Mali and the IMF

Press Release:
IMF Executive Board Approves US$45.7 Million PRGF Arrangement for Mali with Front-Loaded Disbursement to Address Higher Food and Fuel Prices
May 29, 2008

Country's Policy Intentions Documents

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

May 5, 2008

Bamako, May 5, 2008

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

Dear Mr. Strauss-Kahn:

1. The Government of Mali implemented the program supported by the Poverty Reduction and Growth Facility (PRGF) for 2004–07 in a generally satisfactory manner and was thus able to mobilize all the planned disbursements. Compliance with the program parameters made it possible to maintain macroeconomic stability and to meet most of the convergence criteria of the West African Economic and Monetary Union (WAEMU). Progress was also made in implementing structural reforms and strengthening social programs in line with the Poverty Reduction Strategy Paper (PRSP) for 2002–06. The Government approved a Second Generation PRSP—the Growth and Poverty Reduction Strategy Paper (GPRSP) 2007–11—in December 2006. On the basis of its performance, Mali benefited from the Multilateral Debt Relief Initiative (MDRI) in 2006.

2. Because the progress made under the last PRGF does not constitute a sufficient achievement, the Government requests continued Fund support. The Memorandum on Economic and Financial Policies (MEFP) annexed to this letter outlines the policies of the Government of Mali for 2008–11. The Government asks that its program—which seeks to reduce poverty by improving the competitiveness of the economy and accelerating growth while preserving macroeconomic stability—receive support from the IMF under a new PRGF arrangement in an amount of SDR 27.99 million, and it hereby requests the first disbursement in an amount of SDR 12.99 million.

3. The Government considers that the PRGF is the appropriate instrument at the present time to maintain a close economic policy dialogue with the Fund and to signal to the international community its commitment to sound policies. Mali has a well-established tradition of macroeconomic stability but its overall situation remains vulnerable and the international environment in 2008 is particularly challenging. The Government is determined to adhere to the timetable for implementing the program as envisaged in the MEFP.

4. The Government believes that the policies and measures set out in the MEFP are adequate to meet the objectives of the PRGF-supported program. In line with its firm commitment to reach the objectives of the program, it will swiftly adopt any additional measures necessary to attain them. The Government will consult with Fund staff on its own initiative or at the request of the Fund's Managing Director before adopting such measures,

or if there are changes in the policies contained in the MEFP, in accordance with the Fund's policies on such consultations.

5. The Government will provide Fund staff with any information required on progress made in implementing the economic and financial policies and monitoring program objectives. During the program, the Government will not introduce or intensify any exchange restrictions, multiple currency practice, or import restriction for balance of payments purposes, nor conclude any bilateral payment agreements that are inconsistent with Article VIII of the Fund's Articles of Agreement.

6. The Government authorizes the Fund to publish this letter, the annexed MEFP, and the staff report relating to this request.

Yours truly,

/s/

Abou-Bakar Traoré
Minister of Finance

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

Attachment I. Annex I: Memorandum of Economic and Financial Policies

1. The year 2007 was not satisfactory in terms of economic growth in Mali. Late rains led to a fall in agricultural production and rural incomes. The sustained rise in oil and cereals prices on the international market produced adverse effects, particularly in urban areas. Although the mining sector benefited from a significant increase in the price of gold, Mali's primary export product, gold production fell appreciably owing to geological problems. Moreover, the depreciation of the dollar reduced export earnings, which derive mainly from raw materials whose prices are quoted in dollars.

2. Despite these exogenous factors, inflation remained moderate with price increases averaging 1.4 percent; but real GDP growth 2007 is estimated at only 3 percent. The collection of fiscal revenue was below forecast by an amount equivalent to 1 percent of GDP, and preliminary estimates suggest that the basic budget balance recorded a deficit of 1.1 percent of GDP. The fall in exports due to lower gold and seed cotton production led to an external current account deficit (excluding official grants) of 9.8 percent of GDP, compared with 6.4 percent in 2006. Nevertheless, international reserves continued to grow, reaching the equivalent of six months of imports at end-2007, and thanks to the MDRI, Mali's external debt burden declined markedly (23 percent of GDP, against nearly 50 percent in 2005).

3. In 2008 most macroeconomic indicators should be favorable, provided that weather conditions are normal. Inflation is expected to remain at around 2½ percent and GDP growth should reach 5 percent. The external position should strengthen in view of the high price of gold; the trade balance would improve and foreign exchange reserves would remain stable at about six months of imports.

Development Strategies

4. The strategy to revive the Malian economy rests on three pillars. First, mobilization of the resources needed to reduce poverty remains a fundamental priority, especially to promote agriculture, ensure food security, and strengthen basic social services. Second, because it is essential that financial stability underpin development, the Government aims to create fiscal space to cope with potential shocks while at the same time striving to meet the WAEMU convergence criteria, in particular by increasing the basic budget balance. The third pillar of the plan, indispensable for robust and sustainable economic growth, is to seek gains in competitiveness by improving the business climate to foster private sector growth. The Government is convinced that these components, implemented concurrently, will help raise medium-term growth, which should reach about 7 percent a year.

5. The cornerstone of the economic and social development strategy remains a sustainable reduction in poverty and progress toward the Millennium Development Goals (MDGs). The Growth and Poverty Reduction Strategy Paper (GPRSP) for 2007–11 sets the main approaches. The focus is on the pursuit of structural reforms, improved governance, the

expansion of basic infrastructure, private sector development, and human capacity-building. Budgetary resources in 2008 are expected to be within the range of GPRSP forecasts, and allocations to the most critical social sectors are consistent with the targets of the Medium-Term Fiscal Framework (MTFF) adopted by the Council of Ministers with the GPRSP. To ensure that those resources are used effectively for poverty reduction, the Government will take account of the GPRSP priorities, strengthen budgetary devolution and decentralization, and monitor resources use at all levels.

6. The National Assembly approved a law granting enhanced foreclosure powers to the Banque de l'Habitat du Mali (BHM) in January 2008, and more vigorous efforts to collect bad debts are under way. Reform of the Malian Retirement Fund (CRM), which revises the parameters of the system to reduce gradually the CRM deficit and its cost to the Government, was submitted to the National Assembly in March for consideration during its April 2008 session. The Government expects to publish the decree implementing the reform by end-July 2008, and in the near future it intends to launch new reforms of the general pensions system (INPS). Somewhat behind schedule, the Government launched a call for bids in April for the sale of its shares in Banque Internationale du Mali (BIM), and it intends to complete the process as soon as possible.

Fiscal Policies

7. Mali is vulnerable to external or natural exogenous shocks. Without the fiscal space to respond rapidly to ad hoc demands, there is a risk that macroeconomic stability and the development program will be undermined. The Government considers that in the medium-term, a zero basic balance is the most appropriate budget target for responding to emergent needs. In 2008 the deficit in the basic balance should be 1.9 percent of GDP, compared with 1.1 percent in 2007, reflecting the budgetary impact of the terms of trade. The aim is to reduce the deficit to 1 percent of GDP in 2009 and achieve balance in 2010. In order to respect the programming of expenditure to reduce poverty, measures have been implemented to correct the downward trend in the tax to GDP ratio observed since 2005.

8. On the basis of the measures in place, total budget revenue is projected at CFAF 606 billion, equivalent to 17.1 percent of GDP, compared with 17.3 percent in 2007. The Government is continuing to improve tax administration and broaden the tax base, in particular by implementing the recommendations of recent IMF technical assistance missions. At the Tax Directorate this involves in particular expansion of computerization, enhanced monitoring of registration, and strengthened audit programs. A sub-directorate will be established in 2009 to manage small and medium-sized enterprises. With regard to Customs, the Government has decided to eliminate all exemptions that do not have an explicit legal basis (with possible temporary exceptions duly approved by the Council of Ministers). Existing exemptions will be more closely monitored and limited, in particular by stricter application of the legislation providing for possible exemption. Moreover, the implementation of the scanning of goods and enhanced monitoring of customs valuation will

allow better control of the tax base. With regard to oil products, the Government has not been in a position to fully pass the increase in import prices through to retail prices. However, it is committed to maintaining a minimum level of nominal taxation, as described in the attached technical memorandum of understanding. The related increase in the retail prices of oil products is a prior action under the program.

9. The Government budget is under much pressure, especially as a result of the readjustment of bonuses and allowances and the general increase in salaries (5 percent effective January 1, 2008, and another 5 percent effective January 1, 2009). For 2008, total budget expenditure is capped at CFAF 913½ billion (25.8 percent of GDP, compared with 25.3 percent of GDP in 2007), of which CFAF 480 billion is for current expenditure and CFAF 362 billion for capital expenditure. At the same time the Government has decided to strengthen its policy in favor of the social sectors. Thus, recurrent expenditure on the priority social sectors (i.e., education and basic healthcare) will represent 41.5 percent of total recurrent costs in 2008, compared with 40.8 percent in 2007. The Government also would like to put into action its announced support for infrastructure and the productive sectors, especially through reduction in untargeted transfers.

10. Improving the quality of public spending remains a top priority. In coordination with our external partners, measures have been included in the Government Action Program for Improving and Modernizing Public Finance (PAGAM-GFP) to respond, among other things, to the conclusions of the Public Expenditure and Financial Accountability (PEFA) exercise. An action plan incorporating PEFA measures has been prepared for 2008. Efforts are under way to pursue implementation of the PAGAM-GFP/PEFA action plan, in particular by completing the connection of authorizing officers (ministries, institutions, regions) to the computerized expenditure system; improving the execution rate of programs by devolving parts of the Procurement Office to the regions; reviewing the Procurement Code; shifting gradually all donors from projects to budget support; and putting in place an economic and financial analysis unit to help strengthen the capacities of the Finance Committee of the National Assembly.

11. With regard to financing, the Government will continue a policy of prudent borrowing, both domestically and externally. To ensure debt sustainability, the Government reaffirms its commitment to select high-quality projects and make use of external financing on concessional terms only. Moreover, the Treasury intends to expand the issuance of bills and bonds to improve cash management and finance capital imports. For 2008, total Government financing is capped at CFAF 156 billion (4.4 percent of GDP), including CFAF 116 billion for external financing and CFAF 40 billion for domestic financing.

Improved Competitiveness

12. Mali's economic growth rate has averaged nearly 5 percent a year since the mid-1990s, which represents an annual increase in per capita GDP of 2 percent. However, the

growth rate has fluctuated significantly from year to year, and it has been on a downward trend since the beginning of the present decade. The GPRSP-mandated rate of 7 percent is essential for sustained poverty reduction, but requires far-reaching reforms to improve the business climate and the competitiveness of the Malian economy.

13. Increasing competitiveness calls for significant changes, primarily in the quality and availability of developed land and basic infrastructure; the cost and reliability of services like electricity and communications; the cost and quality of the workforce; and financial sector reforms. These far-reaching changes can only be successful as part of a medium-term approach and the Government is determined to launch the necessary reforms immediately. The program's main measures, covering food security, transport, the cotton sector, energy, telecommunications, and the financial sector, are as follows:

- **Food security.** The Government intends to improve all economic activities in the primary sector by relying on, inter alia, irrigation, the modernization of farms, and the development of an efficient agro-industrial sector. It aims to reduce the risks over the long term and cushion the impact of cyclical food crises. The strategy is based on using agro-ecological potential, especially by controlling water flows and managing local development, diversifying activities, promoting the professional expertise of those active in the sector, coordinating agricultural activities, and ensuring income security for producers and operators. In particular, the strategy will be executed in the Niger Delta region. The reform master plan for the Office du Niger (OdN) and a performance contract between the state, producers and OdN will be adopted shortly by the Council of Ministers, and the company's institutional modernization plan should be completed by end-2008. The development of new land will continue (100,000 hectares, including 60,000 hectares at OdN, by 2012). Finally, an incentive-based financing framework will be put in place with the creation of the National Agricultural Development Fund, as provided for in the Framework Law on Agriculture, and the establishment of a mechanism to finance hydro-agricultural systems and attract private investment.

- **Transport and marketing**. The Government intends to develop marketing channels for foodstuffs to improve distribution, in particular by implementing the second Transportation Sectoral Program (PST 2), designed to improve transport conditions for rural and urban communities, and by pursuing policies to overcome domestic and external transportation constraints through diversification of the country's supply and export routes. The support measures envisaged include capacity-building, rehabilitation, and modernization of public transport vehicles and strict application of transport and safety legislation.

- **Cotton.** The creation of four subsidiaries of the cotton company (CMDT) should be completed by December 2008, in line with the timetable prepared in consultation with the external partners in 2005 and approved by the Council of Ministers in October

2006. In the meantime, the committee that monitors the financial situation of CMDT will continue to meet monthly, and it will examine the company's recurrent difficulties and advise on ways and means to reduce the sector's losses. Moreover, the existing process for setting procurement prices will be retained for the 2008/09 crop year based on principles intended to balance the sector's accounts, while steps will be taken to properly manage the transition with the identification of private buyers for the subsidiaries.

- **Energy.** An action plan to ensure the medium-term viability of the electricity and water sector was adopted at end-2005. The plan includes a tariff study and preparation of an economic and financial model, an optimal investments analysis, an institutional survey, and the auditing of Énergie du Mali (EdM). The tariff study will be completed in May 2008 and, based on that study, the Energy and Water Committee will make proposals on price adjustments, which will be implemented as soon as possible. The optimal investment plan and the financial simulations are due in May 2008, and the audit of EdM will be completed by end-June 2008. In the medium term, the linking up of electricity grids at the regional level and the construction of new hydroelectric plants will make it possible to lower costs and increase the availability of electricity.

- **Telecommunications.** It is expected that the call for bids to sell the Government's shares in Société de Télécommunications du Mali (SOTELMA) will go out in September 2008 and the process will be completed by year-end. This privatization will make it possible to consolidate SOTELMA's market position through new investment, extend access to telephones, and improve the quality of service. Increased competition in the sector should encourage expansion of the supply of telephone services and facilitate access to telecommunications services for the maximum number of users, in particular in rural areas and at lower cost, while ensuring the collection of taxes and fees on telecommunications.

- **Financial sector.** The Council of Ministers adopted an updated version of the financial sector development strategy in April, based on the analysis of the Financial Sector Assessment Program (FSAP) carried out in February 2008. In the short-term, measures include: privatization of Banque Internationale du Mali (BIM) through the sale of 51 percent of the Government's shares to a leading bank; restructuring of the Banque de l'Habitat du Mali (BHM) and the Fonds de Garantie Hypothécaire du Mali (FGHM), in particular by raising their capital, to ensure sound financing for housing; social security reform to improve the financial situation and management of the social security institutions (CRM and INPS), to help transform them into key institutional investors and strengthen capital markets; and improving efficiency in the monitoring and supervision of microfinance institutions.

14. The Government intends to ensure that future wage increases are linked to productivity to encourage labor market conditions conducive to growth. In the public sector, which serves as a benchmark for the entire formal sector, the Government plans new measures to boost labor productivity, including better incentives to enhance performance and devolve public services. Moreover, studies are under way on rationalizing wage policy, correcting distortions between different categories of Government employees, and simplifying the system of bonuses and allowances. With regard to management of contractual staff in the health and education systems, recruited on behalf of local authorities, the following measures were implemented in 2008 to improve control of the payroll: (i) extension of the computer system used to manage the salaries of contract staff to cover those in the healthcare sector, and diligent registration of employees to facilitate data processing of salary statements; (ii) creation of a national database to improve the monitoring of staff; and (iii) adoption of a ministerial decree with detailed rules Governing the organization and functioning of committees that oversee the reclassification and promotion of local government contractual staff.

15. The Government has launched a program of measures to improve the business climate and facilitate private sector activity. On the regulatory front, planned reforms will make it possible to remove obstacles facing entrepreneurs. Efforts will focus in particular on setting up a one-stop shop to streamline business start-up procedures; lowering the cost of recording property transfers; using collective bargaining procedures; improving the functioning of commercial courts and arbitration boards; and simplifying and standardizing transit documents for international trade. With regard to institutions, a number of measures are under way or will be implemented in 2008. The Agency to Promote Investment in Mali (API-Mali) has been operational since March 2008, and has recruited three sectoral directors; the one-stop shop will shortly be in place and make it possible to start up a new business within 72 hours, with two procedures instead of the current 11; the Government also intends to cut the cost of starting a business to one-fifth of the present cost. In addition, a study is being prepared on export development. The report, expected in 2008, will make proposals on the establishment of an export promotion agency (ADEX).

16. The accelerated growth strategy aims to lay the foundations for sustained growth and lasting poverty reduction. The priorities in 2008 for mobilizing productivity gains concern (i) macroeconomic measures to reduce the cost of factors of production and increase their availability; (ii) sectoral measures to boost productivity, by providing basic infrastructure and land suited for industrial and commercial use; and (iii) promotion of a dynamic and competitive private sector, particularly with regard to rice production, the processing of agricultural products, and tourism. Improving the industrial base is also an important part of overall competitiveness. Industrial policy seeks to boost the creation of new businesses and restructuring of existing ones, revive production, promote investment, and create jobs. The drafting and implementation of the Framework Law on the Private Sector (LOSP) should sustain and reinforce the efforts to develop the sector. Looking ahead, the integration of the Malian economy into the multilateral trade system is also an important component, which

means taking an active part in negotiations on the Doha Round, on the Economic Partnership Agreements (EPAs), and on access under the African Growth and Opportunities Act (AGOA), to enable Mali to win and retain market shares.

Program Monitoring

17. Table 1 lists the program performance indicators and benchmarks for 2008–09. The indicators are defined in the attached technical memorandum. To provide for contingencies, the monitoring framework provides for an adjustment mechanism (described in detail in paragraph 9 of the memorandum), to be used if there is a gap between nonproject external assistance and program projections.

18. The conclusion of the first PRGF review, scheduled for November 2008, will be based on achievement of performance criteria at end-June 2008. The review will focus on fiscal developments and competitiveness indicators, as well as reform programs at the OdN and EdM. The second program review is scheduled to be completed by end-May 2009 on the basis of the performance criteria at end-December 2008.

Table 1. Mali: Performance Criteria and Program Indicators Under the Poverty Reduction and Growth Facility, March–December 2008

	2008			
	March	June	Sep.	Dec.
	Est.	Criterion	Bench–mark	Criterion
Quantitative targets[1]				
Net domestic financing of the Government (ceiling)	...	51.2	58.1	40.3
Of which: Bank and market financing	…	61.8	73.9	49.7
Cumulative increase in external payment arrears (ceiling)[2]	0.0	0.0	0.0	0.0
New external credits with a maturity of a year or more contracted or guaranteed by the Government on nonconcessional terms (ceiling)[2 3]	0.0	0.0	0.0	0.0
New short-term external credits (less than one year) contracted or guaranteed by the Government (ceiling)[2]	0.0	0.0	0.0	0.0
Financial indicators (floors):				
Cumulative net tax revenue	...	205.9	360.3	514.7
Basic budget balance	...	-61.7	-63.0	-67.0
Structural targets	**Timetable**			
Elimination of all customs exemptions not explicitly provided for by law (unless approved by the Council of Ministers)	Continuous criterion			
Maintenance of a minimum threshold for the taxation of oil products (as stipulated in the TMU)	Continuous criterion			
Launch of a call for tenders for the sale of Government shares in SOTELMA	Criterion at end-September 2008			
Adoption by the Council of Ministers of a new institutional public service framework for water and electricity	Benchmark at end-September 2008			
Adoption by the Council of Ministers of the reform master plan and of a development contract at the Niger Authority	Benchmark at end-September 2008			
Memorandum items:				
External budgetary assistance[1 4]	...	27.2	42.8	55.7
Debt relief under the HIPC Initiative[1]	...	5.7	8.9	12.7

[1] Cumulative figures since the beginning of each year. See technical memorandum for definitions.
[2] The following performance criteria will be monitored on a continuous basis.
[3] Grant component equal to or higher than 35 percent.
[4] Excluding use of Fund resources.

Attachment I, Annex II: Technical Memorandum of Understanding

1. This technical memorandum of understanding defines the performance criteria and benchmarks for the program supported by the Poverty Reduction and Growth Facility (PRGF) 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 Guidelines on Performance Criteria with Respect to Foreign Debt (see Decision of the Executive Directors of the IMF No. 12274-00/85, August 24, 2000).

(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 commercial interest reference rates (CIRRs) established by the Organization for Economic Cooperation and Development (OECD). For debts with a maturity exceeding 15 years, the ten-year reference interest rate published by the OECD is used to calculate the grant element. For shorter maturities, the six-month market reference rate is used.

II. Quantitative Performance Criteria

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, (ii) other Government claims and debts vis-à-vis national banking institutions, and (iii) 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, (ii) other Government claims and debts vis-à-vis national banking institutions, and (iii) nonbank financing of the Government through the issuance of securities to nonbanks.

Adjustment factor

9. The ceiling on the change in net domestic financing of the Government 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). 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.

B. Nonaccumulation of External Public Payments Arrears

10. 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.

11. 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

12. This performance criterion applies not only to debt as defined in point 9 of the Guidelines on Performance Criteria with Respect to Foreign Borrowing (Executive Board Decision No. 6230-(79/140), amended by Executive Board Decision No. 12274-(00/85) (8/24/00)), but also to commitments contracted or guaranteed for which no value has yet been received.

13. 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), and local governments.

14. 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.

15. 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 Guidelines on Performance Criteria with Respect to Foreign Borrowing, adopted by the Executive Board on August 24, 2000, but also to commitments contracted or guaranteed for which no value has yet been received. However, it does not apply to financing granted by the IMF and treasury bills and bonds issued in CFA francs on the West African Economic and Monetary Union (WAEMU) regional market.

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

16. The definition in paragraph 12 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 Taxation of Petroleum Products

17. Starting on the date of program approval by the Executive Board of the IMF, the Government shall maintain taxation of petroleum products at or above minimum nominal levels as follows:

(i)	Gasoline, all grades (*essence*)	CFAF 255 per liter
(ii)	Diesel fuel (*gasoil*)	CFAF 110 per liter
(iii)	Distillate diesel oil (*DDO*)	CFAF 130 per liter
(iv)	Other fuel (except kerosene)	CFAF 100 per liter

18. These minima shall apply to all imports of a given product through a given corridor in excess of 100 tons in a calendar month. Reductions of up to10 percent in total taxation may apply on corridors other than Abidjan and Dakar.

19. Taxation for the purposes of this performance criterion is defined to include value-added tax, import duties, excise taxes (notably the Domestic Tax on Petroleum Products, TIPP), and statistical tax. This performance criterion is monitored on a continuous basis, using the monthly regulatory order setting the retail price structure of petroleum products.

F. Customs Exemptions not Explicitly Provided for by Law

20. Starting on the date of program approval by the Executive Board of the IMF, the Government shall permit no customs exemption that is not explicitly provided for by law. Exemptions not subject to this provision include, but are not necessarily limited to, those under the Vienna Convention on Diplomatic Relations and similar international conventions governing multilateral institutions; the Mining Code; under the Investment Code; the General Tax Code; the Customs Code; and for the imports of donor-funded projects. Only exceptions that have been (i) duly approved by the Council of Ministers, and (ii) temporary, having a fixed validity period not exceeding 6 months, will be excluded from the limit. This performance criterion is monitored on a continuous basis.

III. Quantitative Indicators

21. The program also includes indicators on Government tax revenues and the basic fiscal balance.

A. Floor for Tax Revenues

22. Government tax revenues are defined as those that figure in the Table on Government financial operations (TOFE). The Government shall report tax revenues to IMF staff each month in the context of the TOFE. Quantitative performance indicators for tax revenues are set in Table 1 attached to the Letter of Intent.

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

23. 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. The floors for the performance indicators for the basic fiscal balance, excluding HIPC Initiative-related expenditure, are set in Table 1 attached to the Letter of Intent.

IV. Structural Measures

24. The table attached to the letter of intent describes the structural measures identified as performance criteria and structural performance indicators under the program. This table provides information regarding the implementation dates for the structural reforms envisaged.

25. 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.

V. Additional Information for Program Monitoring

26. 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)
	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
	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 of the BCEAO	Monthly	End of month + 8 weeks
	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

Data Type	Tables	Frequency	Time Frame
	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