FOR AGENDA

EBS/10/132

June 29, 2010

To: Members of the Executive Board

From: The Secretary

Subject: **Mali—Staff Report for the 2010 Article IV Consultation, Fourth Review Under the Three-Year Arrangement Under the Extended Credit Facility, and Request for Modification of Performance Criteria**

Attached for consideration by the Executive Directors is the staff report for the 2010 Article IV consultation with Mali, the fourth review under the three-year arrangement under the Extended Credit Facility, and Mali's request for a modification of performance criteria, which will be brought to the agenda for discussion on **a date to be announced**. A draft decision appears on pages 21–23. Unless an objection from the authorities of Mali is received prior to the conclusion of the Board's consideration, the document will be published. Any requests for modifications for publication are expected to be received two days before the Board concludes its consideration.

Questions may be referred to Mr. Maret (ext. 39779) and Mr. Camard (ext. 35677) in AFR.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Thursday, July 8, 2010; and to the African Development Bank, the European Commission, the Islamic Development Bank, the Organisation for Economic Cooperation and Development, and the West African Economic and Monetary Union, following its consideration by the Executive Board.

This document, together with a supplement providing an informational annex, will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. The supplement, which is not being distributed in hard copy, will also be available in the Institutional Repository; a link can be found in the daily list (http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm) for the issuance date shown above.

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MALI

Staff Report for the 2010 Article IV Consultation, Fourth Review Under the Three-Year Arrangement Under the Extended Credit Facility, and Request for Modification of Performance Criteria

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

Approved by Roger Nord and Thomas Dorsey

June 29, 2010

Discussions: The discussions were held in Bamako during March 24–April 6, 2010 and in Washington during the 2010 Spring Meetings. The team comprised Messrs. Maret (head), Féler (Resident Representative), Camard, Ghazanchyan, and Razafimahefa (all AFR). The team met Prime Minister Modibo Sidibé, Minister of Finance and Economy Sanoussi Touré, National Director of the Central Bank of West African States (BCEAO) Oumar Ly, other officials, Mali's development partners, and representatives of civil society and the business community.

Exchange restrictions and regime: Mali, a member of the West African Economic and Monetary Union (WAEMU) accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Fund's Articles of Agreement on June 1, 1996, and maintains an exchange system that is free of restrictions on current international transactions. The WAEMU's exchange regime is a conventional peg to the Euro.

Article IV consultation: The discussions focused on policies to prevent debt distress, reduce vulnerability to external shocks, and enhance growth prospects. Current risks to external stability are low, but policies to improve the competitiveness of the economy need to be pursued more vigorously. There are longer-term risks posed by rapid population growth and a potential decline in gold exports.

Fourth review under the ECF arrangement: The current three-year ECF arrangement was approved on May 28, 2008, in the amount of SDR 27.99 million (30 percent of quota). The first three reviews were completed in December 2008, July 2009, and February 2010, respectively. Staff recommends completion of the fourth review on the following basis:

- All quantitative performance criteria for end-December 2009 were met.
- All of the structural benchmarks have been observed, except one for which corrective actions are underway.
- The 2010 Supplementary Budget is in line with the understandings of the Third Review.

Publication: The authorities consent to the publication of this report.

Contents

ACRONYMS

BCEAO	Central Bank of West African States
BDM	*Banque de Développement du Mali* (Development Bank of Mali)
BHM	*Banque de l'Habitat du Mali* (Housing Bank of Mali)
BIM	*Banque Internationale du Mali* (International Bank of Mali)
CMDT	*Compagnie Malienne pour le Développement des Textiles* (Cotton Ginning Company of Mali)
DeMPA	Debt Management Performance Assessment
ECF	Extended Credit Facility
EdM	*Énergie du Mali* (Energy Company of Mali)
GIABA	Inter-Governmental Action Group against Money Laundering in West Africa
HIPC	Highly Indebted Poor Countries
MEFP	Memorandum of Economic and financial policies
MDRI	Multilateral Debt Relief Initiative
MDGs	Millennium Development Goals
OdN	*Office du Niger* (Authority in charge of irrigation and extension services in the Niger river inland delta)
PAGAM-GFP	*Programme d'action gouvernementale d'amélioration et de modernisation de la gestion des finances publiques* (Government Action Program for Improving and Modernizing Public Finance)
PC	Performance criterion
PEFA	Public expenditure and financial accountability
PRGF	Poverty Reduction and Growth Facility
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
REER	Real effective exchange rate
SOTELMA	*Société de Télécommunications du Mali* (Telephone Company of Mali)
TMU	Technical Memorandum of Understandings
VAT	Value-added tax
WAEMU	West African Economic and Monetary Union

Executive Summary

The program supported by the Extended Credit Facility (ECF) remains on track. The implementation of the government's economic and financial program in 2009 was broadly satisfactory despite the global crisis. All quantitative targets were met at end-December 2009, and three of the four structural benchmarks of the review were observed; corrective actions for the fourth one are underway, including through the implementation of a new public accounting software.

Growth was sustained at 4.5 percent, average inflation declined to 2.2 percent, and the balance of payments improved markedly in 2009. These outcomes reflect a strong agricultural harvest, buoyant gold export prices, and lower oil prices, as well as prudent macroeconomic policies. The balance of payments benefited also from the equivalent of 5½ percentage points of GDP in exceptional external resources (privatization receipts and the SDR allocations).

The 2009 basic budget deficit—the overall budget balance excluding grants, foreign-financed capital expenditure and spending financed by the Highly Indebted Poor Countries (HIPC) Initiative—was lower than programmed, at 1.4 percent of GDP, but the targeted reduction in pending bills was not fully achieved until end-March 2010.

The 2010 economic outlook remains positive, with a projected strengthening of economic activity. Discussions focused on the use of privatization proceeds amounting to 4 percent of GDP while maintaining macroeconomic stability. The mission welcomed the authorities' reaffirmation of their aim to limit the new basic budget deficit to no more than 2½ percent of GDP in 2010 and urged them to be fully transparent in the use of the privatization receipts.

The structural reform program is progressing satisfactorily, with a further strengthening of public finance management targeted in 2010. The privatization of the cotton parastatal CMDT and the reform program of the Housing Bank of Mali are on track.

Looking ahead, the policy challenges remain daunting. Maintaining external and internal sustainability will require the implementation of prudent debt and fiscal policies in the context of an expected decline of the mining sector, currently accounting for 75 percent of exports. Tackling vulnerabilities to external and natural shocks implies careful risk management strategies, the elaboration of sound contingent policies, and a diversification of economic activities. To that effect, the development of the private sector and the achievement of higher growth rates, which is also warranted by demographic pressures, require a more assertive development strategy. In line with previous recommendations, staff emphasized the importance of improving competitiveness, as well as the soundness of and prospects for the financial sector.

Staff supports the authorities' request for completion of the fourth ECF review.

I. Background

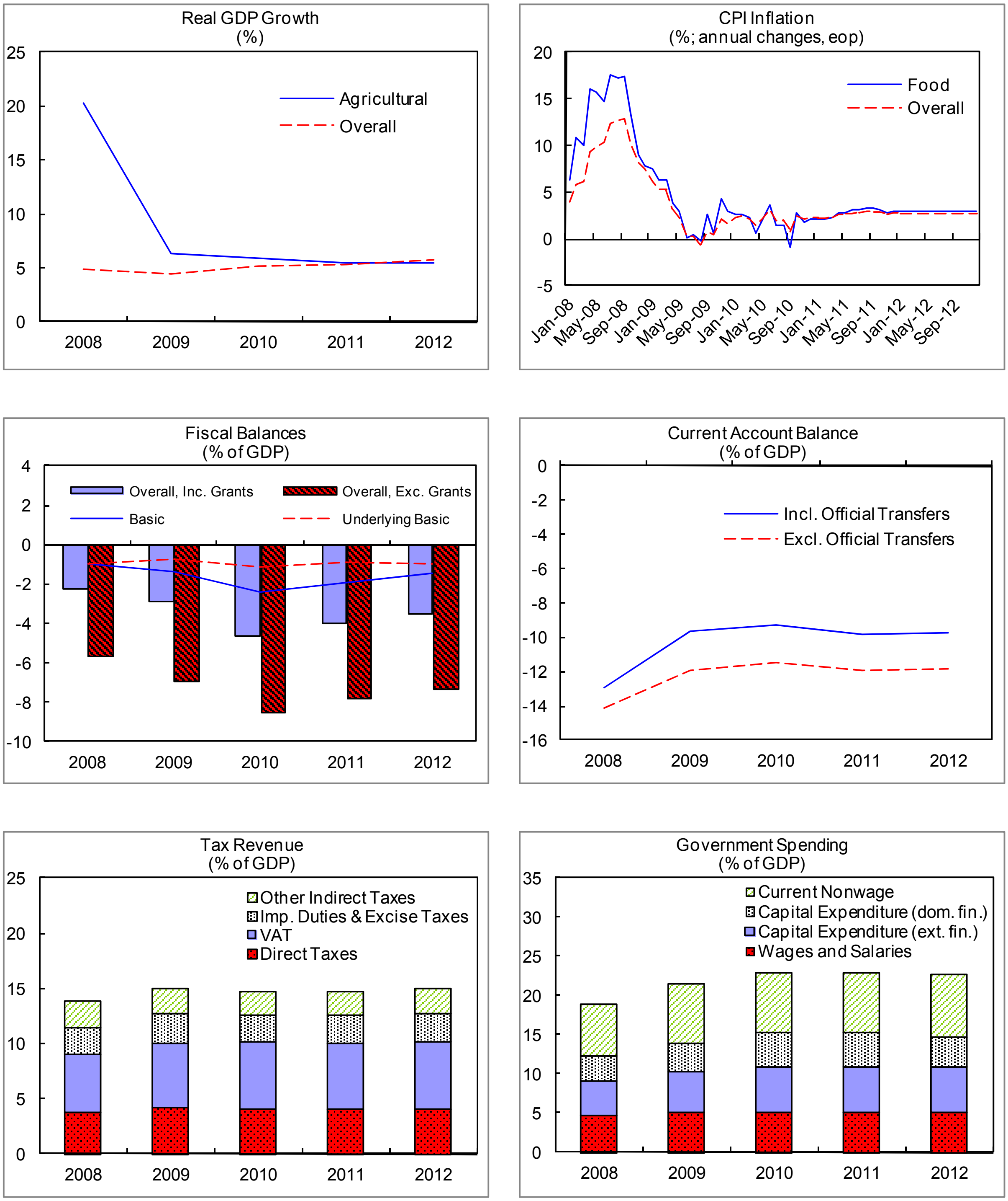
1. **Mali's arrangement under the Extended Credit Facility (ECF) was approved in the context of the 2008 food and fuel crisis, at the time of the last Article IV Consultation (SM/08/142, 5/5/08).** The 2008–11 arrangement was heavily frontloaded to address financing needs stemming from the surge of world food and fuel prices that started to affect Mali in 2007. It aimed at preserving macroeconomic stability while achieving higher levels of growth and making credible forays in poverty reduction through prudent fiscal policies and complementary structural reforms. While inflation spiked to 13 percent in 2008, a good harvest yielded growth of 5 percent despite difficulties in the cotton sector, and the sharp deterioration of the external current account balance was mostly financed by private capital inflows (Tables 1 and 6–16, Figure 1). The basic fiscal deficit (that excludes grants, foreign-financed capital expenditure and HIPC Initiative financed spending) was stable at 1 percent of GDP, though financing constraints resulted in a significant buildup in the domestic payment float by the end of 2008.

II. Recent Economic Developments and Program Implementation

2. **Economic performance in 2009 was good.** The unwinding of the 2008 fuel and food shocks played an important role in offsetting the negative effects of the global downturn, and a good harvest contributed to the turnaround. Inflation declined to 2.2 percent, growth was better than expected at 4.5 percent, and the balance of payments and the external current account recorded significant improvements, buoyed by high gold export prices and exceptional capital inflows. The sale of 51 percent of state telecom firm SOTELMA was completed in July, yielding US$0.4 billion (4 percent of GDP). This, together with the allocation of 74 million SDRs in August, contributed to a substantial increase in the international reserves of the West African Economic and Monetary Union (WAEMU) in 2009. Program implementation remained satisfactory with all quantitative performance criteria and benchmarks observed at end-September and end-December 2009.[1] The structural benchmarks for the fourth ECF review were all completed except for one, which was partially observed and for which remedial actions are underway (Tables 2 and 4).

[1] Preliminary data suggest that all end-March 2010 quantitative benchmarks were observed as well.

Figure 1. Mali: Macroeconomic Developments, 2008-12



Source: : Malian authorities; and IMF staff estimates

3. **Fiscal performance was satisfactory in most respects**. The basic fiscal deficit was lower than programmed, at 1.4 percent of GDP, but budgetary execution at the end of 2009 was hampered by delays in foreign aid disbursements, the release of large amounts of budget allocations when expenditure restraints were lifted, and enduring weaknesses in cashflow forecasting and management, which resulted in a temporary surge in pending bills. Consequently, the reduction in pending bills and domestic arrears targeted at end-December 2009 was only met at end-March 2010. In addition, new Value Added Tax (VAT) credits have been recorded as unpaid, pending the implementation of an effective reimbursement system that is scheduled for end-2010. Improved domestic debt and cash management will be one focus of ongoing reforms at the Treasury in 2010, with the help of a recently-arrived Fund resident expert.

III. Program Issues

A. The Macroeconomic Framework

4. **Economic prospects have remained positive since the third program review.** With a better than expected 2009 outturn and the implementation of a modest fiscal impulse, growth projections for 2010 and beyond have been increased slightly. Over the medium term, continued solid growth in agriculture, including a post-privatization renewal of cotton production, is expected to anchor growth in the 5-6 percent range. With prudent monetary policies at the regional level and prospects of a reasonable harvest, average inflation remains subdued and projected at around 2 percent in 2010.

5. **Buttressed by an additional improvement in the terms of trade linked to buoyant gold and cotton prices and declining oil prices, the external current account deficit will decline in 2010.** The weakening of the CFA franc will also contribute to a medium-term strengthening of the trade balance, despite the projected higher level of imports as a result of the fiscal stimulus package being implemented over 2010–12 (see below).

B. Fiscal Policy

6. **In keeping with the policy commitments made at the time of the third review under the ECF arrangement, the authorities are implementing a modest fiscal stimulus package aimed at sustaining higher levels of growth.** The package is financed by the privatization revenue of SOTELMA and spread over the period 2010–12, with a view to preserving macroeconomic stability, remaining compatible with the absorptive capacity of the economy, and maintaining the long term sustainability of public finances.[2] Funds have been allocated to the eight priority areas of President Touré's 2007–12

[2] Details of the expenditure program financed with the proceeds from selling SOTELMA are set out in Table 1 of the authorities' Letter of Intent.

Economic and Social Development Plan. About one-fourth of the money is destined for infrastructure, agriculture, and the social sectors; one-fourth for counterpart funds to co-finance public investment with donors; another one-fourth for paying down domestic debt; and the balance for housing construction, decentralization, and other uses. For 2010, the authorities have introduced a supplementary 2010 budget law to the National Assembly that sets a target of 2.4 percent of GDP for the basic fiscal deficit, compared with a 2009 outcome of 1.4 percent of GDP. Of this target, 1.3 percent of GDP consists of nonrecurrent expenditures financed by privatization receipts under the targeted expenditure program announced by President Touré in November 2009. This leaves the underlying basic deficit at a level equivalent of 1.1 percent of GDP, which is comparable to recent years and broadly sustainable in the long run.

7. **As envisaged, the revised budget law for 2010 also incorporates more realistic allocations to support the agricultural sector.** New spending equivalent to 1.4 percent of GDP have been introduced, with nearly half accounted for the by non-recurrent expenditure financed by SOTELMA revenue**.** The other half reflects additional support to the cotton sector and fertilizer subsidies (½ percent of GDP), a Constitutional referendum to approve a strengthening of state institutions (notably the creation of a Senate and the strengthening of the Supreme Court's financial oversight role), and higher domestic interest payments.[3] The authorities did not consider that the drought in Eastern Mali would have a significant budgetary impact, despite the release of cereals from government stocks, as the international community is also providing assistance to those affected.

8. **Staff regretted that the revised budget law did not include the specific cuts that are required to achieve the stated basic deficit targets, but the authorities advocated that they have the legal powers to regulate budget execution within the approved budget ceilings.** While firmly committed to the basic deficit targets, they highlighted their track record and the need for flexibility in budget execution to achieve these targets. They considered that, through a judicious reallocation of existing budget allocations, they have sufficient fiscal space within existing budgetary envelopes to achieve the required savings while addressing other potential expenditure needs within the deficit target.

C. Structural Reforms

9. **Discussions on structural reforms of the 2010 program focused on maintaining the momentum of reforms, including those that should come to fruition during the year.** The most prominent of these are the privatization of cotton ginning company (CMDT) and the continued restructuring of the Housing Bank of Mali (BHM) with a view

[3] Ex-post control of expenditure in Mali is conducted by both an Office of the Auditor-General and a branch of the Supreme Court. The planned amendments to the Constitution will make the accounts section of the Supreme Court more autonomous and allow for an enhanced role. In addition to these two bodies, there are a number of other agencies within the executive branch auditing public finances.

to privatizing it in 2012. Several public finance reforms are expected as well: the new Treasury accounting system should be ready in time for the start of the 2011 budget; a new budget reporting presentation (“TOFE”) incorporating earlier work on government accounts in the banking system should be operational at end-June; and improved forecasting techniques should strengthen the role of the treasury cash flow plan. Other actions stemming from the reform programs of the Tax and Customs Departments, such as the introduction of a medium taxpayer unit, should also show results. Most of these reforms have been inscribed in the PAGAM II, the second-generation multi-donor PFM reform program to be formally launched in the coming months.

10. **The authorities are planning complementary reforms to strengthen further public finances.** In particular, they intend to put an end to the problem of VAT credit arrears by establishing a new system for issuing refunds promptly. They are embarking on a modernization and rationalization of their tax system in line with regional guidelines and revenue objectives, which will start with the elaboration of a reform program by the end of 2010 and for which technical assistance from the Fund is being sought. Following a World Bank diagnostic audit, a number of measures are also being taken to strengthen public debt management.

D. Program Modalities

11. **Program monitoring will be carried out on the basis of quantitative performance criteria and benchmarks in Table 3.** The initial targets for end-June, end-September, and end-December 2010 have been modified, if appropriate, to take into account the fiscal stimulus package to be financed by SOTELMA revenue and the greater reduction of pending bills required in 2010 by the temporary surge of the float at end-2009. In light of these new developments, the authorities have requested approval of the revised quantitative performance criteria and benchmarks for end-June, and staff supports this request. The revised program also includes a quantitative benchmark on poverty-reducing spending, which, in line with the requirements of the ECF instrument, covers mostly current expenditure on education and health and aims at supporting the sectoral objectives set in the Poverty Reduction Strategy Paper (PRSP).

12. **Structural benchmarks for end-December remain focused on strengthening public finances and the financial sector (Table 5).** They cover an audit of the renewed activities of the BHM, the introduction of a VAT credit reimbursement system, the elaboration of a tax reform program, and the implementation of a new public accounting system at the Treasury.

IV. Medium-Term Policy Challenges

13. **Mali’s economic prospects beyond the immediate program period hinge on the authorities’ success in maintaining external and internal sustainability, reducing the country’s vulnerability to external and natural shocks, and tackling long-term**

demographic pressure. These policy challenges were set against the backdrop of the 2009 debt sustainability analysis (DSA, EBS/09/212, Supplement 1, 12/29/09), the mining sector study recently completed by the authorities, and the preliminary results of a new population census, as well as recent program performance (Box 1). Potential risk of debt distress

Box 1. Mali: Status of the 2008 Article IV Consultation Recommendations

Advice	Status
Fiscal Issues Regain fiscal space over time to address potential shocks. Improve tax and customs administration to further broaden the revenue base. Intensify efforts to reduce low priority spending (including untargeted transfers) and increase social spending.	Prudent fiscal policies have been implemented, and the 2009 basic fiscal deficit was lower than programmed. However, slower revenue growth in recent years has increased budget pressures and reduced fiscal space. A new multi-donor PFM reform plan to be implemented shortly includes program budgeting reforms to improve expenditure targeting and tax administration reforms.
Structural Reforms • Improve agriculture and work toward food security. • Restructure and privatize public enterprises, and reduce impediments to private sector development. Implement structural reforms regarding privatization and management of state enterprises.	Widespread distribution of rain-fed rice seed; an accelerated program to expand irrigation schemes; and fertilizer subsidies to peasants have combined to radically increase cereal production since 2008. Progress has been good in restructuring and privatizing major public enterprises. However, the environment for private sector development has shown little improvement.
Financial Sector • Ensure that the banking sector is stable and supports growth and poverty reduction objectives.	FSAP recommendations from 2008 have been incorporated in Mali's financial sector strategy, which is being implemented.
External Sector • Mali's Real Effective Exchange Rate (REER) overvaluation is modest but should be reduced through reforms to enhance productivity.	No general public sector wage increases have been announced since 2007, helping to contain unit labor costs. Some other reforms have been pursued, though in piecemeal fashion.
Promoting Growth • Highlight policies that would make Mali's economy more resilient to natural hazards and adverse terms of trade. Devise medium-term economic policies to accelerate growth and reduce poverty.	Work is underway to revitalize the mining and agricultural sectors and to improve *Doing Business* indicators. Despite a greater focus on growth in PRSP progress reports, policy measures have been scarce outside these key sectors, and vulnerability issues other than food have not been on the policy agenda.

pointed to the need of prudent debt management policies; managing risks of external and natural shocks highlighted the need for sound contingent policies, budget flexibility and economic diversification; and boosting economic growth and reducing poverty called for more assertive development strategies and structural reforms to ensure development of the private sector and greater competitiveness.

A. Managing Risk of Debt Distress

14. **As a result of the HIPC Initiative and the Multilateral Debt Relief Initiative (MDRI), as well as implementation of sound policies, Mali's risk of debt distress is low, but uncertainties regarding the mining sector's outlook might challenge that assessment.** The 2009 DSA included a less favorable baseline growth in mineral exports than previous DSAs, and the potential for future debt distress hinged primarily on the outlook for the mining sector. The authorities have completed a gold sector study that confirms the prospects of a decline of the sector in the medium term on the basis of currently known reserves. The authorities expressed nevertheless confidence that Mali's prospects for future mineral development remained excellent (Box 2). For gold, the

Box 2. Mining Sector: Macroeconomic Impact and Prospects

Gold mining expanded in Mali for more than 20 years. Output rose from 5 tons a year in the mid-1990s to 25 tons in 2000. The scaling up of industrial production allowed it to reach 60 tons in 2003, when Mali became the third largest gold producer in Africa and the ninth in the world. Annual output has oscillated around 54 tons since then.

Mali's economy now relies heavily on gold. In 2009, the sector accounted for 8 percent of GDP and more than 70 percent of gross merchandise exports. However, demand by the mines for local goods and services is limited, with many inputs sourced abroad. Moreover, the bulk of dividends accrues to non-residents and is therefore remitted abroad. More important is gold's contribution to government revenue, which has reached 20 percent in recent years.

Current proven reserves will likely be depleted in the medium term, but the scaling-up of exploration may allow production to continue. Current reserves should sustain production only for five to seven years, but the government is taking measures to accelerate exploration. It is now moving to reclaim unused exploration rights granted in the past to local entrepreneurs to reallocate them to international companies with more adequate technical and financial resources. The authorities also plan to expand geological surveys including with external bilateral technical assistance.

The diversification of mining beyond gold is also underway. Iron ore production with reserves estimated at 91 million tons, and phosphate production are slated to start later this year. A cement plant will open in 2011, with annual production of 1 million tons, while uranium mining is planned to begin in 2012. In addition, bauxite production is expected by 2016.and feasibility studies for other minerals, including manganese, copper, and nickel, are being undertaken.

country has a promising geological structure, but intensified exploration is needed for the development of the underground mining activities that will eventually replace the current open-pit mines. The country has also interesting prospects for other minerals, with important development projects under discussion. The authorities recognized the risk that new production might not come on stream soon enough to offset the foreseeable decline in production from existing mining projects. They agreed that the sector needed close monitoring and consideration of new reforms with a view to facilitating exploration and enhancing non-gold mining prospects. To that end, they intend to present a draft for a new Mining Code to the National Assembly later this year.

15. **Pending confirmation of better prospects for the mining sector, prudent debt management policies remain in order.** The stress tests conducted under the DSA prepared by Bank and Fund staffs in late 2009 suggest some potential threats to external debt sustainability. Such threats preclude borrowing on non-concessional terms. Staff stressed the point that Mali should continue to finance its fiscal deficit primarily through external grants and concessional loans, and avoid recourse to nonconcessional medium- and long-term external debt, as well as costly domestic debt. The authorities shared this analysis and recognized the potential risks. They reaffirmed their current commitment to implementing prudent macroeconomic and financial policies, strengthening further their debt management capacity, and avoiding nonconcessional loans, despite the new flexibility in debt limits in Fund-supported programs.

B. Managing Risk of External Shocks

16. **The limited impact of the global recession on Mali belies the country's susceptibility to exogenous shocks and its vulnerability to their effects.** The dependence on rain-fed agriculture leaves the country open to both economic and humanitarian crises in the event of unfavorable rainfall or a repeat of the 2005 locust infestations. Indeed, the current food crisis in Niger and Chad has also touched Eastern Mali, where UN agencies say that some 250,000 people face food insecurity. Due to a heavy reliance on international assistance to face food crises, the authorities have usually maintained minimal budget outlays to respond to such situations. The country is also at risk of terms of trade shocks. Unfavorable movements in the world prices of oil products, cereals and cotton can have a significant impact on the economy and the population, as happened in 2008. The strength of gold prices since the onset of the global financial crisis has helped cushion Mali from the negative effects of the crisis, notably declines in non-privatization foreign direct investment and in private remittances, but these prices remain highly volatile.

17. **Ensuring a sustainable fiscal policy stance over the medium term remains a prerequisite for addressing Mali's vulnerability to exogenous shocks.** In this context, staff advocated that a basic fiscal deficit target of about 1 percent of GDP was sustainable inasmuch as it can be financed by projected net external budgetary support, does not imply

a domestic financing requirement, and is concurrent with external debt sustainability.[4] The authorities were in broad agreement with this underlying medium term fiscal path.

18. **For a given fiscal path of the deficit, a stronger revenue base can play an important role in mitigating shocks**. The staff encouraged the authorities to broaden the tax base and strengthen revenue administration. A key step would be to allow for greater flexibility in setting domestic petroleum product prices: between February 2009 and April 2010, only 60 percent of the increase in border prices of oil products was passed through to pump prices, resulting in lost tax revenue of 0.3 percent of GDP on an annualized basis. The authorities agreed that it is important to broaden the tax base and pointed to their efforts to strengthen tax and customs administrations, as well as finalize a reform program by end-2010 to streamline and modernize the tax system. The authorities were less inclined than staff to view the rebound in oil prices as permanent and warranting additional action at this time.

19. **On the expenditure side, improved budget planning and execution can also provide valuable room for maneuver in the face of unanticipated shocks.** In particular, the staff underlined the importance of prudent budgeting, improved arbitrage between competing budgetary needs, and explicit contingency planning to tackle unforeseen events. The authorities stressed their track record of prudent macroeconomic policies, improved budget preparation, and rapid intervention to address unforeseen external shocks, such as in 2008. But they did not favor the introduction of explicit budgetary allocations for unforeseen events, arguing that the Malian budgetary system was flexible enough to address minor events through a reshuffle of allocations. In the case of major events, such precautionary budget allocations would not be sufficient and revised budget laws would be necessary.

C. Managing Economic Growth Potential and Demographic Pressures

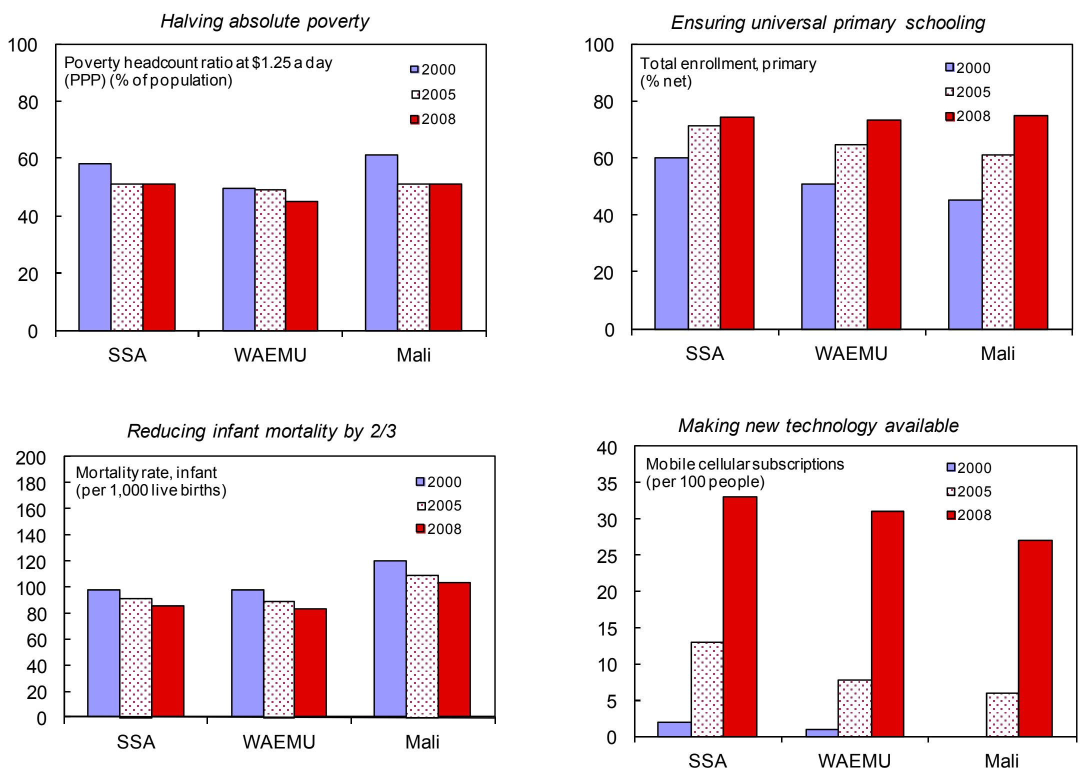
20. **Mali's very high population growth poses a severe challenge for economic development and poverty reduction.** Recent economic growth of around 5 percent is insufficient to reduce poverty in a country with 3.6 percent population growth. Close to one half of Mali's population is now estimated to be under the age of 15. With such a young age structure, Mali's population is expected to at least double in the next twenty-five years. This population surge translates into growing demand for public services and threatens to worsen the already high rate of youth unemployment. A recent World Bank study estimates that maintaining education standards in Mali would require more than a doubling of the

[4] The WAEMU targets a basic fiscal balance that is greater than or equal to zero. Under this criterion, total revenue, excluding grants, has to cover current expenditure and capital expenditure financed by domestic resources. Consequently, external budgetary support, net of amortization, cannot be used to support additional spending and has to be saved.

number of teachers over the next five years.[5] In the same vein, maintaining the current rate of 63 pupils per teacher would require creating each year about 2.5 times the number of new classrooms that have been completed in recent years. Similar issues arise for the provision of basic health and public sanitation services.

21. **A fast-growing population reinforces the need for deepening and accelerating structural reforms to raise economic growth and create jobs**. Mali's PRSP and recent progress reports point to an especially wide gap between low urban and high rural poverty,[6] and rightly highlight higher economic growth as a necessary condition for poverty reduction (see Figure 2, Box 3, and Table 13 on progress towards the Millennium Development Goals).

Figure 2. Mali: Selected Millennium Development Goals for 2015 [1]



Source: The World Bank, Milllennium Development Goals
[1] If data are not available, charts use data from the closest available year.

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[5] « *Mali-The Demographic Challenge* », World Bank Report N° 44459-ML, June 2009.

[6] Mali's progress report on the implementation of its PRSP in 2009 was reviewed in a workshop with donors and civil society organizations on June 7, 2010 and is being finalized. It can be reasonably expected to be submitted to the Board by end-December 2010.

To this effect, the PRSP targets an annual average growth rate of 7 percent. Yet, this target remains ambitious in light of historical trends, and the new data on population growth would call for even higher economic growth rates. Staff stressed accordingly the need to buttress growth objectives by a stronger development strategy and comprehensive reforms. While noting that the results of the census and their impact on social sectors had yet to be confirmed, the authorities concurred with the need to refine their development strategy. They highlighted their commitment to strengthen current policies to support the development of the private sector and the agricultural sector, such as the Rice Initiative, targeted fertilizer subsidies, and support of the cotton sector. They stressed that a cornerstone of the strategy will remain the development of the agricultural sector. Various important projects are being implemented or under consideration in this context, including substantial external financing by development partners such as the Millennium Challenge Corporation and a multi-donor group for a $160 million agricultural development program. Recent efforts to boost agricultural production, both through greater investment and through fertilizer subsidies that serve as income transfers, should also help temper the disparity between rural and urban areas.

Box 3. The 2008 Progress Report on the Poverty Reduction Strategy (PRSP)

On September 3, 2009, the Council of Ministers approved the 2008 PRSP progress report. The report noted the difficulties presented first by the food and fuel shocks and later by the global financial crisis, yet acknowledged that some of the measures taken to attenuate their impact—notably tax exemptions—were not well targeted and had a limited effect to protect the poor. The report recognizes the importance of the excellent 2008 harvest in avoiding stronger impacts from these shocks, and attributes much of the strong rise in production to the government's Rice Initiative. Going forward, the report makes a range of recommendations, including further efforts to develop social protection programs, provided that they are well targeted; measures to reduce Mali's vulnerability to external shocks; and acceleration of the statistics master plan.

22. **A particular concern for private sector-led growth is weak competitiveness.** As noted in the recent Article IV Consultation for the WAEMU area, up to the recent Euro depreciation, Mali's real effective exchange rate has risen by some 50 percent since the 1994 devaluation of the CFA franc. However, the standard exchange rate assessment points only to mild overvaluation (Box 3). Mali's lack of competitiveness stems primarily from structural causes that should be addressed by improving the business climate, diversifying the economic base, alleviating impediments to trade, and raising productivity. While important reforms have been effected under the current program, particularly with regard to the largest state-owned enterprises, the key impediments have diminished little, and Mali ranks 130th of 133 countries in the World Economic Forum's most recent *Global Competitiveness Report* . In this context, the authorities indicated that they are implementing a result-oriented action plan adopted in early 2009 to improve business conditions and reduce operating costs of the private sector (Doing Business Indicators are reported in Table 14).

Box 4. Exchange Rate Assessment

In addition to the work done recently for the 2010 WAEMU Consultation, two techniques from the standard toolkit—the macroeconomic balance and the external sustainability approaches—have been applied to assess the level of the CFA franc relative to its medium-term equilibrium level for Mali. While subject to significant statistical uncertainty and based on data preceding the recent weakening of the Euro, these additional approaches suggest that the CFA franc may be overvalued relative to the Malian economy by some 8 to 16 percent, broadly consistent with the results from the WAEMU consultation.

The **macroeconomic balance approach** suggests that the CFA franc is overvalued by about 8 percent relative to the level implied by Mali's medium-term fundamentals. This relies on an estimated norm for the current account deficit of about 5.5 percent of GDP, compared to an underlying projected deficit of 8.3 percent of GDP by 2015. Using an alternative specification that accounts for terms of trade and foreign aid composition, the norm for the current account deficit is somewhat smaller and the overvaluation of the CFAF franc is about 16 percent.

The **external sustainability approach**, which stabilizes net foreign assets, points to a smaller overvaluation of 9 percent. The resulting norm is about 3 percentage points of GDP below the projected level for current account deficit. Thus, with a nominal growth rate of 6 percent in Mali, the current account deficit necessary to stabilize net foreign assets at 60 percent of GDP is about 3 percent of GDP.

Mali: Exchange Rate Assessment

	Macroeconomic Balance Approach[1 2]		External Sustainability Approach[3]
Current Account Norm	-5.5	-3	-5.2
Underlying current account	-8.3	-8.3	-8.3
Current account gap	2.8	5.3	3.1
Exchange Rate Gap[4]			
medium (assumes current account elasticity of 0.34)	(8.2)	(15.6)	(9.1)
lower bound (assumes current account elasticity of 0.20)[5]	(14.0)	(26.5)	(15.5)
upper bound (assumes current account elasticity of 0.47)	(6.0)	(11.3)	(6.6)

1/ Applying coefficients drawn from IMF Occasional Paper 261(2008)
2/ Appyling coefficients drawn from Christiansen et al (2009) including budgetary and project aid.
3/ Under the External Sustainability Approach, the current account norm is the current account needed to stabilize net foreign assets at a level of 60% of GDP.
4/Appreciation (depreciation) needed in the real exchange rate to close the gap between norm and the underlying (projected) current account for 2015.
5/ Tokarick, Stephen. 2009, " A method for calculating export supply and import demand elasticities" .

23. **Tackling the vulnerabilities of and potential risks from the financial sector will contribute to a more stable macroeconomic environment and promote economic growth**. The authorities expressed satisfaction with the impact of the reduction of the stock of pending government payments on the quality of banks' portfolios, notwithstanding remaining weaknesses in treasury management and the end-2009 surge in pending bills (see Table 11 on financial soundness indicators). The authorities also expressed confidence that the important role played by regional banks in the Malian financial system did not constitute a significant source of additional risk, as local subsidiaries were sufficiently well

capitalized and their claims on affiliated companies were limited. The expected consolidation in the banking system as a result of higher minimum capital requirements had not yet taken place, and staff urged close attention to weaknesses that might emerge in this process. The authorities considered that the creation of a financial stability department at the central bank would largely fill the need in this regard.

24. **The recommendations of the 2008 FSAP have been incorporated into the authorities' own financial sector development strategy (FSDS)**, adopted by the Cabinet in July 2008. The action plan derived from the FSDS is being implemented and significant progress has been achieved in the areas of bank restructuring and public debt management. The authorities and staff agreed on the need to keep the momentum of reforms in these areas and implement other recommendations, including those to strengthen bank supervision.

D. Other Issues

25. **Mali's statistical base is adequate for effective surveillance, and efforts are under way to strengthen capacity** (Statistical Issues are summarized in the Informational Annex). Staff reviewed progress in implementing the GFS 2001 methodology. In particular, it discussed ways to strengthen the monitoring of public companies and prospects to widen the coverage of public finance statistics from the central government to the nonfinancial public sector. Particular emphasis was placed on strengthening these statistics, as well as balance of payments data, in the context of the ECF arrangement.

26. **Against a backdrop of security issues and reported drug trafficking in the North of the country, Mali is making progress in addressing the deficiencies of its framework for Anti-Money Laundering and Combating the Finance of Terrorism (AML/CFT).** A 2008 report had found Mali's regime in an embryonic state with legislative and preventative measures being assessed as deficient, and Mali was partially compliant or non-compliant with 46 out of 49 of the recommendations. The follow-up report presented in November 2009 to the Inter Governmental Action Group against Money Laundering in West Africa (GIABA) pointed out some progress in AML/CFT, in particular with regard to the criminalization of financing of terrorism. Essential structures of the AML/CFT mechanism have been established and made operational, including the Financial Intelligence Unit (CENTIF) and the Planning and Statistics Unit. Additional actions are envisaged to build up the efficacy of the framework, such as the creation of an inter-ministerial committee and the elaboration of a national strategy to coordinate action.

27. **Further trade liberalization, notably in the event of an Economic Partnership Agreement (EPA) with the European Union (EU), could help to strengthen Mali's competitiveness.** Trade policy issues are normally handled on a regional basis at the WAEMU level. For the EU, however, negotiations are being conducted by ECOWAS, with assistance from the WAEMU commission, and Mali has not been pursuing a separate

interim bilateral agreement. The Malian authorities are concerned over possible revenue losses from an EPA, and they support the regional position that accompanying measures—including financial assistance to offset the impact of liberalization under the EPA—should be in place before an agreement is signed.

28. **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 should nonetheless 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. Efforts to implement fully the International Financial Reporting Standards reporting framework should also be pursued.

V. Staff Appraisal

29. **Despite the global financial and economic crisis, the implementation of the government's economic and financial program in 2009 was broadly satisfactory.** Growth was sustained at 4.5 percent, inflation reduced to 2.2 percent, and the balance of payments improved markedly. Mali also benefited from exceptional revenue linked to the privatization of the telecom parastatal SOTELMA and the SDR allocations of the IMF.

30. **The overall basic budget deficit, on a commitment basis, was lower than expected, but the targeted reduction in pending bills was delayed until end-March 2010**. The Ministry of Economy and Finance is taking corrective measures to address this issue and prevent the recurrence of payment arrears, including on VAT credits. A continued focus on strengthening treasury management is central to the authorities' PFM objectives.

31. **The implementation of structural reforms continued to make good progress in 2009, notably with regards to the state enterprises and the strengthening of public finances.** SOTELMA was successfully privatized; the housing bank BHM is being effectively restructured; and the reform of the cotton sector, including the privatization of the parastatal CMDT, is moving ahead. Work also continues apace in the strengthening of public financial management, and staff looks forward to the finalization of the new reform program in this area.

32. **The 2010 economic outlook remains positive**. The implementation of a prudent fiscal stimulus package, to be financed by part of SOTELMA's privatization revenue and cast in a revised budget law, will buttress economic growth in a stable macroeconomic context. In this regard, the staff welcomes the authorities' commitments to continue implementing prudent policies and maintain an underlying fiscal adjustment process with a view to preserving long term sustainability of public finances. The revised budget law also reflects, in line with previous commitments, recent government decisions on agricultural input subsidies and support to the cotton sector. Staff urges the authorities to monitor

carefully budget execution and realize the necessary savings that will ensure respect of the program targets for the basic fiscal deficits.

33. **Mali's exchange regime and real exchange rate remain broadly appropriate, and the country is at low risk of debt distress.** Nevertheless, the country faces major challenges in remaining internationally competitive, and reforms aimed at reducing the cost of doing business and at improving the provision of financial services need greater attention. Mali's rapid population growth, and the need to find jobs for a swelling population, further increase the urgency of measures to raise the growth rate.

34. **Mali continues to be highly vulnerable to external shocks.** Improving the country's capacity to respond to such shocks, including by maintaining prudent fiscal policies, would make the country more resilient. Moreover, higher growth and progress in reducing rural poverty would also help reduce these vulnerabilities.

35. **The provision of data is broadly adequate for Fund surveillance.** However, staff encourages the authorities to pursue their efforts to address, including with Fund support, limitations and deficiencies in their data compilation and reporting systems.

36. **Based on program performance to date and the authorities' commitments to program implementation, staff recommends completion of the fourth review of the ECF arrangement.**

37. **It is expected that the next Article IV consultation with Mali will take place in accordance with the July 15, 2002 Executive Board decision on consultation cycles.**

PROPOSED DECISION

This decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board.

1. Mali has consulted with the Fund in accordance with paragraph 4.C(b) of the three year arrangement for Mali under the Extended Credit Facility (ECF) (EBS/08/52, Sup. 3, 5/27/08) (the "Arrangement") in order to review program implementation and reach further understandings concerning the conditions for disbursements under the Arrangement.

2. The letter dated June 28, 2010, from the Minister of Economy and Finance of Mali (the "June 2010 Letter"), along with the attached Technical Memorandum of Understanding (the "June 2010 TMU"), shall be attached to the Arrangement, and the letter dated May 5, 2008 from the Minister of Finance, as amended, together with their respective attachments, shall be read as supplemented and modified by the June 2010 Letter and its attachment.

3. Accordingly, the Arrangement shall be amended as follows:

a. A new paragraph 2(g) of the Arrangement shall be added to read as follows:

"(g) the seventh disbursement, in an amount equivalent to SDR 2 million, will be available on or after May 15, 2011, at the request of Mali and subject to paragraphs 4 and 5 of the arrangement below;"

b. In paragraph 4.D(a), subparagraphs (i) and (ii) of the Arrangement, the data as of June 30, 2010 with respect to the sixth disbursement shall be as set out in Table 3 of the June 2010 Letter and as further specified in the June 2010 TMU.

c. In paragraph 4.D(b) of the Arrangement, "29 of the December 2009 Letter" shall be replaced by "33 of the June 2010 Letter".

d. A new paragraph 4.E of the Arrangement shall be inserted to read as follows:

"E. the seventh disbursement under this arrangement specified in paragraph 2(g) above:

(a) if the Managing Director of the Trustee finds that, with respect to the seventh disbursement, the data as of December 31, 2010, as set out in Table 3 of the June 2010 Letter and as further specified in the June 2010 TMU, indicate that:

(i) the ceiling on the net domestic financing on the government, including the subceilings in bank and market financing, or

(ii) the cumulative net tax revenue, was not observed; or

(b) until the Trustee has determined that, with respect to the seventh disbursement, the sixth program review referred to in paragraph 33 of the June 2010 Letter, has been completed."

e. In paragraph 5(a), "Table 1 of December 2009 Letter" shall be replaced by "Table 3 of the June 2010 Letter" and "December 2009 TMU" shall be replaced by "June 2010 TMU".

4. The Fund decides that the fourth review contemplated in paragraph 4.C(b) of the Arrangement is completed, and that Mali may request the disbursement of the fifth loan referred to in paragraph 2(e) of the Arrangement.

Table 1. Mali: Selected Economic and Financial Indicators, 2008-12

	2008	2009		2010		2011	2012
	Est.	Prog. 3rd Review	Est.	Prog. 3rd Review	Rev. Prog.	Proj.	Proj.
	(Annual percentage change)						
National income and prices							
Real GDP	4.9	4.3	4.5	4.8	5.1	5.3	5.8
GDP deflator	8.8	4.3	3.6	2.6	3.6	3.0	2.4
Consumer price inflation (average)	9.1	2.2	2.2	1.2	2.1	2.6	2.8
External sector (percent change)							
Terms of trade (deterioration -)	-1.9	27.2	23.7	-8.4	6.6	4.3	-1.7
Real effective exchange rate (depreciation -)	8.0	…	0.3	…	…	…	…
Money and credit (contribution to broad money growth)							
Credit to the government	-3.2	-7.6	-13.9	5.3	10.4	5.0	2.1
Credit to the economy	5.2	5.6	7.2	6.9	5.7	5.4	6.7
Broad money (M2)	0.5	15.3	16.0	10.5	16.7	9.4	8.2
	(In percent of GDP, unless otherwise stated)						
Investment and saving							
Gross domestic investment	20.7	18.4	18.2	19.7	20.0	21.0	21.5
Of which : government	5.7	6.8	6.7	7.2	7.5	7.6	7.2
Gross national savings	7.8	12.2	8.6	11.7	12.1	11.8	12.4
Of which : government	1.8	1.2	0.8	0.5	1.5	1.5	1.6
Gross domestic savings	6.2	10.7	7.0	9.9	10.3	12.1	13.1
Central government finance							
Revenue	15.5	16.6	17.1	16.9	16.9	17.0	17.2
Grants	3.4	4.9	4.1	3.8	3.9	3.8	3.8
Total expenditure and net lending	21.2	24.7	24.1	24.6	25.5	24.8	24.6
Overall balance (payment order basis, excluding grants)	-5.6	-8.0	-6.9	-7.7	-8.5	-7.8	-7.3
Basic fiscal balance [1]	-1.0	-1.8	-1.4	-1.6	-2.4	-2.0	-1.5
Underlying basic fiscal balance [2]	-1.0	-1.4	-0.8	-1.1	-1.1	-1.0	-1.0
External sector							
Current external balance, including official transfers	-12.9	-6.1	-9.6	-8.0	-7.9	-9.1	-9.1
Current external balance, excluding official transfers	-14.1	-8.2	-11.9	-10.2	-10.2	-11.2	-11.2
Exports of goods and services	28.5	27.5	26.0	26.8	28.9	30.6	31.3
Imports of goods and services	-43.1	-35.2	-37.2	-36.6	-38.5	-39.5	-39.7
Debt service to exports of goods and services	4.0	4.0	4.2	4.0	3.7	2.3	2.3
External debt (end of period)	19.1	20.2	19.3	22.2	24.2	26.1	27.9
Memorandum items:							
Nominal GDP (CFAF billions)	3,913	4,248	4,232	4,564	4,609	5,005	5,414
Overall balance of payments (US$ millions)	-10.3	419.6	448.0	-90.9	-44.1	-41.0	-38.7
Money market interest rate in percent (end of period)	6.8	...	...	...	...	...	...
Gross international reserves (US$ millions)							
Central Bank of West African States (BCEAO)	10,721	...	13,631	...	...	...	...
in percent of broad money	55.0	...	58.7	...	...	...	...
in months of imports	6.1	...	6.9	...	...	...	...
BCEAO Mali (imputed) [3]	1,033	1,637	1,602	1,575	1,389	1,343	1,287
in percent of broad money	48.6	64.4	60.6	56.3	51.5	45.8	40.8
US$ exchange rate (end of period)	481.5	464.5	449.3	…	…	…	…

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

[1] Revenue (excluding grants) less total expenditure excluding foreign financed investment projects and HIPC Initiative spending.
[2] Basic fiscal balance excluding spending financed by privatization revenue.
[3] For 2009, reflects new SDR allocation and privatization receipts of SOTELMA.

Table 2. Mali: Quantitative Performance Criteria and Indicative Targets for 2009[1]

	March			June			Sept.			Dec.		
	Indic. Targets	Adjusted	Actual	Rev. Perf. Criteria	Adjusted	Actual	Rev. Ind. Targets	Adjusted	Actual	Rev. Perf. Crit	Adjusted	Actual
Quantitative performance criteria [1]						(CFAF billions)						
Net domestic financing of the Government (ceiling) [2]	10.0	11.8	13.1 [7]	45.0	40.1	-5.0	50.0	32.9	-4.3	49.4	46.0	26.6
Of which: Bank and market financing [2]	15.0	16.8	22.3 [7]	80.0	75.1	55.1	90.0	72.9	-136.9	-101.5	-104.9	-105.9
Cumulative increase in external payments arrears (ceiling) [3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New external borrowing at terms of one year or more contracted or guaranteed by the government on nonconcessional terms [3, 4]	0.0	0.0	17.5 [8]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New short-term external credits (less than one year) contracted or guaranteed by the government (ceiling) [3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net tax revenue	140.0	140.0	143.5	290.0	290.0	319.9	430.0	430.0	451.3	603.0	603.0	624.3
Financial indicators (floors)												
Basic fiscal balance	-10.0	-10.0	17.1	-20.0	-20.0	66.1	-40.0	-40.0	23.7	-78.0	-78.0	-58.1
Underlying basic fiscal balance [5]										-62.0	-62.0	-32.7
Memorandum items:												
External budgetary assistance during the year [1 6]	20.0	…	6.4	38.5	…	13.0	52.0	…	53.2	92.0	…	91.6
HIPC Initiative debt relief [1]	1.0	…	1.8	6.3	…	9.4	8.1	…	10.8	11.2	…	13.0
Expenditure financed with HIPC Initiative resources												
Balance of HIPC Initiative resources												

[1] Cumulative figures from the beginning of each year. Noncontinuous performance criteria at end-March and end-September 2009 are quantitative benchmarks. See technical memorandum of understandings for definitions.

[2] These quantitative targets are before payment of VAT credits in arrears. The revised targets for the end-June, end-September, and end-December 2009 reflect the recapitalization of the Housing Bank of Mali (BHM) for CFAF 19.1 billion in May 2009 and net projected reductions of the payment float by CFAF 45 billion at end-June and end-September 2009, and CFAF 30 billion at end-December 2009 (the program includes an adjustor for any deviations from the targets on the reduction of the payment float).

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

[4] Grant component equal to or higher than 35 percent.

[5] Excluding expenditures financed with funds from the privatization of SOTELMA.

[6] General budget support only.

[7] The nonobservance of the quantitative indicators for net domestic financing and bank and market financing results from a bond issue that was initiated in December 2008 but effective on January 2, 2009, leading to a downward correction of CFAF 12.3 billion at end-December 2008 and an upward revision of the same amount at end-March 2009 in market financing.

[8] Part of two CFAF syndicated loans that were signed in April and May 2009 for a total of CFAF 38 billion for the payment of VAT credit arrears and that involved non-Malian banks in the WAEMU and CEMAC CFA franc zones; subsequently resold to Malian banks.

Table 3. Mali: Quantitative Performance Criteria and Indicative Targets for 2010[1]

	2010								
	March			June		Sep.		Dec.	
	Indic. Targets	Adjusted Targets	Prel.	Perf. Criteria	Rev. Perf. Criteria	Indic. Targets	Rev. Ind. Targets	Indic. Targets	Perf. Criteria
Quantitative performance criteria [1]					(CFAF billions)				
Net domestic financing of the Government (ceiling) [2]	0.0	52.4	19.3	0.0	79.8	10.0	113.7	30.0	127.0
Of which: Bank and market financing [2]	0.0	52.4	46.9	0.0	99.3	10.0	128.7	30.0	138.6
Cumulative increase in external payments arrears (ceiling) [3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New external borrowing at terms of one year or more contracted or guaranteed by the government on nonconcessional terms [3, 4]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New short-term external credits (less than one year) contracted or guaranteed by the government (ceiling) [3, 4]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net tax revenue	130.0	130.0	154.8	300.0	304.7	470.0	490.9	670.0	677.1
Financial indicators (floors) [1]									
Basic fiscal balance	-30.0	-30.0	23.3	-40.0	-52.8	-70.0	-92.4	-75.0	-111.5
Basic fiscal balance, adjusted [5]	10.0	10.0	23.3	0.0	-38.8	-20.0	-48.4	-50.0	-51.7
Priority spending	…	…	…	…	117.0	…	175.0	…	235.0
Memorandum items:									
External budgetary assistance during the year [1]	20.0	24.0	15.5	50.0	68.3	80.0	96.4	125.3	144.1
HIPC Initiative debt relief [1]	3.1	1.3	1.3	6.2	6.9	9.3	9.7	12.4	12.4

1. Cumulative figures from the beginning of each year. Noncontinuous performance criteria at end-March and end-September 2010 are quantitative benchmarks. See technical memorandum of understandings for definitions.

2 These performance criteria and benchmarks are subject to adjustors for shortfalls of external budgetary assistance et over/under performance regarding the targeted reduction of pending bills and VAT credits.

The reductions of pending bills are 2.0, 43.7, 48.7 and 49.1 billion of CFAF at end-March, June, September and December 2010, respectively. A reduction of VAT credits by 29.0 billion of CFAF is projected for end-December 2010.

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

4 Grant component equal to or higher than 35 percent.

5 Excluding expenditures financed with funds from the privatization of SOTELMA.

Table 4. Mali: Structural Benchmarks for the Third and Fourth Reviews Under the ECF Program

	Measures	Macroeconomic rationale	Status
For end-September 2009 (in the context of the 3rd program review)			
1	Put in place the tax center for medium-sized enterprises (CIME) and start up its activities.	Strengthen revenue mobilization.	Observed at end-November 2009
2	Prepare a government cash flow plan consistent with budget nomenclature (section, economic code) to facilitate (i) quarterly monitoring of budget execution in terms of commitment, validation, payment authorization, and payment of expenditure, and (ii) better alignment of budget execution with available resources.	Strengthen public financial management, budget execution, and treasury management.	Observed at end-September 2009
3	Regarding monitoring of the cotton sector and in consultation with the IMF, prepare a monthly financial plan for the 2009/10 crop season of the financial operations (revenue, commitments, payment, debt, amounts unpaid) of the various participants in the sector(producers, CMDT, suppliers, banks, the government).	Improve governmence and transparency in the cotton sector with the view to ensuring smooth cottn campaign in 2009-2010 and limit budgetary risks.	Observed at end-September 2009
4	Regarding government support for the agricultural sector and preparation of the 2010 budget, put in place a dedicated, targeted input subsidization system for grain and cotton crops, including modalities for implementation, follow-up, and assessment.	Increase effectiveness and transparency of agricultural policy, prevent open-ended budgetary contributions and ensure monitoring and evaluation of subsidies.	Observed at end-September 2009
For end-December 2009 (in the context of the 4th program review)			
1	On the basis of the evaluation of the budgetary payment float at end-March 2008 by the Auditor General and the evaluation of the payment float at end-March 2009 by the Controller General's Office and the Inspectorate General of Finance, put in place a system to monitor budgetary float supported by improvements in the Treasury's accounting, cash flow management, and information systems, in consultation with IMF staff.	Improve transparency, measurability and management of domestic debt, and prevent occurance of domestic payment arrears.	Not observed at end-December 2009, as a result of decision to implement new public accounting software; monitoring of pending bills continues to be done through the expenditure chain.
2	By government decision, adopt a strategy and timeframe for government divestment of the Banque de l'Habitat du Mali (BHM).	Increase confidence in and resilience of the banking system, and avoid more costly rescue packages.	Observed at end-December 2009
3	Finalize the government study on the macroeconomic impact of the gold mining sector (balance of payments, growth, employment, budget) and its medium-term prospects.	To help policy and decision making in the context of a declining sector (known reserves are equivalent to 10 years of exploitation).	Observed at end-December 2009
4	In conjunction with the BCEAO, prepare (i) an exhaustive inventory of the bank accounts taken into account in the net government position, and (ii) an appropriate methodology for recording movements on these accounts, based on an accepted classification (such as projects, correspondents, etc.) in the government flow of funds table (TOFE).	Improve public finance statistics.	Observed at end-December 2009

Table 5. Mali: Structural Benchmarks for the Fifth and Sixth Reviews Under the ECF Program

	Measures	Macroeconomic rationale
For end-June 2010 (in the context of the fifth program review)		
1	Implement the new expenditure management software PRED5.	To improve budgetary management.
2	Introduce new reporting on the financial operations of the State (the "TOFE" table) which conforms to best international practices, including for the presentation of domestic financing.	To strengthen government statistics and reporting.
3	Create an interministerial committee for treasury management planning under the authority of the Minister of Economy and Finance, with a permanent technical secretariat provided by Treasury.	To improve treasury management and its coordination with budgetary management.
4	Prepare a draft policy paper on the role of the State in the cotton sector after the privatization of the CMDT.	To set the business environment in the cotton sector in a post-privatization of the state monopsony CMDT.
For end-December 2010 (in the context of the sixth program review)		
1	Implement a system for the management and timely payment of Value Added Tax (VAT) credits to eligible companies.	To prevent accumulation of VAT credit arrears and ensure neutrality of VAT on exports.
2	Produce an evaluation of restructuring of the Housing Bank of Mali (BHM), including the use of State funds transferred to the BHM in the first half of 2010 to relaunch its lending activities.	To ensure that the BHM is effectively on a recovery track.
3	Elaborate a program for the reform of the tax system, aiming at a greater mobilization of revenue while ensuring greater rationalization and modernization of the tax laws, including through reconsideration of tax exemptions.	To simplify and make the tax system more buoyant, while implementing regional directives.
4	Implement the new public accounting software in the Treasury with the necessary links to the budget application software to ensure monitoring of spending from commitment to payment, including the stock of pending bills.	To ensure improved recording and reporting of financial operations of the State.

Table 6. Mali: National Accounts, 2008–12

	2008	2009		2010		2011	2012
	Est.	Prog. 3rd review	Est.	Prog. 3rd review	Rev. Prog.	Proj.	Proj.
	(Annual percentage change, at constant prices)						
Primary sector	13.2	5.9	5.6	5.3	5.3	5.3	5.8
Agriculture	20.2	6.7	6.4	5.9	5.9	5.5	5.5
Food crops, excluding rice	14.4	6.1	5.6	4.0	4.0	5.0	5.0
Rice	48.5	6.0	6.0	8.0	8.0	5.0	5.0
Industrial agriculture, excluding cotton	22.0	9.0	9.0	9.5	9.5	5.0	5.0
Cotton	-16.8	17.3	16.8	15.0	15.0	15.0	15.0
Livestock	4.0	4.2	4.2	4.3	4.3	4.0	4.0
Fishing and forestry	3.7	5.3	5.3	4.6	4.6	4.3	4.0
Secondary sector	-4.6	3.4	3.5	4.7	4.5	8.0	8.6
Mining	-6.4	-0.6	1.5	2.6	-1.7	11.0	12.2
Industry	-14.4	4.4	0.9	3.4	7.4	5.6	6.0
Agrobusiness	-20.0	7.4	8.0	2.0	8.4	5.5	6.0
Textile	-34.0	-1.5	5.0	1.6	15.0	3.0	3.5
Others	16.2	5.0	-9.2	6.0	0.5	8.0	8.0
Energy	10.0	7.8	10.0	8.8	11.0	8.0	7.0
Construction and public works	4.5	6.0	6.0	7.0	7.0	6.5	7.0
Tertiary sector	4.1	3.3	3.5	4.1	5.2	4.3	5.2
Transportation and telecommunications	10.0	3.0	1.9	5.0	5.0	4.5	6.5
Trade	4.4	3.5	4.5	4.5	7.4	5.0	6.0
Financial services	2.0	3.5	3.5	3.5	3.5	5.0	5.0
Other nonfinancial services	1.0	5.1	5.1	4.7	4.7	5.0	4.0
Public administration	1.2	2.0	2.0	1.9	1.9	2.3	3.5
"Branche fictive"	5.5	4.0	4.0	3.0	3.0	8.0	10.0
GDP (factor cost)	5.5	4.3	4.3	4.7	5.1	5.3	5.8
Indirect taxes	-2.0	4.0	5.9	6.0	5.0	6.0	6.0
GDP (market prices)	4.9	4.3	4.5	4.8	5.1	5.3	5.8
Nonmining real GDP	5.9	4.7	4.7	4.9	5.6	5.0	5.3
	(Percentage of GDP, unless otherwise indicated)						
Aggregate demand							
Consumption	93.8	89.3	93.0	90.1	89.6	87.9	86.9
Private consumption	81.2	75.5	79.5	76.3	75.8	74.2	73.1
Public consumption	12.6	13.8	13.5	13.8	13.8	13.7	13.8
Gross investment	20.7	18.4	18.2	19.7	20.0	21.0	21.5
Government	5.7	6.8	6.7	7.2	7.5	7.6	7.2
Non-government	15.1	11.5	11.5	12.5	12.5	13.3	14.3
Net investment	11.5	9.5	9.5	10.5	10.5	11.5	12.5
Changes in inventories	3.6	2.0	2.0	2.0	2.0	1.8	1.8
Net foreign balance	-14.5	-7.7	-11.2	-9.8	-9.6	-8.8	-8.4
Gross national saving	7.8	12.2	8.6	11.7	12.1	11.8	12.4
Of which : domestic saving	6.2	10.7	7.0	9.9	10.4	12.1	13.1
Memorandum items:							
External current account balance[1]	-12.9	-6.1	-9.6	-8.0	-7.9	-9.1	-9.1
Nominal GDP (CFAF billions)	3,913	4,248	4,232	4,564	4,609	5,005	5,414
GDP deflator (annual percent change)	8.8	4.3	3.6	2.6	3.6	3.0	2.4

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

[1] Including official transfers.

Table 7. Mali: Balance of Payments, 2008–12 [1]

	2008	2009		2010		2011	2012
	Est.	Prog. 3rd review	Est.	Prog. 3rd review	Rev. Prog.	Proj.	Proj.
	(CFAF billions)						
Current account balance							
Excluding official transfers	-552.3	-349.0	-504.3	-463.4	-469.2	-561.5	-604.6
Including official transfers	-504.8	-259.9	-406.8	-363.4	-365.2	-457.5	-492.1
Trade balance	-313.3	-76.1	-220.9	-174.0	-152.8	-87.3	-59.5
Exports, f.o.b.	913.5	978.4	911.3	1,010.3	1,128.4	1,320.6	1,473.5
Cotton fiber	65.6	60.9	60.6	55.2	80.2	91.9	104.6
Gold	645.9	737.2	641.1	752.3	817.6	983.9	1,109.1
Other	202.0	180.3	209.6	202.9	230.6	244.7	259.8
Imports, f.o.b.	-1,226.8	-1,054.5	-1,132.2	-1,184.4	-1,281.2	-1,407.9	-1,533.1
Petroleum products	-261.2	-182.0	-175.7	-230.1	-236.4	-265.4	-297.2
Foodstuffs	-153.0	-143.8	-141.1	-147.7	-139.2	-139.1	-143.4
Other	-812.6	-728.7	-815.4	-806.6	-905.6	-1,003.5	-1,092.5
Services (net)	-255.2	-250.2	-253.1	-272.8	-291.6	-355.5	-397.9
Credit	203.4	191.5	189.5	211.2	202.1	211.4	220.8
Debit	-458.7	-441.7	-442.6	-484.0	-493.7	-566.9	-618.7
Of which : freight and insurance	-267.0	-255.4	-248.5	-286.9	-281.2	-324.9	-353.8
Income (net)	-140.0	-155.4	-155.4	-160.3	-160.3	-265.9	-306.4
Of which: interest due on public debt	-16.2	-12.5	-12.4	-14.8	-14.8	-10.0	-11.3
Transfers (net)	203.7	221.8	222.6	243.7	239.6	251.2	271.7
Private transfers (net)	156.2	132.7	125.1	143.6	135.6	147.2	159.3
Official transfers (net)	47.5	89.1	97.5	100.0	104.0	104.0	112.5
Of which: budgetary grants	25.0	46.6	51.9	54.4	54.4	50.1	54.1
Capital and financial account	449.4	460.3	511.9	320.9	343.5	436.8	472.5
Capital account (net)	147.3	158.2	160.0	140.6	169.8	184.6	200.4
Of which: project grants	109.2	140.1	119.7	120.7	127.4	138.6	150.6
Financial account	302.1	302.1	351.9	180.3	173.7	252.3	272.2
Private (net) [2]	230.5	125.5	188.9	41.7	22.8	88.6	94.5
Direct investment (net)	80.5	206.3	228.4	60.7	52.5	73.7	72.6
Portfolio investment private (net)	3.4	4.4	4.4	4.4	4.6	5.0	5.4
Other private capital flows	146.6	-85.2	-44.0	-23.5	-34.4	10.0	16.4
Official (net)	71.6	176.6	163.0	138.7	151.0	163.6	177.7
Disbursements	99.9	158.0	144.0	172.6	184.9	189.1	204.3
Budgetary	29.1	45.9	39.7	29.9	42.2	35.0	37.9
Project related	70.8	112.1	104.3	142.7	142.6	154.0	166.4
Monetary authority	0.0	52.5	52.5	0.0	0.0	0.0	0.0
Amortization due on public debt	-28.3	-33.9	-33.5	-33.9	-33.9	-25.4	-26.6
Errors and omissions	50.9	0.0	106.0	0.0	-0.4	-0.5	-0.5
Overall balance	-4.6	200.4	211.0	-42.3	-22.1	-21.2	-20.1
Financing	4.6	-200.4	-211.0	42.3	22.1	21.2	20.1
Foreign assets (net)	-6.3	-211.9	-224.0	30.0	9.7	21.2	20.1
Of which: IMF (net)	13.4	1.5	1.5	4.3	4.4	1.1	-0.9
HIPC Initiative assistance	10.9	11.5	13.0	12.4	12.4	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:	(Annual percentage changes, unless otherwise specified)						
External trade							
Export volume index	-1.3	-0.8	-7.1	3.7	3.9	9.1	10.7
Import volume index	12.5	11.1	6.3	3.4	1.1	12.7	8.7
Export unit value	26.2	10.1	7.4	-0.4	19.2	7.3	0.8
Import unit value	28.7	-13.4	-13.1	8.6	11.9	2.9	2.5
Terms of trade	-1.9	27.2	23.7	-8.4	6.6	4.3	-1.7

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

1 Presented according to the *Balance of Payments Manual (5th edition*); 2006–2010 data after adjustment for MDRI.

2 Reflects mainly investments in the gold sector and, in 2009, the privatization of SOTELMA; includes short-term capital flows.

Table 7. Mali: Balance of Payments, 2008–12 [1] (concluded)

	2008	2009		2010		2011	2012
	Est.	Prog. 3rd review	Est.	Prog. 3rd review	Rev. Prog.	Proj.	Proj.
	(in percent of GDP)						
Current account balance							
Excluding official transfers	-14.1	-8.2	-11.9	-10.2	-10.2	-11.2	-11.2
Including official transfers	-12.9	-6.1	-9.6	-8.0	-7.9	-9.1	-9.1
Trade balance	-8.0	-1.8	-5.2	-3.8	-3.3	-1.7	-1.1
Exports, f.o.b.	23.3	23.0	21.5	22.1	24.5	26.4	27.2
Cotton fiber	1.7	1.4	1.4	1.2	1.7	1.8	1.9
Gold	16.5	17.4	15.1	16.5	17.7	19.7	20.5
Other	5.2	4.2	5.0	4.4	5.0	4.9	4.8
Imports, f.o.b.	-31.4	-24.8	-26.8	-26.0	-27.8	-28.1	-28.3
Petroleum products	-6.7	-4.3	-4.2	-5.0	-5.1	-5.3	-5.5
Foodstuffs	-3.9	-3.4	-3.3	-3.2	-3.0	-2.8	-2.6
Other	-20.8	-17.2	-19.3	-17.7	-19.6	-20.0	-20.2
Services (net)	-6.5	-5.9	-6.0	-6.0	-6.3	-7.1	-7.3
Credit	5.2	4.5	4.5	4.6	4.4	4.2	4.1
Debit	-11.7	-10.4	-10.5	-10.6	-10.7	-11.3	-11.4
Of which : freight and insurance	-6.8	-6.0	-5.9	-6.3	-6.1	-6.5	-6.5
Income (net)	-3.6	-3.7	-3.7	-3.5	-3.5	-5.3	-5.7
Of which: interest due on public debt	-0.4	-0.3	-0.3	-0.3	-0.3	-0.2	-0.2
Transfers (net)	5.2	5.2	5.3	5.3	5.2	5.0	5.0
Private transfers (net)	4.0	3.1	3.0	3.1	2.9	2.9	2.9
Official transfers (net)	1.2	2.1	2.3	2.2	2.3	2.1	2.1
Of which: budgetary grants	0.6	1.1	1.2	1.2	1.2	1.0	1.0
Capital and financial account	11.5	10.8	12.1	7.0	7.5	8.7	8.7
Capital account (net)	3.8	3.7	3.8	3.1	3.7	3.7	3.7
Of which: project grants	2.8	3.3	2.8	2.6	2.8	2.8	2.8
Financial account	7.7	7.1	8.3	4.0	3.8	5.0	5.0
Private (net) [2]	5.9	3.0	4.5	0.9	0.5	1.8	1.7
Direct investment (net)	2.1	4.9	5.4	1.3	1.1	1.5	1.3
Portfolio investment private (net)	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other private capital flows	3.7	-2.0	-1.0	-0.5	-0.7	0.2	0.3
Official (net)	1.8	4.2	3.9	3.0	3.3	3.3	3.3
Disbursements	2.6	3.7	3.4	3.8	4.0	3.8	3.8
Budgetary	0.7	1.1	0.9	0.7	0.9	0.7	0.7
Project related	1.8	2.6	2.5	3.1	3.1	3.1	3.1
Monetary authority	0.0	1.2	1.2	0.0	0.0	0.0	0.0
Amortization due on public debt	-0.7	-0.8	-0.8	-0.7	-0.7	-0.5	-0.5
Errors and omissions	1.3	0.0	2.5	0.0	0.0	0.0	0.0
Overall balance	-0.1	4.7	5.0	-0.9	-0.5	-0.4	-0.4
Financing	0.1	-4.7	-5.0	0.9	0.5	0.4	0.4
Foreign assets (net)	-0.2	-5.0	-5.3	0.7	0.2	0.4	0.4
Of which: IMF (net)	0.3	0.0	0.0	0.1	0.1	0.0	0.0
HIPC Initiative assistance	0.3	0.3	0.3	0.3	0.3	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

[1] Presented according to the *Balance of Payments Manual (5th edition)*; 2006–2010 data after adjustment for MDRI.

[2] Reflects mainly investments in the gold sector and, in 2009, the privatization of SOTELMA; includes short-term capital flows.

Table 8. Mali: Central Government Consolidated Financial Operations, 2008-12

	2008	2009		2010		2011	2012
		Prog. 3rd review	Est.	Prog. 3rd review	Rev. Prog.	Proj.	Proj.
	(CFAF billions, unless otherwise specified)						
Revenue and grants	741.5	917.0	896.6	947.5	962.2	1,040.3	1,137.3
Total revenue	607.3	706.8	725.0	772.5	780.5	851.7	932.5
Budgetary revenue	540.6	635.3	653.2	701.0	709.0	774.0	847.8
Tax revenue	519.4	609.3	624.3	674.1	677.1	739.1	809.6
Direct taxes	149.7	181.4	177.1	187.7	188.7	200.0	218.3
Indirect taxes	369.7	427.9	447.2	486.3	488.3	539.1	591.3
VAT	200.8	232.1	247.4	275.7	276.7	303.3	330.2
Excises on petroleum products	35.2	37.7	23.1	22.5	22.5	24.9	27.4
Import duties	64.3	87.6	90.1	91.0	91.0	102.8	115.0
Other indirect taxes	91.9	77.3	93.6	99.1	100.1	108.2	118.7
Tax refund	-22.5	-6.8	-7.0	-2.0	-2.0	-2.0	-2.2
Nontax revenue	21.2	26.0	28.9	26.9	31.9	34.9	38.1
Special funds and annexed budgets	66.7	71.5	71.8	71.5	71.5	77.6	84.8
Grants	134.2	210.2	171.6	175.1	181.8	188.6	204.8
Of which: Budgetary support	25.0	46.6	51.9	54.4	54.4	50.1	54.1
Total expenditure and net lending	828.2	1,047.4	1,018.6	1,122.6	1,174.5	1,243.2	1,330.3
Budgetary expenditure	753.9	966.9	925.2	1,039.8	1,075.5	1,169.6	1,249.6
Current expenditure	459.1	581.1	549.0	602.3	611.8	662.0	726.6
Wages and salaries	186.0	217.1	213.5	235.8	235.7	253.5	276.3
Goods and services	164.7	201.3	190.2	214.1	214.1	229.0	255.4
Transfers and subsidies	94.3	146.9	129.6	133.4	140.1	161.5	175.7
Interest	14.1	15.8	15.7	19.9	22.7	17.9	19.2
Of which: domestic	1.6	3.3	3.3	5.1	7.9	7.9	7.9
Capital expenditure	294.9	385.9	376.2	437.5	463.7	507.6	523.0
Externally financed	172.8	252.2	224.0	263.3	270.0	292.6	317.0
Domestically financed	122.1	133.7	152.2	174.2	193.6	215.0	206.0
Special funds and annexed budgets	66.7	71.5	71.8	71.5	71.5	77.6	84.8
Net lending	7.6	9.0	21.6	11.3	27.4	-4.0	-4.0
Overall fiscal balance (excl. grants)	-220.9	-340.6	-293.6	-350.2	-394.0	-391.6	-397.8
Overall fiscal balance (incl. grants)	-86.7	-130.4	-122.0	-175.1	-212.2	-202.9	-193.0
Adjustment to cash basis	49.2	-93.8	-26.0	-3.5	-78.1	-4.3	4.0
Overall balance (cash basis, incl. grants)	-37.5	-224.2	-148.0	-178.6	-290.3	-207.2	-189.1
Financing	37.5	224.3	148.1	178.6	290.3	207.2	189.1
External financing (net)	82.5	135.6	123.5	151.0	163.3	163.6	177.7
Loans	99.9	158.0	144.0	172.6	184.9	189.1	204.3
Project loans	70.8	112.1	104.3	142.7	142.6	154.0	166.4
Budgetary loans	29.1	45.9	39.7	29.9	42.2	35.0	37.9
Amortization	-28.3	-33.9	-33.5	-33.9	-33.9	-25.4	-26.6
Debt relief	10.9	11.5	13.0	12.4	12.4	0.0	0.0
Domestic financing (net)	-45.0	88.7	24.6	27.6	127.0	43.6	11.4
Banking system	-32.6	-77.9	-142.7	62.9	123.6	68.8	32.1
Net credit to the government	-32.6	-77.9	-142.7	62.9	123.6	68.8	32.1
IMF (net)	12.5	3.0	1.5	2.1	4.3	1.5	-0.9
Central bank credit (net)	-2.3	46.9	49.4	-2.5	-2.5	-5.0	-4.9
Other	-42.8	-127.8	-193.6	63.3	121.8	72.2	38.0
Privatization receipts	39.1	180.4	180.4	3.3	3.3	0.0	0.0
Other financing	-51.5	-13.8	-13.1	-38.6	0.1	-25.2	-20.7
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items	65.0	104.0	104.6	96.7	109.0	85.1	92.0
Basic fiscal balance [1]	-37.3	-77.0	-58.1	-74.5	-111.6	-99.0	-80.8
Underlying basic fiscal balance [2]	-37.3	-61.0	-32.7	-49.5	-50.5	-49.0	-55.8
Domestic government saving	81.5	54.2	104.2	98.7	97.1	112.0	121.2
Wage bill as a percent of tax revenue	35.8	35.6	34.2	35.0	34.8	34.3	34.1

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

[1] Total revenue less current noninterest spending and net lending, excluding grants, externally financed capital expenditure and HIPC-financed spending.
[2] Basic fiscal balance excluding spending financed by privatization revenue.

Table 8. Mali: Central Government Consolidated Financial Operations, 2008-12 (concluded)

	2008	2009		2010		2011	2012
		Prog. 3rd review	Est.	Prog. 3rd review	Rev. Prog.	Proj.	Proj.
	(in percent of GDP)						
Revenue and grants	19.0	21.6	21.2	20.8	20.9	20.8	21.0
Total revenue	15.5	16.6	17.1	16.9	16.9	17.0	17.2
Budgetary revenue	13.8	15.0	15.4	15.4	15.4	15.5	15.7
Tax revenue	13.3	14.3	14.8	14.8	14.7	14.8	15.0
Direct taxes	3.8	4.3	4.2	4.1	4.1	4.0	4.0
Indirect taxes	9.4	10.1	10.6	10.7	10.6	10.8	10.9
VAT	5.1	5.5	5.8	6.0	6.0	6.1	6.1
Excises on petroleum products	0.9	0.9	0.5	0.5	0.5	0.5	0.5
Import duties	1.6	2.1	2.1	2.0	2.0	2.1	2.1
Other indirect taxes	2.3	1.8	2.2	2.2	2.2	2.2	2.2
Tax refund	-0.6	-0.2	-0.2	0.0	0.0	0.0	0.0
Nontax revenue	0.5	0.6	0.7	0.6	0.7	0.7	0.7
Special funds and annexed budgets	1.7	1.7	1.7	1.6	1.6	1.6	1.6
Grants	3.4	4.9	4.1	3.8	3.9	3.8	3.8
Of which: Budgetary support	0.6	1.1	1.2	1.2	1.2	1.0	1.0
Total expenditure and net lending	21.2	24.7	24.1	24.6	25.5	24.8	24.6
Budgetary expenditure	19.3	22.8	21.9	22.8	23.3	23.4	23.1
Current expenditure	11.7	13.7	13.0	13.2	13.3	13.2	13.4
Wages and salaries	4.8	5.1	5.0	5.2	5.1	5.1	5.1
Goods and services	4.2	4.7	4.5	4.7	4.6	4.6	4.7
Transfers and subsidies	2.4	3.5	3.1	2.9	3.0	3.2	3.2
Interest	0.4	0.4	0.4	0.4	0.5	0.4	0.4
Of which: domestic	0.0	0.1	0.1	0.1	0.2	0.2	0.1
Capital expenditure	7.5	9.1	8.9	9.6	10.1	10.1	9.7
Externally financed	4.4	5.9	5.3	5.8	5.9	5.8	5.9
Domestically financed	3.1	3.1	3.6	3.8	4.2	4.3	3.8
Special funds and annexed budgets	1.7	1.7	1.7	1.6	1.6	1.6	1.6
Net lending	0.2	0.2	0.5	0.2	0.6	-0.1	-0.1
Overall fiscal balance (excl. grants)	-5.6	-8.0	-6.9	-7.7	-8.5	-7.8	-7.3
Overall fiscal balance (incl. grants)	-2.2	-3.1	-2.9	-3.8	-4.6	-4.1	-3.6
Adjustment to cash basis	1.3	-2.2	-0.6	-0.1	-1.7	-0.1	0.1
Overall balance (cash basis, incl. grants)	-1.0	-5.3	-3.5	-3.9	-6.3	-4.1	-3.5
Financing	1.0	5.3	3.5	3.9	6.3	4.1	3.5
External financing (net)	2.1	3.2	2.9	3.3	3.5	3.3	3.3
Loans	2.6	3.7	3.4	3.8	4.0	3.8	3.8
Project loans	1.8	2.6	2.5	3.1	3.1	3.1	3.1
Budgetary loans	0.7	1.1	0.9	0.7	0.9	0.7	0.7
Amortization	-0.7	-0.8	-0.8	-0.7	-0.7	-0.5	-0.5
Debt relief	0.3	0.3	0.3	0.3	0.3	0.0	0.0
Domestic financing (net)	-1.2	2.1	0.6	0.6	2.8	0.9	0.2
Banking system	-0.8	-1.8	-3.4	1.4	2.7	1.4	0.6
Net credit to the government	-0.8	-1.8	-3.4	1.4	2.7	1.4	0.6
IMF (net)	0.3	0.1	0.0	0.0	0.1	0.0	0.0
Central bank credit, net	-0.1	1.1	1.2	-0.1	-0.1	-0.1	-0.1
Other	-1.1	-3.0	-4.6	1.4	2.6	1.4	0.7
Privatization receipts	1.0	4.2	4.3	0.1	0.1	0.0	0.0
Other financing	-1.3	-0.3	-0.3	-0.8	0.0	-0.5	-0.4
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items							
Basic fiscal balance [1]	-1.0	-1.8	-1.4	-1.6	-2.4	-2.0	-1.5
Underlying basic fiscal balance [2]	-1.0	-1.4	-0.8	-1.1	-1.1	-1.0	-1.0
Domestic government saving	2.1	1.3	2.5	2.2	2.1	2.2	2.2

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

[1] Total revenue less current noninterest spending and net lending, excluding grants, externally financed capital expenditures, and HIPC-financed spending.

[2] Basic fiscal balance excluding spending financed by privatization revenue.

Table 9. Mali: WAEMU Convergence Criteria, 2006-12

	Criterion	2006	2007	2008	2009	2010 Proj.	2011 Proj.	2012 Proj.
		(Ratios in percent, unless otherwise indicated)						
Primary criteria								
Basic fiscal balance / GDP	>=0	0.3	-0.9	-1.0	-1.4	-2.4	-2.0	-1.5
Inflation (annual average percentage change)	<=3	1.5	1.5	9.1	2.2	2.1	2.6	2.8
Total nominal debt / GDP	<=70	39.9	19.4	21.6	21.4	25.7	27.0	28.5
Domestic arrears accumulation (CFAF billions)	<=0	0.0	0.0	145.7	-87.6	0.0	0.0	0.0
External arrears accumulation (CFAF billions)	<=0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Secondary criteria								
Wages / fiscal revenue	<=35	30.9	33.4	35.8	34.2	34.8	34.3	34.1
Domestically financed investment / fiscal revenue	>=20	22.2	31.7	22.6	23.3	27.3	27.8	24.3
Current account deficit, excl. current official transfers /	<=5	-6.7	-9.5	-14.1	-11.9	-10.2	-11.2	-11.2
Tax revenue / GDP	>=17	14.9	14.2	13.3	14.8	14.7	14.8	15.0

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

Table 10. Mali: Monetary Survey, 2008-12

	2008	2009		2010		2011	2012
	Dec	Dec	Dec	Dec	Dec.	Dec.	Dec.
		Prog. 3rd review	Est.	Prog. 3rd review	Rev. Prog.	Proj.	Proj.
	(In billions of CFA francs)						
Net Foreign Assets	496.2	718.1	742.4	698.1	749.7	736.0	725.9
BCEAO	466.8	678.7	638.3	648.7	628.6	607.5	587.4
Commercial Banks	29.4	39.4	104.0	49.4	121.1	128.6	138.6
Net Domestic Assets	527.4	461.9	445.5	605.8	636.5	780.7	914.8
Credit to the government (net)	-156.2	-234.1	-298.9	-171.2	-175.3	-106.5	-74.4
BCEAO, net	5.5	…	-113.4	…	…	…	…
Commercial banks	-161.7	…	-185.6	…	…	…	…
Other	0.0	…	0.0	…	…	…	…
Credit to the economy	671.2	728.9	744.9	809.9	812.3	887.7	989.7
Other items (net)	12.4	-32.9	-0.5	-32.9	-0.5	-0.5	-0.5
Money supply (M2)	1,023.6	1,180.0	1,187.9	1303.9	1,386.2	1,516.8	1,640.7
Currency outside banks	317.1	354.0	304.5	391.2	355.4	388.8	420.6
Bank deposits	706.6	826.0	883.4	912.7	1,030.9	1,128.0	1,220.1
Memorandum item:							
Base Money (M0)	491.1	540.2	543.8	596.9	634.6	694.4	751.1
Gross international reserves BCEAO	497.3	760.1	719.7	734.6	714.5	694.4	669.3
in percent of broad money	48.6	64.4	60.6	56.3	51.5	45.8	40.8
	(In percent of beginning-of-period broad money)						
Contribution to growth of broad money							
Money supply (M2)	0.5	15.3	16.0	10.5	16.7	9.4	8.2
Net foreign assets	-3.0	21.7	24.0	-1.7	0.6	-1.0	-0.7
BCEAO	0.6	20.7	16.8	-2.5	-0.8	-1.5	-1.3
Commercial banks	-3.6	1.0	7.3	0.8	1.4	0.5	0.7
Net domestic assets	3.5	-6.4	-8.0	12.2	16.1	10.4	8.8
Credit to the central government	-3.2	-7.6	-13.9	5.3	10.4	5.0	2.1
Credit to the economy	5.2	5.6	7.2	6.9	5.7	5.4	6.7
Other items net	1.5	-4.4	-1.3	0.0	0.0	0.0	0.0
	(Variation in percent, unless otherwise specified)						
Memorandum items:							
Money supply (M2)	0.5	15.3	16.0	10.5	16.7	9.4	8.2
Base money (M0)	5.0	10.0	10.7	10.5	16.7	9.4	8.2
Credit to the economy	8.5	8.6	11.0	11.1	9.0	9.3	11.5
Velocity (GDP/M2)	3.8	3.6	3.6	3.5	3.3	3.3	3.3
Money Multiplier (M2/M0)	2.1	2.2	2.2	2.2	2.2	2.2	2.2
Currency outside banks / M2	31.0	30.0	25.6	30.0	25.6	25.6	25.6

Sources: BCEAO; and Fund staff estimates and projections.

Table 11. Mali: Financial Soundness Indicators for the Banking Sector, 2002-09 [1/]

	2002	2003	2004	2005	2006	2007	2008	2009 Prel.
Capital Adequacy								
Capital (net worth) in percent of assets	10.0	9.7	7.4	9.7	9.2	7.2	7.4	8.5
Asset composition and quality								
Nonperforming loans in percent of total loans	19.5	15.6	19.6	30.2	25.0	25.1	25.3	22.0
Nonperforming loans net of provisions in percent of total credits net of provisions	9.6	7.3	9.9	16.3	12.6	10.7	9.3	9.1
Provisions as percent of nonperforming loans	56.4	57.5	55.0	55.0	57.0	65.5	66.9	64.4
Earnings and profitability								
Net profit (before tax) in percent of net income	14.6	13.1	-28.3	14.3	13.5	-13.9	15.9	20.8
Return on equity	7.7	7.6	-22.6	8.7	8.7	-12.1	13.3	13.2
Global margin (yield on loans minus cost of capital)	6.0	6.4	6.2	6.5	7.0	7.3	7.9	9.0

Source: BCEAO, and IMF staff estimates.
1/ Ratios calculated on the basis of average stocks of the period.

Table 12. Mali: Medium Term Projections, 2008-15

	2008 Est.	2009 Est.	2010 Rev. Prog.	2011 Proj.	2012 Proj.	2013 Proj.	2014 Proj.	2015 Proj.
	(Annual percentage change)							
National income and prices								
Real GDP	4.9	4.5	5.1	5.3	5.8	5.2	5.0	4.5
GDP deflator	8.8	3.6	3.6	3.0	2.4	2.6	2.6	2.5
Consumer price inflation (average)	9.1	2.2	2.1	2.6	2.8	2.8	2.8	3.4
External sector (percent change)								
Terms of trade (deterioration -)	-1.9	23.7	6.6	4.3	-1.7	-0.9	-0.6	-2.9
Real effective exchange rate (depreciation -)	8.0	0.3	…	…	…	…	…	…
Money and credit (contribution to broad money growth)								
Credit to the government	-3.2	-13.9	10.4	5.0	2.1	0.1	-0.5	-0.5
Credit to the economy	5.2	7.2	5.7	5.4	6.7	7.1	5.5	4.5
Broad money (M2)	0.5	16.0	16.7	9.4	8.2	7.9	7.7	7.0
	(In percent of GDP, unless otherwise stated)							
Investment and saving								
Gross domestic investment	20.7	18.2	20.0	21.0	21.5	22.2	23.1	24.5
Of which : government	5.7	6.7	7.5	7.6	7.2	7.0	7.0	7.4
Gross national savings	7.8	8.6	12.1	11.8	12.4	13.6	15.0	16.2
Of which : government	1.8	0.8	1.5	1.5	1.6	1.9	1.8	1.7
Gross domestic savings	6.2	7.0	10.3	12.1	13.1	14.2	15.6	16.2
Central government finance								
Revenue	15.5	17.1	16.9	17.0	17.2	17.3	17.4	17.3
Grants	3.4	4.1	3.9	3.8	3.8	3.8	3.8	3.8
Total expenditure and net lending	21.2	24.1	25.5	24.8	24.6	24.2	24.2	24.4
Overall balance (payment order basis, excluding grants)	-5.6	-6.9	-8.5	-7.8	-7.3	-6.9	-6.9	-7.0
Basic fiscal balance[1]	-1.0	-1.4	-2.4	-2.0	-1.5	-1.0	-1.0	-1.1
Underlying basic fiscal balance[2]	-1.0	-0.8	-1.1	-1.0	-1.0	-1.0	-1.0	-1.1
External sector								
Current external balance, including official transfers	-12.9	-9.6	-7.9	-9.1	-9.1	-8.6	-8.0	-8.3
Current external balance, excluding official transfers	-14.1	-11.9	-10.2	-11.2	-11.2	-10.7	-10.1	-10.3
Exports of goods and services	28.5	26.0	28.9	30.6	31.3	31.2	31.1	29.3
Imports of goods and services	-43.1	-37.2	-38.5	-39.5	-39.7	-39.2	-38.5	-37.6
Debt service to exports of goods and services	4.0	4.2	3.7	2.3	2.3	2.3	2.2	2.3
External debt (end of period)	19.1	19.3	24.2	26.1	27.9	29.6	31.3	33.1
Memorandum items:								
Nominal GDP (CFAF billions)	3,913	4,232	4,609	5,005	5,414	5,840	6,292	6,735
Overall balance of payments (US$ millions)	-10.3	448.0	-44.1	-41.0	-38.7	-1.5	68.3	53.4
Money market interest rate in percent (end of period)	6.8	...	...	...	...	...	...	...
Gross international reserves (US$ millions)								
Central Bank of African States (BCEAO)	10,721	13,631	...	...	...	...	...	...
in percent of broad money	55.0	58.7	...	...	...	...	...	...
in months of imports	6.1	6.9	...	...	...	...	...	...
BCEAO Mali (imputed)[3]	1,033	1,602	1,389	1,343	1,287	1,270	1,322	1,359
in percent of broad money	48.6	60.6	51.5	45.8	40.8	37.5	36.4	35.1
US$ exchange rate (end of period)	481.5	449.3	…	…	…	…	…	…

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

[1] Revenue (excluding grants) less total expenditure excluding foreign financed investment projects and HIPC Initiative spending.

[2] Basic fiscal balance excluding spending financed by privatization revenue.

[3] For 2009, reflects new SDR allocation and privatization receipts of SOTELMA.

Table 13. Mali: Millennium Development Goals 1990-2008

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

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

Table 14. Mali: Doing Business Indicators, 2010

	Mali	WAEMU	Sub-Saharan Africa
Starting a business			
Procedures (number)	7.0	8.0	9.4
Time (days)	15.0	51.6	46.5
Cost (% of income per capita)	89.2	142.3	102.6
Minimum capital (% of income per capita)	334.6	421.6	141.0
Dealing with Construction Permits			
Procedures (number)	14.0	16.1	17.2
Time (days)	185.0	285.6	259.9
Cost (% of income per capita)	818.5	1,018.6	1,997.0
Employing Workers			
Difficulty of Hiring Index (0-100)	33.0	57.5	36.8
Rigidity of Hours Index (0-100)	20.0	37.5	29.7
Difficulty of Redundancy Index (0-100)	40.0	40.0	39.5
Rigidity of Employment Index (0-100)	31.0	45.0	35.3
Redundancy Cost (weeks of salary)	31.0	43.3	67.3
Registering Property			
Procedures (number)	5.0	5.4	6.7
Time (days)	29.0	116.9	83.1
Cost (% of property value)	20.0	13.9	10.2
Getting Credit			
Legal Rights Index (0-10)	3.0	3.0	4.7
Credit Information Index (0-6)	1.0	1.0	1.5
Public registry coverage (% adults)	4.0	3.6	2.5
Private bureau coverage (% adults)	0.0	0.0	4.8
Protecting Investors			
Disclosure Index (0-10)	6.0	6.0	4.9
Director Liability Index (0-10)	1.0	1.0	3.3
Shareholder Suits Index (0-10)	4.0	3.5	5.1
Investor Protection Index (0-10)	3.7	3.5	4.4
Paying Taxes			
Payments (number)	58.0	53.0	37.6
Time (hours)	270.0	311.8	297.8
Total tax rate (% profit)	52.1	50.8	67.7
Trading Across Borders			
Documents for export (number)	7.0	7.6	7.7
Time for export (days)	32.0	30.6	33.5
Cost to export (US$ per container)	2,075.0	1,835.6	1,948.9
Documents for import (number)	10.0	8.3	8.8
Time for import (days)	37.0	35.4	39.2
Cost to import (US$ per container)	2,955.0	2,444.9	2,372.4
Enforcing Contracts			
Procedures (number)	36.0	39.1	38.7
Time (days)	626.0	715.0	647.3
Cost (% of debt)	52.0	50.0	50.5
Closing a Business			
Time (years)[1]	3.6	3.5	3.2
Cost (% of estate)[1]	18.0	15.3	20.6
Recovery rate (cents on the dollar)	20.9	20.7	17.6

Source: World Bank, Doing Business Indicators (http://www.doingbusiness.org/economyrankings/).

[1] WAEMU indicators exclude Guinea-Bissau. SSA indicators exclude Burundi, Cape Verde, Chad, Comoros, Equatorial Guinea, Eritrea, Guinea-Bissau, Madagascar, Rwanda, São Tomé and Príncipe, and Seychelles.

Table 15. Mali: Indicators of Capacity to Repay the Fund, 2008–14 [1]

	2008	2009	2010	2011	2012	2013	2014
			(in millions of SDRs)				
Fund obligations based on existing credit							
Principal	0.0	0.0	0.1	0.5	1.2	2.9	5.2
Charges and interest	0.5	0.5	0.2	0.2	0.2	0.2	0.2
Fund obligations based on existing and prospective credit							
Principal	0.0	0.0	0.1	0.5	1.2	2.9	10.8
Charges and interest	0.5	0.6	0.3	0.3	0.3	0.3	0.3
Total obligations based on existing and prospective credit							
In millions of SDRs	0.5	0.6	0.5	0.9	1.5	3.2	11.1
In billions of CFA francs	0.7	0.8	0.6	1.1	2.0	4.4	14.9
In percent of government revenue	0.1	0.1	0.1	0.1	0.2	0.5	1.5
In percent of exports of goods and services	0.1	0.1	0.0	0.1	0.1	0.2	0.8
In percent of debt service [2]	0.1	0.2	0.2	0.2	0.4	0.9	2.9
In percent of GDP	0.0	0.0	0.0	0.0	0.0	0.1	0.2
In percent of quota	0.5	0.6	0.5	0.9	1.6	3.4	11.9
Outstanding Fund credit [2]							
In millions of SDRs	26.0	28.0	33.9	35.3	34.1	31.2	20.4
In billions of CFA francs	36.9	38.5	44.9	46.0	44.1	42.3	27.4
In percent of government revenue	6.8	5.9	6.3	5.9	5.2	4.6	2.8
In percent of exports of goods and services	3.3	3.5	3.4	3.0	2.6	2.3	1.4
In percent of debt service [2]	7.3	9.5	12.3	10.1	9.0	8.4	5.4
In percent of GDP	0.9	0.9	1.0	0.9	0.8	0.7	0.4
In percent of quota	27.9	30.0	36.3	37.9	36.6	33.5	21.9
Repayments and Repurchases	18.0	2.0	5.9	1.5	-1.2	-2.9	-10.8
Disbursements	18.0	2.0	6.0	2.0	0.0	0.0	0.0
Repayments and Repurchases	0.0	0.0	0.1	0.5	1.2	2.9	10.8
Memorandum items:	(in billions of CFA francs, unless otherwise indicated)						
Nominal GDP	3912.8	4232.0	4609.2	5005.4	5414.4	5840.4	6292.5
Exports of goods and services	1116.9	1100.8	1330.4	1532.0	1694.4	1824.3	1954.4
Government revenue	540.6	653.2	709.0	774.0	847.8	918.6	991.8
Debt service [2]	504.8	406.8	365.2	457.5	492.1	502.3	504.7
CFA francs/SDR (period average)	704.6	726.5	...	...	...	...	...

Sources: IMF staff estimates and projections.

1/ Assumes ECF (formerly PRGF) access in an amount of SDR 27.99 million.
2/ Total debt service includes IMF repurchases and repayments.

Table 16. Mali: Schedule of Disbursements Under the ECF Arrangement, 2008–11

Amount	Available date	Disbursement date	Conditions for disbursement[1]
SDR 12.99 million	May 28, 2008	June 18, 2008	Executive Board approval of the three year ECF arrangement.
SDR 5.00 million	December 10, 2008	December 22, 2008	Observance of the performance criteria for June 30, 2008, and completion of the first review under the arrangement
SDR 2.00 million	July 6 , 2009	July 13, 2009	Observance of the performance criteria for December 31, 2008, and completion of the second review under the arrangement
SDR 2.00 million	January 11, 2009	February 10, 2010	Observance of the performance criteria for June 30, 2009, and completion of the third review under the arrangement
SDR 2.00 million	May 15, 2010	July 15, 2010	Observance of the performance criteria for December 31, 2009, and completion of the fourth review under the arrangement
SDR 2.00 million	November 15, 2010	December 1, 2010	Observance of the performance criteria for June 30, 2010, and completion of the fifth review under the arrangement
SDR 2.00 million	May 15, 2011	June 1, 2011	Observance of the performance criteria for December 31, 2010, and completion of the sixth review under the arrangement

Source: International Monetary Fund.

1 In addition to the generally applicable conditions under the Extended Credit Facility arrangement

APPENDIX I

Program of the Government of Mali Supported by an
Arrangement under the Extended Credit Facility

LETTER OF INTENT FOR THE 4TH REVIEW

Bamako, June 28, 2010

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Sir:

1. Implementation of our economic and financial program supported by the International Monetary Fund through an arrangement under the Extended Credit Facility (ECF) was satisfactory in 2009 and the results achieved were encouraging. Unlike the surge in global food and energy prices in 2008, the 2009 international financial crisis and global recession had only a limited impact on the national economy. In 2010, the year of our fiftieth anniversary of independence, we intend to continue our efforts to promote sustained economic growth with a view to improving the living standards of the population and reducing poverty. Attainment of these objectives is contingent on maintaining macroeconomic stability and deepening important structural reforms, particularly in the area of public financial management.

A. Program implementation in 2009 and in the first quarter of 2010

2. The economic climate was relatively positive in 2009. As stated in our letter of December 23 last, favorable prices for gold—which accounts for 75 percent of our export earnings—the fall in world energy and food prices following their steep rise in 2008, and a second consecutive year of good rainfall meant that the Malian economy was not unduly affected by the adverse effects of the global recession.

3. Gross domestic product (GDP) grew by 4.5 percent in real terms, driven mainly by the good results of the crop year. These good results also helped bring average inflation down

from 9.1 percent in 2008 to 2.2 percent in 2009, against the backdrop of the easing of regional monetary conditions by the Central Bank of West African States (BCEAO).

4. Helped by the evolution of international prices of gold, petroleum products and food, the external current account deficit showed only a slight dip despite a drop of around 15 percent in migrant workers' remittances and a decline in revenue from tourism as a consequence of both the global recession and security problems in the north of the country.

5. The capital account balance also improved markedly owing essentially to the IMF SDR allocations and the rise in foreign direct investment, which was in turn largely attributable to the partial privatization of *Société des Télécommunications du Mali* (SOTELMA), resulting in an appreciable increase in Mali's contribution to the international reserves of the West African Economic and Monetary Union (WAEMU).

6. These good results overall reflect not only favorable external factors but also the implementation of prudent macroeconomic policies. The government's underlying basic fiscal balance (excluding expenditures financed by the Highly Indebted Poor Countries (HIPC) Initiative and receipts from the privatization of SOTELMA) recorded a deficit of CFAF 32.7 billion (0.8 percent of GDP) in 2009, as opposed to the 1.4 percent of GDP projected during the third program review and compared with a deficit of 1 percent of GDP in 2008. The basic deficit, including expenditures financed by SOTELMA, was contained at 1.4 percent of GDP compared with a target of 1.8 percent. This outcome is a reflection of strong tax revenue performance, especially indirect taxes, and control of spending. Revenue overshot their targets by 0.5 percentage point to reach 15.4 percent of GDP. On the expenditure side, savings on current expenditure made it possible to offset an overrun in domestic financed capital outlays and net lending.

7. Despite improved control of the basic fiscal balance, we were unable to meet the target for reducing the government's budgetary float vis-à-vis its suppliers and Treasury correspondents at end-2009. The budgetary float of CFAF 145.7 billion at end-2008 was reduced to CFAF 129.1 billion at end-2009, compared with the CFAF 66 billion targeted in the program. This outcome can be explained by the stepped up pace of expenditures in the last quarter of 2009, following the strict regulation of spending over the first nine months of the year, and the late disbursement of CFAF 32 billion in external budgetary assistance in the last days of the month of December 2009. The issuance and the settlement of payment orders in the fourth quarter were consequently carried over in part to 2010 in the form of new budgetary float. Nevertheless, the deposits accumulated at December 31, 2009 were used in the first quarter of 2010 to reduce the budgetary float to CFAF 55.2 billion at end-March 2010, that is below the target initially set for end-2009. These significant fluctuations of the budgetary float strengthen our determination to make further improvements in the forward management of government cash flow. If one takes into account the reduction of the Value Added Tax (VAT) credits owed to mining companies from CFAF 69 billion at end-December 2008 to CFAF 29 billion at end-December 2009, the pending bills of the State

have been reduced from CFAF 215 billion to CFAF 158 billion over the same period. We intend to reduce this level of pending bills to CFAF 80 billion at end-December 2010.

8. All the performance criteria of the program for end-December 2009 were met, including the two related to net domestic financing of the government, which were corrected to take account of VAT arrears clearance operations and the underperformance noted with regard to the reduction of the budgetary float. In addition, the three structural benchmarks for end-December 2009 on the (i) adoption of a strategy and a timetable for government divestment of the state-owned housing bank (BHM), (ii) finalization of a study on the macroeconomic impact of the gold sector, and (iii) preparation, jointly with the BCEAO, of an inventory of the accounts included in the net position of the government vis-à-vis the banking system and of an appropriate methodology for recording the movements of the accounts in the table of the government's financial operations (TOFE).

9. However, the benchmark on the putting in place of a system to monitor the budgetary float has not been met, particularly as a result of delays in implementing the new integrated government accounting software application. A coordination unit was set up at the National Directorate of the Treasury and Public Accounting (DNTCP) to support the provider in accelerating the operationalization of the software. Pending the implementation of the real time monitoring system, outstanding payments continue to be monitored on a regular basis through the expenditure chain. Since end-April 2010, the DNTCP has also been receiving technical assistance from an IMF resident expert for the implementation of the new public accounting management integrated software.

10. We have continued to observe satisfactory economic and financial developments in 2010. International market trends remain favorable to Mali; national economic growth indicators are encouraging; and average inflation has continued to subside to reach 1.2 percent at end-April. The launching of the 2010/11 agricultural campaign was done under good conditions and is supported by favorable initial weather conditions, except in the East of the country where a drought persists and results in pockets of food shortages that we aim at addressing through our food security program and with our development partners. The implementation of our program remains satisfactory; based on preliminary data, the indicative quantitative targets at end-March 2010 have been observed.

B. Outlook for 2010

11. The revision of our economic and financial program for 2010 is based on the objectives and commitments made under the third program review. Essentially, it reflects the implementation of a fiscal policy that targets higher growth through an increase of non-recurrent spending financed by revenues from the privatization of SOTELMA. We intend to continue to focus on prudent public financial management and the deepening of key structural reforms in pursuit of the objectives contained in the Poverty Reduction and Growth

Strategy Framework (CSCRP). The support of Mali's technical and financial partners (TFPs) remains vital for our ongoing efforts in this direction.

12. Economic growth is expected to exceed 5 percent in 2010, fuelled by the upturn in both regional and global economic activity, our adjusted fiscal policy, and the projected good agricultural harvest. According to current forecasts, cotton ginning is set to recover and more robust activity is projected in the building, public works, and tertiary sectors. At the regional level, the BCEAO will continue to pursue a prudent monetary policy to anchor inflation expectations and stabilize inflation at around 2 percent in Mali. However, despite the continued solid performance of gold prices on the world market and the rise in cotton prices, our external position may deteriorate slightly as foreign direct investment tapers off from the exceptionally high level reached in 2009 as a result of the privatization of SOTELMA. Further, our economy remains very heavily dependent on rainfall and continues to be vulnerable to new exogenous shocks, including on its terms of trade.

Fiscal policy

13. The government stands by the commitments and fiscal objectives adopted in its previous letter of intent. Thus, prior to the conclusion of the fourth program review, the government intends to submit to the National Assembly a supplementary budget incorporating various policy components that could not be taken into account at the time of the vote on the initial budget for 2010.

14. In the supplementary budget law for 2010, the target for the basic deficit (excluding HIPC expenditure) has been increased from 1.6 to 2.4 percent of GDP, reflecting an increase in non-recurrent spending financed by SOTELMA privatization receipts. As regards the underlying basic deficit, that is, excluding expenditures financed by SOTELMA, the initial target level remains unchanged at 1.1 percent of GDP as both revenue and expenditure measures have been put in place to offset the new fiscal spending amounting to around 0.8 percent of GDP.

15. The revenue target remains unchanged at 15.4 percent of GDP. The supplementary budget includes an amount of CFAF 5 billion paid by a telecommunications company for a third-generation (3G) license. Further, in view of the efforts made by the Directorate-General of Taxes (DGI) in the area of tax administration, its revenue target for 2010 has been revised upwards by CFAF 3 billion. To ensure that its revenue targets are met, the government will continue its policy of reflecting international oil price fluctuations in domestic prices. Petroleum product prices were, therefore, raised last April. Good revenue performance in the first quarter of 2010, in line with the program, also offers sufficient justification for keeping the revenue target unchanged.

16. On the expenditure side, we have finalized the broad outlines for use of the SOTELMA privatization proceeds to finance non-recurrent expenditures over the 2009–12

period (see attached Table 1). The revised 2010 budget law takes on board an additional CFAF 30.9 billion in expenditures to be financed by these proceeds, that is, an increase of 0.9 percent of GDP bringing the total to 1.4 percent of GDP. The planned expenditure concerns mostly capital expenditure to support economic growth. The transparent management and close monitoring of the use of the privatization receipts will be ensured through specific allocations in the budget laws and the use of a sub-account of the Treasury in the BCEAO, which was opened especially for the recording and use of this revenue.

17. The supplementary budget also provides an opportunity for budget support needs in the context of efforts to revive the cotton sector and the agricultural inputs subsidization policy for the 2010/11 crop season to be reflected more adequately. These needs have arisen from recent information on the conduct of the crop season and decisions taken in March 2010 by the Higher Council for Agriculture. The budget allocation of CFAF 13.9 billion included in the initial budget law for the subsidization of agricultural inputs will be increased by CFAF 7.8 billion to incorporate expenditures planned under this item for the 2010/11 crop season. Similarly, budget support to the cotton sector in 2010 will be increased by CFAF 16.1 billion, including CFAF 8.7 billion corresponding to assumption by government of the costs of the CMDT employee reduction scheme, a CFAF 2 billion contribution to the efforts to rehabilitate the cotton ginning plant, CFAF 2 billion for the settlement of banking payment arrears, and CFAF 3.4 billion to clear the arrears on invoices for inputs from the 2006/07 and 2007/08 crop seasons. The adequacy of these additional expenditures to meet the needs of supporting agricultural inputs and the cotton sector will be assessed in the context of the fifth program review.

18. The supplementary budget law also includes an adjustment of the amounts to cover expenditures for interest payments on domestic debt and the holding of a constitutional referendum before the end of the year. This referendum opens the way for important institutional reforms aimed at consolidating our democracy. Among other things, the proposed reforms address the creation d'un Senate, an Audit Office (Cour des Comptes) to strengthen existing provisions for ex-post control of budget execution, and a single, independent audiovisual regulatory authority.

19. Thus, the new expenditures contained in the supplementary budget law amount in total to CFAF 63.9 billion, i.e., 1.4 percent of GDP, broken down as follows: 7.0 billion in expenditures of goods and services, 19.1 billion in transfers and subsidies, 4.0 billion in interest on domestic debt, 28.9 billion in capital expenditure, and 7.4 billion in net lending. SOTELMA privatization receipts will finance the increased level of capital expenditure and CFAF 2 billion of net lending, in addition to the CFAF 28.9 billion already included in the initial budget law, i.e., a total of CFAF 59.8 billion.

20. In the light of the new expenditure and revenue, the government has committed in the supplementary budget law to making savings on expenditure during the execution of the budget law so as to limit the underlying basic deficit to CFAF 52.6 billion, that is the initial

target of 1.1 percent of GDP. Twenty-five percent of the planned budget savings, estimated at about CFAF 20 billion, or 0.4 percent of GDP, will be in the area of goods and services, twenty-five percent in subsidies and transfers, and fifty-percent in capital expenditure.

21. The government's overall budget deficit, on a commitment basis and excluding grants, is targeted at CFAF 393 billion, i.e., 8.5 percent of GDP versus actual figures of 6.9 percent of GDP in 2009. Taking into account net external financing, including grants, estimated at 3.9 percent of GDP, the need for domestic financing of this fiscal stimulus to support growth is limited to 1.1 percent of GDP. To this need should also be added, however, the projected reduction of the stock of outstanding payments at end-2009 by CFAF 49 billion. In addition, the government has accumulated CFAF 29 billion in new arrears of VAT credit reimbursements to four mining companies whose tax amnesty period recently expired. These arrears will be settled in 2010, possibly through a rescheduling agreement over 3 years.

22. The overall need for domestic financing of the budget, therefore, amounts to 2.8 percent of GDP. It will be met primarily by drawing on the exceptional revenues from the privatization of SOTELMA (1.3 percent of GDP), deposits constituted at end-2009 (0.7 percent), and rescheduling of the VAT arrears (0.4 percent).

Structural Reforms

23. We are pursuing our efforts to improve public financial management supported by our TFPs. In the wake of the satisfactory implementation of the action plan for improving and modernizing public financial management (PAGAM/GFP), a second generation of reforms is under preparation (PAGAM 2) in line with standards of the Public Expenditure and Financial Accountability (PEFA) framework. In the strategic plan, the PAGAM/GFP2 are aimed mainly at:

- Optimizing government revenues on a sustainable basis,
- Improving the quality of budget preparation and execution to encourage our partners to use budget support as the preferred form of assistance,
- Strengthening the system of financial governance by improving the efficiency of ex-post controls by the Accounts Section,
- Stepping up fiscal deconcentration and decentralization supported, starting in 2010, by a three-year World Bank technical assistance program.

24. Improving the mobilization of domestic financial resources remains one of the government's main priorities. To this effect, we will adopt a national tax transition program with a view to increasing the tax revenue to GDP ratio to 17 percent in the medium term, with emphasis on broadening the tax base and revamping existing exemption arrangements

(structural benchmark). The program will include a study on the tax potential of Mali as well as a new generation of tax reforms aimed at modernizing and streamlining our tax system for which we are seeking IMF technical assistance. Against that backdrop and in the context of transposing WAEMU directives on taxation into the national legislation, a number of draft legislative texts will be prepared for submission to the National Assembly, including legislation to reduce corporate taxes and introduce a land tax on developed and undeveloped property. A draft new mining code will be prepared by end-December 2010 that will cover other mineral resources beyond gold, facilitate mining research and exploration, and be integrated in the program to modernize and streamline the tax system.

25. The Directorates-General of Taxes (DGI) and of Customs (DGD) will continue their efforts to improve tax and customs administration, with technical assistance from the IMF. The DGI will continue to pay special attention to the functioning of the new Medium Taxpayer Office (MTO). Along similar lines, the DGD will continue to work towards introducing an automated targeting system for customs inspections by early 2011. Efforts will also to needed to modernize and strengthen the capacity of the National Directorate of Government Lands and Property Registry (DNDC), established in 2002, as part of the broader objective of boosting revenue recollection. A program to enhance the DNDC will be approved by end-2010.

26. The government will implement by end-December 2010, in consultation with the Fund, a VAT management system that respects the integrity of the tax and provides an effective mechanism for the prevention and the reimbursement of VAT credit arrears (structural benchmark). In this context, it commits to resolving the problems of accumulation and reimbursement of VAT credits in general and of export companies in particular.

27. In the context of the transition to result-oriented budgets, we have effectively started in April 2010 the migration of our public spending management software to a new version (PRED5). The modules for the preparation and execution of the budget have been parameterized and output tables prepared. Test operations are ongoing with a view to make it fully operational by end-June 2010. A new public accounting software will also be operational at end-2010 and inter-connected with the public spending management software to ensure a monitoring not only of budgetary execution up to the final payment stage but also of pending bills (structural benchmark).

28. Significant progress has been made towards the introduction, by end-June 2010, of a new government flow of funds table (TOFE) in which the presentation of domestic financing (bank and nonbank) will be consistent with international best practices. These efforts aimed at improving budgetary statistics will be pursued in the second half of 2010 and incorporated into the ongoing work to upgrade the rolling projected cash-flow plan to strengthen cash management.

29. In addition, the National Public Debt Committee (CNDP) established by Decree of September 24, 2009 will become operational by end-September 2010 by the adoption of regulations regarding its operations and the nomination of the members of the technical commission of the CNDP. The CNDP is responsible for examining all domestic or external debt plans and requests for guarantees prior to any final decision by the government. The reporting and the management of the domestic debt will be strengthened with a view to, first, ensuring the exhaustivity of data at the level of the CNDP and, second, improving the programming of the recourse to regional financial markets.

Other structural reforms

30. The government will continue to implement the recommendations of the 2008 Financial Sector Assessment Program (FSAP), in keeping with the financial system development strategy adopted in the same year. Particular attention will be paid to implementation of the restructuring plan of the BHM, with the goal of divestment of the government's interests in 2012. Thus, by end-December 2010, the government will proceed with the recruitment of a privatization advisor. It will conduct an evaluation of the restructuring plan of the BHM, including the use of the government funds transferred for the renewed lending activities of the BHM in the first half of 2010, in collaboration with the BCEAO (structural benchmark).

31. For the cotton sector, the call for expressions of interest in the privatization of the cotton parastatal CMDT was published in February 2010. A special workshop in April 2010 validated the draft of the national strategic framework for the development of the cotton sector, and the final report will be ready by end-June 2010. The government will ensure that this privatization operation takes place in the best conditions to ensure the economic and financial sustainability of the sector.

Modalities for monitoring the program

32. Discussions on the fifth program review will focus on the implementation of structural reforms and on the draft budget for 2011 taking into account the fiscal anchor on an underlying basic deficit of around 1 percent of GDP.

33. Performance under the current program will be evaluated on the basis of Tables 3 and 5 and the Technical Memorandum of Understanding attached. In that context, we request the modification of the end-June 2010 quantitative performance criteria and benchmarks, which takes into account the end-2009 outcome and recent developments. It is envisaged that the fifth program review will be concluded by end-2010 on the basis of the performance criteria at end-June 2010 and that the sixth review will be completed by end-May 2011 on the basis of the performance criteria at end-2010.

34. The government requests that the Executive Board of the IMF complete the fourth review of Mali's ECF arrangement and approve the disbursement of the fifth loan equivalent to SDR 2 million. The government considers that the policies described in this letter are sufficient to achieve its program objectives. It will, however, take any other measures that may prove necessary to that end. Mali will consult with the Fund on the adoption of these measures and in advance of any revision to the policies contained in this letter, in accordance with the Fund's policies on such consultation. The government will provide Fund staff with any required information contained in the Technical Memorandum of Understanding on progress made in implementing the program. During the program, the government will not introduce or intensify any exchange restrictions, multiple currency practice, or import restriction for balance of payments of purposes, nor conclude any bilateral payment agreements that are inconsistent with Article VIII of the Fund's Articles of Agreement. The government authorizes the IMF to publish this letter, and the related Staff Report on this review.

Yours sincerely,

/s/

Mr. Sanoussi Touré

Minister of Economy and Finance

Table 1. Mali-Use of Proceeds from Partial Privatization of Sotelma, 2009-2012

(In billions of CFA Francs)

	2009 Est.	2010 Proj.	2011 Proj.	2012 Proj.	Total Proj.
Fiscal consolidation / Reduction of domestic debt and payment arrears	9,451	2,000	15,274	15,274	42,000
Vis-à-vis economic agents	-	-	12,000	12,000	24,000
Vis-à-vis banks	9,451	2,000	3,274	3,274	18,000
Human resources development	1,000	11,253	5,255	-	17,508
Youth, Education, Employment	-	9,300	5,255	-	14,555
Higher education	-	3,900	3,755	-	7,655
Construction of university infrastructure at Bamako and Ségou	-	3,188	3,755	-	6,943
Creation of a competitive-access research fund	-	500	-	-	500
Interconnection University of Bamako	-	212	-	-	212
Secondary education, vocational training, youth and employment	-	5,900	1,500	-	6,900
Construction and equipping of Technical High Schools and IFPs (1)	-	4400	1,500	-	5,400
Strengthening of APEJ financial capacity	-	1,500	500	-	1,500
Health and social development	1,000	1,953	-	-	2,953
Supplement for construction of Mopti Hospital	-	1,000	-	-	1,000
Supplement for construction of Sikasso Hospital	1,000	-	-	-	1,000
Computer equipment for the Compulsory Sickness Insurance System	-	953	-	-	953
Infrastructure and equipment	-	7,747	6,863	-	14,610
Roads and bridges	-	3,375	3,875	-	7,250
Kayes : paving of the Bafoulabé-Mahina road (6 km)	-	1,000	-	-	1,000
Koulikoro : street paving (5 km)	-	1,000	-	-	1,000
Kidal : street paving (5 km)	-	375	875	-	1,250
Bamako: construction of access road to Yirimadio Hospital	-	1,000	-	-	1,000
Sikasso : Bridge over the Baoulé between Manankoro-Tienfinzo	-	-	3,000	-	3,000
Communication and Transport	-	4,372	2,988	-	7,360
1 OB van, 12 cameras	-	1,950	-	-	1,950
1 Production van, cameras	-	700	-	-	700
1 Mobile radio/TV production unit	-	45	105	-	150
1 Vehcile fly and accessories	-	108	252	-	360
1 Transmitting earth station	-	669	531	-	1,200
Purchase of 2 flat-bottom boats for COMANAV	-	900	2100	-	3,000
Agricultural development	-	13,675	225	-	13,900
Local improvements	-	3,330	225	-	3,555
Upgrade/maintenance of extension service facilities Niger Office	-	4,100	-	-	4,100
Funding for the National Agriculture Development Fund	-	5,000	-	-	5,000
Development/improvement support	-	445	-	-	445
PRODEVALAIT (2)	-	800	-	-	800
Improvement of living standards	-	18,206	5,708	-	23,914
Funding for the National Investment Fund for Local Governments	-	6,000	4,000	-	10,000
Hydraulic works	-	3,000	2,000	-	5,000
Public lighting Bamako	-	1,000	-	-	1,000
Solar energy	-	2,000	2,000	-	4,000
Rehabilitation of army barracks	-	3,292	1,708	-	5,000
Social Housing Program	-	6,500	-	-	6,500
Construction of Fiftieth Anniversary Monument	-	800	-	-	800
Development of DIAFRANA KO	-	1,614	-	-	1,614
Financial support for SME/microenterprise development	-	-	10,000	-	10,000
Creation of a private sector guarantee fund	-	-	5,000	-	5,000
Creation of a National Investment Fund	-	-	5,000	-	5,000
Economic reform and governance	-	6,900	-	-	6,900
Restructuring of BHM	-	5,000	-	-	5,000
Support for RAVEC	-	1,900	-	-	1,900
Public investment in partnership with donors	-	-	-	36,556	36,556
Creation of a technology cluster	-	-	-	...	...
Connection of secondary towns to the national road network > 100 Km	-	-	-	...	...
Construction of a second bridge at Kayes,	-	-	-	...	...
Improvement/development of the Faguibine System,	-	-	-	...	...
Development of the Bamako Sénou industrial park,	-	-	-	...	...
Modernized cadastre for the cities of Bamako and Kati	-	-	-	...	...
Strengthening of regional government and military logistic capacities	-	-	-	...	...
Social plan	15,000	-	-	-	15,000
Total	25,451	59,781	43,325	51,830	180,388

Table 2. Mali: Quantitative Performance Criteria and Indicative Targets for 2009[1]

	March			June			Sept.			Dec.		
	Indic. Targets	Adjusted	Actual	Rev. Perf. Criteria	Adjusted	Actual	Rev. Ind. Targets	Adjusted	Actual	Rev. Perf. Crit	Adjusted	Actual
Quantitative performance criteria [1]						(CFAF billions)						
Net domestic financing of the Government (ceiling) [2]	10.0	11.8	13.1 [7]	45.0	40.1	-5.0	50.0	32.9	-4.3	49.4	46.0	26.6
Of which: Bank and market financing [2]	15.0	16.8	22.3 [7]	80.0	75.1	55.1	90.0	72.9	-136.9	-101.5	-104.9	-105.9
Cumulative increase in external payments arrears (ceiling) [3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New external borrowing at terms of one year or more contracted or guaranteed by the government on nonconcessional terms [3, 4]	0.0	0.0	17.5 [8]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New short-term external credits (less than one year) contracted or guaranteed by the government (ceiling) [3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net tax revenue	140.0	140.0	143.5	290.0	290.0	319.9	430.0	430.0	451.3	603.0	603.0	624.3
Financial indicators (floors)												
Basic fiscal balance	-10.0	-10.0	17.1	-20.0	-20.0	66.1	-40.0	-40.0	23.7	-78.0	-78.0	-58.1
Underlying basic fiscal balance [5]										-62.0	-62.0	-32.7
Memorandum items:												
External budgetary assistance during the year [1 6]	20.0	…	6.4	38.5	…	13.0	52.0	…	53.2	92.0	…	91.6
HIPC Initiative debt relief [1]	1.0	…	1.8	6.3	…	9.4	8.1	…	10.8	11.2	…	13.0
Expenditure financed with HIPC Initiative resources												
Balance of HIPC Initiative resources												

[1] Cumulative figures from the beginning of each year. Noncontinuous performance criteria at end-March and end-September 2009 are quantitative benchmarks. See technical memorandum of understandings for definitions.

[2] These quantitative targets are before payment of VAT credits in arrears. The revised targets for the end-June, end-September, and end-December 2009 reflect the recapitalization of the Housing Bank of Mali (BHM) for CFAF 19.1 billion in May 2009 and net projected reductions of the payment float by CFAF 45 billion at end-June and end-September 2009, and CFAF 30 billion at end-December 2009 (the program includes an adjustor for any deviations from the targets on the reduction of the payment float).

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

[4] Grant component equal to or higher than 35 percent.

[5] Excluding expenditures financed with funds from the privatization of SOTELMA.

[6] General budget support only.

[7] The nonobservance of the quantitative indicators for net domestic financing and bank and market financing results from a bond issue that was initiated in December 2008 but effective on January 2, 2009, leading to a downward correction of CFAF 12.3 billion at end-December 2008 and an upward revision of the same amount at end-March 2009 in market financing.

[8] Part of two CFAF syndicated loans that were signed in April and May 2009 for a total of CFAF 38 billion for the payment of VAT credit arrears and that involved non-Malian banks in the WAEMU and CEMAC CFA franc zones; subsequently resold to Malian banks.

Table 3. Mali: Quantitative Performance Criteria and Indicative Targets for 2010[1]

	2010								
	March			June		Sep.		Dec.	
	Indic. Targets	Adjusted Targets	Prel.	Perf. Criteria	Rev. Perf. Criteria	Indic. Targets	Rev. Ind. Targets	Indic. Targets	Perf. Criteria
Quantitative performance criteria [1]					(CFAF billions)				
Net domestic financing of the Government (ceiling) [2]	0.0	52.4	19.3	0.0	79.8	10.0	113.7	30.0	127.0
Of which: Bank and market financing [2]	0.0	52.4	46.9	0.0	99.3	10.0	128.7	30.0	138.6
Cumulative increase in external payments arrears (ceiling) [3]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New external borrowing at terms of one year or more contracted or guaranteed by the government on nonconcessional terms [3, 4]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New short-term external credits (less than one year) contracted or guaranteed by the government (ceiling) [3, 4]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net tax revenue	130.0	130.0	154.8	300.0	304.7	470.0	490.9	670.0	677.1
Financial indicators (floors) [1]									
Basic fiscal balance	-30.0	-30.0	23.3	-40.0	-52.8	-70.0	-92.4	-75.0	-111.5
Basic fiscal balance, adjusted [5]	10.0	10.0	23.3	0.0	-38.8	-20.0	-48.4	-50.0	-51.7
Priority spending	…	…	…	…	117.0	…	175.0	…	235.0
Memorandum items:									
External budgetary assistance during the year [1]	20.0	24.0	15.5	50.0	68.3	80.0	96.4	125.3	144.1
HIPC Initiative debt relief [1]	3.1	1.3	1.3	6.2	6.9	9.3	9.7	12.4	12.4

[1] Cumulative figures from the beginning of each year. Noncontinuous performance criteria at end-March and end-September 2010 are quantitative benchmarks. See technical memorandum of understandings for definitions.

[2] These performance criteria and benchmarks are subject to adjustors for shortfalls of external budgetary assistance et over/under performance regarding the targeted reduction of pending bills and VAT credits.
The reductions of pending bills are 2.0, 43.7, 48.7 and 49.1 billion of CFAF at end-March, June, September and December 2010, respectively. A reduction of VAT credits by 29.0 billion of CFAF is projected for end-December 2010.

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

[4] Grant component equal to or higher than 35 percent.

[5] Excluding expenditures financed with funds from the privatization of SOTELMA.

Table 4. Mali: Structural Benchmarks for the Third and Fourth Reviews Under the ECF Program

	Measures	Macroeconomic rationale	Status
For end-September 2009 (in the context of the 3rd program review)			
1	Put in place the tax center for medium-sized enterprises (CIME) and start up its activities.	Strengthen revenue mobilization.	Observed at end-November 2009
2	Prepare a government cash flow plan consistent with budget nomenclature (section, economic code) to facilitate (i) quarterly monitoring of budget execution in terms of commitment, validation, payment authorization, and payment of expenditure, and (ii) better alignment of budget execution with available resources.	Strengthen public financial management, budget execution, and treasury management.	Observed at end-September 2009
3	Regarding monitoring of the cotton sector and in consultation with the IMF, prepare a monthly financial plan for the 2009/10 crop season of the financial operations (revenue, commitments, payment, debt, amounts unpaid) of the various participants in the sector(producers, CMDT, suppliers, banks, the government).	Improve governmence and transparency in the cotton sector with the view to ensuring smooth cottn campaign in 2009-2010 and limit budgetary risks.	Observed at end-September 2009
4	Regarding government support for the agricultural sector and preparation of the 2010 budget, put in place a dedicated, targeted input subsidization system for grain and cotton crops, including modalities for implementation, follow-up, and assessment.	Increase effectiveness and transparency of agricultural policy, prevent open-ended budgetary contributions and ensure monitoring and evaluation of subsidies.	Observed at end-September 2009
For end-December 2009 (in the context of the 4th program review)			
1	On the basis of the evaluation of the budgetary payment float at end-March 2008 by the Auditor General and the evaluation of the payment float at end-March 2009 by the Controller General's Office and the Inspectorate General of Finance, put in place a system to monitor budgetary float supported by improvements in the Treasury's accounting, cash flow management, and information systems, in consultation with IMF staff.	Improve transparency, measurability and management of domestic debt, and prevent occurance of domestic payment arrears.	Not observed at end-December 2009, as a result of decision to implement new public accounting software; monitoring of pending bills continues to be done through the expenditure chain.
2	By government decision, adopt a strategy and timeframe for government divestment of the Banque de l'Habitat du Mali (BHM).	Increase confidence in and resilience of the banking system, and avoid more costly rescue packages.	Observed at end-December 2009
3	Finalize the government study on the macroeconomic impact of the gold mining sector (balance of payments, growth, employment, budget) and its medium-term prospects.	To help policy and decision making in the context of a declining sector (known reserves are equivalent to 10 years of exploitation).	Observed at end-December 2009
4	In conjunction with the BCEAO, prepare (i) an exhaustive inventory of the bank accounts taken into account in the net government position, and (ii) an appropriate methodology for recording movements on these accounts, based on an accepted classification (such as projects, correspondents, etc.) in the government flow of funds table (TOFE).	Improve public finance statistics.	Observed at end-December 2009

Table 5. Mali: Structural Benchmarks for the Fifth and Sixth Reviews Under the ECF Program

	Measures	Macroeconomic rationale
For end-June 2010 (in the context of the fifth program review)		
1	Implement the new expenditure management software PRED5.	To improve budgetary management.
2	Introduce new reporting on the financial operations of the State (the "TOFE" table) which conforms to best international practices, including for the presentation of domestic financing.	To strengthen government statistics and reporting.
3	Create an interministerial committee for treasury management planning under the authority of the Minister of Economy and Finance, with a permanent technical secretariat provided by Treasury.	To improve treasury management and its coordination with budgetary management.
4	Prepare a draft policy paper on the role of the State in the cotton sector after the privatization of the CMDT.	To set the business environment in the cotton sector in a post-privatization of the state monopsony CMDT.
For end-December 2010 (in the context of the sixth program review)		
1	Implement a system for the management and timely payment of Value Added Tax (VAT) credits to eligible companies.	To prevent accumulation of VAT credit arrears and ensure neutrality of VAT on exports.
2	Produce an evaluation of restructuring of the Housing Bank of Mali (BHM), including the use of State funds transferred to the BHM in the first half of 2010 to relaunch its lending activities.	To ensure that the BHM is effectively on a recovery track.
3	Elaborate a program for the reform of the tax system, aiming at a greater mobilization of revenue while ensuring greater rationalization and modernization of the tax laws, including through reconsideration of tax exemptions.	To simplify and make the tax system more buoyant, while implementing regional directives.
4	Implement the new public accounting software in the Treasury with the necessary links to the budget application software to ensure monitoring of spending from commitment to payment, including the stock of pending bills.	To ensure improved recording and reporting of financial operations of the State.

ATTACHMENT I

TECHNICAL MEMORANDUM OF UNDERSTANDING

1. This technical memorandum of understanding defines the performance criteria and benchmarks for the program supported by the Extended Credit Facility (ECF) arrangement. It also sets out the frequency and deadlines for data reporting to the staff of the International Monetary Fund (IMF) for program-monitoring purposes.

I. DEFINITIONS

2. Unless otherwise indicated, the government is defined as the central administration of the Republic of Mali and does not include local administrations, the central bank, or any other public entity with autonomous legal personality that is not included in the table of government financial operations (TOFE).

3. The definitions of "debt" and "concessional loans" for the purposes of this memorandum of understanding are as follows:

(a) Debt is defined in Point 9 of the Decision of the Executive Directors of the IMF No. 12274-00/85 of August 24, 2000, as revised on August 31, 2009 (Decision No. 14416-(09/91).

(b) A loan is considered concessional if, on the date the contract is signed, the ratio of the present value of the debt, based on the reference interest rates, to the nominal value of the debt is less than 65 percent (i.e., a grant element exceeding 35 percent). The reference interest rates used in this assessment are the currency specific commercial interest reference rates (CIRRs) established by the Organization for Economic Cooperation and Development (OECD). For debt with a maturity exceeding 15 years, the ten-year-average CIRR published by the OECD is used to calculate the grant element. For shorter maturities, the six-month average CIRR is used. To both the ten-year and six-month averages, the same margins for differing repayment periods as those used by the OECD need to be added (0.75 percent for repayment periods of less than 15 years, 1 percent for 15 to 19 years, 1.15 percent for 20 to 29 years, and 1.25 percent for 30 years or more).

II. QUANTITATIVE PERFORMANCE CRITERIA AND FINANCIAL INDICATORS

Except as noted, the following financial variables shall constitute performance criteria at end-June and End-December and financial indicators otherwise. The basic fiscal balance is a financial indicator at all test dates.

A. Ceiling on Net Domestic Financing of the Government; Subceiling on Net Domestic Bank and Market Financing of the Government

4. Net domestic financing is defined as the sum of (i) net bank credit to government, as defined below, and (ii) nonbank financing of the government.

5. Figures on net bank credit to government are calculated by the BCEAO. Figures on nonbank financing are calculated by the public treasury, and are final in the context of the program.

6. Net bank credit to government is defined as the balance between government debts and government claims vis-à-vis the central bank and commercial banks. The scope of net bank credit to government is that used by the Central Bank of West African States (BCEAO) and is consistent with established Fund practice in this area. It implies a broader definition of government than that specified in paragraph 2 by also including local governments, and selected autonomous government agencies and projects. government claims include the CFA franc cash balance, postal checking accounts, secured liabilities (*obligations cautionnées*), and all deposits with the BCEAO and commercial banks of public entities, with the exception of industrial or commercial public institutions (EPICs) and public enterprises, which are excluded from the calculation. Government debts to the banking system include all debts to these same financial institutions. Deposits of the cotton stabilization fund and government securities held outside the Malian banking system are not included in the calculation of net bank credit to government.

7. Nonbank financing of the government is defined as nonbank market financing and other nonbank financing. Nonbank market financing includes sales net of repayments of government bills and bonds held outside national banking institutions. Other nonbank financing of the government includes proceeds from the sale of government assets, repayments on domestic debt to nonbank creditors, and other net claims on the treasury. The receipts from sale of government assets are defined as the proceeds from the sale, effectively received by the government during the fiscal year, of all or part of the shares held by the government in privatized enterprises. In the event that payments in respect of these sale transactions are expected to extend beyond the fiscal year, the residual will be included in the calculation of nonbank financing of the government in each of the subsequent years, in accordance with the annual scheduling of the expected payments.

8. Net domestic bank and market financing of the government is defined as the sum of (i) net bank credit to government, as defined above, and (iii) nonbank financing of the government through the issuance of securities to nonbanks or to nonresident banks domiciled within the West African Economic and Monetary Union.

Adjustment factors

9. The ceiling on the change in net domestic financing of the government and the subceiling on bank and market financing in 2010 will be adjusted down (up) if external budgetary assistance exceeds (falls short of) the program amount. Budgetary assistance is defined as grants, loans, and debt relief (excluding project loans and grants, IMF resources, and debt relief under the Initiative for Heavily Indebted Poor Countries, but including both general and sectoral budget support). Adjustment will be made at a rate of nil percent for amounts up to CFAF 10 billion; 50 percent for amounts from CFAF 10 billion up to CFAF 25 billion; and 75 percent for amounts in excess of CFAF 25 billion.

10. The ceiling on the change in net domestic financing of the government and the sub-ceiling on bank and market financing in 2010 will be adjusted up (down) if the actual net reduction of the payment float exceeds (falls short) of the programmed amounts (CFAF 43.7 billion at end-June, CFAF 48.7 billion at end-September 2010, and CFAF 49.1 billion at end-December 2010). The payment float is defined to include payment orders unpaid by the Treasury in the context of the budget execution and the deposits of correspondents and various depositors, irrespective of their age. In addition, the ceiling on the change in net domestic financing and the sub-ceiling on bank and market financing in 2010 will be adjusted up for the settlement of VAT credits to exporters that are in excess of the programmed amounts, that is CFAF zero billion at end-June and end-September 2010, and CFAF 29 billion at end-December 2010: the adjustment refers to payments made on VAT credits accrued in 2010 and on the end-2009 stock of CFAF 29 billion.

B. Nonaccumulation of External Public Payments Arrears

11. External payments arrears are defined as the sum of external payments due and unpaid for external liabilities of the government and foreign debt held or guaranteed by the government. The definition of external debt provided in paragraph 3(a) applies here.

12. Under the program, the government will not accumulate external payments arrears, with the exception of arrears arising from debt under renegotiation or being rescheduled. The performance criterion on the nonaccumulation of external payments arrears will be applied on a continuous basis throughout the program period.

C. Ceiling on Nonconcessional External Debt with a Maturity of One Year or More Newly Contracted or Guaranteed by the Government and/or Public Enterprises

13. This performance criterion applies not only to debt as defined in point 9 of the Executive Board Decision No. 12274-(00/85) (8/24/00), as revised on August 31, 2009 (Decision No. 14416-(09/91), but also to commitments contracted or guaranteed for which no value has yet been received.

14. The concept of government for the purposes of this performance criterion includes government as defined in paragraph 2, administrative public institutions (EPAs), scientific and/or technical public institutions, professional public institutions, industrial and/or commercial public institutions (EPICs), state-owned enterprises, and local governments.

15. Starting on the date of program approval by the Executive Board of the IMF, a ceiling of zero is set for nonconcessional borrowing. This performance criterion is monitored on a continuous basis.

16. The government undertakes not to contract or guarantee external debt with a maturity of one year or more and a grant element of less than 35 percent (calculated using the reference interest rates corresponding to the borrowing currencies provided by the IMF). This performance criterion applies not only to debt as defined in point 9 of the Executive Board Decision No. 12274-(00/85) (8/24/00), as revised on August 31, 2009 (Decision No. 14416-(09/91), but also to commitments contracted or guaranteed for which no value has yet been received. However, the criterion does not apply to (i) financing granted by the IMF, (ii) debt rescheduling transactions of debt existing at the time of the approval of the PRGF arrangement, and (iii) CFA franc debt contracted or guaranteed by the government with West African Economic and Monetary Union (WAEMU) residents (including CFA debt initially contracted or guaranteed by the government with WAEMU residents and subsequently acquired by nonresidents).

D. Ceiling on Short-Term External Debt Newly Contracted or Guaranteed by the Government and/or Public Enterprises

17. The definition in paragraph 2 and 3 of this TMU applies to this performance criterion. Short-term external debt is debt with a contractual term of less than one year. Import- related credit, CMDT foreign borrowing secured by the proceeds of cotton exports, and debt-relief operations are excluded from this performance criterion. Treasury bills issued in CFA francs on the WAEMU regional market are also excluded. In the context of the program, the government and public enterprises will not contract, or guarantee, short-term external debt. This performance criterion is monitored on a continuous basis.

E. Floor on Cumulative Net Tax Revenues

18. Government tax revenues are defined as those that figure in the Table on government financial operations (TOFE), and include all tax revenues accruing to the ordinary budget. Net tax revenues are gross tax revenues less tax refunds, notably on VAT. The government shall report cumulative tax revenues from the start of each year to IMF staff each month in the context of the TOFE.

F. Floor on the Basic Fiscal Balance, Excluding HIPC Initiative-Related Expenditure

19. The basic fiscal balance is defined as the difference between total revenues, excluding grants and privatization receipts, and total expenditure plus net lending, excluding capital expenditure financed by foreign donors and lenders and HIPC Initiative-related expenditures.

G. Floor on the Basic Fiscal Balance, Excluding HIPC Initiative-Related Expenditure and Expenditures Financed with SOTELMA Privatization Receipts

20. The basic fiscal balance, excluding HIPC Initiative-related expenditure and expenditures financed with SOTELMA privatization receipts is defined as in section II.F, from which are deducted expenditures financed by SOTELMA privatization revenues.

H. Floor on Priority Poverty-Reducing Expenditures

21. Priority poverty-reducing expenditures are defined as the total of current expenditures of the Ministry of Primary Education; the Ministry of Secondary and Higher Education and Scientific Research; and the Ministry of Health. Current Expenditures are defined as expenditures on personnel, goods and services, transfers, and other current spending, including those labeled HIPC Initiative. It excludes spending on equipment and investment, whether financed domestically or externally, and expenditures financed with sectoral budget support.

III. Structural Measures

22. Information relating to the introduction of the measures constituting structural benchmarks and performance criteria will be sent to Fund staff within two weeks of the date of their scheduled implementation.

IV. Additional Information for Program Monitoring

23. The government will provide IMF staff with information as set out in the following summary table in order to assist in the monitoring of the program.

Summary of Data to be Reported

Data Type	Tables	Frequency	Time Frame
Real sector	National accounts	Annual	End of year + 9 months
	Revisions of the national accounts	Variable	8 weeks following the revision
	Disaggregated consumer price indexes	Monthly	End of month + 2 weeks
Government finances	Net government position (including the list of accounts of other public entities with the banking system) and breakdown of nonbank financing	Monthly	End of month + 3 weeks (provisional); end of month + 6 weeks (final)
	Balance of SOTELMA privatization receipts on deposit at the BCEAO	Monthly	End of month + 3 weeks
	Treasury general ledger	Monthly	End of month + 4 weeks
	TOFE of the central government and consolidated TOFE	Monthly	End of month + 3 weeks (provisional); end of month + 6 weeks (final)
	Budget execution through the expenditure chain as recorded in the automated system	Monthly	End of month + 2 weeks
	Breakdown of fiscal revenue and expenditure in the context of the TOFE	Monthly	End of month + 6 weeks (TOFE)
	Separate report on outlays financed with HIPC resources	Monthly	End of month + 6 weeks
	Execution of capital budget	Quarterly	End of quarter + 8 weeks
	Execution of SOTELMA spending	Quarterly	End of quarter + 8 weeks
	Tax revenues in the context of the TOFE	Monthly	End of month + 6 weeks
	Wage bill in the context of the TOFE	Monthly	End of month + 6 weeks
	Basic fiscal balance in the context of the TOFE	Monthly	End of month + 6 weeks
	Regulatory order setting prices of petroleum products, tax revenues from petroleum products, and subsidies paid	Monthly	End of month
	Imports of petroleum products by type and point of entry	Monthly	End of month + 2 weeks
	Customs exemptions	Monthly	End of month + 4 weeks
	Treasury operations of the CMDT	Monthly	End of month + 4 weeks
Monetary and financial data	Summary accounts of the BCEAO, summary accounts of banks, and accounts of the banking system	Monthly	End of month + 4 weeks (provisional); end of month + 8 weeks (final)
	Foreign assets and liabilities and other items net of the BCEAO and the commercial banks.	Monthly	End of month + 8 weeks

Data Type	Tables	Frequency	Time Frame
	Lending and deposit interest rates, BCEAO intervention rates, and BCEAO reserve requirements	Monthly	End of month + 4 weeks
	Bank prudential ratios	Monthly	End of month + 6 weeks
Balance of payments	Balance of payments	Annual	End of year + 12 months
	Revisions of balance of payments	Variable	8 weeks following each revision
External debt	Breakdown of all new external borrowing terms	Monthly	End of month + 4 weeks
	Debt service, indicating amortization, interest payments, and relief obtained under the HIPC Initiative	Monthly	End of month + 4 weeks
PRSP	Share of poverty-reducing expenditure	Quarterly	End of quarter + 4 weeks
	Share of primary education in total education outlays	Quarterly	End of quarter + 4 weeks
	Gross enrollment ratio in primary education, by gender	Annual	Beginning of the next academic year +1 month (final)
	Percentage of the population having access to health care facilities within a radius of 15 kilometers	Annual	End of year + 2 months
	Rate of assisted births	Annual	End of year + 2 months
	Data on immunization rate DTCP3 of child below 1 year	Annual	End of year + 2 months

INTERNATIONAL MONETARY FUND

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July […], 2010

IMF Executive Board Concludes 2010 Article IV Consultation with Mali

On July [ ], 2010, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Mali.[1]

Background

1. As a landlocked Sahelian country of 14 million people, Mali has struggled to overcome low social indicators and high poverty rates. Since the democratic transition of the early 1990s, it has posted steady economic growth of around 5 percent per year. Macroeconomic stability is reinforced through membership in the West African Economic and Monetary Union (WAEMU). However, Mali's dependence on a few export commodities and its susceptibility to drought and other natural disasters has left it highly vulnerable to economic shocks.

2. Macroeconomic performance has been generally good during the past two years. Mali's agriculture-based economy has weathered the global economic storm well. Its growth rates have been among the highest in the WAEMU region in the last 5 years, and real gross domestic product (GDP) grew by 4½ percent in 2009. Goods harvests, reflecting favorable weather and supportive policies, have positively

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds discussions with each member, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities.

affected growth. The drop in crude oil and food prices have contributed to a sharp reduction in inflation. Fiscal performance in 2009 was slightly better than expected, but the targeted reduction in pending bills and domestic arrears was not fully achieved until March 2010. The external accounts benefited from buoyant gold prices and the decline in oil and food prices, as well as the equivalent of 5½ percentage points of GDP in exceptional external resources (privatization receipts and the Special Drawing Rights (SDR) allocations).

3. A number of structural reforms were carried out in 2009. Telecom provider SOTELMA was successfully privatized; a tender was launched to sell state cotton ginner CMDT; and progress was made in restructuring the housing bank, BHM, prior to privatization planned in 2012. The new multidonor public financial management (PFM) reform program, PAGAM II, will be launched shortly, but previously-identified PFM reforms have continued.

4. Mali's 2009 debt sustainability analysis, carried out jointly with World Bank staff, assessed Mali's risk of debt distress to be low. However, that analysis identified a number of risks, notably the risk from the uncertain prospects of the mining sector and the risk from the potential debt burden should Mali choose to borrow abroad on nonconcessional terms.

Executive Board Assessment

Public Information Notices (PINs) form part of the IMF's efforts to promote transparency of the IMF's views and analysis of economic developments and policies. With the consent of the country (or countries) concerned, PINs are issued after Executive Board discussions of Article IV consultations with member countries, of its surveillance of developments at the regional level, of post-program monitoring, and of ex post assessments of member countries with longer-term program engagements. PINs are also issued after Executive Board discussions of general policy matters, unless otherwise decided by the Executive Board in a particular case.