

International Monetary Fund

[Mali and the IMF](#)

Press Release:

[IMF Executive Board
Completes Fifth
Review Under the
Extended Credit
Facility and Approves
US\\$26.9 Million
Disbursement for
Mali](#)

June 6, 2016

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

May 25, 2016

[Country's Policy
Intentions
Documents](#)

E-Mail Notification

[Subscribe](#) or [Modify](#)
your subscription

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 25, 2016

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

Dear Madame Managing Director:

1. On December 18, 2013, the Executive Board of the International Monetary Fund (IMF) approved a three-year arrangement under the Extended Credit Facility (ECF) for Mali in an amount equivalent to SDR 30 million. The arrangement aims at supporting the government's policies to maintain macroeconomic stability and revive growth in 2014–16, with broad-based support from technical and financial partners for the country's renewal following the 2012 security and political crisis.
2. The attached Memorandum of Economic and Financial Policies (MEFP) discusses recent developments in Mali's economy and progress made in implementing our policies in 2015 and over the first few months of 2016. As explained in the MEFP, all performance criteria and indicative targets at December 31 were met as well as all continuous performance criteria. One out of three of the measures subject to structural benchmarks was implemented, a second one was implemented with delay, and the third one will now be implemented by end-June 2016. In light of the budget execution during the last six months of 2015 and since then, the objectives of our budgetary programming for end-2016 approved at the time of the fourth review under the ECF arrangement are within our grasp.
3. In 2016, the government has prepared a supplementary budget to reflect additional expenditures (1.6 percent of GDP) mostly stemming from the implementation of the 2015 Agreement for Peace and Reconciliation in Mali, including higher current spending (wages and salaries for military and other civil servants, transfers, and subsidies) and increased capital spending (investment projects in infrastructure, education, and energy). The fiscal deficit, (payment order basis, including grants) amounts to 4.3 percent of GDP.
4. This MEFP also outlines the other economic and financial policies that the Malian government undertakes to implement this year in order to maintain macroeconomic stability,

consolidate the economic recovery, step up the implementation of reforms with a view to improving public financial management, and facilitate private-sector development.

5. As a result, the government requests completion of the fifth review under the ECF arrangement and the disbursement of the sixth tranche of the equivalent of SDR 19 million. The government further requests modification of the performance criteria for June 2016 on gross tax revenue and government bank and market financing. To consolidate progress made and continue the implementation of reforms, particularly in strengthening domestic resources mobilization and the management of public finances, the government is also seeking a one-year extension of the current ECF arrangement to December 17, 2017 and an augmentation of the resources available under this arrangement by the equivalent of SDR 60 million- for an overall access equivalent to SDR 98 million. This will help the government to address a larger balance of payment need generated by recent shocks, including the impact of the security situation and peace building efforts, and will help to accommodate the extension of the arrangement.

6. The government believes that the policies set forth in the attached MEFP are adequate to achieve the objectives of the program but will take any further measures that may become appropriate for this purpose. The government will consult with the IMF on the adoption of these measures and in advance of the revisions to the policies contained in the MEFP in accordance with the IMF's policies on such consultation.

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

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

Very truly yours,

/ s /

Boubou Cissé
Minister of Economy and Finance

Attachments:

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

Attachment I. Memorandum on Economic and Financial Policies

1. This Memorandum on Economic and Financial Policies (MEFP) presents recent developments and performance with respect to Mali's program of economic and financial policies implemented in connection with the arrangement under the Extended Credit Facility (ECF).

ECONOMIC DEVELOPMENTS IN 2015, OUTLOOK, AND PROGRAM PERFORMANCE

A. Economic Developments in 2015 and Outlook for 2016

2. Real GDP growth is estimated at 6 percent in 2015, helped by the strong performance in agriculture and the strengthening of the tertiary sector. This mostly reflects favorable rainfall, increases in the area under cultivation, and the provision of agricultural inputs at the start of the growing season. Tertiary sector production is also expected to increase by 6 percent, driven by increased activity in the telecommunications and non-market services sectors. Although GDP growth is projected to decrease somewhat in 2016—driven by slower growth in agricultural output—it would remain robust at 5.3 percent. Consumer price inflation reached 1.5 percent at end-2015 and is projected to remain subdued at 1 percent on the basis of normal food output growth and low global inflation.

3. The current account deficit (including grants) of the balance of payments widened to 5 percent of GDP, compared to the program forecast of 2.3 percent and the 2014 figure of 4.7 percent. This came about in the wake of declining gold prices and increased imports associated with strong economic growth, which more than offset the impact lower import bill of petroleum products. The current account deficit is expected to widen to 5.7 percent of GDP in 2016, driven by declining gold exports and strong import growth from increased public capital spending, which are expected to offset the effect of lower oil prices. The current account deficit is expected to be financed essentially by net capital inflows, mainly in the form of foreign aid and foreign direct investment. The overall balance of payments is projected to post a deficit of about CFAF 106 billion (US\$ 179 million), resulting in a decline in international reserves at the Central Bank of West African States (BCEAO).

4. In the banking sector, the risk-weighted capital ratio increased from 14 percent in December 2014 to 14.8 percent in December 2015. Despite the increase in non-performing loans between 2014 and 2015, due to the greater increase in outstanding loans relative to non-performing loans, the gross and net portfolio deterioration rates of credit institutions have improved reaching respectively 14.5 percent and 5.4 percent at end-2015, compared to 15.9 percent and 5.6 percent at end 2014. The financial stability of the micro-finance sector continued to improve, with the share of non-performing loans declining from 13.3 percent to 7.4 percent over the same period.

5. Total revenue and grants increased by 2 percent of GDP. Tax revenue increased by 1.5 percent of GDP reflecting a favorable oil product taxation more than offsetting the

underperformance in direct taxes collection. Grants disbursements increased by 0.5 percent of GDP, essentially due to increase in project grants; while budget support (general and sectoral) declined significantly. Total expenditures and net lending increased by 0.9 percent of GDP, driven mainly by higher execution of externally financed capital spending (0.9 percent of GDP). The overall fiscal deficit (payment order basis, including grants) is estimated at 1.8 percent of GDP, compared to 2.9 percent of GDP in 2014. In the meantime, the cash basis fiscal deficit stood at 3.2 percent of GDP, against 2.4 percent of GDP in 2014, due mainly to the clearance of arrears accumulated in 2014. In 2015, the government has accumulated no arrears, reflecting its efforts to support businesses' cash flows and reduce banks' stock of nonperforming loans. The basic fiscal balance¹ shows a surplus of 0.5 percent of GDP, notably reflecting French debt relief from France.

B. Performance with Respect to ECF-Supported Policies

6. All of the performance criteria and indicative targets in 2015 were met (Table 1):
- The ceiling on net domestic financing of the government by banks and the financial market was met with a large margin. Considering the adjustors provided in the Technical Memorandum of Understanding (TMU),² net domestic financing of the government by banks and the financial market was exceeded by CFAF 81 billion, aided by the clearance of arrears.
 - The zero ceiling on the cumulative increase in external payment arrears was met.
 - The ceiling of CFAF 250 billion on new external loans contracted or guaranteed by the government on non-concessional terms was met. The government did not contract or guarantee any non-concessional external loans.
 - The floor on gross tax revenue was met. Gross tax revenue totaled CFAF 1,167 billion, exceeding the program total by CFAF 23 billion.
 - The floor on the basic fiscal balance was met. Considering the adjustors provided in the TMU,³ the floor was exceeded by CFAF 75 billion (0.5 percent of GDP).
 - The floor on priority poverty-related spending, i.e., domestically financed spending on education (basic, secondary, and tertiary), scientific research, health, and social development sectors (excluding transfers to the *Malian Social Security Fund (CMSS)*) was met. The floor was exceeded by roughly CFAF 9 billion.

¹ The basic budget balance is the difference between total revenue and expenditures under the authorities' direct control; in other words, revenue (including resources from the Heavily Indebted Poor Countries Initiative) plus grants used for general budget support less current expenditure and domestically financed capital expenditure.

² See [IMF Country Report No. 15/151](#), page 68, ¶¶ 7–9.

³ See [IMF Country Report No. 15/151](#), page 67, ¶¶ 22–23.

7. One out of the three measures defined as structural benchmarks was implemented by the agreed date (Table 3). Another one was implemented after the agreed date, and steps have been taken toward meeting the third benchmark.

- The public sector oversight agency (Inspector General of the Public Sector, CGSP) conducted a second compliance audit of contracts covered by the “defense secret” or “essential government interests” exemptions pursuant to Decree 2014-764/P-RM of October 9, 2014 establishing procedures applicable to procurements of goods, services, and works exempt from the public contracts code. The audit covered the period August-December 2015 and was completed in February as envisaged in the program.
- The Government adopted an action plan to implement AFRITAC’s recommendations to strengthen the quality of the public debt database, but work is still pending on implementing the recommendations. It has also prepared, in April, a report on the implementation of these recommendations.
- To improve compliance with budgetary rules, the government adopted in the Council of Ministers, on March 30, 2016, the decree granting the Minister in charge of Finances the power to appoint directors of finance and equipment. As of that date, the appointment of directors of finance and equipment is made by the Council of Ministers on proposal of the Minister in charge of Finances. The Minister of Finance will start appointing these directors by end-June 2016.

ECONOMIC AND FINANCIAL POLICIES FOR 2016

8. The 2016–18 Strategic Framework for Economic Recovery and Sustainable Development (CREDD) approved in March 2016; the 2013–18 Government Action Program (PAG) adopted in April 2013; and the Agreement for Peace and Reconciliation in Mali (APRM) signed in Bamako on May 15, 2015 and completed on June 20, 2015, serves as reference framework for 2016-18 economic and financial policies:

- The objective of the CREDD is to make possible the achievement of the Sustainable Development Goals (SDG) by 2030 based on potential, capacities for resilience for peace and security, and inclusive development in favor of a reduction in poverty and inequalities. It is based on three pillars: (i) promoting inclusive and sustainable growth (ii) improving access to basic social services, (iii) strengthening institutional and sustainable development.
- The PAG, prepared through a process involving all the ministries, focuses on six areas: establishing strong, credible institutions; restoring the security of persons and property throughout the national territory; implementing a proactive national reconciliation policy; rebuilding Malian schools; building an emerging economy; and implementing a proactive social development policy.
- The APRM provides for the creation of a Northern Regions Development Zone and the development of a specific development strategy to bring the northern regions' development indicators to the same levels as those of Mali’s other regions. The government has been

working on preparing this strategy based on the needs assessment for the northern regions conducted jointly by the World Bank, the African Development Bank, and the Islamic Development Bank. A donor conference was held on October 22, 2015 in Paris to establish the Sustainable Development Fund, which will be the financial instrument for the development strategy.

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

A. Macro-Fiscal Framework for 2016

10. The government intends to continue implementing sustainable fiscal policies in accordance with its commitments within the WAEMU's multilateral surveillance framework. It will thus ensure to maintain the overall fiscal balance (including grants) at a level consistent with maintaining public debt sustainability aiming to meet the community's convergence criterion of 3 percent of GDP by 2019.

11. The government proposes the following budget framing in 2016 for its ECF-supported program.⁴ A total of CFAF 1562.0 billion (16.7 percent of GDP) is provided for total revenue and grants under the supplementary. Net tax revenue amounts to CFAF 1231.8 billion (14.8 percent of GDP), and CFAF 165.9 billion (2.0 percent of GDP) are expected as grants disbursements. The revised budget provides also sufficient room for VAT credit reimbursement. The proposed expenditure is CFAF 1918.2 billion (23.0 percent of GDP), against CFAF 1,786 billion (22.5 percent of GDP) in the initial program for 2016. Domestically financed expenditure amounts to CFAF 1639.1 billion (20.0 percent of GDP). The resulting overall fiscal deficit (payment order basis, including grants) is CFAF 358.2 billion (4.3 percent of GDP), whereas the basic fiscal deficit which is CFAF 169.3 billion (2.0 percent of GDP).

12. Following the results of the needs assessment for the North and the Paris conference, the supplementary budget for 2016 provides for CFAF 189.4 billion (US\$321 million or 2 percent of GDP) of total expenditure to support the implementation of the Accord for Peace and Reconciliation in Mali (APRM). Domestically financed spending is expected to increase by CFAF 102 billion, combined with a reduction of CFAF 49 billion in external financing. Of the additional spending, CFAF 92 billion from domestic resources are allocated to the implementation of the peace accord, including the decentralization reform and the funding of emergency measures; and CFAF 126 billion are allocated to investment projects in the transportation, energy, agriculture, and food security sectors.

⁴ The budget framing is identical to the framing used as the basis for the 2016 draft budget submitted to the National Assembly, with one exception: the expenditures financed by grants and project loans are included at 75 percent of the amounts provided in the draft budget in light of the historical execution rates for these expenditures.

13. As provided by the APRM, the government undertakes to transfer 30 percent of budget revenue to the subnational jurisdictions (*collectivités territoriales*) by 2018. The 2016 supplementary budget increases the decentralized expenditure to 16.7 percent, whereas the share of expenditure executed by the central government and benefiting the local jurisdictions (*dépenses déconcentrées*) is estimated at 23.1 percent. As part of the strategy to continue the implementation of the decentralization reform, the government intends to (i) increase the share of resources and responsibilities transferred to the local jurisdictions in 2017, (ii) strengthen the decentralization process through regionalization and deconcentration, (iii) implement the contract-plans State-Regions/District of Bamako (CPER), and (iv) improve the contribution of local taxation to the financing the local authorities.

B. Improve Public Financial Management

14. The government will continue to improve public financial management, in particular by remedying the weaknesses identified by the 2010 PEFA assessment and technical assistance missions from the IMF Fiscal Affairs Department. A new PEFA assessment covering 2013–15 is currently being prepared.

Increase revenue mobilization by broadening the tax base

15. The government is targeting an increase in tax revenue of $\frac{3}{4}$ percent of GDP in 2016 (performance criterion, Table 2), mainly by implementing reforms to expand the tax base. The government is expanding the reforms undertaken by the DGI, the DGD, and the National Directorate of Government Property and Lands (DNDC) and intends to transform the culture of the revenue collecting units, in particular through ethical standards and performance-based management. In cooperation with economic partners, the government also intends to undertake efforts to improve the revenue-collecting agencies' civic-mindedness in regard to taxes.

Strengthen tax administration

16. The government will continue to phase out exemptions. To support this process, it is implementing the following measures:

- Inclusion of tables as annexes to the draft budgets identifying each exemption provided by Mali's tax legislation (the General Tax Code, the Customs Code, the Petroleum Code, the Investment Code, the Mining Code, the law governing property development, and all other tax legislation) and the estimated loss of revenue for the government.⁵
- Analysis of the central database of tax and customs exemptions to identify the total amount of exemptions by type of tax and by legal and regulatory source, expiration date,

⁵ In 2014, tax expenditures representing exemptions totaled CFAF 203 billion (US\$351 million or 3.4 percent of GDP), of which CFAF 147 billion (2.4 percent of GDP) for taxes collected by the DGI and CFAF 59 billion (1 percent of GDP) for taxes collected by the DGD of which CFAF 37 billion in VAT (US\$63 million or 0.6 percent of GDP).

beneficiaries, and any other relevant information that was finalized in 2014.⁶ In February 2016, the DGI prepared a memorandum analyzing the exemptions compiled in the database by type of tax, legal or regulatory basis, economic sector, and expiration date; and the amount of the exemptions in 2015 for each of the above categories, identifying options to reduce the expenditures. The CAISFF, after having had the data checked by the DGI and the DGD, has published on the MEF's website a list of beneficiaries of tax exemptions (including those granted by the DGD) and the duration of the exemptions, replacing the name of the beneficiaries with a unique identifier. It will also publish the associated tax expenditures for 2016 by March 2017.

- To reduce tax and customs fraud, propose to TFPs the elimination of tax exemptions for projects they finance; in 2014, these exemptions represented CFAF 45 billion (US\$91 million, or 0.8 percent of GDP), of which CFAF 26 billion for the DGI and CFAF 19 billion for the DGD.
- Continue efforts to control discretionary exemptions and gradually reduce to a minimum the exemptions provided under Mali's tax legislation, beginning with the 2016 budget. Discretionary exemptions have been provisionally estimated at CFAF 38 billion (0.4 percent of GDP) for 2015. The DGI is currently working on fine tuning this estimate, which could be revised upward. The government plans to reduce these exemptions by about one-half this year.
- Contract the services of a private firm to audit the amounts and terms under which exemptions were granted from taxes collected by the DGI and the DGD in 2014 and 2015 by August 31, 2016 (structural benchmark, Table 3). The government will examine the recommendations from this audit and will decide on their implementation in consultation with the IMF.

17. To protect tax revenue from petroleum products,⁷ the government is implementing the following measures:

- calculation of retail petroleum product prices based on actual market values of imported products, as provided by Community's legislation; determination of the loss of revenue or potential revenue attributable to setting retail prices below the prices indicated by that calculation; and publication of this presentation of the price structure;
- a pricing mechanism that ensures that changes in the cost of imported petroleum products are fully reflected in pump prices within a margin of 3 percent per month (proposed

⁶ Of the CFAF 147 billion (corresponding to 452 tax exemptions) identified by the DGI in 2014, VAT exemptions represented 86 percent; financial transactions tax (TAF) exemptions, 10 percent; and corporate income tax exemptions, 4 percent. The tax expenditures by legal basis were as follows: General Tax Code (CGI), 52 percent; mining codes, 20 percent; ministerial decisions, 18 percent; Investment Code, 7 percent; specific agreements, 2 percent; public contracts, grants, and externally financed NGOs, 1 percent.

⁷ Since 2005, tax revenue from petroleum products has declined from 3 percent of GDP in 2005 to less than 1 percent of GDP in 2012. In 2014, they increased to 1.5 percent of GDP. See [IMF Country Report No. 14/31. Mali – Automatic Fuel Pricing Mechanism; Technical Assistance Report; International Monetary Fund; Fiscal Affairs Department](#); Figure 6, p. 17.

structural benchmark, Table 3).⁸ In so doing, by December 31, 2016, the government will determine and fix the level of tax (TIPP) consistent with the appropriate domestic prices for petroleum products. This would ensure the protection of revenue from these products and the pass-through of changes in international prices to domestic fuel prices. Implementation of this mechanism could be re-assessed, in consultation with the IMF, in the event of successive, particularly steep increases in petroleum product costs;

- presentation in budget laws of the potential loss of revenue on petroleum products during the preceding year.

18. The government is in the process of simplifying tax laws to reduce to a minimum the administrative burden of tax returns for operators and tax collection for the DGI. The simplification involves taxes assessed on actual income (the ordinary tax applied to large taxpayers and the simplified version applied to medium-size taxpayers), the alternative minimum business tax (*impôt synthétique*) (AMBT) applied to small taxpayers, the tax on wages and salaries, employer contributions, real property taxes, the tax on securities, and the financial transactions tax. The government will conduct all relevant preliminary studies and consultations to continue implementing the simplification efforts. Simplification of the AMBT in the 2015 budget, including replacement of the schedule of rates with a single rate of 3 percent of turnover, serves as a model in this area. The 2016 budget provides for a reduction of VAT prepayments from 12 to 4 for taxpayers who pay the simplified tax on actual income.

19. With assistance from the IMF Topical Trust Fund on Managing Natural Resource Wealth, the government intends to increase receipts from mining and petroleum resources while improving the competitiveness of the business environment in Mali. The plan involves modernizing the mining and petroleum codes to bring them in line with current international standards. Following the enactment of a new Petroleum Code promulgated in July 2015, the government will introduce amendments to the 2012 Mining Code by June 30, 2016. The amendments include reducing the tax stability period from 30 to 15 years, in line with the average length of time deposits are exploited. To increase the government's share of income from mining operations, the government plans to retain specialized firms to audit mining contracts and identify any cases of tax avoidance and tax optimization.⁹ It is also strengthening the capacities of DGI and DNDC staff in auditing the companies' tax returns, dealing with transfer pricing, and handling dispute settlements. Finally, to increase transparency in the mining sector, in 2015 the government published all mining and petroleum contracts on the Ministry of Mines's website, and the feasibility studies pertaining to companies currently in the production phase.¹⁰

20. Having a sound system of incentives for tax and customs inspectors, Treasury staff, and staff of the Ministry of Government Domains and Land Affairs (*Domaines de L'État et des Affaires*

⁸ See [IMF Country Report No. 14/31](#), p. 23, ¶22.

⁹ A similar plan will be followed for telephone companies.

¹⁰ See <http://www.mines.gouv.ml/>

Foncières) is key to the modernization of tax administration and broadening the tax base to make revenue growth sustainable over time. The government is prepared to gradually reform the current system to support the achievement of these objectives. As a first step in this process, the government will take measures to further increase the current system's transparency. To this end, the expenditures linked to the sharing of penalties, fines, surcharges, confiscations, and premiums will be appropriately recorded in the fiscal accounts. The Government will ensure the publication (including in the *Journal Officiel*) of information related to the incentives containing the criteria and scale for their distribution, as well as other relevant information. The government will also take the necessary steps to ensure that income from penalties and premiums is no longer paid in cash. To proceed with an in-depth analysis of the current system within a regional perspective, the government has requested technical assistance from the IMF's Fiscal Affairs Department to conduct a specific study and make recommendations to reform the system. This study will also assess whether income from penalties and premiums should be brought into the tax base.

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

- *Implementation of multidisciplinary audits.*
 - The Joint Economic and Financial Intelligence and Investigation Committee (CMRIEF) were established in March 2012 to improve the effectiveness of tax audits and identify new taxpayers using, notably, all available databases of taxpayers and economic operators.
 - By comparing imports declared to the DGD and turnover reported to the DGI, the CMRIEF determined that over 80 percent of importers, or roughly 1,000 businesses, appear to have understated their turnover to the DGI in 2009–11 by an estimated total of CFAF 500 billion per year. In June 2015, the DGI issued tax adjustment notices to 139 taxpayers for a total of CFAF 273 billion (4.2 percent of GDP), of which CFAF 30 billion (0.5 percent of GDP) was recovered following the verification program. The DGI has updated the analysis for the years 2012–2014. A comparison of figures for imports declared to the DGD and revenues declared to the DGI suggests that about 59 percent of importers would have understated the revenues they declared to the DGI. Following these findings, the DGI issued tax adjustment notices for a total of CFAF 122 billion, of which 68 billion (0.9 percent of GDP) was recovered.
 - By comparing the public contract amounts in the DGMP database with turnover reported to the DGI, the CMRIEF determined that over 90 percent of government contractors, or roughly 450 businesses, reported turnover that appears to be lower than the value of the contracts awarded to them in 2010 and 2011. In 2015, the DGI issued tax adjustment notices to 101 taxpayers for total at CFAF 50 billion (0.6 percent of GDP). Of these taxpayers, 58 received confirmations for an amount of CFAF 10.2 billion, of which CFAF 7.1 billion was recovered following the verification program.
 - The DGI has added these importers to its audit program, beginning with the businesses with the largest amounts apparently underreported in absolute terms. It regularly

submits reports of the interim results of the audit program to the Council of Ministers. Since the second half of 2014, the DGI has included the recipients of government contracts in its audit program and provided an interim reports on this subject to the Council of Ministers in September 2015 and February 2016.

- *Improving DGI effectiveness*

- *Change in the DGE and DME turnover thresholds to streamline taxpayer administration.* To improve management of taxpayers and expand the number of taxpayers managed by the DGE and the DME, the Council of Ministers adopted an order raising the DGE turnover threshold from CFAF 500 million to CFAF 1 billion, and another order reducing the DME turnover threshold from CFAF 100 million to CFAF 50 million as of January 1, 2016. This change seeks to improve the DGE's management and control of businesses, quickly increase the number of taxpayers managed by the DME, and improve management of the VAT by assigning all responsibility for this tax to the DGE and the DME effective December 31, 2016, given that the annual turnover threshold for payment of VAT is CFAF 50 million.
- *Promoting tax compliance.* The DGI continues to publish on the MEF website regular updates of the lists of taxpayers managed by the DGE and DME,¹¹ so that the public can appreciate the results of efforts to expand the tax base. As of March 2014, the DGE handled 474 taxpayers, the DME handled 1,411 taxpayers, and the tax centers (CDIs) for the six communes of Bamako handled 49,665 taxpayers. As of December 2015, the figures increased, respectively, to 552 for the DGE, 1,847 for the DME, and 61,282 for the Bamako CDI.
- *Increase in the number of taxpayers managed by the DME.* Using mainly the results of audits arranged following the CMRIEF reports, the DGI increased the number of taxpayers managed by the DME to over 2,250 by end-2015. The aim is to increase the share of DME revenue to DGI revenue from 5.2 percent in 2014 to 10 percent as quickly as possible. To achieve this objective, the DGI is working on an institutional reform to convert the DME into one or more medium-size taxpayer centers (CME), which will come under the supervision of the Bamako District Directorate of Taxes beginning [month], 2016.
- *Introducing the capability to pay taxes to the DGE and DME via bank transfer.* To simplify and ensure the security of tax payments, the DGI is taking steps to gradually allow DGE and DME taxpayers to pay their taxes by bank transfer. As of end-2015, about 80 such taxpayers paid their taxes by bank transfer. By August 31, 2016, the DGI undertakes to conduct communication and other awareness-raising activities to increase the share of taxpayers managed by the DGE who pay taxes through bank transfers. The DGI will also work with BCEAO and banks to ensure the safety and traceability of

¹¹ http://www.dgi.gouv.ml/contenu_documentation.aspx?type=4.

operations which will contribute to increasing the number of companies which pay by bank transfer.

- *Enhancing the accountability of tax collectors.* The government undertakes to enact measures to convert tax collectors, who are de facto government accountants, into full-fledged government accounting officers, so that they fully assume their tax collection responsibilities.
- *More-effective tax audits.* The DGI increased the proportion of large businesses audited annually from 19 percent in 2014 to 23 percent in 2015, and it aims to raise this proportion to 30 percent in 2016. It also increased the ratio of medium-size businesses audited annually from 14 percent in 2014 to 18 percent in 2015, and it is targeting a ratio of 25 percent for 2016. It is worth noting that the increases in the proportion of large and medium-size business audited annually has taken place in the context of a raising tax base—the number for the former rose from 474 in 2014 to 552 in 2015, and that for the latter from 1,411 to 1,847. The DGI reduced the non-filer rate among medium-size businesses from 25 percent in 2014 to less than 19 percent in 2015, and it is targeting a further reduction to less than 10 percent in 2016. The DGI reduced the non-filer rate among taxpayers managed by CDIs from 35 percent in 2014 to 28 percent in 2015, and has set itself the objective of reducing this rate to less than 15 percent in 2016.
- To increase the revenue from taxes on income from real estate the DGI undertakes to (i) improve the identification of leased buildings and (ii) implement measures with regard to communication and the raising of awareness about the obligation to declare rent on property and to pay applicable taxes. The Government undertakes to raise awareness among Diplomatic Organizations, Cooperation Agencies, and international NGOs, etc., about the need to communicate to the DGI information about the rent paid on buildings they and their staff occupy.
- *Identification of all taxpayers, including businesses and individuals, through the use of a national identification number (NINA)* to facilitate business creation and modernize tax administration. The government undertakes to conduct a feasibility study for the migration, taking into account the expertise gained since the taxpayer identification number (NIF) was introduced in 1996, by September 2016.
- *Implementation of measures to improve tax dispute practices* in line with the recommendations of World Bank technical assistance missions. Once the DGI has provided feedback on the missions' report and it has been finalized, the government will put in place key recommendations from the report, in consultation with the World Bank and the IMF. The recommendations contained in a preliminary report—which may be modified in the final report—include the establishment of a joint mediation committee (composed of representatives from the private sector and tax administration) chaired by an independent individual; the appointment of a tax mediator charged with receiving and reviewing taxpayer complaints against staff of the revenue-collecting agencies; and the establishment of taxpayer rights to bring disputes before the BVG or the Anti-Corruption and Unlawful Enrichment Commission when it becomes operational.

- *Improving DGD effectiveness:*
 - The DGD is implementing an action plan to put in place the recommendations of the June 2013 technical assistance mission by the IMF Fiscal Affairs Department.¹² Progress with the implementation of this plan has been made, with working still ongoing. The action plan aims to: (i) optimize human resource management; (ii) improve management of material and financial resources; (iii) control commercial operations; (iv) step up efforts to combat fraud and cross-border crime; (v) facilitate trade and partnership; and (vi) optimize information and communication technologies through migration to the ASYCUDA World system, which has taken place in Mali's main customs offices. The purpose of this migration is to allow all customs documents to be processed in paperless form and to institute a fully electronic customs declaration system.
 - To increase customs duty collection, the DGD is supposed to impose a 30 percent fine on imports not inspected prior to loading, in accordance with applicable laws. The DGD has asked the inspection company to provide monthly reconciliation reports comparing duties paid and receivable by declaration, and will analyze them for the purpose of increasing collections by August 31, 2016 (proposed benchmark, Table 3).
 - *Introducing the capability to pay customs duties to the DGD via bank transfer.* To simplify and ensure the security of customs duty payments, the DGD and DNTCP are taking steps, by raising awareness among operators and consulting with banks, to increase by a significant amount the share of operators paying their customs obligations by bank transfer by August 31, 2016.
 - To help maintain the competitiveness of Malian businesses, the DGD has begun to verify WAEMU and Economic Community of West African States (ECOWAS) certificates of origin in cooperation with the issuing authorities and prepared an interim report in May 2016 on the results of verification. Whenever WAEMU and ECOWAS certificates of origin are found to be inapplicable, the DGD is imposing sanctions and collecting the duties according to the tariff preference, depositing the remainder in accordance with applicable rules.
 - The DGD is creating a single window under ASYCUDA World, a comprehensive platform bringing together all stakeholders of the customs clearance chain. The single window will simplify procedures through a single submission by operators of several formalities required for imports, exports, or transit through a single, transparent procedure. This window provides a rich range of features taking into account the intervention of all stakeholders (Customs, DNCC, DNTCP, DGI, Forwarding Agents, Banking, and Insurance). It also should be noted that the realization of the interconnection between the DGD, DGI, DNTCP, and CAISFF and interconnection which is underway with the DNCC will facilitate trade and speed up operations. The completion of this task can be envisaged by December 31, 2017.

¹² See [IMF Country Report No. 13/355. Mali](#).

- The automatic selectivity project ongoing since 2005 with the assistance of the IMF through AFRITAC West will conclude with the ASYCUDA World project in its second phase concerning the development of specific applications. The application relating to the electronic management of customs disputes has already been validated by the DGD and will serve as the basis for determining the automatic selectivity criteria. This project is planned to be operational by December 31, 2016.
- *Modernizing the DNDC.* The DNDC will continue to implement the recommendations of the organizational audit sponsored by the Institutional Development Commission (*Commissariat au développement institutionnel*) on modernizing its organization and automating processes. The DNDC is taking steps to increase the collection of capital gains tax on real estate sales by individuals, which was first assessed in October 2011. The measures include rationalizing recording fees and other fees and commissions on real estate transactions. It will continue efforts to establish the land registry and will create a secure archiving system. It migrated close to 5,000 property titles already digitized in the cadastral information system database by end-2015. It undertakes to migrate an additional 50,000 titles in 2016.
- *Modernizing the DGABE.* The MEF will modernize the DGABE through the introduction of modern management tools such as results-based management (RBM), greater use of IT (use of inventory accounting software in the accounting offices of ministries and public institutions), and implementation of reforms for better monitoring and appraisal of the government portfolio.

VAT refunds

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

- To ensure that VAT credits are timely refunded, a special allocation account was created to be used exclusively for refunding VAT credits. The account will continue to be funded by the full amount of VAT revenue paid by mining companies and their subcontractors on imports, and 10 percent of domestic VAT revenue, or more if needed. To this effect, the Ministry of Economy and Finance (MEF) issued a directive indicating that if the balance of the account is insufficient to cover the refund of VAT credits, the contribution of VAT revenue collected by the DGI can be increased by the amount required. This mechanism will ensure that VAT credits are effectively and regularly refunded, in accordance with Community legislation, to exporting gold companies and to all other companies that generate VAT credits, with the exception of resellers at this time.
- The Section of Accounts of the Supreme Court will conduct an audit of VAT refunds by August 31, 2016. The audit will determine the consistency of the amounts refunded and the refund process with applicable laws.
- To avoid the accumulation of VAT credits by domestic operators, VAT withholding at source will be completely abolished, including for the Treasury, by January 1, 2017. VAT withholding at source was eliminated for large businesses on December 31, 2011. To ensure that the

elimination of VAT withholding does not result in loss of tax revenue, the DGI: (i) will conduct a communication campaign directed to suppliers of large businesses on VAT reporting and payment obligations, and a similar campaign for all government suppliers by August 31, 2016; (ii) will conduct heightened monitoring of VAT payments by suppliers to large businesses immediately, and by suppliers to the government once VAT withholding is eliminated for those suppliers; and (iii) will systematize production of the annex on deductible VAT included in the VAT returns of taxpayers managed by the DGE and make better use of the information contained in the annex. The government is also working on putting in place a proper interface between the Treasury's and the DGI's information systems to help protect VAT revenue collections.¹³

- To increase the number of businesses that effectively pay VAT,¹⁴ the DGI has been expanding the campaign of selective audits of VAT credits, beginning with businesses whose activity should not systematically generate VAT credits (particularly commercial activities and service providers). It produced reports on results of the audits in 2015 and in February 2016. The DGI has also continued training staff assigned to research, targeted VAT audits, and audits of VAT credits.

Improve expenditure management

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

Transpose the harmonized legislative framework prescribed by WAEMU directives

24. The government transposed WAEMU directives 01/2009 and 06/2009 through 10/2009 concerning the transparency code, budgets, public accounting, budget nomenclature, the government chart of accounts, and the TOFE into national laws and regulations. The government is in the process of transposing Directive 01/2011 concerning the subnational jurisdictions' financial regimes, and will ensure that the regulatory texts are published by end-June 2016. They will be accompanied by directives and guides—being finalized with assistance from AFRITAC—to ensure they are readily and uniformly understandable so that they can be fully implemented as they become available by end-June 2016.

Improve government budget preparation

25. To improve the budget presentation and facilitate evaluation of the efficiency of public expenditure, the government will gradually implement program budgets and results-based

¹³ To establish such an interface, the government is counting on the services of a Canadian firm, which is expected to come to Bamako once the state of emergency is lifted.

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

management in accordance with the relevant WAEMU directive. A first step to test the budget management tools will be the presentation of the 2017 budget law to the National Assembly for information in the form of program budgets. During a transition period, the government will submit not only the annexes prescribed by the directive, but also, for information, the distribution of appropriations under the current resource-based budget and the distribution of appropriations by region.

26. To gain visibility of budget support from the TFPs as early as possible, the government has begun the practice of asking the TFPs to provide information early in the process (in April) on the budget support planned for the following year.

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

Improve government budget execution

28. To ensure compliance with budget rules and with good practices for governance and transparency in public financial management, in March 2016 the Council of Ministers adopted a decree to enable the MEF to appoint directors of finance and equipment and directors of administration and financial directors in the ministerial departments as a first step toward meeting the related structural benchmark (Table 3). The government plans to fully meet this benchmark by end-June 2016. The Ministry of Finance has reminded operators through the media that only contracts that have been approved in advance by the financial controller are binding on the government.

29. Pursuant to Community directives, the following closing dates have been established for 2015 budget execution: November 30, 2015 for commitments of operating expenditures, investment expenditures, and expenditures under petty cash procedures; December 20 for commitments of other expenditures; December 31 for payment orders; and January 31, 2016 for government accountants' acceptance of payment orders, approval, and ex post validation. Under this arrangement, the carryover period will be limited to accounting operations. A memorandum from the MEF has set deadlines for commitments and payment orders in fiscal year 2015 and was published on September 8, 2015. For fiscal year 2016, the letter setting dates for commitments and payment orders will be circulated at the latest on September 30, 2016.

30. *To increase transparency and expedite the award of public contracts*, the DGMP-DSP has taken steps to increase the amount of information on contract awards published on its website,¹⁵ in

¹⁵ See www.dgmp.gov.ml.

line with practices observed in neighboring countries. The DGMP-DSP is now publishing a list of government contract awards at regular intervals, specifying for each contract the contractor, the contract amount, the type of procurement procedure (e.g., open or restricted competition or direct negotiation), and a citation to the provision of the public procurement code supporting the procurement procedure used.¹⁶ To reduce the average time required to award contracts,¹⁷ the government adopted a series of measures in April 2015.¹⁸

31. To further improve the business environment, the government approved a new public contracts code in August 2015. To limit the risk of incorrect interpretation of the provision in this new code concerning unsolicited bids, the government has improved, in collaboration with the World Bank, the implementing regulations of the new code concerning the possibility for suppliers to make unsolicited bids. The scope of unsolicited bids has thus been limited in the implementing regulation signed on October 22, 2015. The government will modify this provision of the code in a durable manner, in consultation with the World Bank. Thus, a revised code will be approved by the Council of Ministers by end-August 2016.

32. To minimize the price of all government supplies, the government has executed all exempt contracts designated as "defense secret" or "essential government interests" pursuant to Decree 2014-764 of October 9, 2014—identical to the version of the same decree adopted by the Council of Ministers on September 19, 2014—(establishing the rules and procedures for procurements of supplies and services exempt from the provisions of Decree 08-85/P-RM of August 11, 2008 concerning the award, performance, and payment of public contracts and delegations of public service) since the adoption of the decree. As provided by the decree, the public sector oversight agency (*Contrôle Général des Services Publics*, CGSP) will audit all exempt contracts designated as "defense secret" or "essential government interests" from the previous year by June 30 of the following year to verify that they have been implemented in accordance with the decree. The CGSP report on exempt contracts between October 9 and December 31, 2014 indicated that exempt contracts in the amount of CFAF 1.5 billion (US\$2.6 million) were awarded and that irregularities were found in the award and performance of those contracts. The government undertakes to execute all exempt contracts in accordance with Decree 2014-764. The MEF will send a letter to the ministers concerned to remind them of the need to comply with the decree. The CGSP prepared an audit of exempt contracts from 2015 by February 29, 2016, i.e. before the June 30 deadline provided by the decree (benchmark, Table 3). According to the new audit, in 2015 exempt contracts amounted to CFAF 257 billion (US\$ X million).

¹⁶ In 2015 the government awarded 1,529 public contracts for a value of CFAF 480 billion [X] million (US\${X} billion or [X] percent of GDP), of which 91.5 percent were awarded pursuant to competitive bidding (88 percent percent in terms of value), 2 percent through limited competition (8 percent of value), and 6.5 percent through direct negotiation (8 percent of total value).

¹⁷ The average time required to award contracts was reduced from 94 days in 2013 to 90 days in 2014 and 87 days in 2015.

¹⁸ See IMF Country Report 15/339, p. 61.

33. *To maximize returns on public investment and minimize the associated costs*, the Directorate General of Budget (DGB), the National Directorate of Development Planning (DNPDP), and the General Directorate of Public Debt (DGDP) have started to take steps to:¹⁹

- accelerate the sector ministries' implementation of investment projects for which the execution rate was 20 percent during the first half of 2015 by increasing project supervision missions to address the risks and constraints that slow execution down. In 2016, the DNPDP is conducting supervision missions with the DGDP for at least 100 projects in 2016, compared to 29 projects in 2015;
- evaluate the cost of projects proposed by sector ministries with the help of a market price list posted on the MEF website in March 2015²⁰;
- provide access to information on project financial execution: the DNPDP and the DGDP will publish quarterly information on the financial execution status of externally financed projects;
- improve the quality of project preparation through the use of the project studies and preparation fund and by conducting a study in 2016 to define all strategic infrastructure projects critical to the Malian economy. The government has contracted the services of consulting firms to conduct this study. It will also seek assistance from the World Bank.
- continue redirecting appropriations to favor the completion of key projects, giving priority to projects with certain, programmed financing that can begin quickly; and
- strengthen the sector ministries' expertise and the DNPDP's capacities for critical review in selecting investment projects.

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

- The 2013 budget introduced the budgeting of commitment authorizations (AEs) and payment appropriations (CPs) relating to three-year public investment expenditures. On that basis, the MEF is arranging to monitor the utilization of AEs and CPs through the PRED5 expenditure management application.
- Starting with implementation of the 2016 budget, the procedure for carrying over CPs were expected to take effect under a mechanism providing for full implementation of the carryover procedures established by WAEMU directives, which allow only guaranteed CPs included in the cash flow plan to be carried over. However, capacity constraints have not allowed the government to put this in place. The government has requested technical assistance from FAD to be able to implement it at the earliest possible stage.

¹⁹ In 2015 the monitoring and evaluation phase of the public investment management application has been finalized. The management application was implemented in 2015 in the programming on internal financing phase.

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

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

36. The government will continue to implement the recommendations of BVG audit reports and those of the Supreme Court audit section on the purchase of an aircraft and a contract for equipment and supplies awarded by the Ministry of Defense and Former Combatants in 2014.²² In line with those recommendations, the government has registered the aircraft and recorded it as an asset in its material accounting system. The government has also taken steps to review the aircraft's exploitation mode, including through the creation of a small team which will progressively gain autonomy to take full charge of the plane's management. The government also commits to using national budget rules applicable to all government property in accounting for the operation of the aircraft. Accordingly, all income or expenses related to the potential commercial exploitation of the aircraft will be reflected in the budget.

Improve fiscal transparency

37. To improve transparency in regard to the government's fiscal, liquidity, and asset position, the DNTCP will gradually implement the new WAEMU directive on the TOFE and other financial statements. To ensure an orderly transition to the new TOFE, the DNTCP will produce the TOFE during 2015-2017 using the 1998 and 2009 nomenclatures. In 2016, program monitoring will continue to be based on the 1998 TOFE. Beginning in 2018, the DNTCP will produce the TOFE using only the 2009 nomenclature to monitor budget execution, and any new program with the IMF will be based on the 2009 TOFE. A monitoring committee charged with following up progress with migration to the new TOFE has been created. In 2016, the DNTCP will first focus its attention on producing three of the four financial statements provided by the 2009 directive: (i) the TOFE; (ii) the statement of public debt; and (iii) the report on cash flow operations. The fourth financial statement, i.e. the government balance sheet, was produced for the first time in 2015, based on the position as at end-2014.

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

²¹ www.finances.gouv.ml.

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

produced for all government entities connected to the system, including the integrated Treasury balance and TOFE, by January 1, 2017.

Improve cash flow management

39. The DNTCP has prepared a monthly cash flow plan at the beginning of the year and updates it each month to ensure that expenditures and payments are executed on a timely basis throughout the year. The plan is being updated each month to reflect revenue collected, expenditures executed, and external financing disbursed. The government has asked the IMF's Fiscal Affairs Department to provide training to strengthen MEF and line ministries' staff capacity, notably for elaborating expenditure commitment plans.

40. The DNTCP continues with efforts to develop a more accurate understanding of the components of the net government position (NGP) vis-à-vis the banking system.²³ It regularly publishes reports on the MEF website analyzing activity in PNG components, breaking out activity in the most important components of the net Treasury position (NTP) and the net position of other government entities (PNACP).²⁴ These reports present the opening and closing stocks and identify all owners of the accounts included in the PNACP. The DNTCP will update the tables every six months. The report for end-December 2015 was completed in February 2016. The BCEAO will continue to provide the DNTCP with the NTP extracted from the monetary survey for the purpose of compiling the TOFE, in accordance with applicable WAEMU directives.

41. *The DNTCP will continue the implementation of the Treasury single account (TSA) at the BCEAO.* The first step, completed December 31, 2014, was the transfer to the TSA of the accounts of government accounting officers within the scope of the PNT, except officers assigned to regions where the BCEAO does not maintain a presence. All term accounts within the scope of the NTP were transferred to the TSA as they matured. However, if the DNTCP has a cash surplus, it will invest it in term deposits with commercial banks so long as the interest rates on those deposits exceed the BCEAO lending rate, as occurred during the first half of 2015 when the cash surplus was placed in a three-month term deposit paying 4 percent after taxes. The government will enact legislation to clarify existing provisions governing the deposit of EPA funds in the TSA by June 2016. In the interim, the government will deposit the national counterpart funds to new co-financed projects in an escrow subaccount at the BCEAO for projects whose donors agree to the principle. In the next step, to be completed by December 2016, all funds of administrative public entities (EPA) will be incorporated in the TSA (proposed structural benchmark, Table 3).²⁵ The obligation to deposit EPA funds with the Treasury will be clearly reestablished and upheld in accordance with the principle of a

²³ At end-2015, the net government position (NGP) vis-à-vis the banks was a creditor position of CFAF 55 billion (0.7 percent of GDP) for the government as broadly defined in the WAEMU directive in the Table of Financial Operations. That figure includes a net Treasury liability position of CFAF 193 billion (2.5 percent of GDP) and a net creditor position of CFAF 249 billion (3.2 percent of GDP) for other government entities.

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

²⁵ At end-2015, the funds of EPAs and special accounts represented CFAF 224.8 billion.

single Treasury account and consolidation of cash holdings cited by the 2009 WAEMU directive on the subject. The exceptions will be public hospitals; the two pension fund administrators (CMSS and the National Social Insurance Administration (INPS)) and the national health insurance fund (CANAM), which are jointly held entities over which the government does not exercise direct control; and EPAs that do not receive government subsidies.

42. *The DNTCP is in the process of reinforcing the supervision of EPAs.*²⁶ EPAs have started forwarding their budget to the minister of finance for approval at the beginning of each fiscal year, and will submit semiannual budget execution reports to the DNTCP starting in 2016. The MEF has advised EPAs that it will not approve their budgets until they have forwarded their financial statements for the first half of the previous year to the DNTCP. As a consequence of the adoption by the Government by end-June 2016 of a Law on EPAs (see paragraph 41), EPAs will be required to publish financial statements certified by a certified accountant including semiannual interim results starting with the accounts for fiscal year 2016.

Strengthen internal and external controls

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

- In the area of internal control, the CGSP prepared a risk map for the ministries of health, agriculture and rural development, national education, and equipment and transport.
- The National Financial Oversight Directorate (DNCF) is carrying out new missions arising from the implementation of WAEMU directives²⁷, i.e., ex ante control of expenditure, ex post evaluation of program performance, and continued decentralization of activities. In addition, the DNCF will produce regular reports on the verification of services received.
- In the area of external control, the BVG programmed 29 inspections in 2015 and 36 in 2016, compared to 27 in 2014 and 20 in 2013. It audited all expenditures of the Ministry of Defense and Former Combatants from 2010 to end-2014.
- The staff of the Supreme Court audit section has been increased. This section is in the process of being converted to a Court of Audit in accordance with the relevant WAEMU. To this effect, a constitutional reform will be adopted by referendum.

44. The government's annual financial statements will be produced and audited on a regular basis, as provided by applicable Community directives. The government adopted the budget review law for fiscal year 2014 before end-2015, as provided by the relevant community directives.

²⁶ As of March 2016, of the 103 EPAs, 16 have an accounting framework approved by the MEF compared with 11 in June 2015; 79 forwarded monthly financial statements to the DNTCP compared to 73 in June 2015.

²⁷ Directive N°06/2009/CM/UEMOA and Directive N°06/2009/CM/UEMOA.

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

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

Conduct a sustainable borrowing policy

46. The government will continue to conduct a borrowing policy consistent with the objective of debt sustainability.

- The government reiterates its commitment to cover its external financing needs primarily through grants and loans in foreign currency for which the grant element is at least 35 percent. The government proposes a cumulative ceiling of CFAF 250 billion (US\$426 million, or 3.6 percent of GDP) for the contracting of non-concessional loans in 2016 (continuous proposed performance criterion, Table 2). This corresponds to four loans totaling CFAF 200 billion from Exim Bank of China (for which the grant element is 29 percent) that will finance investments in transportation and electricity distribution that the World Bank considers aligned with the sector development policy, and loans totaling CFAF 50 billion for projects with high rates of return, to be identified, and for which financing is not available under concessional terms. IMF staff will be consulted prior to the signature of these loans.
- In line with the new public borrowing policy and IMF-supported programs, which took effect June 30, 2015, the Directorate General of Public Debt (DGPD) has prepared a detailed chart of loan agreements that will support execution of the revised 2016 budget. The chart identifies the amount disbursed and the financial terms of each loan agreement and will be annexed to the supplementary 2016 budget (Table 4). In addition to the ceiling of CFAF 250 billion for 2016 referred to in the previous bullet point, the borrowing plan includes, for reference, a ceiling of CFAF 326 billion on concessional borrowing for the same year (the government contracted CFAF 231 billion in 2015 and it is keeping the cumulative ceiling of CFAF 557 billion for 2015-16). These ceilings would be revisited at the time of the next ECF review if necessary and provided that they remain compatible with the debt sustainability analysis. To improve debt management, the DGPD has prepared a report on the implementation of recommendations from the West AFRITAC October 2014 technical assistance mission to improve the quality of the public debt database, including an action plan with a detailed timetable for implementation of all the recommendations (structural benchmark, Table 3). Before the implementation of a new debt-management tool, the following results have been achieved:

- The committee in charge of updating the database which was put in place is operational and has found and corrected mistakes and inconsistencies in the data recorded.
- The reliability and quality of data entered in the database have improved.
- The level of disbursements has considerably improved and as a result that of amounts outstanding. By way of illustration, the debts outstanding have gone from 1,484.6 billion CFAF in 2014 to 1,754.4 billion CFAF in 2015 on a more realistic basis.
- The reconciliation mission at the Islamic Development Bank (IDB) has enabled the Malian party to obtain the access code to the IDB's data information site through its extranet, which now allows the DGDP to access all the information regarding the active portfolio of projects in Mali financed by the IDB in real time.
- The quality of file treatment has improved following the recruitment of three (03) data input and analysis senior executives.
- The capacity for analysis of members of the CNDP Commission who took part in the study and exchange trip to Benin has been strengthened.
- Use of the tool by executives having taking part in the CS-DRMS training sessions has been popularized
- To closely monitor its borrowing policy, the government launched the National Public Debt Committee in March 2014. The committee's principal functions are to provide an opinion on any initiative or plan for government borrowing or the provision of a government guarantee and to produce an annual borrowing strategy document to be annexed to the budget law.

47. Domestic debt management is being strengthened.

- To this end, the DGDP will complete by end-June 2016 an inventory of all government domestic loan agreements and all government commitments to guarantee domestic debt to ensure that the repayment schedules are included in the public debt data and budget laws.
- Starting with the 2017 budget, the government will include an annual ceiling on increases in the total amount of guarantees it is permitted to provide in the draft budgets submitted for approval by the National Assembly. In accordance with applicable laws and budget procedures, the 2016 provides for a provision of 10 percent of risk falling due, i.e., the amount of guaranteed debt maturing in 2016.
- The government is in the process of clearing domestic arrears validated by an audit. Of the CFAF 166 billion (2.6 percent of GDP) made up of an amount of 94 billion validated by the consultant and 72 billion not validated, the government paid CFAF 82 billion in 2013–14. An additional CFAF 28 billion were paid in 2015 and CFAF 25 billion will be paid in 2016. The validated arrears included a CFAF 30 billion court judgment against the government, for which an appeal decision is awaited. If it turns out that the government must pay these arrears, the MEF will present, by August 2016, a plan to clear these arrears. The government will ensure that the taxpayers concerned do not owe back taxes, and if so the government will withhold the amount of the tax arrears from the payments to its suppliers. The

government has requested a supplementary audit by the firm, to be provided by August 2016 to provide creditors of invalidated debts totaling CFAF 40 billion the opportunity to supplement their dossiers. If necessary, repayment of these arrears will be included in above arrears clearance plan.

C. Improve the Business Environment to Encourage Private Sector Development

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

49. The government is implementing measures to mobilize resources for infrastructure investment and simplify tax legislation (¶118). In addition, it will take additional measures (see ¶¶ 50–52) to maintain the stability of the financial sector improve access to financing provided by the sector, strengthen the financial position and productive capacity of the electricity sector, and reduce corruption.

Promote the stability and development of the financial sector

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

- Provide security for bank branches that have reopened in Northern Mali since August 2013.
- Strengthen the bank created through the merger of the Malian Housing Bank (BHM) and the Malian Solidarity Bank (BMS), completed in March 2016. The next step involves cleaning up and strengthening the balance sheet of the new bank, which would help minimize risks to the public finances and make the bank sufficiently attractive to private investors. In a second stage, the government will take the necessary steps to seek participation from the private sector in the new bank, with the aim of eventually disengaging the state from it;
- Contribute, in support of the actions of the BCEAO, to strengthening the credibility of the created reporting bureau (established in May 2015) through communication campaigns in order to increase the rate of collection of consent from clients of financial institutions;
- Restore confidence in the micro-finance sector by implementing an action plan in 2016 to reform the sector. In order to clean up the microfinance sector, the government undertakes to implement the following measures agreed with the World Bank: in 2016, (i) the audit of decentralized financial systems (SFDs) which are in difficulty, (ii) adopting a favorable compensation rule for small depositors of the SFDs to be liquidated and (iii) the signature of the withdrawal of approval notices for SFDs which have already been audited and must be liquidated; in 2017, (i) the liquidation of at least two SFDs which have been subject to a

withdrawal of authorization, (ii) the implementation of the recommendations from the audit of SFDs, and (iii) the execution of SFD inspection mission program.

Reform the electricity sector

51. The finances of the state-owned electricity company (EDM) remain weak, reflecting mainly poor management practices and below-cost electricity tariffs. The government will take steps in 2016 to strengthen the financial position of EDM.

- In 2015 EDM recorded a deficit before subsidies of CFAF 61 billion (0.8 percent of GDP), significantly larger than projected. The loss reflects higher costs of fuels purchases from Ivory Coast as well as higher than expected wage costs as EDM hired new staff in 2015. The government absorbed part of the loss through a budget transfer of CFAF 30 billion. EDM did not receive a CFAF 12 billion grant from ECOWAS intended to help cover its 2015 losses.
- Against this background, EDM's debt to commercial banks amounted to 42 billion at end-2015 (compared to CFAF 33 billion envisaged in the program), and arrears to suppliers increased to 18 billion. EDM has designed a plan to clear these arrears by end-2016, which involves the conversion of short-term obligations with banks into medium-term debt and the settlement of cross debts with other public sector entities, including the central government. The plan also envisages the disbursement of the ECOWAS grant (CFAF 12 billion) that did not take place last year, which will help pay arrears to suppliers.
- In 2016, EDM is currently expected to reduce its deficit before subsidies to CFAF 47 billion. The government will monitor closely the financial situation of EDM and ensure that the company produces quarterly financial statements in a timely manner. The government will also ensure that adequate measures are put in place to reduce EDM's deficit (see next bullet) so that the company can cover its financing needs and meets all its financial obligations. The revised 2016 budget provides for a transfer of CFAF 25 billion, which will be adjusted upward if necessary to absorb EDM losses and enable it to achieve its production objectives without accumulating new arrears and limits EDM's bank debt to CFAF 40 billion at end-2016. The projections incorporate the government's commitment to pay invoices in advance at the beginning of each quarter.
- EDM will take the steps needed to increase its billing rates and reduce operating costs, in particular by outsourcing the fuel supply function. The government commits to take the necessary measures to ensure that EDM reduces the deficit further and does not accumulate new arrears, including improving the company's information systems, better monitoring of key customers to protect revenue collection, improving EDM's operational and commercial performance, and if necessary adjusting electricity tariffs to narrow the gap between tariffs and costs. These measures, combined with transfers from the government, would allow EDM to cover its financing needs and fully meets its obligations. EDM will publish its financial statements (balance sheet and income statement) and performance indicators on its website and in an annex to the annual draft budget.

Promote good governance

52. The government will continue to pursue efforts to improve governance.
- To this end, the government is carrying out the measures described above to improve the management and transparency of the public finances, and will forward to the Supreme Court senior government officials' financial disclosures—pursuant to the unlawful enrichment law—by August 31, 2016 (proposed structural benchmark, Table 3).
 - The government is also making efforts to promote good governance in the judicial system by publishing the decisions of commercial courts and the decisions of other courts concerning governance-related offenses.²⁸
 - The government will give priority to remedying failures of the administration identified by oversight agencies, including the BVG, in their annual and sector reports. It will take the steps required to sanction responsible staff members through the use of administrative or legal measures, as applicable. The CGSP published a first annual report on the implementation of oversight agencies' recommendations from 2011 to 2013.²⁹ It published a second annual report in February 2016 highlighting the results of actions taken to remedy failures identified by oversight agencies in 2014, with particular attention to the measures taken to sanction staff misconduct through administrative or legal measures ...
 - In February 2016 the National Assembly approved new legislation on anti-money laundering and combating the terrorism financing (AML/CFT), which will support efforts to improving governance in the country. The government is aware that the new legislation is not fully compliant with the international FATF standard, and agrees on the need to bring the matter before the WAEMU monetary authorities to amend the legislation, in consultation with the IMF's Legal Department to make it fully compliant with FATF. The government will put in place an action plan to implement the new AML/CFT legislation and combat corruption, giving consideration to the recommendations of the IMF technical assistance mission that visited Bamako in September 2015.

PROGRAM MONITORING

53. The sixth and seventh reviews will be based on the performance criteria for end-June 2016 and end-December 2016, respectively, as well as the continuous performance criteria (Table 2) and structural benchmarks (Table 3). Indicative targets are also set for end-March and September 2016 (Tables 2). The performance criteria and indicators are set forth in the technical memorandum of understanding (TMU), which also describes the nature and frequency of the reporting required for program monitoring purposes. The sixth and seventh reviews under the ECF arrangement are expected to be completed on or after November 1, 2016 and May 1, 2017, respectively.

²⁸ See www.reforme-justice.gouv.ml.

²⁹ Posted online at the following address: <http://primature.gov.ml>.

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

(in billions of CFAF)

| | 2015 | | | | | | | | | | | | | | | |
|--|--------------------|-------------|------|---------|--------------------|-------------|------|--------|--------------------|-------------|------|---------|------------|-------------|-------|--------|
| | March | | | | June | | | | September | | | | December | | | |
| | Prog. ² | Adj. Target | Est. | Status | Prog. ³ | Adj. Target | Est. | Status | Prog. ³ | Adj. Target | Est. | Status | Rev. prog. | Adj. Target | Est. | Status |
| Performance criteria | | | | | | | | | | | | | | | | |
| Government bank and market financing (ceiling) ⁴ | 127 | 186 | 67 | Met | 123 | 236 | 42 | Met | 147 | 266 | 102 | Met | 172 | 197 | 115 | Met |
| Cumulative increase in external payments arrears (ceiling) ⁵ | 0 | | 0 | Met | 0 | | 0 | Met | 0 | | 0 | | 0 | | 0 | Met |
| New external debt contracted or guaranteed by the government on non-concessional terms (cumulative ceiling from June 2015) ^{6,6,9} | 0 | | 0 | Met | 250 | | 0 | Met | 250 | | 0 | Met | 250 | | 0 | Met |
| Gross tax revenue (floor) | 251 | | 257 | Met | 564 | | 568 | Met | 851 | | 825 | Not met | 1,143 | | 1,167 | Met |
| Indicative targets | | | | | | | | | | | | | | | | |
| Basic fiscal balance (floor) ⁷ | -58 | -46 | 80 | Met | -92 | -93 | 168 | Met | -97 | -90 | 146 | Met | -49 | -81 | 38 | Met |
| Priority poverty-reducing expenditure (floor) | 63 | | 60 | Not met | 134 | | 164 | Met | 244 | | 250 | Met | 394 | | 402 | Met |
| <i>Memorandum items:</i> | | | | | | | | | | | | | | | | |
| External budgetary support ⁸ | 7 | | 40 | | 45 | | 46 | | 71 | | 83 | | 139 | | 111 | |
| General budgetary grant | 7 | | 14 | | 19 | | 17 | | 45 | | 47 | | 74 | | 46 | |
| Net change in budgetary float (= reduction) | -50 | | -123 | | -50 | | -131 | | 0 | | -123 | | -68 | | -70 | |
| Tax refunds (-) | -22 | | -10 | | -39 | | -38 | | -57 | | -50 | | -76 | | -84 | |
| Net change in arrears (= reduction) | -5 | | -3 | | -5 | | -37 | | -7 | | -9 | | -47 | | -37 | |
| New external debt contracted or guaranteed by the government on concessional terms (cumulative ceiling from June 2015) ⁹ | | | | | | | | | | | | | 257 | | 231 | |

Sources: Malian authorities; and IMF staff projections.

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

² IMF Country Report No. 15/151, Mali: Third Review Under the Extended Credit Facility Arrangement.

³ IMF Country Report No. 15/339, Mali: Fourth Review Under the Extended Credit Facility Arrangement.

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

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

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

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

⁸ On a disbursements basis.

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

Table 2. Mali: Proposed Performance Criteria and Indicative Targets, 2016 ¹

(in billions of CFAF)

| | 2016 | | | | | |
|--|-------|-------|------------|-----------|------------|----------------|
| | March | June | | September | | December |
| | Prog. | Prog. | Rev. Prog. | Prog. | Rev. Prog. | Proposed Prog. |
| Performance criteria | | | | | | |
| Ceiling on net domestic bank and market financing of the government ² | 125 | 217 | 278 | 169 | 252 | 259 |
| Cumulative increase in external payments arrears (ceiling) ³ | 0 | 0 | 0 | 0 | 0 | 0 |
| New external debt contracted or guaranteed by the government on non-concessional terms (cumulative ceiling from June 2015) ^{3,4,7} | 250 | 250 | 250 | 250 | 250 | 250 |
| Gross tax revenue (floor) | 309 | 649 | 640 | 958 | 947 | 1,302 |
| Indicative targets | | | | | | |
| Basic fiscal balance (floor) ⁵ | -65 | -87 | -160 | -52 | -162 | -170 |
| Priority poverty-reducing expenditure (floor) | 57 | 146 | 146 | 264 | 264 | 410 |
| <i>Memorandum items:</i> | | | | | | |
| External budgetary support ⁶ | 0 | 3 | 3 | 76 | 69 | 86 |
| General budgetary grant | 0 | 0 | 0 | 64 | 56 | 56 |
| Net change in budgetary float (- = reduction) | -16 | -31 | -25 | -11 | -3 | 19 |
| Tax refunds (-) | -18 | -35 | -36 | -52 | -52 | -71 |
| Net change in arrears (- = reduction) | -18 | -37 | -27 | -34 | -24 | -21 |
| New external debt contracted or guaranteed by the government on concessional terms (cumulative ceiling from June 2015) ⁷ | 557 | 557 | 557 | 557 | 557 | 557 |

Sources: Malian authorities; and IMF staff projections.

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

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

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

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

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

⁶ On a disbursements basis.

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

Table 3. Mali: Proposed Structural Benchmarks for 2016

| Measure | Implementation deadline | Status | Macroeconomic rationale |
|---|-------------------------|--|--|
| Nomination by the minister of economy and finance of all directors of finance and material and administrative and financial directors for the ministerial departments and other public institutions. | January 1 | Not met. Reprogrammed to June 30. | Improve compliance with budget rules |
| CGSP audit of exempt contracts designated "defense secret" or "essential government interest" signed in 2015 to verify compliance with Decree 2014-764 of October 9. | February 28 | Met | Strengthen governance of public finances |
| Report on implementation of the recommendations of October 2014 West AFRITAC technical assistance mission to strengthen the quality of the public debt database, including an action plan with specific timetable to implement all recommendations. | February 28 | Not met. Implemented with delay (in mid-April). | Strengthen public debt management |
| Nomination by the minister of economy and finance of all directors of finance and material and administrative and financial directors for the ministerial departments and other public institutions. | June 30 | | Improve compliance with budget rules |
| Audit by a private firm of the amount and process of granting exemptions from taxes collected by the DGI and DGD in 2015. | August 31 | | Increase tax revenue |
| Preparation of DGD report analyzing monthly reconciliation reports by the inspection company comparing duties paid and receivable by import declaration during the first seven months of 2015. | August 31 | | Increase tax revenue |
| Transmittal to the Supreme Court of senior government officials' financial disclosures pursuant to the law against unlawful enrichment. | August 31 | | Promote good governance |
| Adopt a pricing mechanism that ensures that changes in the cost of imported petroleum products are reflected in pump prices within a margin of 3 percent per month (paragraph 17). | December 31 | | Adequately price oil products and protect revenue derived from their taxation. |
| Complete the implementation a treasury single account (TSA) at the BCEAO, including by transferring EPA deposits to the TSA (paragraph 41). | December 31 | | Strengthen public financial management. |

Table 4. Mali: Summary of External Borrowing Program ¹

| | 2015 | | 2016 | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Act. | PV | Rev. Prog. | PV |
| | (CFAF Billions) | | | |
| Debt financing sources | <u>231</u> | <u>117</u> | <u>576</u> | <u>288</u> |
| Concessional debt ² of which | 231 | 117 | 326 | 163 |
| Multilateral debt | 206 | 104 | 326 | 163 |
| Bilateral debt | 25 | 13 | - | - |
| Nonconcessional debt ³ | 0 | 0 | 250 | 175 |
| Uses of borrowed funds | <u>231</u> | <u>117</u> | <u>576</u> | <u>288</u> |
| Budgetary assistance | 46 | 21 | | |
| Infrastructure (roads, bridges, etc.) | 27 | 15 | | |
| Energy | 34 | 21 | | |
| Agriculture | 50 | 25 | | |
| Social (education, health) | 58 | 28 | | |
| Various | 15 | 7 | | |

Source: Mali authorities.

¹ New borrowing arranged or guaranteed.

² Debt in which the grant component exceeds a floor of 35 percent.

³ Debt comprising a grant component that is positive but does not comply with the established floor.

Attachment II. Technical Memorandum of Understanding

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

I. DEFINITIONS

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

II. PERFORMANCE CRITERIA

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

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

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

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

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

III. ADJUSTERS

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

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

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

B. Ceiling on Accumulation of External Government Payments Arrears

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

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

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

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

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

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

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

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

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

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

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

D. Floor on Gross Tax Revenue

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

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

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

IV. INDICATIVE TARGETS

20. The following will serve as indicative targets at end-June 2016, end-September 2016, and end-December 2016.

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).

V. ADJUSTER

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

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

B. Floor on Priority Poverty-Reducing Expenditure

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

VI. STRUCTURAL BENCHMARKS

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

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

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

27. As of June 30, 2014, the **available balances in current account opened for government accounting officers** included within the scope of the net government position, narrowly defined (T16), also known as the net Treasury position (NTP), with the exception of those located in regions where the BCEAO is not present, will be **transferred to the Treasury single account at the BCEAO**. The available balances are all the amounts in such accounts except for:

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

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

Additional Information for Program Monitoring

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

Summary of Reporting Requirements

| Sectors | Type of Data | Frequency | Reporting Deadline |
|----------------|---|-----------|--|
| Real Sector | National accounts | Yearly | Year-end + 9 months |
| | Revised national accounts | Variable | 8 weeks after revision |
| | 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 |

Summary of Reporting Requirements

| 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 |

Summary of Reporting Requirements

| 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 |
| EDM | Detailed financial statements showing EDM's total revenues, including subsidies received; total expenditures; the level of debts to banks; and the situation in terms of arrears. | Quarterly | Month-end + 4 weeks |
