INTERNATIONAL MONETARY FUND

IMF Country Report No. 13/168

MALI

Request for Disbursement under the Rapid Credit Facility—Staff Report; Informational Annex; Staff Statement; Press Release on the Executive Board Approval; and Statement by the Executive Director for Mali

In the context of the 2013 Request for Disbursement under the Rapid Credit Facility with Mali, the following documents have been released and are included in this package:

- **Staff Report** for the 2013 Request for Disbursement under the Rapid Credit Facility, prepared by a staff team of the IMF, following discussions that ended on April 23, 2013, with the officials of Mali on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 16, 2013. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- **Informational Annex** prepared by the IMF in consultation with the World Bank.
- **Staff Statement by** the Staff Representative on Mali.
- **Press Release** on the approval of the Disbursement under the Rapid Credit Facility.
- **Statement by the Executive Director** for Mali.

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

Letter of Intent sent to the IMF by the authorities of Mali*
Memorandum of Economic and Financial Policies by the authorities of Mali*
Technical Memorandum of Understanding*
*Also included in Staff Report

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

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International Monetary Fund
Washington, D.C.

INTERNATIONAL MONETARY FUND

MALI

May 16, 2013

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

Context: Mali is a country in need. It is receiving international military assistance to restore sovereignty over its full territory. On the political front, it faces a complex challenge of consolidating peace, advancing national reconciliation and organizing presidential elections by July 2013. At the same time, its government is struggling to maintain macroeconomic and financial stability amid intense fiscal pressures. The Fund disbursement under the Rapid Credit Facility in February 2013 has contributed to the resumption of much needed donor support. The economy is poised for recovery after a decline in 2012, but confidence remains fragile and the outlook is fraught with risks. The authorities' fiscal restraint has helped to attenuate the fiscal pressures, but fiscal and balance-of-payments financing needs remain for 2013. Filling those gaps while supporting the economic recovery will be the key policy challenge for 2013.

Request for disbursement under the Rapid Credit Facility: The authorities request a disbursement of SDR 10 million (about 11 percent of quota) to help them meet their urgent balance-of-payments need, and support their economic program in 2013 and re-engagement with donors during the transition toward a new elected government. Performance under the program through end-April remained good. In April, the authorities reached agreement with staff on indicative targets and structural benchmarks for the balance of 2013. Their reform efforts are focusing on tax policy and revenue administration, public financial management and energy subsidies.

Main policy recommendations:

- ***Maintain fiscal discipline in 2013***. Ensure effective deployment of expected donor aid toward priority spending. To help the economy's recovery, clear existing external and domestic arrears and minimize recourse to domestic borrowing.

- ***Step up public financial management reforms***. Continue the efforts to improve tax compliance and strengthen treasury management and internal control to avoid emergence of new arrears.

- ***Prepare the ground for reforming electricity and fuel pricing.*** Publish the fiscal, economic, and social costs of keeping energy prices stable irrespective of costs, and launch a discussion of reform options.

Approved By
Roger Nord and Peter Allum

The staff team, which visited Bamako during February 28–March13 and continued program discussions in Washington, DC, during April 16–23, 2013, comprised Christian Josz (head), Milan Cuc and Ermal Hitaj (AFR), Salvatore Dell'Erba (FAD), Anton Op de Beke (resident representative) and Bakary Traore (local economist). Staff met the Prime Minister, the Minister of Economy, Finance and the Budget, the National Director of the Central Bank of West African States (BCEAO), representatives from Parliament, private sector, trade unions, civil society, and the donor community. Oumar Diakite (OED) participated in the discussions.

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BACKGROUND, RECENT DEVELOPMENTS, AND OUTLOOK

1. **With support of the international community, the government is restoring its control of the North of the country** (Memorandum of Economic and Financial Policies—MEFP, ¶¶2 and 14). In early 2012, a coalition of insurgents composed of Tuaregs seeking independence and jihadist groups linked to Al-Qaeda in the Islamic Maghreb took control of Mali's north after the Malian army suffered a series of setbacks. These setbacks led to a military coup in March 2012 that ushered in a period of political instability. Since January 2013, France has intervened with more than 4,000 soldiers at the request of the Malian government to stop the advance of the rebel groups in the south of the country and regain control of all of Mali's territory. The international community supported the French intervention and sub-Saharan African countries have been deploying more than 6,000 soldiers in Mali. By early-May, the military intervention had succeeded in regaining control over the towns and dismantling the bases of the insurgents in the north of Mali.

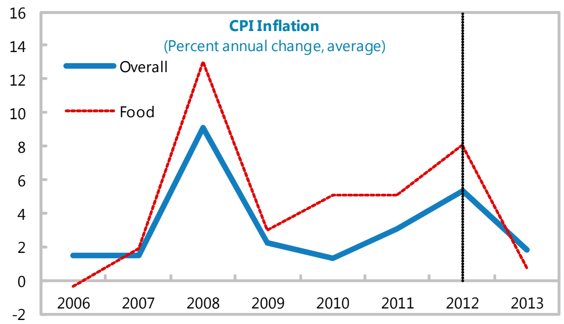
2. **Presidential elections are planned in July.** The transitional government of national unity, established in August 2012, had the main tasks to regain the north and organize presidential and legislative elections. The government and the national assembly have now adopted a road map to organize presidential elections by end-July. Nevertheless the country still faces difficult reconciliation challenges between different segments of the population in the south and the north of the country.

3. **The security and political crisis caused a sharp recession in 2012** (Figure 1, Text Table 1 and Table 2; MEFP, ¶3). Real GDP declined by 1.2 percent in 2012 as a result of dislocations and the suspension of donor support following the military coup. Construction, public works, and services (trade, hotel and restaurants) were among the hardest hit. The decline in overall economic activity was cushioned by the recovery in agricultural production following the 2011 drought and strong gains in gold production. Average inflation increased to 5.3 percent in 2012 owing to the bad harvest in 2011 and decelerated to 3.2 percent in April 2013 as food prices moderated following the good harvest in 2012.

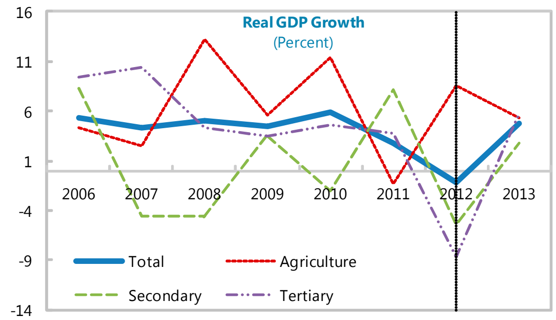
4. **The current account deficit of the balance of payments was cut in half in 2012** (Table 7; MEFP, ¶4). Imports were held back by weakening domestic demand, while exports grew strongly thanks to an increase in gold and cotton production. Remittances continued to make a strong contribution to the balance of payments (Box 1). The improvement in the current account balance was more than offset by the deterioration in the financial account that reflected suspension of donor support and the drop of foreign direct investment. This contributed to a drawdown of the official foreign exchange reserves of the regional central bank by close to $90 million in 2012.

Figure 1. Mali: Macroeconomic Developments, 2006–13

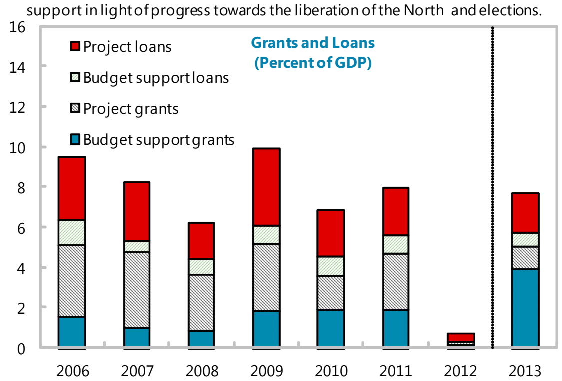
Inflation increased in 2012 owing to the bad crop in 2011. In 2013, it is expected to fall owing to the good harvest in 2012.



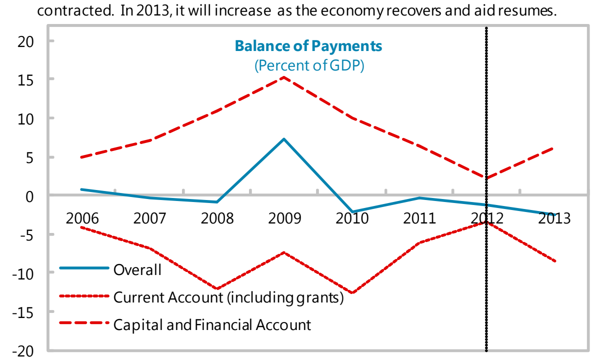
In 2012, the good harvest and strong gold output moderated the impact of the contraction of other sectors dislocated by the security and political crisis.



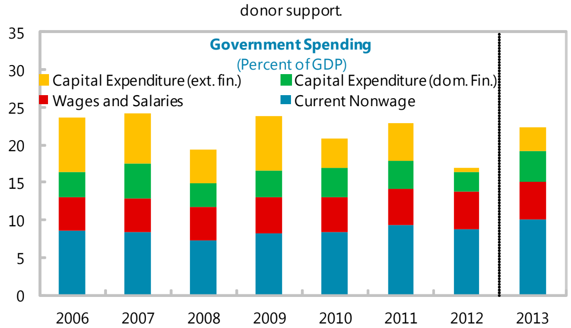
Most donors suspended aid after the coup in March 2012. They are resuming their support in light of progress towards the liberation of the North and elections.



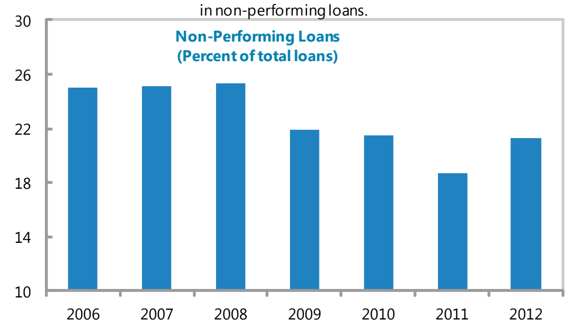
In 2012, the current account deficit was cut in half as the economy and aid contracted. In 2013, it will increase as the economy recovers and aid resumes.



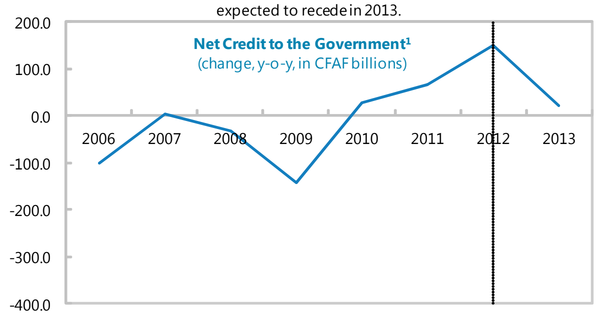
In 2012, public capital expenditure fell, but, in 2013, it will resume in line with donor support.



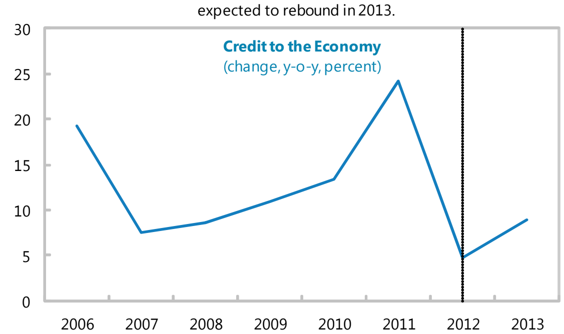
In 2012, falling public capital expenditure in 2012 caused arrears and an increase in non-performing loans.



Financing constraints in 2012 led to the drawdown of government deposits that is expected to recede in 2013.



Tight liquidity in 2012 led to a drop in credit growth to the economy, which is expected to rebound in 2013.



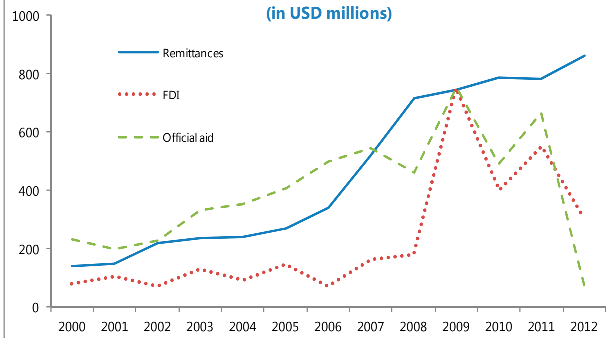
Source: Malian authorities and Fund staff estimates.

[1] Credit to the government minus government deposits.

Box 1. Mali: remittances helped cope with the crisis in 2012.

According to a survey by the BCEAO, remittances have constantly increased over the past decade, and since 2007 they have been higher than both official aid and FDI (Box Figure 1). In addition, while over the last 5 years aid and FDI have fluctuated as a result of the economic downturn in advanced countries and political instability in Mali, the increase in remittances inflows has been sustained. The role of remittances in coping with adverse shocks was even more evident in 2012, when aid and FDI dried down as a result of political turmoil in Mali and remittances increased.

Box Figure 1. Mali: Select Financial Flows (in USD millions)



Sources: Malian authorities and IMF staff calculations.

5. **Faced with tax and external financing shortfalls, the government responded with sharp expenditure cuts and increased recourse to domestic financing, but could not prevent the accumulation of some arrears in 2012** (Tables 3–6; MEFP, ¶¶7-10). Led by drastic cuts in capital spending, overall expenditure declined by 6 percent of GDP and the overall fiscal deficit (cash basis) was contained to 1.3 percent of GDP, financed by the drawdown of government deposits in the banking system. However, despite these steps, the government didn't succeed in closing the financing gap completely. It accumulated external arrears in the amount of CFAF 27 billion ($54 million or 0.5 percent of GDP) and domestic arrears estimated so far at CFAF 30 billion (0.6 percent of GDP).

6. **The banking system came under increasing pressure during 2012** (Tables 8 and 9; MEFP, ¶¶5-6). Fiscal problems spilled over into the financial sector: the public sector's drawdown of deposits constrained the banking system's capacity to lend support to the economy and the buildup of government arrears impaired domestic suppliers' ability to service their bank loans. As liquidity tightened, commercial banks increased their recourse to central bank financing. Against the background of the worsening economic outlook and credit quality problems, credit to economy decelerated sharply, growing only by 5 percent in 2012 (compared to 25 percent in 2011). The asset quality deteriorated, with nonperforming loans reaching 21.3 percent of total loans (up from 18.5 percent at end-2011). Some of the capital cushions eroded, with capital to risk-weighted assets dipping below 15 percent by end-2012 (down from 17 percent at end-2011), although all banks except one remain compliant with the capitalization prudential requirements.

7. **Program performance has been good** (MEFP, Tables 1 and 2 and ¶¶12-14). At end-December 2012, all but one indicative target and all structural benchmarks were met. The only indicator that was missed is the zero ceiling on non-concessional external loans. Early in 2012, before the coup, the government signed two loans for a total amount of $107 million (1.0 percent of

GDP) to finance power grid investments. These loans were designed to deliver a minimum 35 percent grant element and, with no other non-concessional borrowing envisaged for 2012, the program included a zero ceiling on non-concessional borrowing for end-December 2012. However, based on data provided by the authorities in March 2013, staff has calculated that these loans fell slightly short of the targeted 35 percent grant element as a result of the decrease in the reference discount rate shortly before the loans' signature (MEFP, ¶12). The slightly reduced grant element for these loans has no material impact on Mali's debt sustainability. Estimates for end-March 2013 indicate that the program remains on track, with all indicative targets and structural benchmarks having been met.

8. The first disbursement under the Rapid Credit Facility (RCF) of SDR 12 million in February has catalyzed about $508 million of budget support thus far (MEFP, ¶16)**.** The European Union, the World Bank, the African Development Bank, the IMF, France and the Netherlands have committed budget support in a total amount of CFAF 254 billion ($508 million or 4.3 percent of GDP) for 2013–14. Other donors are expected to join in the wake of the donor conference organized by France and the European Union in Brussels on May 15. Canada and the Netherlands have set up a multi-donor trust fund (MDTF) to finance certain lines of the 2013 budget during the transition towards an elected government. The Fund lends its support to the MDTF by reporting on performance of the program supported by the RCF and results of Fund technical assistance missions in public financial management (PFM).

9. Resumption of donor support brightens the economic outlook (Figure 1 and Text Table 1; (MEFP, ¶18). With a resolution of the political and security crisis in sight and the resumption of donor support, a measure of confidence is returning.[1] Mali's economy should progressively gather strength during 2013. Real GDP is projected to increase by close to 5 percent on account of the increase of the agricultural output, the establishment of a third mobile phone operator, restart of construction projects following re-engagement by donors, and its positive impact on other sectors of the economy. Average inflation should fall below 3 percent, assuming favorable rainfall.

[1] The February government 6-month t-bill auction was oversubscribed and produced an effective yield of 4.19 percent.

10. But there remain important financing gaps in 2013 and beyond. The current account deficit of the balance of payments is set to widen to 8.7 percent of GDP in 2013, as export revenues are held back by stagnant gold production and declines in gold and cotton prices while imports surge to meet the reconstruction needs and the still-large food import requirements to meet humanitarian needs. The overall balance of payments is projected to show a financing gap of CFAF 107 billion ($214 million or 1.9 percent of GDP) in 2013, even after taking into account the announced budget support thus far and the requested second RCF disbursement.[2] About one fourth of the gap (CFA 30 billion, $60 million or 0.5 percent of GDP) reflects the financing shortfall in the fiscal sector (¶15), while the remainder is due to humanitarian needs (mostly food imports) identified by the World Food Program. In the absence of clear prospects for external assistance beyond 2013, financing gaps of CFAF 135 billion ($270 million or 2.2 percent of GDP) and CFAF 194 billion ($398 million or 2.9 percent of GDP) emerge for 2014 and 2015, respectively.

Text Table 1. Mali: Key Economic Indicators, 2011–15

	2011	2012		2013		2014	2015
		Prog.[1]	Est.	Prog.[1]	Rev. prog.	Proj.	
	(in percent of GDP, unless otherwise indicated)						
Real GDP growth	2.7	-1.5	-1.2	4.8	4.8	6.3	5.3
Consumer price inflation (average)	3.1	5.4	5.3	3.2	2.9	2.9	2.5
Revenue	17.2	17.5	17.3	18.0	18.0	18.1	18.4
of which: Tax revenue	14.6	14.6	14.4	15.3	15.2	15.3	15.6
Grants	3.9	0.7	0.2	1.1	3.2	2.2	1.1
Total expenditure and net lending	24.8	20.3	18.9	21.4	24.0	24.5	24.1
Overall balance (cash)	-3.8	-2.5	-1.2	-2.5	-3.3	-4.1	-4.6
Basic fiscal balance [2]	-1.1	-1.0	-0.8	-0.1	-0.4	-1.7	-2.5
Total public debt	29.2	34.9	29.7	33.7	28.5	28.3	27.9
Current external balance (including official transfers)	-6.2	-5.8	-3.3	-8.0	-8.7	-8.5	-9.1
Overall balance of payments	0.4	-2.5	-0.9	-1.5	-2.2	-2.1	-2.9

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

[1] **Country Report No. 13/44. Mali-Staff Report for 2012 Article IV Consultation and RCF Disbursement.**
[2] **Defined in Table 3, footnote 3.**

[2] Large amounts pledged to finance foreign military intervention do not reduce Mali's estimated financing gap. The $535 million pledged by donors in Addis Ababa on January 29, 2013 to finance the African military intervention will have a neutral effect on the overall balance of payments. The pledges will be disbursed to foreign governments to pay for their military intervention in Mali, and in the 2013 balance of payments they are recorded as an import of services by the Malian government financed by a current official transfer (Table 7). The French military intervention, of which the cost is estimated at €570 million in 2013, is recorded in the same way.

11. The fluidity of the political and security situation means that the outlook is subject to more risks than usual. A weakening of the fragile political consensus, social tensions flowing from the economic recession, or setbacks of the transition government in its efforts to consolidate control over the north of the country and organize elections could weaken consumer, investor and donor confidence and slow down growth. On the other hand, Mali is not very exposed to negative tail risks in the euro area because its exports (mostly gold) are inelastic toward European trade partners' growth. The main transmission channel from Europe's slowdown would be lower remittances (Box 1). The banking sector is mostly financed by local deposits and should not be affected by the ongoing deleveraging of European banks. The rain-fed agriculture remains exposed to weather shocks.

MAINTAINING MACROECONOMIC AND FINANCIAL STABILITY AMID INTENSE PRESSURES

12. In 2013, the Malian authorities are striving to safeguard macroeconomic and financial stability in a difficult environment. They plan to implement a prudent fiscal policy and continue ongoing reforms in public financial management.

A. Implementing a Fiscal Policy Focused on Maintaining Macroeconomic Stability

13. The 2013 supplementary budget approved by parliament in May is consistent with macroeconomic stability and the priorities of the transition government (Text Tables 2–3, Tables 3–6, and MEFP ¶¶20–27). It is underpinned by realistic macroeconomic assumptions and incorporates fresh budget support grants and loans pledged by donors to date, as well as additional spending plans on reconstruction, water, agriculture, energy, and elections. Importantly, resumption of donor support also unfreezes 1 percent of GDP in capital spending that would have had to be deferred under the initial budget assumptions. The supplementary budget brings back revenue and expenditure to their pre-crisis levels and envisages a slightly wider overall deficit (3.3 percent of GDP, compared to 2.5 percent of GDP in the initial program) and basic fiscal deficit[3] (0.4 percent of GDP, compared to 0.1 percent of GDP in the initial program) , which remains consistent with medium-term debt sustainability.

[3] The basic fiscal balance is equal to the difference between the sum of revenue and expenses under the direct control of the authorities, i.e., revenue (including resources from the Heavily Indebted Poor Countries Initiative) plus grants for general budgetary support less current expenditure, domestically-financed capital expenditure, and net lending.

Text Table 2. Mali: Central Government Consolidated Financial Operations, 2011–13

	2011	2012		2013	
	Est.	Prog.[1]	Est.	Prog.[1]	Rev. prog.
	(in percent of GDP)				
Total revenue and grants	21.1	18.2	17.6	19.1	21.2
Tax revenue	14.6	14.6	14.4	15.3	15.2
of which: Tax refund	-0.7	-0.8	-1.1	-0.8	-0.9
Nontax revenue [2]	2.6	2.9	2.9	2.7	2.8
Grants	3.9	0.7	0.2	1.1	3.2
Total expenditure and net lending (payment orders)	24.8	20.3	18.9	21.4	24.0
Current expenditure	14.1	14.4	13.7	13.7	15.0
Capital expenditure	8.7	4.1	3.2	6.0	7.3
Externally financed	5.1	1.5	0.6	3.1	3.1
Domestically financed	3.7	2.6	2.6	2.9	4.2
Adjustment to cash basis [3]	-0.1	-0.3	0.3	-0.3	-0.6
Overall fiscal balance (cash)	-3.8	-2.5	-1.2	-2.5	-3.3
External financing	2.7	0.2	0.2	1.3	1.8
Domestic financing	1.1	2.3	1.0	0.3	1.0
Financing gap	0.0	0.0	0.0	1.0	0.5
Memorandum items					
Basic fiscal balance[4]	-1.1	-1.0	-0.8	-0.1	-0.4

Sources: Ministry of Finance; and IMF staff estimates and projections.
[1] Country Report No. 13/44. Mali-Staff Report for 2012 Article IV Consultation and RCF Disbursement.
[2] Including special funds and annexed budgets.
[3] Including variation of arrears.
[4] Defined in Table 3, footnote 3.

14. The supplementary budget supports the recovery by clearing all identified domestic and external arrears and making low recourse to bank and market financing. The authorities will clear domestic arrears estimated so far at 0.6 percent of GDP at the end of 2012 (¶5). They have initiated an audit of all unpaid bills outstanding at 2012 (structural benchmark; MEFP, ¶10 and Table 2). Clearance of domestic arrears and domestic borrowing restraint—in 2013, the authorities envisage rollovers of maturing treasury bills and bonds to keep the outstanding stock broadly unchanged—should help alleviate liquidity pressures in the economy and lend support to the recovery. The authorities will also clear all external arrears, which will help restore donor confidence.

15. The financing gap has been reduced. The supplementary budget implies a financing gap of CFAF 30 billion (0.5 percent of GDP) after the requested second RCF disbursement—about half of the gap indicated in the initial program. The authorities hope to close the gap in the second half of 2013 with additional inflows of donor assistance identified during the May 2013 donor conference. Pending the confirmation of the additional budget support, the government will freeze planned spending in an equivalent amount (MEFP ¶26). The balance of payments financing gap that would remain after closing the budget financing gap is anticipated to be closed through WFP and broader humanitarian support channeled outside the budget.

16. The authorities will protect social spending, while continuing to subject military expenditure to standard budgetary procedures (MEFP, ¶¶27 and 36). To address the deteriorating security situation, the supplementary 2013 budget envisages defense spending that is 58 percent above the 2011 level (Text Table 3). Nevertheless, the government will continue to give priority to spending on education, health and social development, in line with their poverty reduction strategy[4] and maintain this spending above an agreed floor (indicator; MEFP, Table 1).

Text Table 3. Mali: Public Expenditure by Function, 2011–13
(In CFAF billions)

	2011	2012	2013		
			Budget (a)	Sup. Budg. (b)	(b) - (a)
Urban Development	92	23	25	125	101
Mines, Water	100	38	44	113	69
Agriculture	126	72	80	133	54
External Debt	57	33	56	106	50
Defence	106	109	149	167	18
Public Administration	120	76	105	121	17
Communication	16	10	10	20	10
Health	96	54	78	85	7
Transport	37	7	13	18	5
Tertiary Education	73	68	90	93	3
Social Sector	50	45	41	43	2
Internal Debt	34	23	37	38	2
Basic Education	183	155	164	165	1
Culture	15	10	14	14	0
Foreign Affairs	22	22	27	27	0
Employment	8	5	8	8	0
Other	134	161	118	187	70
Total	1269	910	1057	1465	407

Sources: Malian authorities and staff estimates.

B. Improving Public Financial Management

17. To mobilize tax revenue, the authorities are implementing ambitious tax policy and tax administration reforms (MEFP, ¶¶30–33). Transparency is being used to build political support for a reduction of tax exemptions. The authorities will continue to publish an inventory of all exemptions included in the tax, customs, mining, and investment codes and other legislation, and the associated fiscal costs in the budget.[5] They will also study the feasibility of introducing more progressivity in the tax regime of mining companies to capture some of the excess profits when prices are very high.[6] Reforms in tax and customs administration aim to increase the yield by strengthening compliance, streamlining procedures and tightening cooperation among relevant

[4] See Country Report No. 13/111. Mali: Poverty Reduction Strategy Paper and Country Report No. 13/112. Mali: Poverty Reduction Strategy Paper-- Joint Staff Advisory Note.

[5] In 2012, tax exemptions amounted to 4.3 percent of GDP (out of which 2.1 percent of GDP on taxes collected by the tax directorate and 2.2 percent of GDP on taxes collected by the customs directorate), or about thirty percent of the tax revenue, which amounted to 14.4 percent of GDP.

[6] The authorities have requested the Fund's involvement through technical assistance of the Fund's Topical Trust Fund on Managing Natural Resource Wealth to strengthen their capacity to collect revenue due by the gold mining companies.

agencies and departments.[7] To improve the functioning of the VAT, the system of refunds and collection will be simplified by, inter alia, raising the VAT liability earnings threshold from CFAF 30 million ($60,000) to CFAF 100 million ($200,000). Work of the interdepartmental tax intelligence committee identified anomalies in the tax returns of about 80 percent of importers. The tax directorate will target its tax audits on these companies in 2013 (structural benchmark; MEFP, Table 2).[8] A similar exercise will be undertaken to compare the value of procurement contracts awarded to operators with their earnings reported to the tax directorate.

18. The authorities will continue with ongoing reforms in the area of fiscal transparency as well as expenditure and cash management (MEFP, ¶¶ 34–39). Their rolling action plan will be updated in close collaboration with donors, with a view to enhancing budget preparation, monitoring, execution, and audit, and improving cash management. The authorities are incorporating WAEMU directives regarding the transparency code, budget laws, government accounting, budget classification, the government chart of accounts, and the government financial operations table (TOFE) into the Malian law. Cutoff dates have been established for budget execution in 2013.[9] Under their program, the authorities remain committed to phasing in a Treasury single account (TSA) with the BCEAO. In preparation to that move, they are taking steps to tighten control over the bank accounts of the ministries and government agencies and report more details about their movements in the TOFE.[10] Treasury management will benefit from the implementation of the new integrated accounting application (AICE) by end-2013. Finally, the authorities will take steps to strengthen internal and external control structures and expedite the production of government audited accounts.

19. The strategy to reform energy pricing is taking shape (MEFP, ¶29). Starting with the 2013 budget law, the authorities have begun presenting estimates of the cost to the budget of the failure to adjust oil and electricity prices.[11] The situation in the electricity sector is untenable: the failure to set the prices high enough to cover costs, coupled with budget transfers insufficient to close the gap, has hobbled the sector's performance, undermining its ability to provide reliable and adequate electricity supply to the growing economy. In February, the authorities raised electricity prices by 7 percent on average, but the average price remains 20 percent below cost. In their 2013

[7] The authorities have requested the Fund's involvement through technical assistance of Fund's Topical Trust Fund on Tax Policy and Tax Administration to develop a multi-year technical assistance program.

[8] Preliminary information suggests that underreporting of turnover by importers could have been as high as CFAF 500 billion annually in 2011-12. If 10 percent of that represents taxable income, then the tax revenue loss could have been about CFAF 30 billion (0.6 percent of GDP).

[9] For example, end-November is the cutoff for most operating and capital expenditure commitments.

[10] By end-August 2013, the Treasury and the BCEAO will identify the public institutions other than the Treasury included in the Net Government Position (NGP) towards the banking sector. In 2012, these "other" institutions accounted for CFAF 79 billion (1.5 percent of GDP) in the total deterioration in the NGP of CFAF 150 billion.

[11] In view of the small pass-through of international oil prices in domestic oil prices during 2009–11, oil tax revenue shrank from 2.3 percent of GDP in 2009 to 1 percent of GDP in 2011. In the absence of adjustment of electricity prices, the authorities transferred about 0.6 percent of GDP to the state-electricity company to keep it afloat in 2012.

supplementary budget, the authorities agreed to double the transfer to the electricity company EDM to ensure that the company doesn't suffer a financing shortfall this year.[12] By end-June 2013, the Council of Ministers will review proposals to establish a profit margin between the sales price and the average electricity cost (structural benchmark, MEFP, Table 2). On petroleum product pricing, the authorities will prepare different options for automatically adjusting domestic prices to changes in international market prices, accompanying measures to mitigate the social impact, and a communications strategy to ensure public support. To reverse the erosion of petroleum tax revenue since 2009, the government has already raised petroleum product prices by 6 percent since May 2012.

20. The authorities are planning to meet their external financing needs by grants and concessional loans (MEFP, ¶¶40–41). The recent debt sustainability analysis concluded that the risk of debt distress is moderate.[13] Nevertheless, Mali's debt position remains sensitive to changes in gold prices and in borrowing terms. Thus the authorities aim to limit their borrowing to loans on concessional terms with a minimum grant element of 35 percent. The exceptions are two loans for an expansion of the hydro and thermal electricity generations in the amounts of $138 million (1.2 percent of GDP) and €24.5 million (0.3 percent of GDP) with grant elements of, respectively, 32.8 and 29.7 percent. Given the critical importance of these projects for meeting the country's energy needs and the compatibility of these loans with debt sustainability,[14] the government will accept the conditions but will limit its non-concessional borrowing to these loans in 2013 (continuous indicator; MEFP, Table 1).

REQUESTING ANOTHER DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

21. The authorities are requesting another disbursement under the RCF to meet their balance of payment need, continue catalyzing donor support, and prepare the ground for an arrangement under the Extended Credit Facility after the presidential elections (Letter of Intent). Their request is based on their remaining balance of payment need in 2013 (¶10), the good program performance for the six months through April 2013 (¶7) and agreement reached with the staff on a revised program for the remainder of 2013 (¶¶12-20). The program sets quarterly indicative targets starting in end-June (MEFP, Table 1) and structural benchmarks in the areas of tax and customs administration, public financial management and electricity sector reform critical to the

[12] Doubling the budget transfer to EDM to CFAF 40 billion (0.7 percent of GDP) ensures only that the company recovers current year costs, but doesn't address its investment needs and the problem of EDM's short-term debt—estimated CFAF 47 billion (0.9 percent of GDP) to fuel oil suppliers; and CFAF 26 billion (0.5 percent of GDP) to commercial banks.

[13] See Mali—Joint IDA/IMF Debt Sustainability Analysis under the Debt Sustainability Framework for Low-Income Countries in Country Report No. 13/44 -- Mali: 2012 Article IV Consultation.

[14] The World Bank welcomes these projects as part of the government's overall energy strategy, noting in particular the benefits of expanding generation of low-cost hydroelectric power.

maintenance of macroeconomic and financial stability (MEFP, Table 2). In addition, the authorities have adopted their Plan for the Sustainable Revival of Mali in 2013–14 (PRED) that emphasizes fiscal sustainability, public financial management reforms, improvements in the business climate, further anti-corruption efforts, and aid effectiveness as priorities for sustainable growth, macroeconomic stability, and poverty reduction ((¶16, footnote 4). The requested access amount of SDR 10 million (10.7 percent of quota) would help finance Mali's balance-of-payments need as well as encourage continued donor financial support. The authorities' program is expected to serve as a stepping stone to a more comprehensive, medium-term program that could be elaborated by a new democratically elected government and which could be supported by a three-year arrangement under the Extended Credit Facility. Notwithstanding the strong macroeconomic management achieved under the transitional government, credible commitment to a comprehensive, multi-year program will require the clear mandate for economic governance that would come with the forthcoming presidential elections.

22. Mali's capacity to repay the Fund is adequate and program implementation risks have diminished with the progress of the foreign military intervention. The use of Fund resources under the RCF will have a negligible impact on debt and debt service ratios (Table 10) and Mali's risk of debt distress is moderate (¶20).

STAFF APPRAISAL

23. Mali is a country in need. It is receiving international military assistance to restore sovereignty over its full territory. On the political front, it faces a complex challenge of consolidating peace, restoring full government operations in the North, and organizing democratic elections on a tight schedule. At the same time, its government is struggling to support a nascent economic recovery and maintain macroeconomic and financial stability amid rising public expenditure pressures and tight resource constraints.

24. The economy is poised for a recovery. The prospect of resumption of large-scale donor support has improved confidence, while the associated public spending is expected to provide a boost to the sectors affected by the security and political crisis in 2012. However, risks remain: agricultural output is subject to vagaries of climatic conditions, while an increase in social tensions or setbacks on the path of democratic transition could undermine the still fragile confidence and derail the projected recovery.

25. The authorities' fiscal response to the difficult situation is appropriate. The government's expenditure restraint in the context of its economic program has helped preserve broad macroeconomic stability. While the immediate priority is to close the residual financing gap for 2013, the prospect of resumption of donor aid and the economic recovery mean that the challenge will become one of adhering to prudent fiscal policy and ensuring effective deployment of the additional resources. In staff's view, the fiscal stance guiding the supplementary 2013 budget is appropriate and should contribute to strengthening macroeconomic stability and lending support to the nascent recovery. The government's spending plans strike the right balance between the priority of addressing the immediate security and social needs, and clearing all identified domestic and external arrears. The financing mix, which minimizes the recourse to domestic bank borrowing, should be conducive to greater bank lending in support for the private sector.

26. Strengthening public financial management is essential for sustained macroeconomic and fiscal stability. The tax policy and administration, expenditure management, and energy policy reforms need to continue. Closer cooperation and information exchange between the tax, customs, and procurement administrations are helping improve tax audit targeting. Closer expenditure control, supported by improvements in Treasury management and internal control, is needed to avoid recurrence of accumulation of arrears to suppliers and creditors. Energy pricing reform is essential to reduce the economic and social costs of the below-cost pricing of energy products. Greater transparency, a coherent public communication strategy and carefully designed measures to mitigate adverse social impacts need to accompany the reform to secure the population's buy-in.

27. Staff supports the authorities' request for a disbursement under the RCF in the amount of SDR 10 million in light of the urgent balance of payments and fiscal needs and the satisfactory policy performance in the six months to end-April 2013. The risks to the outlook are not insignificant in the context of the country's current predicament. However, they are manageable, given the authorities' strong commitment to the policies supported by the RCF, their policy track record and the commitment of the donor community to see Mali succeed.

Table 1. Mali: Selected Economic and Financial Indicators, 2011–15

	2011	2012		2013		2014	2015
	Est.	Prog.[1]	Est.	Prog.[1]	Rev. prog.	Proj.	
				(Change, percent)			
National income and prices							
Real GDP	2.7	-1.5	-1.2	4.8	4.8	6.3	5.3
GDP deflator	4.9	5.9	5.9	2.7	2.4	2.5	2.4
Consumer price inflation (average)	3.1	5.4	5.3	3.2	2.9	2.9	2.5
External sector (percent change)							
Terms of trade (deterioration -)	14.9	14.8	18.3	-6.6	-5.3	1.9	0.4
Real effective exchange rate (depreciation -)	1.2	...	-0.1	...	...	...	...
Money and credit (contribution to broad money growth)							
Credit to the government	5.1	7.4	10.0	0.4	1.4	1.1	1.0
Credit to the economy	15.8	6.3	3.3	8.5	5.4	7.5	6.6
Broad money (M2)	15.3	11.6	14.7	4.6	7.4	8.9	7.8
				(Percent of GDP unless noted otherwise)			
Investment and saving							
Gross domestic investment	20.4	16.3	12.2	19.5	27.6	17.0	17.8
Of which: government	8.7	3.8	3.2	6.0	7.3	7.8	7.5
Gross national savings	14.3	10.6	8.8	11.5	19.0	8.4	8.8
Of which: government	2.1	1.4	2.2	1.9	2.4	1.4	0.5
Gross domestic savings	10.5	11.4	5.2	13.5	2.7	5.0	6.6
Central government finance							
Revenue	17.2	17.5	17.3	18.0	18.0	18.1	18.4
Grants	3.9	0.7	0.2	1.1	3.2	2.2	1.1
Total expenditure and net lending	24.8	20.3	18.9	21.4	24.0	24.5	24.1
Overall balance (payment order basis, including grants)	-3.7	-2.1	-1.3	-2.3	-2.8	-4.1	-4.6
Basic fiscal balance [2]	-1.1	-1.0	-0.8	-0.1	-0.4	-1.7	-2.5
Domestic debt [3]	4.7	5.1	4.1	4.7	3.4	3.1	2.9
External sector							
Current external balance (including official transfers)	-6.2	-5.8	-3.3	-8.0	-8.7	-8.5	-9.1
Current external balance (excluding official transfers)	-7.8	-7.3	-4.4	-8.8	-22.3	-9.6	-9.0
Exports of goods and services	26.3	31.2	30.7	30.8	26.6	26.8	25.7
Imports of goods and services	36.2	36.1	37.7	36.8	51.5	38.6	36.9
Debt service to exports of goods and services	4.0	3.4	2.8	3.5	3.0	3.5	3.9
External debt	24.4	29.9	25.7	29.0	25.1	25.2	25.0
Memorandum items:							
Nominal GDP (CFAF billions)	5,028	5,243	5,263	5,642	5,651	6,155	6,635
Overall balance of payments (US$ millions)	40.6	-252.1	-97.1	-155.5	-248.4	-257.3	-379.5
Money market interest rate in percent (end of period)	3.3	...	3.0	...	...	...	...
Gross international reserves (US$ millions)							
Central Bank of West African States (BCEAO)	14,654	...	13,869	...	...	...	...
in percent of broad money	55.0	...	51.2	...	...	...	...
in months of imports of g. and s.	5.9	...	5.2	...	...	...	...
BCEAO Mali (imputed)	1,409	1,099	1,328	963	1,380	1,376	1,368
in percent of broad money	47.0	35.0	38.6	29.4	37.2	34.3	31.9
US$ exchange rate (end of period)	497.7	...	497.2	...	...	...	...
Gold Price (US$/fine ounce London fix)	1,569	1,629	1,669	1,619	1,567	1,576	1,592
Petroleum price (crude spot)(US$/bbl)	104.0	102.4	105.0	96.9	102.7	98.5	94.7

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

[1] Country Report No. 13/44. Mali-Staff Report for 2012 Article IV Consultation and RCF Disbursement.

[2] Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending excluding externally financed capital spending.

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

Table 2. Mali: National Accounts, 2011–15

	Share[1]	2011	2012		2013		2014	2015
		Est.	Prog.[2]	Est.	Prog.	Rev. prog.	Proj.	
	(Annual percentage change, at constant prices)							
Primary sector	36.4	-1.3	8.1	8.6	5.3	5.3	5.4	5.4
Agriculture	23.9	-4.5	13.1	13.9	6.0	5.9	6.2	6.2
Food crops, excluding rice	15.8	-1.8	9.9	17.9	6.3	6.3	6.3	6.3
Rice	5.5	-24.6	27.0	10.1	6.0	6.0	5.8	5.8
Industrial agriculture, excluding cotton	1.6	2.0	4.0	2.0	7.3	7.3	7.3	7.5
Cotton	1.0	82.7	8.0	1.8	2.0	1.0	5.0	5.0
Livestock	7.9	4.0	0.0	0.0	3.8	3.8	3.7	3.7
Fishing and forestry	4.6	4.6	0.0	0.0	4.7	4.5	4.4	4.4
Secondary sector	18.3	8.1	-2.2	-5.4	5.4	2.8	7.2	4.0
Mining	6.4	0.0	7.5	9.2	8.4	-2.2	8.0	-1.8
Industry	4.9	20.8	3.4	3.5	4.8	3.1	3.9	5.4
Agrobusiness	2.0	18.6	-13.0	-16.0	4.0	5.0	6.0	6.0
Textile	1.8	31.0	35.0	40.0	8.0	1.8	1.0	5.0
Others	1.0	15.5	-2.0	-2.0	1.8	2.5	5.0	5.0
Energy	2.0	8.0	-2.0	-2.0	5.0	5.0	9.1	8.0
Construction and public works	5.1	5.0	-20.0	-35.0	2.0	10.0	10.0	8.0
Tertiary sector	35.0	3.8	-8.8	-8.7	4.4	5.8	7.0	5.7
Transportation and telecommunications	5.4	5.2	0.0	0.0	3.8	3.8	7.3	7.3
Trade	14.3	4.0	-10.0	1.0	4.3	6.0	5.6	5.6
Financial services	0.7	3.0	-10.0	-10.0	3.8	5.0	5.0	5.0
Other nonfinancial services	6.4	2.0	-15.0	-40.0	4.5	10.0	15.0	5.0
Public administration	8.5	4.0	-10.0	-10.0	5.0	5.0	5.0	4.5
Indirect taxes	10.3	6.0	-10.3	-1.1	2.6	2.3	5.6	5.6
GDP (market prices)	100.0	2.7	-1.5	-1.2	4.8	4.8	6.3	5.3
	(in percent of nominal GDP)							
National accounts								
Gross domestic investment		20.4	16.3	12.2	19.5	27.6	17.0	17.8
Gross national savings		14.3	10.6	8.8	11.5	19.0	8.4	8.8
Current account balance (including official transfers)		-6.2	-5.8	-3.3	-8.0	-8.7	-8.5	-9.1
Memorandum items:								
Nominal GDP (in CFAF billions)		5,028	5,243	5,263	5,642	5,651	6,155	6,635
GDP deflator (annual percent change)		4.9	5.9	5.9	2.7	2.4	2.5	2.4

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

[1] Share of 2010 Nominal GDP.

[2] Country Report No. 13/44. Mali-Staff Report for 2012 Article IV Consultation and RCF Disbursement.

Table 3. Mali: Central Government Consolidated Financial Operations, 2011–15
(in CFAF billions)

	2011	2012		2013			2014	2015
	Est.	Prog. [1]	Est.	Budget	Prog.	Rev. prog.	Proj.	
Revenue and grants	1,060.5	954.3	925.8	1,028.5	1,079.2	1,197.8	1,253.9	1,294.5
Total revenue	866.6	917.1	912.8	1,028.5	1,018.3	1,014.4	1,116.6	1,219.6
Budgetary revenue	770.5	816.9	813.3	929.0	918.1	914.9	1,008.2	1,102.8
Tax revenue	734.2	766.2	758.7	876.1	865.2	856.5	943.5	1,034.7
Direct taxes	220.8	243.2	263.2	253.0	265.4	286.7	313.3	341.7
Indirect taxes	513.4	523.0	495.5	623.2	599.8	569.9	630.2	693.0
VAT	310.4	298.0	286.5	343.9	336.7	328.5	368.6	409.2
Excises on petroleum products	4.7	17.7	25.3	19.9	19.9	19.9	24.9	29.6
Import duties	112.1	102.6	100.5	115.3	115.3	115.3	120.7	129.6
Other indirect taxes	120.3	145.2	140.6	179.1	171.4	156.1	170.7	179.1
Tax refund	-34.1	-40.6	-57.5	-35.0	-43.5	-50.0	-54.7	-54.6
Nontax revenue	32.9	50.7	54.7	52.9	52.9	58.3	64.7	68.1
Special funds and annexed budgets	96.1	100.2	99.5	99.5	100.2	99.5	108.4	116.8
Grants	193.9	37.2	13.0	0.0	60.8	183.4	137.3	74.9
Of which: Projects	97.1	33.0	8.6	0.0	60.8	60.1	71.7	74.9
Of which: Budgetary support	96.9	4.2	4.4	0.0	0.0	113.9	65.6	0.0
General	55.7	3.6	3.8	0.0	0.0	113.9	65.6	0.0
Sectoral	41.2	0.6	0.6	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending (payment orders basis)	1,247.4	1,066.9	994.9	1,037.7	1,207.6	1,353.6	1,505.5	1,602.3
Budgetary expenditure	1,144.7	968.7	889.3	940.1	1,109.3	1,259.7	1,397.1	1,485.5
Current expenditure	710.0	752.3	718.8	764.7	772.6	846.6	919.3	990.4
Wages and salaries	265.1	306.7	291.1	311.8	311.8	311.8	339.7	366.2
Goods and services	232.0	220.6	207.8	232.6	232.6	266.2	287.5	310.0
Transfers and subsidies	181.4	193.1	187.0	196.6	196.6	233.9	254.8	274.7
Interest	31.6	32.0	32.9	23.7	31.5	34.6	37.3	39.5
Of which: domestic	13.5	14.1	15.0	11.5	11.5	14.6	14.6	15.0
Capital expenditure	437.9	216.3	170.5	175.4	336.8	413.1	477.8	495.1
Externally financed	253.9	79.7	32.1	0.0	173.3	177.8	221.4	218.8
Domestically financed	184.0	136.6	138.4	175.4	163.5	235.3	256.3	276.3
Special funds and annexed budgets	96.1	100.2	99.5	99.5	100.2	99.5	108.4	116.8
Net lending	-3.2	-2.0	-2.8	-1.9	-1.9	-5.6	0.0	0.0
Overall fiscal balance (excl. grants)	-380.8	-149.8	-82.0	-9.2	-189.3	-339.2	-388.9	-382.7
Overall fiscal balance (incl. grants)	-186.9	-112.6	-69.0	-9.2	-128.5	-155.8	-251.6	-307.8
Variation of arrears	-8.2	-21.5	21.8	-9.2	-15.1	-39.0	0.0	0.0
Of which: Domestic	-9.2		18.7			-29.8	0.0	0.0
Of which: External (Interest)	1.0		3.1			0.0	0.0	0.0
Adjustment to cash basis	2.2	4.2	-7.9	0.0	0.0	7.1	-3.4	5.2
Overall balance (cash basis, incl. grants)	-192.8	-129.9	-62.6	-18.4	-143.6	-187.7	-255.0	-302.6
Financing	192.8	129.9	62.6	-36.5	89.0	157.6	120.5	107.8
External financing (net)	136.9	9.5	8.5	-22.6	74.7	102.5	119.4	107.1
Loans	165.0	46.1	22.9	0.0	112.5	153.1	149.7	143.9
Project loans	120.0	46.1	22.9	0.0	112.5	113.1	149.7	143.9
Budgetary loans	45.0	0.0	0.0	0.0	0.0	40.0	0.0	0.0
Amortization	-46.2	-48.2	-39.5	-34.0	-49.1	-49.1	-30.3	-36.8
Debt relief	13.6	11.6	6.6	11.4	11.4	25.6	0.0	0.0
Variation of External Arrears (Principal)	4.5	24.4	18.5		0.0	-27.1	0.0	0.0
Domestic financing (net)	55.9	120.4	54.1	-13.8	14.3	55.2	1.1	0.7
Banking system	71.7	110.3	70.4	12.4	7.0	23.6	20.0	19.6
Central bank	62.9	57.7	83.3	5.6	0.3	8.0	16.7	16.3
Commercial banks	3.3	52.6	67.9	6.8	6.8	15.5	3.3	3.3
Adjustment[2]	5.5	0.0	-80.9	0.0	0.0	0.0	0.0	0.0
Privatization receipts	0.0	33.0	0.0	22.0	22.0	55.1	0.0	0.0
Non-bank financing	-15.8	-47.4	-16.3	-48.2	-14.7	-23.5	-18.9	-18.9
Financing gap	0.0	0.0	0.0	54.8	54.6	30.0	134.5	194.8
Memorandum items								
Basic fiscal balance[3]	-57.6	-54.9	-39.5	2.2	-4.7	-21.9	-101.9	-163.9
General budgetary assistance	100.7	3.6	3.8	0.0	0.0	153.9	65.6	0.0
Nominal GDP	5,028	5,243	5,263	5,651	5,642	5,651	6,155	6,635

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

[1] **Country Report No. 13/44. Mali-Staff Report for 2012 Article IV Consultation and RCF Disbursement.**

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

[3] **Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending excluding externally financed capital spending.**

Table 4. Mali: Central Government Consolidated Financial Operations, 2013
(in CFAF billions)

	March		June		September		December	
	Prog. [1]	Est.	Prog. [1]	Rev. prog.	Prog. [1]	Rev. prog.	Prog. [1]	Rev. prog.
Revenue and grants	219.6	178.6	495.7	510.7	793.4	885.0	1,079.2	1,197.8
Total revenue	204.4	178.6	465.3	461.3	747.7	756.3	1,018.3	1,014.4
Budgetary revenue	179.4	177.5	415.2	411.6	672.6	681.6	918.1	914.9
Tax revenue	172.5	167.8	392.9	392.9	638.7	638.7	865.2	856.5
Direct taxes	53.6	54.2	128.4	138.7	196.6	208.9	265.4	286.7
Indirect taxes	118.9	113.6	264.6	272.8	442.1	419.3	599.8	569.9
VAT	67.3	71.4	154.3	161.7	247.3	240.5	336.7	328.5
Excises on petroleum products	4.2	5.3	9.6	9.6	14.7	14.7	19.9	19.9
Import duties	24.4	26.1	55.8	55.8	85.4	85.4	115.3	115.3
Other indirect taxes	32.1	32.1	64.9	70.6	126.9	115.6	171.4	156.1
Tax refund	-9.2	-21.4	-20.1	-24.9	-32.2	-37.0	-43.5	-50.0
Nontax revenue	6.9	9.8	22.3	18.6	33.9	42.9	52.9	58.3
Special funds and annexed budgets	25.1	1.1	50.1	49.8	75.2	74.6	100.2	99.5
Grants	15.2	0.0	30.4	49.4	45.6	128.8	60.8	183.4
Of which: Projects	15.2	0.0	30.4	30.0	45.6	45.0	60.8	60.1
Of which: Budgetary support	0.0	0.0	0.0	9.8	0.0	74.2	0.0	113.9
General	0.0	0.0	0.0	9.8	0.0	74.2	0.0	113.9
Sectoral	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending (payment order basis)	265.4	161.1	537.5	605.5	885.8	1,013.0	1,207.6	1,353.6
Budgetary expenditure	240.8	161.1	488.3	558.5	812.1	942.6	1,109.3	1,259.7
Current expenditure	197.5	161.1	398.8	406.3	587.5	649.2	772.6	846.6
Wages and salaries	78.0	64.0	155.9	144.2	233.9	233.9	311.8	311.8
Goods and services	64.4	32.9	128.8	127.8	178.0	209.4	232.6	266.2
Transfers and subsidies	47.3	60.0	98.3	117.0	152.0	180.0	196.6	233.9
Interest	7.9	4.2	15.8	17.3	23.6	25.9	31.5	34.6
Of which: domestic	2.9	1.0	5.8	7.3	8.6	10.9	11.5	14.6
Capital expenditure	43.3	0.0	89.5	152.3	224.6	293.4	336.8	413.1
Externally financed	43.3	0.0	86.6	86.6	130.0	134.5	173.3	177.8
Domestically financed	0.0	0.0	2.9	65.7	94.6	158.9	163.5	235.3
Special funds and annexed budgets	25.1	1.1	50.1	49.8	75.2	74.6	100.2	99.5
Net lending	-0.5	-1.1	-1.0	-2.8	-1.4	-4.2	-1.9	-5.6
Overall fiscal balance (excl. grants)	-61.0	17.5	-72.2	-144.2	-138.1	-256.8	-189.3	-339.2
Overall fiscal balance (incl. grants)	-45.7	17.5	-41.8	-94.8	-92.5	-128.0	-128.5	-155.8
Variation of arrears	-3.8	-21.0	-7.6	-23.3	-11.3	-29.3	-15.1	-39.0
Adjustment to cash basis	0.0	-14.3	-20.0	-13.1	-20.0	-10.4	0.0	7.1
Overall balance (cash basis, incl. grants)	-49.5	-17.8	-69.3	-17.8	-123.8	-167.6	-143.6	-187.7
Financing	49.6	17.8	69.3	131.2	69.2	167.6	89.0	157.6
External financing (net)	18.7	-5.1	37.4	34.9	56.0	95.4	74.7	102.5
Loans	28.1	0.0	56.2	56.6	84.3	124.8	112.5	153.1
Project loans	28.1	0.0	56.2	56.6	84.3	84.8	112.5	113.1
Budgetary loans	0.0	0.0	0.0	0.0	0.0	40.0	0.0	40.0
Amortization	-12.3	-6.5	-24.6	-28.2	-36.8	-37.3	-49.1	-49.1
Debt relief	2.8	1.4	5.7	6.5	8.5	7.9	11.4	25.6
Variation of External Arrears (Principal)	0.0	-4.2	0.0	-13.6	0.0	-20.3	0.0	-27.1
Domestic financing (net)	20.9	22.9	31.9	96.4	13.1	72.2	14.3	55.2
Banking system	29.1	-21.7	28.3	52.0	7.7	34.5	7.0	23.6
Central bank	7.3	-24.0	4.9	12.9	2.6	10.8	0.3	8.0
Commercial banks	21.8	2.3	23.4	39.1	5.1	23.7	6.8	15.5
Adjustment[2]	0.0	20.3	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts	5.5	33.0	11.0	55.1	16.5	55.1	22.0	55.1
Non-bank financing	-3.7	-8.7	-7.4	-10.8	-11.1	-17.3	-14.7	-23.5
Financing gap	0.0	0.0	0.0	0.0	54.6	0.0	54.6	30.0
Memorandum items								
Basic fiscal balance[3]	-14.8	18.9	20.1	-41.3	0.4	-40.1	-4.7	-21.9
External budget support	0.0	0.0	0.0	9.8	0.0	114.2	0.0	153.9
Government bank and market financing	29.1	-23.7	28.3	52.1	7.7	34.5	7.0	23.6

Sources: Ministry of Finance; and IMF staff projections.
[1] Country Report No. 13/44. Mali-Staff Report for 2012 Article IV Consultation and RCF Disbursement.
[2] Adjustment to account for the difference between the definitions of the government in the fiscal table and the monetary situation.
[3] Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending, excluding externally financed capital spending.

Table 5. Mali: Central Government Consolidated Financial Operations, 2011–15
(in percent of GDP)

	2011	2012		2013			2014	2015
	Est.	Prog.[1]	Est.	Budget	Prog.[1]	Rev. prog.	Proj.	
Revenue and grants	21.1	18.2	17.6	18.2	19.1	21.2	20.4	19.5
Total revenue	17.2	17.5	17.3	18.2	18.0	18.0	18.1	18.4
Budgetary revenue	15.3	15.6	15.5	16.4	16.3	16.2	16.4	16.6
Tax revenue	14.6	14.6	14.4	15.5	15.3	15.2	15.3	15.6
Direct taxes	4.4	4.6	5.0	4.5	4.7	5.1	5.1	5.2
Indirect taxes	10.2	10.0	9.4	11.0	10.6	10.1	10.2	10.4
VAT	6.2	5.7	5.4	6.1	6.0	5.8	6.0	6.2
Excises on petroleum products	0.1	0.3	0.5	0.4	0.4	0.4	0.4	0.4
Import duties	2.2	2.0	1.9	2.0	2.0	2.0	2.0	2.0
Other indirect taxes	2.4	2.8	2.7	3.2	3.0	2.8	2.8	2.7
Tax refund	-0.7	-0.8	-1.1	-0.6	-0.8	-0.9	-0.9	-0.8
Nontax revenue	0.7	1.0	1.0	0.9	0.9	1.0	1.1	1.0
Special funds and annexed budgets	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.8
Grants	3.9	0.7	0.2	0.0	1.1	3.2	2.2	1.1
Of which: Projects	1.9	0.6	0.2	0.0	1.1	1.1	1.2	1.1
Of which: Budgetary support	1.9	0.1	0.1	0.0	0.0	2.0	1.1	0.0
General	1.1	0.1	0.1	0.0	0.0	2.0	1.1	0.0
Sectoral	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending (payment order basis)	24.8	20.3	18.9	18.4	21.4	24.0	24.5	24.1
Budgetary expenditure	22.8	18.5	16.9	16.6	19.7	22.3	22.7	22.4
Current expenditure	14.1	14.4	13.7	13.5	13.7	15.0	14.9	14.9
Wages and salaries	5.3	5.9	5.5	5.5	5.5	5.5	5.5	5.5
Goods and services	4.6	4.2	3.9	4.1	4.1	4.7	4.7	4.7
Transfers and subsidies	3.6	3.7	3.6	3.5	3.5	4.1	4.1	4.1
Interest	0.6	0.6	0.6	0.4	0.6	0.6	0.6	0.6
Of which: domestic	0.3	0.3	0.3	0.2	0.2	0.3	0.2	0.2
Capital expenditure	8.7	4.1	3.2	3.1	6.0	7.3	7.8	7.5
Externally financed	5.1	1.5	0.6	0.0	3.1	3.1	3.6	3.3
Domestically financed	3.7	2.6	2.6	3.1	2.9	4.2	4.2	4.2
Special funds and annexed budgets	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.8
Net lending	-0.1	0.0	-0.1	0.0	0.0	-0.1	0.0	0.0
Overall fiscal balance (excl. grants)	-7.6	-2.9	-1.6	-0.2	-3.4	-6.0	-6.3	-5.8
Overall fiscal balance (incl. grants)	-3.7	-2.1	-1.3	-0.2	-2.3	-2.8	-4.1	-4.6
Variation of arrears	-0.2	-0.4	0.4	-0.2	-0.3	-0.7	0.0	0.0
Of which: Domestic	-0.2		0.4			-0.5	0.0	0.0
Of which: External (Interest)	0.0		0.1			0.0	0.0	0.0
Adjustment to cash basis	0.0	0.1	-0.2	0.0	0.0	0.1	-0.1	0.1
Overall balance (cash basis, incl. grants)	-3.8	-2.5	-1.2	-0.3	-2.5	-3.3	-4.1	-4.6
Financing	3.8	2.5	1.2	-0.6	1.6	2.8	2.0	1.6
External financing (net)	2.7	0.2	0.2	-0.4	1.3	1.8	1.9	1.6
Loans	3.3	0.9	0.4	0.0	2.0	2.7	2.4	2.2
Project loans	2.4	0.9	0.4	0.0	2.0	2.0	2.4	2.2
Of which: non-concessional	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Budgetary loans	0.9	0.0	0.0	0.0	0.0	0.7	0.0	0.0
Amortization	-0.9	-0.9	-0.7	-0.6	-0.9	-0.9	-0.5	-0.6
Debt relief	0.3	0.2	0.1	0.2	0.2	0.5	0.0	0.0
Variation of External Arrears (Principal)	0.1	0.5	0.4		0.0	-0.5	0.0	0.0
Domestic financing (net)	1.1	2.3	1.0	-0.2	0.3	1.0	0.0	0.0
Banking system	1.4	2.1	1.3	0.2	0.1	0.4	0.3	0.3
Central bank	1.3	1.1	1.6	0.1	0.0	0.1	0.3	0.2
Commercial banks	0.1	1.0	1.3	0.1	0.1	0.3	0.1	0.0
Adjustment[2]	0.1	0.0	-1.5	0.0	0.0	0.0	0.0	0.0
Privatization receipts	0.0	0.6	0.0	0.4	0.4	1.0	0.0	0.0
Non-bank financing	-0.3	-0.4	-0.3	-0.9	-0.3	-0.4	-0.3	-0.3
Financing gap	0.0	0.0	0.0	1.0	1.0	0.5	2.2	2.9
Memorandum items								
Basic fiscal balance[3]	-1.1	-1.0	-0.8	0.0	-0.1	-0.4	-1.7	-2.5
General budgetary assistance	2.0	0.1	0.1	0.0	0.0	2.7	1.1	0.0
Nominal GDP (in billions of CFAF)	5,028	5,243	5,263	5,651	5,634	5,651	6,155	6,635

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

[1] **Country Report No. 13/44. Mali-Staff Report for 2012 Article IV Consultation and RCF Disbursement.**

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

[3] **Defined in Table 3, footnote 3.**

Table 6. Mali: Central Government Operations, GFSM 2001 Classification,[1] 2011–15

	2011	2012		2013			2014	2015
	Est.	Prog.[2]	Est.	Budget	Prog.[2]	Rev. prog.	Proj.	
				(in CFAF billions)				
Revenue	1,070.7	954.3	925.8	1,039.9	1,090.5	1,197.8	1,253.9	1,294.5
Taxes	734.2	766.2	758.7	876.1	865.2	856.5	943.5	1,034.7
Grants	207.5	37.2	13.0	11.4	72.2	183.4	137.3	74.9
Of which: Current	55.7	3.6	3.8	0.0	0.0	113.9	65.6	0.0
Of which: Capital	151.9	33.6	9.2	11.4	72.2	60.1	71.7	74.9
Other revenue	129.0	150.9	154.2	152.4	153.1	157.8	173.1	184.9
Expenditure	1,244.1	1,052.5	988.8	1,039.6	1,209.5	1,359.2	1,505.5	1,602.3
Expense	806.1	852.5	818.3	864.2	872.8	946.1	1,027.7	1,107.2
Compensation of employees	265.1	306.7	291.1	311.8	311.8	311.8	339.7	366.2
Use of goods and services	232.0	220.6	207.8	232.6	232.6	266.2	287.5	310.0
Interest	31.6	32.0	32.9	23.7	31.5	34.6	37.3	39.5
Subsidies	16.9	30.0	28.4	30.0	30.0	35.0	38.1	41.1
Grants	118.6	109.0	107.9	117.7	117.7	131.0	142.7	153.8
Other expense	142.1	154.3	150.2	148.5	149.2	167.5	182.4	196.6
Net acquisition of nonfinancial assets	437.9	200.0	170.5	175.4	336.8	413.1	477.8	495.1
Gross Operating Balance	264.6	101.8	107.6	175.6	217.8	251.7	226.2	187.3
Net lending (+)/borrowing (–)	-173.4	-98.3	-62.9	0.3	-119.0	-161.3	-251.6	-307.8
Net financial transactions	-173.4	-98.3	-62.9	0.3	-119.0	-161.3	-251.6	-307.8
Net acquisition of financial assets	-20.0	-35.7	-90.3	38.5	19.8	-60.7	-20.7	-20.7
Domestic	-20.0	-35.7	-90.3	38.5	19.8	-60.7	-20.7	-20.7
Currency and deposits	-41.3	-56.6	-87.5	-7.8	7.0	0.0	-20.7	-20.7
Loans (net lending)	-3.2	-2.0	-2.8	-1.9	-1.9	-5.6	0.0	0.0
Equity and investment shares (privatization proceeds)	15.8	22.9	0.0	48.2	14.7	-55.1	0.0	0.0
Other accounts receivable	8.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	153.4	62.6	-27.4	38.2	138.9	100.7	230.9	287.1
Domestic	10.4	60.9	-13.0	74.4	68.2	-17.8	115.5	184.4
Debt securities and loans	34.7	27.0	-22.7	0.0	0.0	-8.0	0.0	0.0
Other accounts payable	-24.4	33.9	9.7	74.4	68.2	-9.8	115.5	184.4
Foreign	143.0	1.7	-14.4	-36.2	70.6	118.5	115.5	102.7
Memorandum items:								
Change in net worth: Transactions	-173.4	-98.3	-62.9	0.3	-119.0	-161.3	-251.6	-307.8
Nominal GDP	5,028	5,243	5,263	5,583	5,642	5,651	6,155	6,635

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

[1] Government Finance Statistics Manual (http://www.imf.org/external/pubs/ft/gfs/manual/).

[2] Country Report No. 13/44. Mali-Staff Report for 2012 Article IV Consultation and RCF Disbursement.

Table 7. Mali: Balance of Payments, 2011–15

	2011	2012		2013		2014	2015
	Est.	Prog.[1]	Est.	Prog.[1]	Rev. prog.	Proj.	
	(in CFAF billions)						
Current account balance							
Excluding official transfers	-393.0	-382.9	-233.5	-494.3	-1,257.8	-593.3	-599.5
Including official transfers	-312.1	-301.6	-175.0	-450.7	-493.4	-524.5	-606.0
Trade balance	-159.3	98.2	19.3	58.3	-312.8	-257.5	-256.1
Exports, f.o.b.	1,128.5	1,455.2	1,473.4	1,555.5	1,359.8	1,485.3	1,535.6
Cotton fiber	90.9	214.9	227.8	164.4	174.1	183.7	198.1
Gold	804.1	1,071.0	1,028.1	1,181.3	932.0	1,018.9	1,017.0
Other	233.5	169.4	217.5	209.7	253.6	282.7	320.4
Imports, f.o.b.	-1,287.8	-1,357.0	-1,454.1	-1,497.1	-1,672.5	-1,742.8	-1,791.7
Petroleum products	-381.0	-357.4	-395.9	-417.6	-418.0	-428.4	-423.4
Foodstuffs	-178.2	-227.3	-201.8	-210.0	-288.4	-229.3	-235.9
Other	-728.6	-772.3	-856.4	-869.6	-966.1	-1,085.1	-1,132.4
Services (net)	-338.6	-355.4	-388.7	-395.7	-1,094.4	-472.4	-491.0
Credit	193.9	178.3	141.9	182.8	144.3	161.8	166.5
Debit	-532.4	-533.6	-530.6	-578.4	-1,238.7	-634.2	-657.5
Of which: freight and insurance	-266.5	-293.8	-300.4	-324.2	-362.2	-377.4	-388.0
Income (net)	-217.9	-295.4	-255.5	-326.8	-249.4	-273.0	-273.5
Of which: interest due on public debt	-17.1	-17.9	-11.8	-20.0	-20.0	-22.8	-24.5
Transfers (net)	403.7	251.0	449.9	213.4	1,163.1	478.4	414.6
Private transfers (net)	322.7	169.7	391.4	169.8	398.7	409.6	421.2
Official transfers (net)	81.0	81.3	58.5	43.6	764.4	68.8	-6.5
Of which: budgetary grants	55.7	3.6	3.8	0.0	113.9	65.6	0.0
Capital and financial account	331.2	171.0	125.5	368.2	370.5	396.4	415.7
Capital account (net)	170.3	56.0	49.7	102.5	103.6	119.1	126.0
Of which: project grants	138.3	17.3	9.2	60.8	60.1	71.7	74.9
Financial account	160.9	115.0	75.7	265.7	266.9	277.3	289.7
Private (net)	8.4	105.5	64.6	202.4	147.3	172.7	238.9
Direct investment (net)	260.4	148.2	156.2	205.2	197.1	226.9	241.0
Portfolio investment private (net)	-1.7	-2.7	-1.7	-2.9	-1.8	-2.0	-2.2
Other private capital flows	-250.3	-40.0	-89.9	0.0	-47.9	-52.2	0.0
Official (net)	118.8	-2.1	-16.6	63.4	94.0	104.6	107.1
Disbursements	165.0	46.1	22.9	112.5	153.1	149.7	143.9
Budgetary	45.0	0.0	0.0	0.0	40.0	0.0	0.0
Project related	120.0	46.1	22.9	112.5	113.1	149.7	143.9
Monetary authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization due on public debt	-46.2	-48.2	-39.5	-49.1	-49.1	-30.3	-36.8
Errors and omissions	-25.2	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	19.2	-130.6	-49.5	-82.5	-122.9	-128.2	-190.3
Financing	-19.2	130.6	49.5	82.5	122.9	128.2	190.3
Foreign assets (net)	-32.8	119.0	42.9	71.1	-10.0	-6.4	-4.5
Of which: IMF (net)	21.2	3.8	3.8	7.3	14.5	-4.0	-4.3
HIPC Initiative assistance	13.6	11.6	6.6	11.4	25.6	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	107.3	134.5	194.8
	(in percent of GDP, unless otherwise indicated)						
Current account balance							
Excluding official transfers	-7.8	-7.3	-4.4	-8.8	-22.3	-9.6	-9.0
Including official transfers	-6.2	-5.8	-3.3	-8.0	-8.7	-8.5	-9.1
	(annual percentage change)						
External trade							
Export volume index	49.1	15.5	57.8	9.5	1.7	2.9	3.8
Import volume index	11.7	6.1	9.1	6.4	22.6	3.7	3.6
Export unit value	-2.0	12.2	22.5	-3.2	-11.2	2.4	-0.3
Import unit value	-14.7	-2.3	3.5	3.7	-6.2	0.5	-0.8
Terms of trade	14.9	14.8	18.3	-6.6	-5.3	1.9	0.4

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

[1] **Country Report No. 13/44. Mali-Staff Report for 2012 Article IV Consultation and RCF Disbursement.**

Table 8. Mali: Monetary Survey, 2011–15

	2011	2012		2013		2014	2015
	Est.	Prog.[1]	Est.	Prog.[1]	Rev. prog.	Proj.	
				(in CFAF billions)			
Net Foreign Assets	693.9	614.9	696.7	543.8	706.7	713.5	718.5
BCEAO	584.9	466.0	542.1	394.8	552.1	558.9	563.8
Commercial Banks	109.0	149.0	154.6	149.0	154.6	154.6	154.6
Net Domestic Assets	798.0	1,049.4	1,014.9	1,197.6	1,131.3	1,288.5	1,439.8
Credit to the government (net)	-203.7	-93.4	-54.2	-86.4	-30.6	-10.6	9.0
BCEAO	-11.2	46.5	75.9	46.8	83.9	100.6	116.9
Commercial banks	-192.5	-140.5	-130.1	-133.7	-114.6	-111.3	-108.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the economy	1,049.3	1,142.8	1,099.2	1284.0	1,192.0	1,329.2	1,460.9
Other items (net)	-47.6	0.0	-30.1	0.0	-30.1	-30.1	-30.1
Money supply (M2)	1,492.0	1,664.3	1,711.7	1,741.4	1,838.0	2,002.0	2,158.2
Currency outside banks	415.4	463.4	507.5	484.8	545.0	593.6	639.9
Bank deposits	1,076.6	1,200.9	1,204.2	1,256.5	1,293.1	1,408.4	1,518.3
Memorandum item:							
Base Money (M0)	643.5	717.8	733.6	751.1	787.8	858.0	925.0
Gross international reserves BCEAO	701.4	582.5	660.2	511.3	684.6	687.7	688.5
in percent of broad money	47.0	35.0	38.6	29.4	37.2	34.3	31.9
				(in percent of beginning-of-period broad money)			
Contribution to growth of broad money							
Money supply (M2)	15.3	11.6	14.7	4.6	7.4	8.9	7.8
Net foreign assets	-2.5	-5.3	0.2	-4.3	0.6	0.4	0.2
BCEAO	2.5	-8.0	-2.9	-4.3	0.6	0.4	0.2
Commercial banks	-5.0	2.7	3.1	0.0	0.0	0.0	0.0
Net domestic assets	17.8	16.9	14.5	8.9	6.8	8.6	7.6
Credit to the central government	5.1	7.4	10.0	0.4	1.4	1.1	1.0
Credit to the economy	15.8	6.3	3.3	8.5	5.4	7.5	6.6
Other items net	-3.1	3.2	1.2	0.0	0.0	0.0	0.0
				(annual percent change, unless otherwise specified)			
Memorandum items:							
Money supply (M2)	15.3	11.6	14.7	4.6	7.4	8.9	7.8
Base money (M0)	18.0	11.6	14.0	4.6	7.4	8.9	7.8
Credit to the economy	24.1	9.0	4.8	12.4	8.4	11.5	9.9
Velocity (GDP/M2)	3.4	3.2	3.1	3.2	3.1	3.1	3.1
Money Multiplier (M2/M0)	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Currency outside banks / M2	27.8	27.8	29.6	27.8	29.6	29.6	29.6

Sources: BCEAO; and Fund staff estimates and projections.

[1] Country Report No. 13/44. Mali-Staff Report for 2012 Article IV Consultation and RCF Disbursement.

Table 9. Mali: Financial Soundness Indicators for the Banking Sector, 2008–12

	2008	2009	2010	2011	2012 Est.
			(in percent)		
Capital					
Capital to risk-weighted assets	11.4	9.9	16.9	17.4	14.3
Tier 1 capital to risk-weighted assets	10.5	9.4	15.4	15.5	12.6
Capital (net worth) in percent of assets	6.0	5.7	9.2	9.3	8.8
Sectoral distribution of credit to the economy					
Agriculture and fishing	11.6	7.5	3.0	4.0	10.7
Minining sector	0.1	0.1	0.3	0.1	3.7
Manufacturing	8.0	6.9	8.0	8.0	9.4
Electricity, gas, and water	4.3	5.9	11.3	13.3	6.5
Building and construction	2.0	2.4	4.3	5.0	5.6
Wholesale and retail trade, hotels and restaurants	40.6	43.8	42.0	46.0	44.8
Transportation, warehouses, communications	14.7	12.7	9.0	8.0	5.5
Insurance, real estate, and services for enterprises	6.7	7.7	11.0	8.0	8.0
Collectives and social services	3.4	4.0	5.0	5.0	4.4
Other activities	8.6	9.0	6.1	2.7	1.4
Asset quality					
Non-performing loans to total loans	25.3	21.9	21.5	18.5	21.3
Non-performing loans to total loans (net of provisioning)	9.3	9.1	8.8	6.5	8.7
Provisions to gross non-performing loans	66.9	59.5	64.0	69.3	65.0
Provisions to gross loans	15.4	14.8	13.5	13.1	13.9
Earnings and profitability					
Return on assets (ROA)	0.8	0.6	1.4	1.4	...
Return on equity (ROE)	12.9	10.0	15.2	15.2	...
Liquidity					
Liquid assets to total assets	43.8	48.9	50.6	47.4	48.2
Liquid assets to short term liabilities	84.0	61.2	92.9	89.4	90.0
Ratio of deposits to assets	73.6	73.0	75.4	70.7	86.8
Ratio of loans to deposits	90.7	71.1	69.8	77.4	77.1
Memorandum items 1					
Deposit rate	5.0	4.7	4.9	4.9	...
Lending rate	9.8	9.4	9.3	9.4	...

Source: BCEAO, and IMF staff estimates.

[1] **Average.**

Table 10. Mali: Indicators of Capacity to Repay the Fund, 2013–22[1]

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
					(in millions of SDRs)					
Fund obligations based on existing credit										
Principal	2.9	5.2	5.7	8.2	11.6	11.7	10.6	10.0	7.1	3.0
Charges and interest	0.0	0.0	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.0
Fund obligations based on existing and prospective credit										
Principal	2.9	5.2	5.7	8.2	11.6	12.7	12.6	12.0	9.1	5.0
Charges and interest	0.0	0.0	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.0
Total obligations based on existing and credit										
In millions of SDRs	2.9	5.2	5.9	8.4	11.8	12.8	12.7	12.1	9.1	5.0
In billions of CFA francs	2.2	4.0	4.5	6.4	9.1	10.0	9.9	9.4	7.1	3.9
In percent of government revenue	0.2	0.4	0.4	0.5	0.6	0.7	0.6	0.5	0.4	0.2
In percent of exports of goods and services	0.1	0.2	0.3	0.4	0.5	0.6	0.5	0.5	0.4	0.2
In percent of debt service	3.8	5.9	5.9	8.6	11.6	11.7	11.2	10.0	7.1	3.7
In percent of GDP	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
In percent of quota	3.1	5.6	6.3	9.0	12.6	13.8	13.6	12.9	9.8	5.4
Outstanding Fund credit[1]										
In millions of SDRs	84.2	79.0	73.4	65.2	53.6	40.9	28.3	16.3	7.2	2.2
In billions of CFA francs	64.1	60.3	56.3	50.3	41.5	31.9	22.1	12.7	5.6	1.7
In percent of government revenue	6.3	5.4	4.6	3.8	3.0	2.1	1.4	0.7	0.3	0.1
In percent of exports of goods and services	4.3	3.7	3.3	2.9	2.4	1.8	1.2	0.7	0.3	0.1
In percent of debt service	110.3	89.2	73.7	67.4	52.7	37.4	24.9	13.5	5.6	1.6
In percent of GDP	1.1	1.0	0.8	0.7	0.5	0.4	0.3	0.1	0.1	0.0
In percent of quota	90.3	84.7	78.6	69.9	57.4	43.8	30.3	17.5	7.7	2.3
Disbursements and Repurchases	19.1	-5.2	-5.7	-8.2	-11.6	-12.7	-12.6	-12.0	-9.1	-5.0
Disbursements	22.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	2.9	5.2	5.7	8.2	11.6	12.7	12.6	12.0	9.1	5.0
Memorandum items:					(in CFAF billions, unless otherwise indicated)					
Nominal GDP	5,651	6,155	6,635	7,111	7,636	8,188	8,785	9,430	10,128	10,882
Exports of goods and services	1,504	1,647	1,702	1,732	1,736	1,803	1,862	1,925	1,993	2,066
Government revenue	1,014	1,117	1,220	1,309	1,405	1,512	1,633	1,762	1,904	2,060
Debt service	58	68	76	75	79	85	89	94	101	106

Sources: IMF staff estimates and projections.

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

Table 11. Mali: Millennium Development Goals 1990–2010

	1990	1995	2000	2005	2010
Goal 1: Eradicate extreme poverty and hunger	**2015 target = halve 1990 poverty and malnutrition rates**				
Employment to population ratio, 15+, total (%)	48	48	49	47	48
Employment to population ratio, ages 15-24, total (%)	35	35	35	36	36
GDP per person employed (constant 1990 PPP $)	2,421	2,598	2,862	3,409	3761
Income share held by lowest 20%	7	5	6	7	8
Malnutrition prevalence, weight for age (% of children under 5)	..	38	30	28	..
Poverty gap at $1.25 a day (PPP) (%)	..	53	26	19	16
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	..	86	61	51	50
Vulnerable employment, total (% of total employment)	..	96	..	87	..
Goal 2: Achieve universal primary education	**2015 target = increase net enrollment to 100**				
Literacy rate, youth female (% of females ages 15-24)	..	..	17	31	..
Literacy rate, youth male (% of males ages 15-24)	..	..	32	47	..
Persistence to last grade of primary, total (% of cohort)	33	..	76	74	75
Primary completion rate, total (% of relevant age group)	9	..	31	44	55
Total enrollment, primary (% net)	..	..	42	54	66
Goal 3: Promote gender equality and empower women	**2015 target = increase education ratio to 100**				
Proportion of seats held by women in national parliaments (%)	..	2	12	10	10
Ratio of female to male primary enrollment (%)	61	69	75	80	87
Ratio of female to male secondary enrollment (%)	50	50	56	62	70
Ratio of female to male tertiary enrollment (%)	15	18	48	54	42
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	..	27	..	35	..
Goal 4: Reduce child mortality	**2015 target = reduce 1990 under 5 mortality by two-thirds**				
Immunization, measles (% of children ages 12-23 months)	43	52	55	73	63
Mortality rate, infant (per 1,000 live births)	132	122	114	106	100
Mortality rate, under-5 (per 1,000 live births)	257	235	214	196	179
Goal 5: Improve maternal health	**2015 target = reduce 1990 maternal mortality by three-fourths**				
Adolescent fertility rate (births per 1,000 women ages 15-19)	..	191	190	188	176
Births attended by skilled health staff (% of total)	..	40	41	49	..
Contraceptive prevalence (% of women ages 15-49)	..	7	8	8	..
Maternal mortality ratio (estimate, per 100,000 live births)	1,100	930	740	620	540
Pregnant women receiving prenatal care (%)	..	47	57	70	..
Unmet need for contraception (% of married women ages 15-49	..	26	29	31	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases	**2015 target = begin to reverse AIDS and other major diseases**				
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	..	32	..
Condom use, female (% of females ages 15-24)	..	3	3	4	..
Condom use, male (% of males ages 15-24)	..	26	26	29	..
Incidence of tuberculosis (per 100,000 people)	163	185	124	61	68
Prevalence of HIV, total (% of population ages 15-49)	0	2	2	1	1
Tuberculosis case detection rate (all forms)	21	17	30	59	51
Goal 7: Ensure environmental sustainability					
CO2 emissions (kg per PPP $ of GDP)	0	0	0	0	0
CO2 emissions (metric tons per capita)	0	0	0	0	0
Forest area (% of land area)	12	..	11	11	10
Improved sanitation facilities (% of population with access)	15	17	18	20	22
Improved water source (% of population with access)	28	37	46	55	64
Net ODA received per capita (current US$)	55	55	25	55	71
Goal 8: Develop a global partnership for development					
Debt service (PPG and IMF only, % of exports, excluding workers' remittances)	15	16	13	4	4
Internet users (per 100 people)	0	0	0	1	2
Mobile cellular subscriptions (per 100 people)	0	0	0	6	48
Telephone lines (per 100 people)	0	0	0	1	1
Fertility rate, total (births per woman)	7	7	7	7	6
Other					
GNI per capita, Atlas method (current US$)	260	240	230	390	600
GNI, Atlas method (current US$) (billions)	2	2	3	5	9
Gross capital formation (% of GDP)	23	23	25	23	..
Life expectancy at birth, total (years)	44	46	47	49	51
Literacy rate, adult total (% of people ages 15 and above)	..	..	19	26	..
Population, total (millions)	8.7	9.8	11.3	13.2	15.4
Trade (% of GDP)	51	57	66	63	..

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

Appendix—Letter of Intent

Bamako, May 10, 2013

Ms. Christine Lagarde
Managing Director
International Monetary Fund
700, 19th Street, N.W.
Washington, D.C. 20431
United States

Dear Madam Managing Director:

1. On January 28, 2013, the Executive Board of the International Monetary Fund (IMF) approved a disbursement of an amount equivalent to SDR 12 million (US$18 million) for Mali under the Rapid Credit Facility (RCF) to support the government program seeking to maintain macroeconomic stability and to restore growth in 2013, as part of the broad-based support of technical and financial partners for the country's revival after the 2012 crisis.

2. The attached Memorandum on Economic and Financial Policies (MEFP) describes recent developments in the Malian economy and the progress made in implementing our program in the final months of 2012 and early months of 2013. This memorandum also sets out the updated economic and financial policies that the Malian government intends to implement by the end of the year to safeguard macroeconomic stability, support growth, and further improve public financial management.

3. As explained in the MEFP, nearly all the indicators for our program at end-December 2012 and end-March 2013 have been achieved and all measures subject to structural benchmarks have been implemented.

4. Although the February disbursement under the RCF has already helped catalyze a considerable return of foreign aid to Mali, there remains a financing gap in the amount of 107 billion CFA francs (US$214 million) in the balance of payments in 2013, with 30 billion CFA francs (US$60 million) dedicated to financing expenditures set out in the 2013 supplementary budget and the remaining 77 billion CFA francs (US$154 million) earmarked for humanitarian aid financing needs identified by humanitarian stakeholders in order to respond to the crisis.

5. In light of the outcomes obtained as a result of the implementation of its program, the government is requesting another disbursement of an amount equivalent to SDR 10 million

(US$15 million) under the Rapid Credit Facility (RCF) with a view to covering part of the anticipated balance of payments deficit.

6. The government believes that the measures and policies described in the attached MEFP are appropriate for attaining the objectives of its program in 2013. It will take any additional steps necessary to that end. Mali will consult with the IMF on the adoption of such measures before any revision of the policies described in the attached MEFP. This way, the government intends to continue to demonstrate to its development partners its commitment to sound policies, until the circumstances are ripe for requesting a new three-year arrangement under the ECF.

7. The government will provide Fund staff with any required information referred to in the Technical Memorandum of Understanding (TMU) concerning progress made under the program. During the program, the government will not introduce or strengthen any exchange controls, multiple exchange rate practices, or import restrictions for balance of payments purposes, or conclude any bilateral payment agreements that are inconsistent with Article VIII of the Fund's Articles of Agreement.

8. The government intends to make public the contents of the IMF staff report, including this letter, the attached MEFP, the TMU, as well as the informational annex. It therefore authorizes the IMF to publish these documents on its website once the IMF Executive Board approves the disbursement under the RCF.

Very truly yours,

/s/

Tièna Coulibaly, Minister of Economy, Finance, and Budget

Attachments:

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

Attachment I—Memorandum on Economic and Financial Policies

1. This Memorandum on Economic and Financial Policies (MEFP) presents recent developments and performance with respect to the economic and financial policies implemented in Mali in the context of a request for disbursement under the Rapid Credit Facility (RCF).

Recent Economics Developments and Performance with Respect to RCF-Supported Program

A. Recent Economic Developments

2. In 2012, the Malian economy experienced a multitude of shocks:

- The poor harvest in 2011 caused a food crisis. The Early Warning System estimated that 196 communes, with an estimated population of 3.6 million, were at risk for malnutrition. With assistance from the international community, the government implemented an emergency response plan to the food crisis, including the free distribution of food, grain sales at subsidized prices, activities associated with social transfers, rebuilding of grain stocks, and support for agriculture, livestock, and nutrition.

- In addition to the grain crisis, Mali faced a humanitarian crisis provoked by attacks in the north by rebels claiming independence for an area comprising the three northern regions and terrorist activities by Al Qaeda affiliates. These attacks displaced 470,000 people, 182,000 of whom have fled to neighboring countries (75,000 to Mauritania, 58,000 to Niger, and 49,000 to Burkina Faso).

- In March 2012, the country suffered from a period of violence and confusion. In April, the President resigned and was succeeded by the president of the National Assembly, whose term will run up until the next presidential elections. A prime minister was appointed, a government was formed, and the National Assembly resumed its work. On August 20, 2012, the President expanded the composition of the government to form a government of national unity, whose priority objective is to reclaim northern Mali and organize presidential and legislative elections. On December 15, 2012, the prime minister was changed once again and a more inclusive government was installed. The national unity government requested assistance from the United Nations, the African Union, and the Economic Community of West African States to regain control of the north.

3. These shocks rattled the foundations of the economy. While real GDP growth had been estimated at 5.6 percent when the 2012 budget law was drafted, it actually contracted by 1.2 percent. This contraction was the result of a general slowdown in activity in the secondary and tertiary sectors. With the exception of gold production, cotton ginning, and textiles, which continued to perform well, all other branches of activity suffered from the crisis. Value added in the construction and public works sector contracted by 35 percent and by more than 40 percent in the

hotels and restaurants sector, as a result of the suspension of budgetary support by Mali's technical and financial partners (TFPs) following the March events, the sharp reduction in project assistance, and the decline in business tourism. Abundant and well-distributed rainfall produced strong growth in the primary sector (9 percent), which made it possible to contain the contraction of total GDP. The poor harvest in 2011 drove up food prices and raised inflation to an annual average of 5.3 percent in 2012, as opposed to a WAEMU standard of 3 percent.

4. The balance of payments current account deficit (excluding grants) was reduced to 3.3 percent of GDP owing to the strong performance of gold and cotton exports and transfers from migrant workers. This current account improvement was not sufficient to compensate for the deterioration in the capital and financial account given the sharp decline in foreign aid and foreign direct investment. As a result, Mali dipped into the BCEAO's foreign exchange reserves, withdrawing CFAF 43 billion (US$87 million) to finance its overall balance of payments deficit in 2012.

5. In 2012, the money supply grew by 15 percent, driven by the government's use of its deposits to finance the budget deficit. Credit to the economy grew by only 5 percent as a result of the recession in the secondary and tertiary sectors.

6. Following the invasion of northern Mali by terrorist groups, banks were forced to close their agencies in that region and suffered damages valued at CFAF 18 billion (US$36 million or 0.3 percent of GDP), including CFAF 4 billion in stolen cash, CFAF 12 billion in dubious loan receivables, and CFAF 2 billion in property damage. The damages suffered by the banks in the north and the recession undermined the stability of the banking sector. Risk-weighted capital ratio fell to 14.3 percent in December 2012 and nonperforming loan balances increased to 21.3 percent of total credit (8.7 percent after deducting provisions). The financial stability of the microfinance sector also declined: the share of nonperforming loans increased to 11.5 percent in 2012.

7. In the fiscal sphere, the government moved quickly to regulate expenditure and keep it in line with its revenue and cash assets. In so doing, the government sought to give priority to the payment of salaries, pensions, student scholarships, the army and security forces, and priority spending in the education, health, and social welfare sectors. In October 2012, the government submitted a supplementary budget law (LFR) to the National Assembly reducing revenue and grants by 3.2 percent of GDP and expenses by 6.4 percent of GDP from 2011 levels. At year-end, it appeared that tax revenue (before tax refunds) was very close to projections and domestically financed expenses were lower than the amounts projected in the supplementary budget law. The basic fiscal deficit[1] was therefore lower than projected.

8. In spite of a decline in general budgetary support from the TFPs—down CFAF 96 billion (1.8 percent of GDP) in 2012 from its 2011 level—as a result of the suspension of aid in the wake of

[1] The basic fiscal balance is equal to the difference between the sum of revenue and expenses under the direct control of the authorities, i.e., revenue (including resources from the Heavily Indebted Poor Countries Initiative) plus grants for general budgetary support less current expenditure, domestically-financed capital expenditure, and net lending.

the March events and the downward revision of tax revenue by CFAF 70 billion (1.3 percent of GDP) from the amount projected in the initial Budget Law, the government managed to contain the budget deficit (on a cash basis, including grants) to a little less than CFAF 63 billion (1.2 percent of GDP). This was the result of a redoubling of efforts by the revenue offices, an increase in taxes on petroleum products, the reduction of consumer subsidies on butane gas, and cuts in investment spending. However, it was accompanied by the accumulation of external debt payments arrears totaling CFAF 27.1 billion (US$54 million or 0.5 percent of GDP) and domestic payments arrears estimated so far at CFAF 29.8 billion (0.6 percent of GDP).

9. The government has contacted all the external creditors with which it had accumulated arrears to reaffirm its commitment to pay off all its arrears as soon as its cash flow situation permits. In 2013, the government included an appropriation of CFAF 27.1 billion in its supplementary budget law (PLFR) for 2013 to repay the entirety of these arrears in 2013 (¶25).

10. The domestic payments arrears identified to date are mostly the result of investment expenses that could not be authorized after investment credit was frozen following the events of March and the reduction in investment appropriations in the supplementary budget law. The government commissioned an audit to conduct an exhaustive inventory by August 31, 2013 of the domestic payments arrears accumulated in 2012 (structural benchmark, Table 2).

11. During the first quarter of 2013, inflation was subdued following a good agricultural campaign and public finances showed a small fiscal deficit. In March 2013 inflation was 0.6 percent lower than in March 2012, and average inflation over the last twelve months was 3.9 percent higher than in the previous twelve months. With government expenditure and revenue close to equilibrium, fiscal deficit (cash basis) stood at CFAF 18 billion (0.3 percent of GDP).

B. Performance with Respect to the RCF-Supported Program

12. Five of the six program indicators at end-December 2012 presented in the Letter of Intent of January 10 have been met (Table 1). Gross tax revenue exceeded the target by CFAF 9 billion. The basic fiscal balance remained just within its ceiling. Priority spending in the education, health, and social development sectors was higher than the projected floor. The cumulative increase in external payments arrears was slightly lower than the amount projected. Net domestic bank and market financing of the government was lower than the adjusted ceiling. However, the authorities contracted two external loans totaling CFAF 53 billion (US$107 million or 1.0 percent of GDP) with grant elements slightly below the minimum program threshold of 35 percent.[2] Although the larger of the two loans had a grant element above 35 percent at the time it was negotiated, this was not the case at the time it became effective due to an update of the grant element calculator made publicly available by IMF staff in the mean time. The government is committed, to the best of its ability, to tightening procedures in the Directorate General of Public Debt (DGDP) to ensure that the

[2] This refers to the loan of US$100 million with a grant element of 33.5 percent from Exim Bank, India, to finance the connection of Mali's power grid with Côte d'Ivoire's and the loan of US$6.7 million with a grant element of 33.1 percent from the Bank for Investment and Development of the Economic Community of West African States.

grant element in the external loans contracted amounts to the requirement minimum at the time the loans' effectiveness.

13. At end-March 2013, all program indicators have been met (Table 1). Gross tax revenue exceeded its target and basic fiscal balance and net domestic and market financing of the government stayed below their ceilings owing to the under execution of a large portion of expenditure relative to the programmed amount. Priority spending exceeded its target. The government has not accumulated arrears on its external debt during 2013. It has repaid CFAF 4.2 billion of its external arrears during the first quarter, reducing their amount to CFAF 22.9 billion on March 31, 2013. The government has not contracted any concessional loans since the beginning of the year.

14. All the measures constituting structural benchmarks were implemented (Table 2):

- Using the PRED5 and AICE programs, the Directorate General of the Budget (DGB) produced monthly reports, which showed that the total budgetary float at end-January 2013 stood at CFAF 56 billion (1.1 percent of GDP), including CFAF 33 billion in payments outstanding for less than 90 days since their validation and CFAF 23 billion in payments outstanding for more than 90 days since validation.

- After comparing the sales reported to the Directorate General of Taxes (DGI) with the imports declared to the Directorate General of Customs (DGD), the Joint Economic and Financial Intelligence Committee (CMRIEF) concluded that 81 percent of importers reported sales in 2010 and 2011 that appear to be uncharacteristically low compared with their imports in those years.[3]

- The National Directorate of Treasury and Public Accounting (DNTCP) studied in detail all the items in the net position of the government vis-à-vis the banking system (NPG) as at December 31, 2012 in conjunction with the National Directorate of the Central Bank of West African States (BCEAO). This study established that the NPG showed the net position of the government with regards to the banking system (PNG) in the broad sense of the directive on the Government Financial Operations Table (TOFE) of the West African Economic and Monetary Union (WAEMU) is in a net creditor position in the amount of CFAF 54 billion (1.1 percent of GDP). The broad NPG included a net debtor position for the Treasury (NPT) of CFAF 112 billion (2.1 percent of GDP), and a net creditor position for other government agencies of CFAF 166 billion (3.2 percent of GDP).

[3] In 2011 and in 2012, the income reported to the DGI by some 1000 enterprises, or 80 percent of importers, totaled about CFAF 500 billion (US$1 billion or 10 percent of GDP) less than the imports they declared to the DGD plus a margin of 30 percent.

Economic and Financial Policies for 2013

15. 2013 began with rapid progress in recapturing northern Mali. After a massive attack at the beginning of January by organizations affiliated with Al Qaeda beyond the front line separating the north from the south, the transition government appealed to France for assistance in halting their advance. The French army intervened forcefully with 4,000 soldiers supporting the Malian army to first stop the advancement of these groups and then, accompanied by 2000 soldiers from the Chadian army, to take back all the towns in the north one by one and to attack their safe haven in a mountainous region north of Kidal, close to the Algerian and Nigerien borders. In addition, more than 4,000 African soldiers were deployed to Mali to assist the Malian army in securing the north. The transition government adopted a roadmap to reinstate the government in the northern part of the country and to hold presidential elections in July 2013.

16. After this progress towards restoring the territorial integrity of the country and organizing elections, several donors, also reassured by the IMF's disbursement of SDR 12 million under the Rapid Credit Facility (RCF) in January 2013, announced the resumption of their budgetary support to the government. At the time the supplementary budget law was prepared, these donors included:

- The Netherlands, which in March began to disburse €15 million in grants to the multi-donor National Economic and Social Stabilization Fund, which finances several specific government budget items;
- The European Union—€225 million in general budgetary assistance in 2013–14 in grants, of which €120 in 2013;
- The World Bank—US$50 million in general budgetary support in 2013;
- The African Development Bank—40 million units of account of general budgetary assistance, of which 20 million in grants and the rest in loans, in 2013;
- France—€15 in grants and CFAF 14.2 billion converted from external debt service to budget support; and
- The IMF, from which the government is requesting a new disbursement of SDR 10 million under the RCF in this letter of intent.

The sum of the amounts listed above is equivalent to CFAF 184.8 billion ($370 million or 3.2 percent of GDP) in budgetary support for 2013 and CFAF 65.6 billion ($132 million or 1.1 percent of GDP) in 2014.

17. Furthermore, a number of donors[4] have started to fund projects again, including CFAF 60 billion ($120 million or 1.1 percent of GDP) in grants and CFAF 113 billion ($226 million or 1.9 percent of GDP) in loans in 2013. Other donors are reviewing the conditions and modalities for resuming their development assistance, to be announced after the May 15 international donor conference for Mali's development in Brussels.

A. Formulating Policies on the Basis of a Realistic Macroeconomic Framework

18. Following the 1.2 percent contraction of economic activity in 2012 (¶3), real GDP is expected to increase by 4.8 percent in 2013, reflecting an increase in the volume of activity in other sectors as a result of the gradual return to normalcy in the south and north of the country and the steady resumption of development assistance by the TFPs. Inflation could dip below 3 percent in 2013, in light of the good 2012–13 crop year. The balance of payments current account deficit (including grants) should further deepen to 8.7 percent of GDP in 2013 under the influence of stagnant export revenue owing to the slight decline in the production and price of gold, falling cotton prices, the surge in imports driven by the increase in economic activity, and food imports to help the population affected by the crisis since the events of March 2012. This deficit can only be partially funded by direct investments and anticipated disbursements by the TFPs. Without resorting to the BCEAO's foreign exchange reserves, the balance of payment shows a financing gap of CFAF 107 billion ($214 million) in 2013, of which 30 billion to finance needs identified in the 2013 supplementary budget law (¶25), and CFAF 77 billion to finance the needs of several actors in the domain of humanitarian assistance identified by the World Food Program. With no clear prospects for budget support beyond 2013 at this stage, the 2014 financing gap is estimated at no less than CFAF 135 billion ($270 million) in 2014 and CFAF 195 billion ($390 million) in 2015, which is required for reconstruction in the north and implementation of the Poverty Reduction and Growth Strategy Paper for 2012–17 (PRGSP III) adopted in December 2011, and the Emergency Priority Action Plan and the Plan for Sustainable Recovery for 2013–14 adopted in March and April 2013.

19. Although the outlook is favorable, the Malian economy remains exposed to the vagaries of the weather and the price volatility of gold and cotton, which constitute the bulk of the country's exports. Furthermore, renewed political tensions during the transition to democratic elections could once again dampen consumer and investor confidence and the economic recovery.

[4] Arab Bank for Economic Development in Africa, Islamic Development Bank, West African Development Bank, Exim Bank of China, African Development Bank, Kuwaiti Fund for Arab Economic Development, Saudi Fund, World Bank, India, Exim Bank of Korea, United Nations Development Program, Belgium, African Capacity Building Fund, Germany, Denmark, Sweden, and the Netherlands.

B. Implementing a Fiscal Policy Focused on Maintaining Macroeconomic Stability

20. In the fiscal area, the government will continue its prudent fiscal policy to keep expenditure under control and in line with the resources on which it may reasonably rely. In this spirit, the government introduced a budget law (LF) for 2013, which the National Assembly adopted in December 2012, based on proactive efforts to mobilize domestic resources that do not assume the resumption of aid from the TFPs in 2013. It includes a financing gap of CFAF 55 billion bridged by freezing an equivalent amount of investment expenditure until capital resources are identified.[5]

21. Following the resumption of development assistance by the donors listed above (¶15), the government prepared a supplementary budget law (PLFR) to allocate the announced budgetary assistance and other additional resources to the priorities stated in the roadmap, namely:

- Organizing elections;
- Reinstating the government in the north of the country;
- Protecting gains in education and health; and
- Supporting the recovery of economic activity.

22. The supplementary budget law is built on revenue and grants equal to 21.2 percent of GDP (18.2 percent of GDP in the LF), net tax revenue of 15.2 percent of GDP (15.5 percent of GDP in the LF), total expenditure and net lending of 24 percent of GDP (18.4 percent in the LF), an overall deficit (on a cash basis, including grants) of 3.3 percent of GDP (0.3 percent of GDP in the LF), and a basic fiscal deficit of 0.4 percent of GDP (a basic balance in equilibrium in the LF).

23. The supplementary budget law projects CFAF 169.3 billion (US$ 338 million or 2.9 percent of GDP) in revenue and grants in addition to the LF as follows:

- CFAF 173.9 billion in budget and project grants announced by the above-cited TFPs (¶15–16);
- CFAF 19.6 billion less in net tax revenue due mainly to the need to augment VAT credit and other tax refunds by CFAF 15 billion, for which credits in the LF appear insufficient in the light of observed refunds in 2012;
- CFAF 7.9 billion in domestic transfers to the Army, of which the contribution of the telecommunications regulatory authority amounts to 4.9 billion, and that of citizens to 3 billion; and

[5] Mali: Letter of Intent, Memorandum on Economic and Financial Policies, and Technical Memorandum of Understanding; January 10, 2013; ¶26.

- CFAF 1.5 billion in domestic transfers for humanitarian aid contributed by the mining companies.

24. On the expenditure side (including net lending), the supplementary budget law proposes CFAF 338.6 billion of spending in addition to the LF as follows:

- CFAF 177.8 billion of investment spending financed by project grants and loans and the return of sectoral budget support to the levels of 2010–11;
- CFAF 60 billion for new domestically financed investment spending to refurbish the public buildings plundered in the north, increase contributions to education, health, and waterworks, restore the Sikasso-Yèrèmakono highway, provide the national counterpart funds for projects financed by the TFPs, and rebuild the national food buffer stock;
- CFAF 29.8 billion to pay the arrears on government contracts identified to date and for which there are no appropriations in the initial budget law (¶7);
- CFAF 25 billion to increase the funds necessary for the organization of elections from CFAF 25 billion to 50 billion;
- CFAF 20 billion to increase transfers to the state-owned energy company *Energie du Mali* (EDM) to CFAF 40 billion and to provide it with the resources to respond to the demand for electricity; EDM has a structural imbalance between the sales price and the production price of electricity (¶28) and is urgently in need of cash flow to settle arrears to its oil suppliers and to service its debt;[6]
- CFAF 8.2 billion to increase current expenditure in the sectors of education, health, and water services;
- CFAF 7.9 billion for military spending, financed by the above mentioned domestic transfers;
- CFAF 6 billion, including CFAF 4 million to compensate the victims of the events in north and south of Mali following the government's adoption of a law establishing compensation for these victims and CFAF 2 billion for the National Commission on Dialogue and Reconciliation;
- CFAF 5 billion to finance subsidies to the agricultural sector; and
- CFAF 1.5 billion humanitarian spending financed by the above mentioned domestic transfers;

[6] EDM's short-term debt totaled CFAF 73 billion (1.4 percent of GDP) at end-2012, including CFAF 47 billion owed to suppliers and CFAF 26 billion to the banks.

25. The fiscal deficit (cash basis, including grants) in the supplementary budget law amounts to CFAF 187.7 billion and will be financed by:

- Net external financing to the amount of CFAF 102.5 billion owing to the return of the above mentioned TFP's (¶16–17), taking into account the repayment of the entirety of arrears on external debt of CFAF 27.1 billion (¶7); and

- Net domestic financing amounting to CFAF 55.2 billion, of which the main component are the proceeds from the sale of the third mobile telephony license.

26. Consequently, there is a financing gap of CFAF 30 billion (0.5 percent of GDP or US$60 million) in the supplementary budget law, which the government hopes to fund with renewed inflows of development assistance from TFPs other than those that have already announced their return. Pending the confirmation of this additional budgetary support, the government will freeze planned spending in the supplementary budget law by the same amount and send the list of these expenses to the National Assembly before it votes on the supplementary budget law.

27. In the difficult circumstances that led to an increase in military spending by almost 48 percent in the 2013 supplementary budget law, compared with the amount spent in 2011, the last year before the crisis, the government will nonetheless give priority to spending by the ministries of Basic Education, Secondary and Higher Education and Scientific research, Health, and Social Development, in accordance with its growth and poverty reduction strategy. It is therefore committed to maintaining the level of these expenses above a certain floor in 2013 (indicator, Table 1).

C. Keeping the focus on Improving Public Financial Management

28. The government will continue to improve public financial management, in particular by correcting the weaknesses found by the 2011 Public Expenditure and Financial Accountability (PEFA) assessment. This assessment showed progress in Mali's public financial management system in terms of the credibility, comprehensiveness, and transparency of the budget, and the preparation and execution of budget laws. However, it highlighted persistent weaknesses concerning tax collection, domestic debt service, cash management, accounting, reporting, and external control. The government is continuing to implement the 2011–15 Government Action Plan to Improve and Modernize Public Financial Management (PAGAM/GFP II).

Reducing Consumer Energy Subsidies

29. In the country's currently delicate situation, the government intends to pave the way towards a gradual reduction of consumer subsidies for electricity and butane gas and to automatic adjustment of domestic energy prices (petroleum products and electricity) to changes in international oil prices. This strategy includes the following:

- Presentation in the draft budget laws of an estimate of the impact on the budget of a lack of adjustment of oil and electricity prices started in the 2013 Budget.[7]
- Increase in the prices of petroleum products. Since May 2012, the government has raised the prices of petroleum products three times totaling a 6–percent increase by more heavily taxing petroleum products and cutting the butane gas subsidy in half.
- Increase in electricity rates. Faced with the need to repeatedly increase budget transfers to the state electricity company EDM because of the structural imbalance between the sales price of electricity and production costs,[8] the government decreed an increase in electricity rates by an average of 7 percent, which took effect on February 1, 2013. By end-June 2013, the Council of Ministers will review new proposals prepared jointly by the Ministry of Economy, Finance, and Budget, the Ministry of Energy, EDM, and the Electricity and Water Regulatory Commission (CREE) to establish a positive margin between the sales price and the average cost price of electricity (structural benchmark, Table 2).
- Preparation, by end-August 2013, of different options for automatically adjusting petroleum product prices to changes in international prices, accompanying measures to minimize the social impact, and a communications policy to manage public opinion by the National Petroleum Products Office (ONAP), Customs (the DGD), and the other agencies involved, in light of the proposals prepared by ONAP in February 2010, the recommendations of the IMF Fiscal Affairs Department at the seminar organized by the WAEMU Commission in September 2011, and Annex II of the IMF Staff Report on the 2012 Article IV Consultation with Mali;[9]
- Preparation, with assistance from World Bank staff, of transfers targeting the poorest segments of the population, which could be increased in the event of a spike in energy or food prices, with a view to curtailing any social tensions associated with an increase in these prices.

Reforming Tax Policy

30. The government plans to continue to gradually reduce exemptions by implementing the following measures:

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[7] Given the very limited pass through of international oil prices in domestic oil prices during 2009–11, oil tax revenue declined by CFAF 47 billion (1 percent of GDP) during that period. With no adjustments in electricity rates, the government ended up transferring almost CFAF 30 billion (0.6 percent of GDP) to the state electricity company EDM to keep it afloat in 2012.

[8] In 2012, the average sales price of electricity was CFAF 91/kWh and the cost price was CFAF 127/kWh. In 2013, the average sales price of electricity is CFAF 96/kWh after the adjustment made on February 1, 2013 and the cost price is expected to be CFAF 119/kWh.

[9] IMF Report No. 13/44 -- Mali: 2012 Article IV Consultation.

- Beginning with the 2013 Budget Law,[10] present as an attachment to draft budget a table listing all the exemptions included in the General Tax Code, Customs Code, Investment Code, Mining Code, and all other laws or government decisions granting tax benefits; the legal basis for the exemptions and effective dates; and an estimate of the foregone revenue they represent;

- Control the exemptions granted under the current laws; and

- Gradually reduce, to the extent possible, all exemptions under the General Tax Code, Customs Code, Investment Code, Mining Code, and all other laws or government decisions granting tax benefits.

Reforming the Tax, Customs, and Government Property Administrations

31. *Priority will be given to implementing the reforms undertaken in 2011 to sustainably improve the functioning and yield of the VAT,* which accounts for roughly 40 percent of tax revenue. The following measures have been implemented to that end:

- On January 18, 2011, a Treasury account as opened with the BCEAO to receive all VAT receipts paid by the mining companies on their imports and 10 percent of domestic VAT receipts. The DGI and DGD began deposit monthly receipts to the account on June 1, 2011. The use of the account is restricted to VAT credit refunds. This mechanism will ensure that VAT credits are duly refunded on a regular basis in accordance with WAEMU law to gold companies and to all other companies that generate VAT credits, except retailers. The VAT credits due to gold mining companies for FY 2012 amounted to CFAF 47.9 billion, of which CFAF 7.2 billion were still outstanding in 2013, and the estimate for FY 2013 is CFAF 40 billion. In 2012, the Public Treasury also cleared arrears on VAT credits dating back to December 31, 2011 in the amount of CFAF 11.1 billion.

- To further expedite refunds of VAT credits, by end-June 2013, the government will explore the option of refunding VAT credits to mining companies through a simplified procedure in accordance with government accounting rules, beginning on January 1, 2014. Using this approach, the VAT paid by mining corporations would be collected, refunded, and recorded as follows:

    - The DGD and DGI collect the VAT from non-exempt mining companies;

[10] The 2013 budget includes attachments showing exemptions from duties and taxes to be CFAF 231 billion in 2011 (4.6 percent of GDP), including CFAF 121 billion (2.4 percent of GDP) in taxes collected by the DGI and CFAF 111 billion (2.2 percent of GDP) in duties and taxes collected by the DGD. In 2012, tax exemptions amounted to CFAF 228 billion (4.3 percent of GDP), including CFAF 111 billion (2.1 percent of GDP) in taxes collected by the DGI and CFAF 117 billion (2.2 percent of GDP) in duties and taxes collected by the DGD.

- ➢ The Treasury refunds VAT credits directly from the account held with the BCEAO (without prior issuance of payment orders); and

- ➢ The amount of VAT collected from mining companies is excluded from DGD receipts and the amount of mining company VAT credits attributable to their domestic transactions is excluded from DGI revenue.

- The system of VAT withholding at source was abolished on December 31, 2011, except for the Treasury, where it is being phased out starting January 1, 2013. Since that date, the Treasury has withheld at source only 40 percent of the VAT and the withholding will be entirely abolished as of January 1, 2014. In April 2012, the DGI sent a letter to all companies identified not subject to VAT withholding at source since January 1, 2012 to remind them of their VAT declaration and payment obligations. Every month (two weeks after the end of the month), the DGI will monitor whether these enterprises have met their filing requirements with respect to the VAT and will report its findings every quarter to the Minister of Economy, Finance, and Budget.

- In April 2013, the government submitted a draft law to the National Assembly raising the VAT liability threshold from CFAF 30 million to CFAF 100 million in earnings, with a view to simplifying VAT collection.

32. The DGI, DGD, the National Directorate of Public Property and Lands (DNDC), and the Directorate General of Government Property Administration (DGABE) will continue their efforts to improve tax, customs, and public property administration:

- *Introduction of multidisciplinary supervision*. The Joint Economic and Financial Intelligence Committee (CMRIEF) was established on March 15, 2012 to strengthen the effectiveness of tax audits and identify new taxpayers using, notably, all the databases of taxpayers or economic operators available to the DGI, DGD, DNDC, DGABE, and the directorate responsible for public procurement. The CMRIEF identified CFAF 7 billion in possible tax adjustments in the oil and gas sector and in the automotive spare parts sector, which the DGI and the DGD will process. Along with this sectoral approach, by comparing DGD and DGI data, the CMRIEF found that more than 80 percent of importers—about 1,000 enterprises, seem to have underreported their income to the DGI in 2011 and 2012 by a total of CFAF 500 billion (¶13). The DGI will include these enterprises in its verification program in 2013 starting with the files of 430 enterprises with the largest apparent underestimation of income in absolute terms, and will report the interim results of this program by August 31, 2013 (structural benchmark, Table 2). The CMRIEF will produce a report by June 30, 2013 comparing the value of the government contracts awarded to these operators in the database of the Directorate responsible for public procurement with the earnings reported to the DGI and the value of the imports declared by these operators in the DGD's ASYCUDA database for FY 2010, FY 2011, and FY 2012 in order to identify taxpayers who may be underestimating their taxable earnings or overestimating the exemptions they request.

- *New income thresholds used by the large enterprise (DGE) and medium-sized enterprise (DME) directorates to streamline taxpayer administration.* In order to improve taxpayer management by the DGE and the DME, the Council of Ministers adopted an ordinance raising the DGE threshold from CFAF 500 million to CFAF 1 billion in income and lowered the DME threshold from CFAF 150 million to CFAF 100 million. This adjustment will improve the DGE's management and supervision of companies, quickly increase the number of taxpayers managed by the DME, and improve VAT management by assigning all responsibility for VAT to the DGE and DME as soon as the parliament adopts the draft law increasing the VAT threshold to CFAF 100 million in income.

- *Improvement in the taxpayer registration system SIGTAS.* The SIGTAS database contains numerous data entry errors, which will be corrected by June 30, 2013. Regular reports will be produced for that purpose.

- *Improved administration of taxpayers managed by the DGE*. The DGI will take all the necessary steps to increase by end-2013 the number of taxpayers paying taxes by bank transfer among the enterprises managed by the DGE.

- *Improved administration of taxpayers managed by the DME.* The DGI will continue to pay particular attention to the operations of the DME, which will implement the following measures: (i) expand its portfolio to increase the number of its taxpayers to at least 2,000 by January 1, 2014; (ii) reduce the VAT non-filer rate to less than 10 percent by end-2013 and less than 5 percent by end-2014; and (iii) increase the tax audit coverage rate for FY 2013 to at least 20 percent of its portfolio by end-December 2013. The DGI paid special attention to upgrading the office space and increasing the staff of the DME. The DME moved into its new premises in February 2013.

- *Promote tax compliance*. The published the list of taxpayers managed by the DGE and DME, respectively, on the website of the Ministry of Economy, Finance, and Budget in October 2011 and updated it at end-February 2013, in order to inform the public of the results of the efforts to broaden the tax base. On February 13, 2013, the DGE had 462 taxpayers and the DME 1,002.

- *Implementation of automated selection for customs inspections as soon as possible.* To this end, the DGD installed a technical risk management unit, which performed the necessary preparatory tasks up until the events of March 2012. This work was resumed with technical assistance from the IMF's West Africa Regional Technical Assistance Center (West AFRITAC).

- *Modernization of the DNDC.* In 2011, the DNDC conducted a study to determine the potential revenue from public property and improve collection of that revenue, and a study to design and implement a computerization plan. The DNDC has collected the capital gains tax on transfers of real property by individuals since October 1, 2011. It will continue its activities to implement a land registry and will set up a secure filing system.

- *Modernization of the DGABE*. The MEFB will modernize the DGABE by introducing modern management tools, such as results-based management, greater use of information technology (use of accrual accounting software in the accounting offices of ministries and public institutions), and the implementation of reforms to better monitor and optimize the value of the government's portfolio.

- *Improved accounting of tax revenue*. The Treasury's new integrated accounting application AICE and its interface with applications in the DGD (ASYCUDA) and the DGI (SIGTAS) was implemented in the Bamako District General Revenue Office (RGD) on January 3, 2012. The interface with ASYCUDA was interrupted when the DGD's IT equipment was destroyed during the events of March 2012 and was restored to operation in February 2013.

33. To consolidate its efforts to reform the tax system and the tax, customs, and public property administrations, the government will request the IMF's intervention through its Topical Trust Fund on Tax Policy and Tax Administration to develop a multiyear technical assistance program linked to the achievement of results. In order to develop its capacity for supervising mining corporations and to explore the possibility of introducing a surcharge on the windfall profits from exceptionally high prices as part of the tax provisions applicable to mining companies, the government will also request the intervention of the IMF's Topical Trust Fund on Managing Natural Resource Wealth.

Improving Fiscal Transparency, as well as Public Expenditure and Cash Management

34. The government is committed to incorporating WAEMU directives N° 01 and N°06 of 10/2009 concerning the transparency code, budget laws, government accounting, budget classification, the government chart of accounts, and the Government Financial Operations Table (TOFE) in Mali's laws and regulations. The administration has drafted the texts transposing these directives and has submitted them to the WAEMU Commission for its opinion. The transposition of Directive N°06 concerning the budget laws is complete and the proposed law for its incorporation has been approved by the Council of Ministers.

35. Pursuant to these directives, the following cutoff dates have been established for budget execution in 2013: ordinary operating and capital expenditure to be committed by November 30, 2013; other expenses to be committed by December 20; payment orders to be issued by December 31, 2013, and payments to be authorized by accountants, payment vouchers attached, and expenditure regularized by January 31, 2014. Thus, the carryover period will be limited to accounting operations and a fiscal closing circular will be published by end-September specifying the cutoff dates for commitment and validation so that payment orders can be completed by December 31, 2013.

36. Under the program, the government also hope to complete the following actions undertaken to improve cash management, accounting, and government finance statistics:

- *The Treasury Single Account (TSA) with the BCEAO will be phased in.* A study on the impact of transferring all 3,415 government accounts as defined in the TOFE (except for project accounts established pursuant to the explicit provisions of agreements signed with the TFPs) from the commercial banks to the BCEAO was completed on September 15, 2011. The study concluded that seven banks were able to immediately transfer these accounts to the BCEAO without compromising their liquidity ratios, but six banks would see their ratios fall below the required minimum. Accordingly, the authorities transferred the accounts (other than project accounts) of the RGD, the Treasury General Payments Office (PGT), the Treasury Central Accounting Agency (ACCT), and the accounting offices of the regional treasurers-paymasters (TPR) in Mopti and Sikasso at the seven commercial banks to the BCEAO in December 2011. The authorities took additional time to determine the strategy for transferring those entities' accounts at the other six banks, as well as the accounts (excluding project accounts) of other administrations and public administrative entities (EPA) held at any commercial banks, to the BCEAO.[11] However, following the events of March 2012 and the suspension of access to its accounts with the BCEAO, the government decided to reopen the accounts of the above-cited entities at the seven commercial banks. The government decided to wait until the political-military crisis was resolved before taking any further steps to implement the TSA. In the meantime, the balances of 101 dormant government accounts in the banking sector, totaling CFAF 6.960 billion, were transferred to the TSA by end-February 2013. The Minister of Economy, Finance, and Budget will set the conditions for opening, operating, and closing the bank accounts of government agencies. An agreement between the Ministry of Economy, Finance, and Budget and the BCEAO governing the operation of the TSA will be finalized.

- *Implementation of the Treasury's new integrated accounting application AICE will continue.* The application was rolled out in the Koulikoro treasurer general's office in January 2013 and will be deployed at the ACCT by end-2013. The rollout of AICE at the ACCT will make it possible to produce all the consolidated statistical accounting reports of government entities connected to the system, including the Treasury's integrated balance sheet and the TOFE.

- *The quality of the accounts will be gradually improved.* The unusually high balances found in reciprocal accounts, third-party accounts, and the financial accounts in the general account balances of the ACCT, PGT, and RGD have begun to be reviewed and corrected.

[11] See the third point in ¶33 of the Memorandum on Economic and Financial Policies of November 23, 2011 (IMF Report No 12/3 Mali: Seventh Review Under the Extended Credit Facility and Request for a new Three-Year Arrangement Under the Extended Credit Facility).

- *The improvement in government finance statistics will be continued.* The TOFE was modified, as specified in the Technical Memorandum of Understanding (TMU, ¶25), starting May 31, 2011. Efforts will be made to reduce the adjustment required to reconcile the resulting overall balance and it's financing. The Ministry of Economy, Finance, and Budget and the BCEAO will work closely together to enable the BCEAO to continue to produce a narrow net position of the government (NPG) covering the transactions reflected in the TOFE (TMU, 6). By August 31, 2013, the DNTCP and the BCEAO will analyze the NPG items that are not included in the net position of the Treasury (NPT) to identify the public institutions other than the Treasury responsible for movement of the position (13).

- *Payment deadlines will be more strictly monitored to prevent the accumulation of arrears.* The public financial management programs (PRED5 and AICE) will be used to monitor the time taken to execute payment orders and ensure that payments are made, to the extent possible, in less than 90 days after validation of the expense. Monthly tables will be produced for that purpose.

- *Projected cash plans will be prepared every month*. On a monthly basis starting in January 2013, the National Directorate of the Treasury and Government Accounting (DNTCP) will prepare a projected cash plan covering the following months.

- *All government contracts, including those of the Ministry of Defense, will continue to be implemented pursuant to the provisions of the Government Procurement Code*.

37. The following measures will be adopted to gradually improve procedures for budgeting and monitoring the execution of investment appropriations:

- *The 2013 Budget Law introduced the budgeting of commitment authorizations (CA) and payment appropriations (PA) related to three-year public investment expenditures*. On that basis, the Ministry of Economy and Finance is making arrangements to track the use of CA and PA in the PRED5 expenditure management software.

- *The procedure for carrying forward PAs will be implemented on a transitional basis in preparation for full implementation carryover provisions established in the WAEMU directives.* The transitional system authorizes the carryover of PAs provided that they are secure (i.e., covered by appropriate financing arrangements or budget savings in the following year) and provided for in the following year's cash plan. Unsecured PAs may also be carried forward, up to a limit of 10 percent of the initial appropriations provided in the domestically-financed investment budget, subject to the availability of financing resources in the following year's cash plan. PAs pertaining to validated expenditures that are not yet authorized are carried forward on a priority basis, up to the limit of the above-mentioned ceiling; for amounts above that ceiling, the authorities must prepare a supplementary budget law. The procedures for carrying forward PAs will include: a decree adopted by the Council of Ministers by March 31 of the following year, which will indicate: (i) PAs for which no payment orders have been issued by December 31 that have been cancelled and carried forward to the following fiscal year in accordance with the conditions indicated above; and (ii) PAs that have been cancelled and not carried forward.

- *When the 2015 Budget Law is implemented, the procedure for carrying forward PAs take effect under a mechanism that provides for full implementation of the carryover provisions established in WAEMU directives,* allowing only PAs that are secured and provided for in the cash plan to be carried forward.

Strengthening Internal and External Controls

38. *Internal control structures will be strengthened.* The internal and external control structures have revealed numerous administrative weaknesses in Mali's public financial management. With respect to internal control, the Government Comptroller's Office (CGSP) noted the shortage and inadequate use of procedures manuals in the administration. To correct these deficiencies, in August 2011, the government adopted a 2011–15 national internal control strategy, which it will implement with the support of several of its technical and financial partners. With respect to external control, the Office of the Auditor General (BVG) has drawn attention to large sums pending collection for the Public Treasury. To enhance the transparency of the BVG's work, the government is examining the possibility of the publication of its sectoral reports on its website, in addition to its annual reports, which are already published there. The number of staff in the accounts section of the Supreme Court will be increased. This section will be converted into an Audit Court in accordance with the corresponding WAEMU directive as soon as possible.

39. *The production and audit of the government's annual accounts will be expedited.* The accounts section of the Supreme Court is implementing a strategy of reviewing accounts based on the assessment of account positions produced by the DNTCP. For government accounts predating 1992, the government adopted a proposed validation law on June 29, 2011, which the National Assembly approved on January 3, 2013. The accounts section examined the government accounts for fiscal years 1992 through 2008. The National Assembly approved the budget review laws for 2008 and 2009. The government submitted the draft budget review laws for FY 2010 and FY 2011 to the National Assembly. It will adopt the draft budget review law for FY 2012 by end-2013, in accordance with WAEMU directives.

Implementing a Sustainable Debt Policy

40. The most recent debt sustainability analysis conducted by IMF and World Bank staff concluded that the risk of debt distress remains moderate.[12] This analysis also confirmed that debt

[12] See Mali—Joint IDA/IMF Debt Sustainability Analysis under the Debt Sustainability Framework for Low-Income Countries in IMF Report No. 13/44 -- Mali: 2012 Article IV Consultation.

sustainability remains highly sensitive to gold prices (gold accounts for three-fourths of exports and gold production will decline over the medium term), the cost of borrowing, and the pursuit of sustainable fiscal policies. Accordingly, the government reaffirms its commitment to cover its external financing needs with grants and the balance with loans having a grant element of no less than 35 percent.

41. However, the government obtained a proposal of the Islamic Development Bank for financing the expansion of a thermal plant in Bamako in the amount of € 24.5 million (CFAF 16 billion or 0.3 percent of GDP), with a grant element of 29.7 percent. In keeping with its commitments, the government has contacted the financing partner with a view to increasing the grant element to 35 percent, but without success. The government has also signed an agreement for a loan of $ 138.3 million (CFAF 69 billion or 1.2 percent of GDP) with the Exim Bank of China to finance the construction of a hydroelectric plant, with a grant element of 32.8 percent. The project involves Mali, Senegal, and Mauritania, and the loan will only become effective once Senegal and Mauritania will have signed their respective loans with the same financing. Therefore, as the projects financed by these loans are of strategic importance for the expansion of electricity production, they have a significant grant element, and they amount to a moderate total which does not threaten Mali's external debt sustainability, the government will conclude them under the above mentioned terms, but it commits to limiting the amount of non-concessional borrowing in 2013 to the amount corresponding to these loans (continuous indicator, Table 1).

42. *Management of domestic debt will be improved*. The Minister of Economy and Finance tasked the Directorate General of the Public Debt (DGDP) with compiling a list of all the agreements related to domestic debt and the commitments to guarantee domestic debt given by the government in an effort to include their repayment schedules in the public debt database and in the budget laws. The DGDP has begun the inventory effort with local banks. This project has already served to identify direct and indirect government liabilities to the banking sector in the amount of CFAF 195.1 billion (4.0 percent of GDP) at December 31, 2012, including CFAF 17 billion (0.3 percent of GDP) in amounts that are past due. A payment timetable is currently being negotiated with creditors, under which the payment of CFAF 7.5 billion has been authorized in 2012 and CFAF 9.2 billion has included in the 2013 budget law.

Program Monitoring

43. The program will be evaluated on the basis of indicators at end-June, end-September, and end-December 2013 (Table 1), continuous indicators, and structural benchmarks (Table 2). The indicators are defined in the TMU, which also specifies the nature and frequency of the data reporting requirements for proper program monitoring.

Table 1. Mali: Indicative Targets 2012–13 [1]

	2012				2013									
	Dec.				March				June		Sep.		Dec.	
	Prog.[2]	Adj. Target	Est.	Status	Prog.[2]	Adj. Target	Est.	Status	Prog.[2]	Rev. Prog.	Prog.[2]	Rev. Prog.	Prog.[2]	Rev. Prog.
							(in CFAF billions)							
Government bank and market financing (ceiling) [3]	107	100	74	Met	29	77	-24	Met	28	52	8	34	7	24
Cumulative increase in external payments arrears (ceiling) [4]	29 [7]		27 [7]	Met	0		0	Met	0	0	0	0	0	0
New external borrowing contracted or guaranteed														
by the government on nonconcessional terms (ceiling) [4, 5]	0		53	Not Met	0		0	Met	0	85	0	85	0	85
Gross tax revenue (floor)	807		816	Met	182		189	Met	413	418	671	676	909	907
Basic fiscal balance (floor) [6]	-55	-72	-40	Met	-15	-27	19	Met	20	-41	0	-40	-5	-22
Priority spending (floor)	243		312	Met	38		62	Met	89	122	175	217	296	346
Memorandum items:														
External budget support	4		4		0		0		0	10	0	114	0	154
General budgetary grant	4		4		0		0		0	10	0	74	0	114
Net change in pending bills (– = reduction)	4		-8		0		-14		-20	-13	-20	-10	0	7
Tax refunds (–)	-41		-58		-9		-21		-20	-25	-32	-37	-44	-50
Net change in arrears (– = reduction)	-21		14		-4		-25		-8	-37	-11	-50	-15	-66

Sources: Malian authorities; and IMF staff projections.

[1] Cumulative figures from the beginning of the year. See Technical memorandum of understanding (TMU) for definitions.

[2] Country Report No. 13/44: Mali-Staff Report for 2012 Article IV Consultation and RCF Disbursement.

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

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

[5] These indicative targets in 2013 are linked to a loan $ 138.3 million by the Exim Bank of China of and a loan of € 24.5 million by the Islamic Development Bank of to increase the supply of electiricty (see MEFP, ¶41).

[6] The targets for this indicative target are subject to adjustment for budgetary grants and tax refunds.

[7] Cumulative figures from the beginning of 2011.

Table 2. Mali: Structural Benchmarks for 2013

Measures	Timing	Macroeconomic rationale	Status
Produce, using the expenditure management software PRED 5, monthly reports tracking the time elapsed between the issuance of payment orders and actual payment.	28-Feb-13	Prevent the accumulation of arrears	Met
Produce a report, by the Joint Economic and Financial Intelligence Committee (CMRIEF), comparing the value of imports declared by operators in the ASYCUDA database of the Customs Directorate (DGD) with the turnover declared to the Tax Directorate (DGI) to identify taxpayers who might have underestimated their taxable earnings.	28-Feb-13	Increase tax revenue	Met
Preparate a report, by the National Directorate of the Treasury and Public Accounting (DNTCP), on the net government position vis-à-vis the banking system (NGP) at December 31, 2012, examining in detail all the items of the NGP and identifying—within all the items included in the NGP in the broad sense as used by the BCEAO pursuant to Community provisions—all those that are included in the narrow NGP and, within these, government assets in the banking system that are available for cash operations in 2013.	28-Feb-13	Improve cash management	Met
Review, by the Council of Ministers, the proposals prepared jointly by the Ministry of Economy, Finance and Budget , the Ministry of Energy, the state elelctricty company (EDM) and the Water and Energy Regulatory Commission (CREE) with a view to establish a profit margin between the sales price and the average cost of electricity.	30-Jun-13	Reduce budget transfers and raise economic growth	
Draft a report, by the Tax Directorate (DGI), on the interim results of its tax audits on importers whose reported turnover seemed uncharacteristically low according to the February 2013 report of theJoint Economic and Financial Intelligence Committee (CMRIEF).	31-Aug-13	Increase tax revenue	
Report on the results of an audit of domestic arrears accumulated by the government in 2012 following the spending freeze in the wake of the March 2012 events and the reduction of appropriations in the 2012 supplementary budget.	31-Aug-13	Support economic activity by clearing arrears owed to operators.	

Source: Malian authorities.

Attachment II—Technical Memorandum of Understanding

1. This TMU defines the program indicators accompanying the request for disbursement under the Rapid Credit Facility (RCF) presented in Table 1 of the Memorandum on 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.

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.

Indicators

3. Except as noted, the following financial targets will serve as indicators for end-June, end-September, and end-December 2013.

A. Ceiling on net domestic bank and financial market financing of government

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

5. The **net position of the government in the broad sense** is defined as the balance of the government's debts and claims vis-à-vis the central bank and the commercial banks. The scope of the government's net position is that used by the Central Bank of West African States (BCEAO) pursuant to Community provisions. It involves a definition of government that is broader than the definition given in paragraph 2 and includes the local authorities, certain projects, and some public administrative entities. The government's claims include CFAF cash balances, postal checking accounts, secured liabilities, and all deposits by government agencies with the BCEAO and the commercial banks, with the exception of government industrial and commercial agencies 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.

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** is higher (lower) than program amounts (MEFP, Table 1). 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, and a net reduction in external and audited domestic arrears,** which exceed (fall short of) program amounts (MEFP, Table 1).

B. Non-accumulation of external government payments arrears

10. The balance of external payments arrears is defined as the sum of payments due and not paid on the government's external liabilities and the external debt owed or guaranteed by the government. The definition of external debt given in paragraph 11(a) applies here.

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 at terms of one year or more and on short-term external debt contracted or guaranteed by the government and/or public enterprises

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

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

i. Loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

ii. Suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until some times 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 lesser 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.[2] The discount rates used for this purpose are the currency-specific commercial interest reference rates (CIRR) as published by the OECD.[3] For debt with a maturity of at least 15 years, the ten-year-average CIRR is used to calculate the present value of the debt and, hence, its grant element. For debt with a shorter maturity, the six-month-average CIRR is used. The margins for differing repayment periods (0.75 percent at ≤ 15 years, 1 percent at 15-19 years, 1.15 percent at 20-29 years, and 1.25 percent at ≥ 30 years) are added to the ten-year or six-month CIRR averages.

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 assessment criteria**. Assessment 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 criteria shall apply to any debts or liabilities contracted or guaranteed for which value has not yet been received. The criteria shall also apply to private debt for which official guarantees have been extended and which, therefore, constitute a contingent liability of the government. These indicators are monitored on a continuous basis. No adjusters will be applied to these indicators.

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[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.

[3] In the case of the loans denominated in foreign currencies, for which the OECD does not calculate the CIRR, the grant element must be calculated on the basis of the composite (weighted average) CIRR of the currencies included in the composition of the SDR.

17. **Special provisions.** The indicators 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.

E. Floor on the basic fiscal balance

20. 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 Nº04/1999 on the Convergence, Stability, Growth, and Solidarity Pact).

Adjuster

21. 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.

22. 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, Table 3).

F. Floor on priority poverty-reducing expenditure

23. 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. It excludes project-related capital expenditure financed by foreign technical and financial partners.

Structural Measures

24. 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.

25. 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 types of 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 (un-cashed 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.

Additional Information for Program Monitoring

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

Summary of Reporting Requirements

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

Sectors	Type of Data	Frequency	Reporting Deadline
	Basic fiscal balance as recorded in the TOFE	Monthly	Month-end + 6 weeks
	Tax and customs exemptions	Monthly	Month-end + 4 weeks
	Order fixing petroleum prices, tax revenue from petroleum products, and total exemptions granted	Monthly	Month-end
	Imports of petroleum products broken down by type and by point of entry	Monthly	Month-end + 2 weeks
	Expenses authorized and not paid 90 days after validation by the financial comptroller	Monthly	Month-end + 1 week
Monetary and Financial Data	Summary survey of the BCEAO, summary survey of the banks, survey of monetary institutions	Monthly	Month-end + 4 weeks (provisional); Month-end + 8 weeks (final)
	Foreign assets and liabilities and breakdown of other items net (OIN) of the BCEAO and the commercial banks	Monthly	Month-end + 8 weeks
	Lending and deposit interest rates, BCEAO policy rate, BCEAO reserve requirements	Monthly	Month-end + 4 weeks
	Bank prudential ratios	Monthly	Month-end + 6 weeks
Balance of Payments	Balance of payments	Yearly	Year-end + 12 months
	Revised balance of payments	Variable	8 weeks after each revision
External Debt	Breakdown of all new external loans	Monthly	Month-end + 4 weeks

Sectors	Type of Data	Frequency	Reporting Deadline
	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 ¶23.	Quarterly	End of quarter + 4 weeks

INTERNATIONAL MONETARY FUND

MALI

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—INFORMATIONAL ANNEX

May 16, 2013

Prepared By: Staff of the International Monetary Fund in Consultation with the World Bank

CONTENTS

RELATIONS WITH THE FUND

(As of March 31, 2013)

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

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

SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	89.36	100.00
Holdings	73.37	82.11

Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
RCF Loans	12.00	12.86
ECF Arrangements	64.46	69.09

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Dec 27, 2011	Jan 10, 2013	30.00	6.00
ECF [1/]	May 28, 2008	Dec 22, 2011	52.99	52.99
ECF [1/]	Jun 23, 2004	Nov 30, 2007	9.33	9.33

[1/] Formerly PRGF.

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

	Forthcoming				
	2013	2014	2015	2016	2017
Principal	2.23	5.20	5.67	8.17	11.60
Charges/Interest	0.01	0.01	0.18	0.17	0.14
Total	2.24	5.21	5.85	8.33	11.74

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

Implementation of HIPC Initiative:

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

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

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

Implementation of Multilateral Debt Relief Initiative (MDRI):

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

II. Debt Relief by Facility (SDR Million)

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

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

Implementation of Post-Catastrophe Debt Relief (PCDR): Not Applicable

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Decision point - point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decide on the amount of assistance to be committed.

Interim assistance - amount disbursed to a country during the period between decision and completion points, up to 20 percent annually and 60 percent in total of the assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances).

Completion point - point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 2 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

Safeguards Assessments

The Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union (WAMU). The most recent safeguards assessment of the BCEAO was completed on March 1, 2010. The 2010 update assessment found that the BCEAO continues to have controls in place at the operational level. The overall governance framework needed nonetheless to be strengthened by the addition of an audit committee to ensure that the Board of Directors exercises appropriate oversight over the control structure, including the audit mechanisms and financial statements. Such committee was established after the completion of the assessment following the Institutional Reform of the WAMU and the BCEAO. Efforts to implement fully the International Financial Reporting Standards should also be pursued. An update assessment was initiated in February 2013.

Exchange Rate Arrangements

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

As of June 1, 1996, Mali and other members of WAEMU accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Fund's Articles of Agreement. Mali's exchange system has no restrictions on making payments or transfers for current international transactions and the country does not engage in multiple currency practices.

Sharing a common trade policy with other members of WAEMU, Mali has shifted key trade policy-making to the sub-regional level. The common external tariff (CET) was adopted in January 2000. Mali complies with the union's tariff rate structure and has effectively dismantled internal tariffs. Between 1997 and 2003, WAEMU tariff reform reduced the simple average custom duty from 22 percent to 15 percent; the maximum rate is currently 20 percent. Imports to Mali are not subject to quantitative restrictions.

Mali's exports to the European Union generally enjoy non-reciprocal preferential treatment in the form of exemption from import duties under the Everything but Arms initiative. Malian goods enjoy nonreciprocal preferential access to the markets of developed countries other than the European Union under the Generalized System of Preferences. Mali is also eligible to benefits from the United States' African Growth and Opportunity Act. Mali imposes no de jure restrictions on exports.

Article IV Consultations

Mali's Article IV consultation cycle is governed by the provisions of the decision on consultation cycles, Decision No. 14747-(10/96) (9/28/2010). The Executive Board completed the last Article IV consultation (Country Report No. 13/44) on January 28, 2013.

Technical Assistance

Department	Type of Assistance	Time of Delivery	Purpose
AFRITAC	Expert	Apr 2013	Government Finance Statistics
AFRITAC	Expert	Mar 2013	Public Debt Management
FAD	Expert	Feb 2013	Public Financial Management
FAD	Long Term Expert	May 2011-March 2012	Public Finance Accounting, Information System, and Treasury Management
FAD	Expert	Jan 2012	Tax Administration
FAD	Expert	Dec 2011	Public Finance Management
FAD	Expert	Nov 2011	Tax Administration

FAD	Expert	Jul 2011	Tax Administration
AFRITAC	Expert	May 2011	National Accounts
AFRITAC	Expert	May 2011	Government Finance Statistics
FAD	Expert	May 2011	Tax Reform
AFRITAC	Expert	Jan 2011	National Accounts
FAD	Expert	Sep 2010	Tax System Simplification
FAD	Expert	Jun 2010	Treasury Management
MCM	Staff	Apr 2010	Public Debt Management
FAD	Expert	Apr 2010	Tax Administration
FAD	Expert	Mar 2010	Expenditure Administration
FAD	Expert	Jun 2009	Tax Administration
FAD	Expert	Nov 2008	Help establish medium-size taxpayer unit
FAD	Expert	Oct 2008	Assist Treasury computerization

Technical Assistance (continued)

Department	Type of Assistance	Time of Delivery	Purpose
AFRITAC	Expert	Sep 2008	Prepare the source data for the 2006 national accounts
AFRITAC	Expert	Jun 2008	Strengthen real sector statistics in Mali
FAD	Staff	Apr 2008	Strengthening of public accounts
FAD	Expert	Mar 2008	Establishment of medium-size taxpayer unit
FAD	Staff	Feb 2008	Customs administration

Resident Representative

Mr. Anton Op de Beke has been the Fund Resident Representative in Bamako since October 2012.

JOINT MANAGEMENT ACTION PLAN IMPLEMENTATION

Title	Products	Provisional Timing of Missions	Provisional Delivery Dates
	A. Mutual Information on Relevant Work Programs		
World Bank Work Program	Public Expenditure Review (PER) of military and security spending	November 22—December 13 2012, February 2013	May 30, 2013
	Social Safety Net project	February 2013	April 30, 2013
	Policy note on impact of the crisis on social sectors	October 2012; February 2013	June 2013
	March 2013	June 2013	Interim Country Strategy Note
	Development Policy Operation	February 2013	June 2013
	Skills Development and Youth Employment		July 2013-June 2014
Fund Work Program	Possibly negotiation of new three-year program under the Extended Credit Facility	September 2013	December 2013
	Article IV Consultation or, possibly, first review of new program under the Extended Credit Facility	March 2014	June 2014
	B. Requests for Work Program Inputs		
Fund request to the Bank	Comments on the composition of the 2014 budget and its alignment with Growth Enhancing and Poverty Reduction Strategy papers (G-PRSP3, PAPU and PRED)	September 2013	December 2013
	Budgetary implications of developments and reforms engaged in safety net, electricity, and agricultural sectors	September 2013	December 2013
	Budgetary implications of developments and reforms engaged in safety net, electricity, and agricultural sectors	March 2014	June 2014
Bank request to the Fund	Information on recent macroeconomic developments, macroeconomic projections and analysis for 2013 and the medium term	September 2013 March 2014	December 2013 June 2014

C. Agreement on Joint Products			
Joint Work Program	Joint Bank-Fund Staff Advisory Note on Growth and Poverty Reduction Strategy papers (G-PRSP3, PAPU and PRED).	March 2013	April 2013
	Joint Bank-Fund Debt Sustainability Analysis	September 2013	December 2013
	Joint Bank-Fund mission on financial sector stability and development	Fall 2013	March 2014

STATISTICAL ISSUES

Statistical Issues Appendix

(As of March 31, 2012)

Data provision has some shortcomings, but is broadly adequate for surveillance. Mali has been participating in the General Data Dissemination System (GDDS) since September 2001 and has advanced the implementation of its short- and medium-term plans for improvement. The metadata has been posted on the Dissemination Standards Bulletin Board (DSBB), since June 2003.

Real sector

The economic accounts of Mali are prepared by the National Directorate of Statistics and Data Processing (*DNSI*), in accordance with the *System of National Accounts 1968 (SNA68)* and adapted to certain characteristics specific to Mali. They are compiled on an annual basis. There are, however, weaknesses in the accuracy, coverage, and timeliness of national accounts data. The main reason has been the inadequacy of source data, along with insufficient funding and technical staffing of the DNSI. The work on implementing the *System of National Accounts* 1993 (1993 SNA) is ongoing, with the support of the West African Economic and Monetary Union (WAEMU) Commission and AFRITAC West. At this time, the new base year, 2006, has been completed, and 2007 is near completion.

In concert with other WAEMU member countries, the DNSI has been compiling and publishing a harmonized consumer price index (CPI) for Bamako on a monthly basis since early 1998.

Government finance statistics

As part of the process of economic integration among the member countries of the WAEMU, the country has made significant progress in bringing its fiscal data in line with the common framework that has been developed with technical assistance from the Fund (the harmonized table of government financial operations – TOFE). However, further efforts are needed to improve the timeliness and coverage of the TOFE. Work is progressing with the assistance of STA, AFRITAC West and AFRISTAT to expand the coverage of the TOFE to public agencies and local governments, as well as to strengthen coverage of domestic financing items. Quarterly budget execution reports are posted on the Ministry of Finance website on a timely basis.

In July 2007, a GFS mission visited Bamako to advance further the implementation of the *Government Finance Statistics Manual 2001*, and subsequently a country page was introduced in the 2007 issue of *GFS Yearbook*. To date the authorities have supplied six years of annual GFS data and they are preparing to disseminate quarterly data to STA for publication in *IFS*. In January 2008, the Minister of Finance issued a decree committing the government to the development of a database which will facilitate the balance sheet approach to analysis of the public sector; among the first steps will be an inventory and appraisal of the fair market value of nonfinancial assets. In July 2008, STA AFRITAC West staff visited Bamako for a short follow-up mission and was provided with complete data on both social security agencies.

Public debt statistics are prepared and monitored by separate agencies: external debt by the National Public Debt Directorate (NPDD) and domestic debt by the National Directorate of the Treasury and Government Accounting. The NPDD uses CS-DRMS accounting software. Debt data and projections are of generally good quality, although there is scope for improving presentation as well as the coverage of debt relief (multilateral and bilateral). A Debt Management Performance Assessment (DeMPA) was finalized in late 2009, and the authorities are working to strengthen debt data in line with the DeMPA report's recommendations.

Monetary data

Monetary and financial statistics:

Monetary and financial statistics, compiled and disseminated by the regional Central Bank of West African States (BCEAO), are broadly adequate and their institutional coverage is comprehensive. The dissemination of monthly monetary data from the BCEAO takes four to six weeks consistent with GDDS recommendations. Data are posted on the BCEAO website with a considerably longer lag. Accuracy is somewhat hampered by the use of 1990 sorting coefficients to estimate cross border amounts of banknotes among BCEAO countries, which in turn are used to estimate currency in circulation and to adjust the net foreign assets of each member country. Standardized Report Forms (in line with the *Monetary and Financial Statistical Manual*) are still not regularly used to report monetary data to the IMF.

Balance of payments

In December 1998, the responsibility for compiling and disseminating balance of payments statistics was formally assigned to the BCEAO by area-wide legislation adopted by the countries participating in the WAEMU. The BCEAO national agency finalizes the data toward mid-November of the following year, and publishes immediately thereafter in the form of a brochure, which however are not sufficiently robust.

In general, the external sector statistics in Mali exhibit serious deficiencies. Concepts and definitions used to compile the balance of payments statistics are in broad conformity with the guidelines presented in the fifth edition of the *Balance of Payments Manual* (*BPM5).* The adoption of BPM6 methodology is not required before 2013/2014, except for the recording of SDR allocations as debt liabilities. The Mali balance of payments metadata should also be updated.

The BCEAO set up a sub-regional unit responsible for reconciling intra-WAEMU trade data, which is responsible for harmonizing the bilateral statistics of member states to eliminate asymmetries before these data on internal transactions in the Union are consolidated to prepare the WAEMU regional balance of payments. The corrections made are retroactive to national data and help to improve them.

Balance of payments data remain weak in a number of key areas. Data on remittances, foreign direct investment and portfolio flows are similarly weak. Project aid is currently classified as current transfers rather than in the capital account, and several large in-kind projects are not captured in the balance of payments data properly.

Data on international investment position is published in IFS and BOPSY up to 2007. A foreign private capital survey (FPC) from DFI called "PRC CPE" is underway as in all Franc Zone countries. However, foreign assets of the private non banking sector are not well covered in the financial accounts as the surveys of residents' foreign assets remain very partial, and no use is made of an existing alternative source, e.g., BIS statistics.

The April-May 2003 multi sector statistics mission found that the balance of payments compilation system is generally sound and encouraged the authorities to integrate banking settlement sources and disseminate the balance of payments within the recommended timeliness, as set by the GDDS. The first of these recommendations remains pending. Annual statistics on balance of payments are reported to STA on a regular basis, but with some delay.

Poverty statistics

The PRS Annual Update identifies a key set of poverty indicators for monitoring of the PRS implementation.

Mali: Common Indicators Required for Surveillance

(As of April 30, 2013)

	Date of latest observation	Date received	Frequency of data	Frequency of reporting	Frequency of publication
Exchange Rates	Current	Current	D	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	February 2013	April 2013	M	M	M
Reserve/Base Money	February 2013	April 2013	M	M	M
Broad Money	February 2013	April 2013	M	M	M
Central Bank Balance Sheet	February 2013	April 2013	M	M	M
Consolidated Balance Sheet of the Banking System	February 2013	April 2013	M	M	M
Interest Rates[2]	Current	Current	I	W	M
Consumer Price Index	March 2013	April 2013	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3]—General Government[4]	N/A	N/A			
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	March 2013	April 2013	M	Q	A
Stocks of Central Government and Central Government-Guaranteed Debt[5]	2012	March 2013	M	I	A
External Current Account Balance	2011	March 2013	A	A	A
Exports and Imports of Goods and Services	2011	March 2013	A	A	A
GDP/GNP	2011	March 2013	A	A	Semi-A
Gross External Debt	2011	March 2013	A	A	A
International Investment Position[6]	2010	April 2012	A	A	A

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Includes external gross financial asset and liability position vis-à-vis nonresidents.

Note: Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).

Statement by the Staff Representative on Mali
Executive Board Meeting
June 10, 2013

The information below has become available following the issuance of the staff report. It does not alter the thrust of the staff appraisal.

The *Donor Conference for Development in Mali* organized by the European Union and France was held in Brussels on May 15. It was attended by heads of states, 108 delegations representing 80 countries and 28 international organizations, including the Fund, which Deputy Managing Director Min Zhu represented,[1] and the World Bank. Donors pledged over $4 billion—more than double the level expected—to finance the *Plan for the Sustainable Recovery of Mali in 2013-14* that the Board discussed on April 29. Although the details of the many pledges still need to be worked out, donor funding will be more than sufficient to fill the financing gap of CFAF 30 billion ($60 million) in 2013 highlighted in the staff report (¶15). Staff is of the view that the program for 2013 remains valid, as donor financing is expected to come in gradually starting in the second half of 2013. However, the public expenditure for 2014 presented in the staff report will most likely have to be revised upwards when detailed information about donor financing will be available. This will be done on the occasion of the elaboration of the 2014 budget in September.

[1] "Together for a New Mali", Remarks by Mr. Min Zhu, Deputy Managing Director of the International Monetary Fund (IMF) at the Donor Conference for Development in Mali in Brussels on May 15, 2013 available at: http://www.imf.org/external/np/speeches/2013/051513b.htm.

Press Release No. 13/206
FOR IMMEDIATE RELEASE
June 10, 2013

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Approves US$15.1 Million Disbursement under the Rapid Credit Facility for Mali

The Executive Board of the International Monetary Fund (IMF) approved a disbursement of an amount equivalent to SDR 10 million (about US$15.1 million) for Mali under the Rapid Credit Facility (RCF). The disbursement will help the authorities meet their urgent balance-of-payments need, and support their economic program in 2013 and re-engagement with donors during the transition toward a new elected government.

The RCF provides rapid concessional financial assistance with limited conditionality to low-income countries facing an urgent balance of payments need.

Following the Executive Board's discussion of Mali, Mr. Min Zhu, Deputy Managing Director and Acting Chair, stated:

"Mali's economy is emerging from a recession caused by the security and political crisis in 2012. The adoption of the road map toward presidential and parliamentary elections in July, the restoration of government control over the full territory with the help of foreign military intervention, and the return of donor support are helping set the stage for a resumption of growth. However, the economic situation remains fragile and fraught with risks.

"The Malian authorities deserve praise for their skillful management of the economy under very difficult circumstances. The government's fiscal prudence has helped maintain broad economic stability. With the announcement of significant international financial support for Mali at the recent donor conference in Brussels, the challenge will be to ensure effective deployment of these additional resources in line with the country's near and medium-term priorities of peace consolidation and development.

"Strengthening public financial management is essential for sustained economic and fiscal stability. The steps taken to strengthen cooperation and information exchange between the tax, customs, and procurement administrations will help improve tax auditing and bolster tax revenue over time. The clearance of all outstanding external and domestic arrears by year-end will support the recovery. Going forward, enhanced expenditure controls and cash management will be necessary to avoid the reemergence of payment arrears.

"The ongoing energy sector reform is expected to alleviate the fiscal burden, and boost growth and poverty reduction. The authorities need to secure public support for the reform through open and transparent communications and targeted measures to protect the poor."

Statement by Mr. Kossi Assimaidou, Executive Director for Mali

June 10, 2013

Introduction

On behalf of my Malian authorities, I would like to thank the Executive Board, Management and Staff for their continued engagement and support to Mali's recovery efforts. My Malian authorities highly appreciate the valuable policy advice and the financial and technical assistance they have received from the Fund in the context of the RCF. The economic program supported by the RCF has helped Mali sustain its recovery efforts under very difficult security, economic and social challenges, and catalyze the assistance of the international community. This renewed confidence of the donors' community in my authorities' macroeconomic policies was confirmed during the international conference held in Brussels on May 15, 2013.

Performance under the RCF

Implementation of the RCF supported program remains satisfactory. All end-March 2013 program indicators have been met. In particular, despite the difficult economic situation, there was no accumulation of external arrears in 2013. The authorities have cleared part of the arrears during the first quarter of the year, and have not contracted any non-concessional loan in 2013. Likewise, all structural benchmarks have been met.

In order to consolidate the progress achieved, my authorities are requesting a second disbursement under the RCF which remains critical for sustaining their policies towards continued macroeconomic stability and sustainable growth and contribute to the restoration of peace and stability. The RCF support will help cover the financing gap in the balance of payment for 2013, strengthen donors' confidence, and help the authorities to create the conditions necessary towards a Fund –supported program under the Extended Credit Facility (ECF).

Recent macroeconomic developments and performance under the RCF arrangement

Macroeconomic developments in 2012

In 2012, several shocks associated with poor harvest, challenging security and unstable political situation took a toll on the Malian economy, pulling it into a recession. While GDP growth was initially expected to reach 5.6 percent, it contracted by 1.2 percent as a result of the slowdown of activities in the secondary and tertiary sectors, a slowdown in construction industries and a decline in foreign aid and foreign direct investments. Inflation rose to 5.3 percent (compared to 3.5 percent 2011) due to rising food prices as a result of the bad harvest in 2011 and higher energy prices.

The political instability led to the suspension of almost all public development assistance, except emergency aid and aid directly targeting the population. As a result of a 30 percent decrease in government resources, the authorities moved quickly to control spending at a level consistent with revenue and reserves. The budget was amended accordingly to prioritize paying wages, pensions, student grants, expenses of the army and security forces, and to the extent possible, priority spending in the areas of education, health and social protection. Capital spending was drastically reduced. Revenue, however, improved thanks to the exceptional efforts of revenue collection agencies, increased taxation of petroleum products and reduced subsidies on the consumption of butane gas, as well as cuts in investment expenditures. As a result, the budget deficit (on a cash basis, including grants) was contained at to 1.2 percent of GDP.

Money supply grew by 15 percent as the government increasingly used its deposits to finance the budget deficit. Credit to the economy grew by only 5 percent due to the recession in the secondary and tertiary sectors, and the damages and losses suffered by banks in the north of the country, which caused the stability of the banking sector to deteriorate. This was accompanied by a decrease in the ratio of capital to risk-weighted assets and non-performing loans increased.

The current account deficit (including grants) fell slightly to 3.3 percent of GDP due to the strong increase of gold and cotton exports and remittances from migrant workers. However, this could not compensate for the deterioration of the capital and financial account due to the sharp decline in foreign aid and foreign direct investment. Thus, Mali had to draw on its reserves for US$ 87 million to finance the overall deficit of the balance of payments.

Economic and financial policies in 2013

Following the adoption of the road map in January 2013 to restore Mali's territorial integrity and organize presidential and legislative elections, many donors, also comforted by the first disbursement under the RCF, have gradually resumed their aid to the country, including budget support. This willingness to assist the country was reaffirmed during the Brussels international conference of May 2013, in which donors have undertaken to donate Euro 3.25 billion to Mali in the next two years to support the Plan for the Sustainable Recovery of Mali (PRED).

My authorities are mindful that these resource commitments will depend on their perseverance to consolidate public finance reform. Therefore, the soundness and sustainability of fiscal policies will remain one important pillar of the authorities' strategy for economic and financial reforms in 2013. The authorities will continue to implement a prudent fiscal policy aimed at containing expenditures in line with available resources. In this spirit, the 2013 budget was prepared based on resolute efforts to enhance domestic revenue mobilization and the authorities' decision to freeze certain investment expenditures until the resources to finance them are confirmed. Following the resumption of foreign assistance, the authorities intend to continue with this practice and have prepared a supplementary budget (LFR) to account for additional resources. As aid flows are confirmed, they will unfreeze expenditures and allocate resources to the priorities of the roadmap, notably the organization of presidential elections, the reestablishment of public administration in the northern parts of the country and the revival of economic activities. Notwithstanding the progress made in recent years, the authorities are determined to continue to focus on improving the management of public finances. In this regard, they are committed to continue to implement the Action Plan for the improvement and modernization of public finances (PAGAM/GFP II) covering the period 2011-15 to address the persistent shortcomings in the areas of revenue collection, domestic debt management, public accounting and external control of public finances.

The authorities intend to prepare the ground for the gradual reduction of subsidy on electricity consumption and cooking gas, and for the automatic adjustment of domestic energy prices (petroleum products and electricity) to the evolution of international prices. In this regard, they intend to continue to present explicitly in the budget laws the budgetary implications of a non-adjustment of fuel and energy prices, a strategy initiated in the 2013 budget law. Since 2012, fuel prices have been increased by 6 percent but the authorities are in the process of preparing different options for the automatic adjustment of fuel prices to international prices, as well as the measures needed to minimize the social impacts of these adjustments. To this end, the authorities, with the assistance of the World Bank will prepare targeted transfers to the segments of the population who could be most affected in case of an increase in food and energy prices.

The authorities will also continue to reform fiscal policy by gradually reducing exemptions, reform the tax, customs and Government property administrations. In this regard, priority will continue to be given to the reforms aimed at sustainably improving the functioning and yield of the VAT, which accounts for about 40 percent of tax revenue. The authorities will also focus on developing their capacity to regulate mining companies and to analyze the introduction of a surcharge on profits generated by exceptionally high prices, as part of the tax provisions applicable to mining companies. In order to consolidate these reform efforts, the authorities will request technical assistance through the Fund's topical Trust Funds.

The efforts towards improved expenditure management and transparency of public finance will be pursued in the framework of regional directives and regulations. Several draft laws have been prepared in this regard and have been approved by the Council of ministers. The authorities will continue to improve cash management, accounting and public finance statistics. In this regard, they intend to complete the actions undertaken to establish a single Treasury account at the regional central bank (BCEAO) and to monitor the net government position (NGP) in the banking system. Internal control structures will continue to be strengthened in compliance with the national internal control strategy and regional directives, notably the staffing of the Supreme Court accounting section which will be converted into a Court of Accounts.

In spite of the need to increase military spending to ensure the security of the country, the authorities will continue to give priority to spending in education, health and social protection in compliance with the strategic framework for growth and poverty reduction (CSCRP) for the period 2012-2017 and the PRED. Consequently, they are committed to maintain social spending above a floor set in the context of the RCF.

As regards external and domestic debt, the authorities will continue to improve debt management capacity in order to preserve debt sustainability. The important adjustment on the fiscal front in 2012 led to an increase in external and domestic arrears of 0.5 percent of GDP and 0.6 percent of GDP respectively. The authorities have contacted all the foreign creditors to whom they have accumulated arrears to reiterate their commitment to clear these arrears as soon as possible. Accordingly, in 2013, the authorities have made provisions in the supplementary budget to provide for the clearance of all external arrears in 2013. The government is committed to continue to implement a prudent debt policy and have recourse to grants and concessional financing. As regards domestic arrears accumulated in 2012, the authorities have commissioned an exhaustive audit by August 2013, as agreed in the context of the program, with the intention to also clear these domestic arrears and stimulate private sector activities.

Conclusion

My authorities are determined to preserve macroeconomic stability, improve public financial management and promote growth in the context of the revival of the country after the 2012 crisis, and renewed support from the international community. They are committed to sustain their efforts and are hopeful that they can receive, soon, Fund support under an ECF. In view of Mali's overall good performance under the RCF arrangement and the commitment of my authorities to pursue sound macroeconomic policies, I would appreciate Directors' favorable consideration of my authorities' request for a disbursement under the RCF.