Priority poverty-reducing expenditure (floor) <sup>6</sup>	50		58	Met	122		153	Met	233		241	Met	364		366	Met
<i>Memorandum items:</i>																
External budgetary support	0		0		0		0		96		0		184		87	
General budgetary grant	0		0		0		0		96		0		128		70	
Net change in budgetary float (= reduction)	53		-25		53		-45		-8		-2		14		85	
Tax refunds (-)	-5		-6		-13		-20		-20		-15		-72		-62	
Net change in arrears (= reduction)	-31		-14		-34		-24		-31		-37		-74		-62	

Sources: Malian authorities; and IMF staff projections.

<sup>1</sup> Cumulative figures from the beginning of the year, unless otherwise indicated. See Technical memorandum of understanding (TMU) for definitions.

<sup>2</sup> IMF Country Report No. 13/380. Mali-Staff Report for Request of Three-Year Arrangement under the Extended Credit Facility.

<sup>3</sup> These performance criteria are subject to adjustment for external budget support, reduction of pending bills, tax refunds, and arrears payment. See TMU for more details.

<sup>4</sup> These performance criteria will be monitored on a continuous basis since the beginning of the year.

<sup>5</sup> This indicative target is subject to adjustment for budgetary grants and tax refunds. See TMU for more details.

<sup>6</sup> New definition starting in December 2014: excludes budgetary transfers to finance the deficit of the civil servants' pension fund (CMSS).

**Table 2. Mali: Proposed Performance Criteria and Indicative Targets, 2015<sup>1</sup>**  
(in billions of CFAF)

	2015											
	March				June		September		December			
	Prog. <sup>2</sup>	Adj. Target	Est.	Status	Prog. <sup>2</sup>	Rev. prog.	Prog. <sup>2</sup>	Rev. prog.	Prog. <sup>2</sup>	Rev. prog.		
<b>Performance criteria</b>												
Government bank and market financing (ceiling) <sup>3</sup>	✓	127	186	67	Met	115	123	32	147	34	172	
Cumulative increase in external payments arrears (ceiling) <sup>4</sup>		0		0	Met	0	0	0	0	0	0	
New external debt contracted or guaranteed by the government on non-concessional terms (ceiling) <sup>4,5,6</sup>		0		0	Met	0	250	0	250	0	250	
Gross tax revenue (floor)		251		257	Met	546	564	822	851	1,103	1,141	
<b>Indicative targets</b>												
Basic fiscal balance (floor) <sup>5</sup>	✓	-58		-46	80	Met	-30	-92	7	-97	1	-49
Priority poverty-reducing expenditure (floor)		63			60	Not met	134	134	244	244	394	394
<i>Memorandum items:</i>												
External budgetary support		7			40		24	45	97	71	122	177
General budgetary grant		7			14		24	19	73	45	73	112
Net change in budgetary float (= reduction)		-50			-123		-32	0	4	0	4	-68
Tax refunds (-)		-22			-10		-44	-39	-66	-57	-88	-70
Net change in arrears (= reduction)		-5			-3		-18	-5	-19	-7	-20	-49

Sources: Malian authorities; and IMF staff projections.

<sup>1</sup> Cumulative figures from the beginning of the year, unless otherwise indicated. See Technical memorandum of understanding (TMU) for definitions.

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

<sup>3</sup> These performance criteria are subject to adjustment for external budget support, reduction of pending bills, tax refunds, and arrears payment. See TMU for more details.

<sup>4</sup> These performance criteria will be monitored on a continuous basis.

<sup>5</sup> This indicative target is subject to adjustment for budgetary grants and tax refunds. See TMU for more details.

<sup>6</sup> The positive ceiling starting in June corresponds to 4 electricity projects financed by the Chinese Exim Bank with a grant element of 29 percent.

**Table 3. Mali: Prior Action and Proposed Structural Benchmarks for 2015**

Measures	Scheduled completion date	Macroeconomic justification	Status
<b>Existing benchmarks</b>			
Audit by the Public Service Audit Office (CGSP) of the conformity of exceptional contracts bearing the stamp "defense secret" or "essential interests of the State" with the attendant decree adopted by the Council of Ministers on September 19, 2014.	Feb 28	Reduce the cost of public spending and secure donor support.	Not met. Completion date pushed back to June 30, 2015.
Report by the Minister of Economy and Finance on extrabudgetary spending since September 25, 2014.	Feb 28	Strengthen fiscal governance.	Met.
Prepare an action plan for implementation of the recommendations made by the January 2014 technical assistance mission from the IMF's Monetary and Capital Markets department in January 2014 to reinforce the stability of the financial sector.	Feb 28	Strengthen financial sector stability.	Met.
Preparation of a strategy for phasing out the consumption subsidies identified in the petroleum product structure.	Jun 30	Increase tax revenue.	
<b>Prior action</b>			
Approval by the Council of Ministers of a 2015 draft supplementary budget in line with the budget framework of the third review of the Extended Credit Facility arrangement.		Promote macroeconomic stability and growth.	Met.
<b>Additional benchmarks proposed</b>			
Completion, by the Directorate General of Customs (DGD) of a report analyzing the import inspection firm's monthly reconciliation reports comparing duties received and receivable of each import declaration, during the first half of 2015.	Aug 31	Increase tax revenue.	
Completion, by the Directorate General of Taxation (DGI) of a report comparing the turnover of importing companies as declared to the Directorate General of Taxation and the value of their imports as declared to the Directorate General of Customs in 2012, 2013, and 2014.	Aug 31	Increase tax revenue.	
Completion, by the Directorate General of Public Debt (DGDP), of a detailed plan in regard to the loan agreements underpinning the execution of the 2015 draft supplementary budget law and the 2016 draft budget law which, for each loan agreement, will specify the amount disbursed and the financial terms, to be annexed to the 2016 draft budget law.	Aug 31	Maintain debt sustainability.	
Source: Malian government authorities			

## Attachment II. Technical Memorandum of Understanding

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

### III. DEFINITIONS

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

### IV. PERFORMANCE CRITERIA

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

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

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

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

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

## V. ADJUSTERS

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

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

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

## B. Ceiling on Accumulation of External Government Payments Arrears

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

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

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

**12. Definition of the debt.** The definition of the debt is set out in IMF Executive Board Decision N° 6230–(79/140), point 9, as revised on August 31, 2009 by Executive Board Decision N° 14416–(09/91):

- (a) the term “debt” will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:
  - i. loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers’ credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);
  - ii. suppliers’ credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and
  - iii. leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.
- (b) Under the definition of debt set out in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

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

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

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

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

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

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

## D. Floor on Gross Tax Revenue

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

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

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

## VI. INDICATIVE TARGETS

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

### A. Floor on the Basic Fiscal Balance

21. The basic fiscal balance is defined as the difference between net total revenue, plus budgetary grants (general budgetary support) and HIPC resources, and total authorized expenses plus net lending, excluding capital expenditure financed by creditors or donors, pursuant to the definition of the basic fiscal balance in the WAEMU texts (Additional Act N° 05/2009/CCEG/UEMOA of March 17, 2009, amending Act N°04/1999 on the Convergence, Stability, Growth, and Solidarity Pact).

## VII. ADJUSTER

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

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

### B. Floor on Priority Poverty-Reducing Expenditure

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

## VIII. STRUCTURAL BENCHMARKS

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

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

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

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

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

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

### **Additional Information for Program Monitoring**

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

### Summary of Reporting Requirements

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

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

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