International Monetary Fund

Mali and the IMF

Press Release:
IMF Executive Board Completes Seventh and Final Review under the Extended Credit Facility Arrangement for Mali and Approves US$ 9.3 Million Disbursement
December 12, 2011

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

November 23, 2011

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

LETTER OF INTENT

Bamako, November 23, 2011

Madame Christine Lagarde
Managing Director
International Monetary Fund
Washington, DC 20431
USA

Dear Madame Lagarde:

1. The sixth review of our economic and financial program, supported by an arrangement under the Extended Credit Facility (ECF), was completed favorably by the IMF Executive Board on June 13, 2011.

2. The attached Memorandum on Economic and Financial Policies (MEFP) describes recent developments in the Malian economy and the progress made in implementing our program in 2011. This memorandum also sets out the economic and financial policies that the Malian government intends to pursue over the next three years.

3. The government's ongoing efforts to strengthen the tax and customs administration and to control public expenditure enabled it to meet all the performance criteria and indicative targets for end-June 2011, with the exception of the floor on social spending. These outlays fell short of the programmed amount on account of the cabinet reshuffle in April 2011, which delayed the execution of the budget. In addition, the government implemented all of the measures associated with structural benchmarks for end-September 2011, except for the reform of the tax system. In fact, the reform proposed in the draft 2012 budget law does not meet the initially envisaged objectives in regard to modernization and the reduction of exemptions. Additional preparatory work will be required in the months ahead in order to prepare a reform that truly meets the objectives in question.

4. For the next three years, the government has designed a program of economic and financial policies based on the lessons learned from the recent Ex post assessment of longer term program engagement (EPA) in Mali, and from the Conference on the Major Challenges and Economic Opportunities facing Mali held in Bamako on March 18-19, 2011, when all development stakeholders in Mali had an opportunity to express their views on the objectives of a new program. Based on the findings from the EPA and the Bamako Conference, the program aims to: (i) implement sustainable fiscal policies; (ii) create fiscal space for infrastructure expenditure; (iii) consolidate progress in public financial management; and

(iv) promote the development of the private sector by improving the business environment. This program is also aligned with the priorities of the new growth and poverty reduction strategy paper (G-PRSP) for the period 2012-17 which is currently being finalized in conjunction with civil society, the private sector, and the technical and financial partners.

5. In view of our overall achievements, and based on the measures spelled out in the attached MEFP, we request the favorable conclusion of the seventh and final review of our ECF-supported program and the eighth and last disbursement under the arrangement (SDR 6 million). In addition, we request a new three-year ECF-supported arrangement entailing SDR 30 million in access to IMF resources to help us cope with the volatility of prices of gold, cotton, oil, and foodstuffs, to which Mali's economy remains vulnerable, and the first disbursement under the new arrangement (SDR 6 million).

6. The government believes that the measures and policies described in the attached MEFP are appropriate for attaining the objectives of its program for the next three years. It will take any additional steps necessary to that end. Mali will consult with the IMF on the adoption of such measures and before any revision of the policies described in the attached MEFP, in accordance with the IMF's policies on such consultations. The government will provide Fund staff with any required information referred to in the Technical Memorandum of Understanding concerning progress made under the program. During the program, the government will not introduce or strengthen any exchange controls, multiple exchange rate practices, or import restrictions for balance of payments purposes, or conclude any bilateral payment agreements that are inconsistent with Article VIII of the Fund's Articles of Agreement.

7. The government intends to make public the contents of the IMF staff report, including this letter, the attached MEFP, the Technical Memorandum of Understanding, as well as the informational annex and the debt sustainability analysis. It therefore authorizes the IMF to publish these documents on its website following the conclusion of the seventh review by the IMF Executive Board.

Sincerely yours,

/s/

Lassine Bouaré
Minister of Economy and Finance

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

MEMORANDUM ON ECONOMIC AND FINANCIAL POLICIES

1. The present memorandum on economic and financial policies (MEFP) describes recent developments in Mali and the outlook in 2011 in the context of the seventh and final review of Mali's three-year 2008-11 arrangement under the Extended Credit Facility (ECF), and Mali's economic and financial policies for 2012-14 under a new three-year ECF arrangement.

I. Recent Economic Developments, Performance Relative to the Program, and Outlook in 2011

2. In 2011, real GDP growth is projected at 5.4 percent, thanks to the continuing growth expected in all sectors of the economy and the strong recovery in cotton production (+ 67 percent). The satisfactory agricultural season, which has benefited from favorable rainfall and positive conditions for the crop season, including the government's financial support for farmers in the form of input subsidies, is expected to keep inflation at 3 percent.

3. The balance-of-payments current-account deficit (including grants) is expected to reach 7.5 percent of GDP. The favorable impact of rising gold and cotton prices should more than outweigh rising oil prices and transportation costs. This deficit will be almost entirely financed by net capital inflows, primarily through foreign aid and foreign direct investment. As a result, the overall balance-of-payments result is expected to record a deficit of CFAF 24 billion (US$52 million), financed by a draw down on the foreign exchange reserves of the Central Bank of West African States (BCEAO).

4. The money supply is anticipated to increase by 11.5 percent in 2011, driven by credit to the private sector and credit to the government.

5. The latest available data on financial sector stability indicate that uses of funds grew faster than capital, resulting in a capital adequacy ratio of 15 percent during the first half of 2011, relative to 16.9 percent in 2010. This reflects the lending cycle, especially for the agriculture sector (loans for inputs and seasonal lending), which are awarded in the first half of the year, and are repaid during the last quarter. All banks, except for one, meet the minimum level of capital, which was increased to CFAF 5 billion at end-2010. The stock of non-performing loans (net of provisions) stood at 9 percent of total loans (net of provisions), while provisioning rate remained at 63 percent.

6. Most program targets for end-June 2011 related to government finances were met. The basic fiscal balance (¶13) recorded a surplus of CFAF 14 billion (0.3 percent of GDP) even though a deficit of CFAF 81 billion (1.6 percent of GDP) had been programmed. The underlying basic fiscal balance (excluding spending financed by income from the privatization of SOTELMA) also recorded a decline (surplus of CFAF 34 billion or 0.7 percent of GDP) relative to the programmed amount (deficit of CFAF 53 billion or 1.1 percent of GDP). This was due to the favorable performance of tax receipts, control of

the wage bill, and under-execution of other current expenditures and domestically financed capital expenditures, including those executed through SOTELMA privatization income, because of the cabinet reshuffle in April 2011 and the replacement of senior managers. Consequently, all performance criteria and indicative targets for end-June were observed, except for the floor for priority expenditure, where there was an execution shortfall in common with other domestically funded expenditure. This shortfall will be eliminated by year-end.

7. The government has completed the implementation of one measure originally scheduled for the sixth program review and three of the four measures planned for the seventh program review:

- By depositing (as of June 1, 2011) to the Treasury's account at the BCEAO revenues earmarked for refunding VAT credits, the government has implemented a system for the timely management and payment of VAT credits for legitimate claims (structural benchmark for the sixth review).[1]

- The General Directorate of Public Debt (DGDP) has created a database, which includes: (i) all domestic borrowing agreements signed by the government, identifying the stock of debt at end-2010 in addition to the quarterly schedule of repayments of principal and interest; and (ii) the debts guaranteed by the government (structural benchmark for the seventh review, Table 2).

- Since May 31, 2011, changes have been made to the TOFE to improve the presentation of domestic financing (structural benchmark for the seventh review, Table 2).

- A study on the impact of transfer of deposits of public entities (except for project accounts, whose creation is provided for in agreements signed with the technical and financial partners) at the commercial banks to a Single Treasury Account at the BCEAO was completed on September 15, 2011 (structural benchmark for the seventh review, Table 2).

- The reform of the tax system proposed in the 2012 budget law failed to meet all the objectives of the structural benchmark for the seventh review (Table 2). The General Directorate of Taxes (DGI) requires more time to prepare a reform that further streamlines and modernizes the tax laws, including through a reduction in exemptions.

[1] See Mali -- Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding, May 26, 2011, ¶19 and Table 2.

8. Through end-2011, the authorities will retain the objectives adopted in the supplementary budget approved by Parliament on November 11, 2011, summarized in the MEFP of May 26, 2011 (¶¶15-17) [1]. The 2011 supplementary budget law aims at achieving a level of net tax revenue of at least 14.3 percent of GDP, while making provisions for adequate resources to refund VAT credits in 2011 as well as the VAT credit arrears generated in previous fiscal years (¶20). It is also designed to curb the deficit in the basic balance and the underlying basic balance to, respectively, 2.5 and 1.4 percent of GDP, while aligning expenditure execution with the priorities set forth in the Growth and Poverty Reduction Strategy Paper (G-PRSP, ¶9). The September 2011 budget review has identified a risk of a shortfall in the payment of dividends of gold companies in 2011 compared to the amount envisaged in the supplementary budget. If this risk materializes, the government will make adjustments to non-priority expenditures, with a view to achieving the objectives set forth in the supplementary budget law with respect to the underlying basic balance and net domestic financing for the government by banks and the financial market (Table 3).

II. Program in 2012-14

9. As with previous programs, the G-PRSP will serve as a framework for economic, financial, and sectoral policies implemented in 2012-17. The preparation of a third G-PRSP is a participatory process and encompasses civil society, the private sector, and the technical and financial partners. The objectives of the G-PRSP III are: to promote rapid, diversified, sustainable, job-creating, and income-generating growth; to lay the groundwork for development and equitable access to quality social services; and to ensure institution-building and good governance. The G-PRSP III is expected to be finalized by end-2011, but its objectives have already been taken into account in preparing the draft budget law for 2012 (¶16).

10. In spite of an uncertain international environment, Mali's macroeconomic outlook appears favorable. Real GDP growth is projected to exceed 5 percent per year, thanks to increases in gold and agricultural production. Gold output will be boosted by high gold prices as well as 10 percent annual increases in production expected in 2012 and 2013. Agricultural production will continue to benefit from favorable conditions for the crop year, including government support for farmers through cotton input subsidies. Provided rainfall remains favorable, annual inflation should remain below the West African Economic and Monetary Union (WAEMU) convergence criterion of 3 percent. The overall balance of payments is expected to improve and turn into a surplus in 2012 and thereafter, thanks to increases in gold and cotton production. Although this outlook is favorable, the Malian economy remains vulnerable to the vagaries of the climate and volatility in the prices of gold and cotton, which constitute the bulk of the country's exports.

11. The program for 2012-14 draws lessons from the Ex-Post Assessment (EPA) of the IMF's longer-term program engagement in Mali [2], and the Conference on the Major Challenges and Economic Opportunities facing Mali, held in Bamako on March 18-19, 2011.[3] During this conference, a number of participants from the government, Parliament, the private sector, trade unions, civil society, and the technical and financial partners engaged in wide-ranging discussions on economic performance in recent years, as well as on the key challenges ahead. Both the EPA and the conference found that Mali's Fund-supported programs have successfully maintained macroeconomic stability and ensured progress toward achievement of the MDGs. However, the EPA and the conference also found that these programs have been less successful in terms of diversifying the economy, mobilizing tax revenues beyond 15 percent of GDP, or in raising economic growth in real terms beyond 5 percent per year, at a time when population growth has continued at a rapid pace (exceeding 3.6 percent per year). According to the EPA and the conference, the major impediment to growth is the challenging business climate characterized by inadequate physical infrastructure facilities (transport, electricity, etc.), shallow financial intermediation, a weak judicial system, and unsatisfactory number of skilled labor. These constraints have kept private investment at relatively low levels compared to those achieved in comparable countries.

12. Drawing on the lessons learned from the EPA and the conference, the program is designed to: (i) implement sustainable fiscal policies; (ii) create fiscal space for infrastructure spending; (iii) consolidate progress in public financial management; and (iv) promote private sector development by improving the business environment.

A. Implement Sustainable Fiscal Policies

13. The government intends to continue implementing sustainable fiscal policies in accordance with its commitments within the framework of its participation in the WAEMU. In particular, in 2012, the government will seek to adopt and implement a fiscal policy designed to keep the basic fiscal balance equal or superior to zero in line with the new definition adopted by the WAEMU in 2009.[4]

14. In 2012, the government will continue to spend the bulk of the receipts from the privatization of the telecommunications company SOTELMA on capital projects selected in 2009 and implemented since then (Table 6). As a result, the basic balance will continue to temporarily record a trajectory that deviates from the zero or surplus level required by the WAEMU convergence criterion. While spending SOTELMA privatization earnings, the government undertakes to ensure that the underlying basic balance (excluding expenditures

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[2] IMF Country Report No. 11/153. Mali: Ex Post Assessment of Longer-Term Program Engagement.

[3] IMF Press Release No. 11/94: The Bamako Conference Calls for Stronger and Inclusive Growth in Mali in the Context of Strengthened Partnership.

financed by SOTELMA privatization receipts) stays close to zero. In addition, the government will seek to maintain the overall fiscal balance (including project grants, sectoral budget assistance, and externally financed capital expenditure) at a sustainable level, as indicated by the Debt Sustainability Analysis (DSA) performed annually in cooperation with IMF and World Bank staff.

15. The expenditures executed in the context of the budget laws will reflect the priorities of the PRSP (¶9). To demonstrate its determination to implement these priorities, the government will ensure that expenditures in social sectors stay above a floor (proposed indicative target, Table 3).

16. In the context of its commitments, the government has submitted to Parliament a draft budget law for 2012, which is summarized below:

- The level of projected tax revenues is CFAF 836 billion (15.1 percent of GDP). The key tax measures proposed in the draft budget law are as follows: lower the corporate income tax rate from 35 to 30 percent; raise excise taxes on gold production from 3 to 5 percent; and introduce a reduced VAT rate of 5 percent on computer equipment and equipment associated with the generation of solar energy. The draft law also provides for adequate funding for repayment of VAT credits (¶20). This revenue target is based on a level of taxation assessed on petroleum products at least equivalent to the level observed during the first quarter of 2011. If the government decides to implement a lower level of oil taxation for economic or social reasons, it will adapt revenue or non priority expenditure to keep the underlying basic balance at the level specified in the draft 2012 budget law.

- The proposed level of domestically funded expenditure is CFAF 1051 billion (19 percent of GDP). The expenditure mix is in line with the objectives set forth in the G-PRSP, with 34 percent devoted to strengthening the social sector, 32 percent to developing infrastructure and the productive sectors, and 19 percent to governance and public administration. The draft budget law contains a CFAF 30 billion allocation to subsidize agricultural inputs. This amount will be revised in March 2012 at the time of the budget review carried out with Fund staff. Given the growing cost of the commitments undertaken by the government in this area, by end-February 2012, the

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[4] Through 2011, the basic balance under the program is defined as follows: revenue (including resources from the HIPC Initiative but excluding grants) less current expenditure and domestically financed capital expenditure, i.e., the difference between revenue and expenditure under the control of the government. Beginning in 2012, the definition of basic balance under the program will be aligned with the new WAEMU definition of basic balance, namely: revenue (including resources from the HIPC Initiative *plus grants intended for general budget assistance* less current expenditure and domestically financed capital expenditure.

Minister of Economy and Finance will prepare a proposed reform of these subsidies, with a view to limiting their impact on the government budget.

- Consequently, the projected basic fiscal deficit is CFAF 21 billion (0.4 percent of GDP), the underlying basic deficit is CFAF 5 billion (0.1 percent of GDP), and the overall fiscal deficit inclusive of grants is CFAF 173 billion (3.1 percent of GDP).

B. Create Fiscal Space for Infrastructure Spending

17. The government intends to implement the reforms needed to enhance domestic and external resource mobilization and improve the infrastructure required for private sector development. These reforms will focus on tax policy, tax and customs administration, use of non-concessional borrowing, and management of public investment.

Reform tax policy and the tax, customs, and government property administration, with a view to enhancing tax revenue

18. The government undertakes to raise the tax-to-GDP ratio by at least 0.5 percent of GDP annually by implementing tax reforms designed to broaden the tax base, and continuing the reforms undertaken by DGI, the General Directorate of Customs (DGD), the National Directorate of Government Property and the Land Registry (DNDC), in order to enhance revenue collection (proposed performance criterion, Table 3).

Reform tax policy

19. Tax measures will be as follows:

- *Ensure that the draft budget laws for 2012-2014 introduce measures designed to enhance revenue mobilization, while streamlining and modernizing the tax laws, including through a reduction in exemptions;*
- *Identify and phase out exemptions:*
    - ➢ prepare, by end-February 2012, a comprehensive list of all of the exemptions included in the General Tax Code and Customs Code, the Investment Code, the Mining Code, and all other laws incorporating tax benefits;
    - ➢ starting with the 2013 budget, ensure that draft budget laws incorporate a table indicating all exemptions included in the General Tax Code, the Customs Code, the Investment Code, the Mining Code, and all other laws or government decisions incorporating tax benefits, as well as their legal basis and date of implementation, together with an estimate of the losses these exemptions entail for government revenue (proposed structural benchmark, Table 4); and
    - ➢ phase out exemptions to the extent possible.

- *Design and implement a strategy to adjust domestic energy prices (petroleum products and electricity) to reflect trends in international prices*. This strategy includes the following features:

    - starting with the 2013 budget, ensure that draft budget laws include an estimate of the impact on the government budget resulting from failure to adjust petroleum related products and electricity prices (proposed structural benchmark, Table 4);

    - by end-February 2012, prepare proposals to adjust domestic energy prices to reflect trends in international prices (proposed structural benchmark, Table 4); and

    - with assistance from World Bank staff, prepare transfers targeted at the most vulnerable segments of the population, which could be stepped up in the event of increases in food or energy prices, with a view to easing the social tensions potentially associated with an upturn in such prices.

- *Analyze the advisability of introducing a surcharge on profits resulting from exceptionally high prices in the tax regime governing mining companies*, in an effort to improve the tax pressure on mining rents while preserving incentives for engaging in mining operations.

Reform tax, customs, and government property administrations

20. *Priority will be attached to implementing the reforms initiated in 2011 to achieve sustainable improvements in the operation of the VAT,* which accounts for about 40 percent of tax revenue. Accordingly, the following measures have been adopted:

- A Treasury account was opened at the BCEAO on January 18, 2011 to receive (a) the entire VAT receipts paid by the mining companies on their imports, and (b) 10 percent of VAT receipts paid by domestic operators. The monthly funding of this account by the DGI and DGD began on June 1, 2011 (¶7). The use of this account is reserved for refunds of VAT credits. This practice helps ensure effective and regular refunding of VAT credits owed to mining companies on their imports and to all other enterprises generating VAT credits, in accordance with WAEMU legislation. The amounts of VAT credits owed to gold and non-gold companies in 2011 are estimated at CFAF 21 billion and CFAF 12 billion, respectively, in the draft 2011 supplementary budget law (¶8). The VAT credits owed to gold and non-gold companies are estimated at CFAF 23 billion and CFAF 13 billion, respectively, in the draft 2012 budget law (¶16), and will be reviewed in March 2012 at the time of the budget review carried out with Fund staff.

- The DGI has estimated the value of VAT credits accumulated as of December 31, 2010 that remains to be refunded by the government at CFAF 16.7 billion, of which CFAF 6.2 billion have been confirmed. In the supplementary budget law for 2011, the government has allocated CFAF 10 billion (¶8), and in the draft 2012 budget law, it has allocated CFAF 6.7 billion to refund these credits (¶16).

- On May 31, 2011, the authorities ended the import tax regime at the reduced 6 percent rate without entitlement to a VAT credit, which had benefited two gold mining companies, as well as the VAT exemption enjoyed by their subcontractors. This means that all gold mining companies and their subcontractors have been subject to the standard VAT regime at the sole rate of 18 percent since June 1.

- As of December 31, 2011, the system of withholding of VAT at source will end, except for the Treasury. The Treasury will terminate withholding of VAT at source by December 31, 2012.

- As of January 1, 2013, the threshold for the application of VAT will be raised from CFAF 30 million to CFAF 50 million to simplify the collection of VAT in coordination with the change in the business turnover thresholds of the Large Business Taxpayers Office (DGE) and the Medium-Sized Business Tax payers Office (DME) explained below (proposed structural benchmark, Table 4).

21. The DGI, DGD, and DNDC will pursue their efforts to improve the tax, customs, and government property administrations by:

- *Changing the business turnover thresholds for DGE and DME, with a view to streamlining taxpayer administration.* To improve taxpayer management and increase the number of taxpayers managed by the DGE and the DME, the threshold of business turnover for the DGE will be raised from CFAF 500 million to CFAF 1 billion beginning in January 1, 2013, while the threshold for the DME will be lowered from CFAF 150 million to CFAF 100 million beginning in January 1, 2012, and to CFAF 50 million beginning in January 1, 2013 (proposed structural benchmark, Table 4). This reform will make it possible to improve the management and supervision of firms by the DGE, achieve rapid increases in the numbers of taxpayers managed by the DME, and improve VAT management by entrusting this function in its entirety to the DGE and the DME.

- *Improving the SYGTAS taxpayer registration system.* The SYGTAS databank contains numerous data entry errors, which will be remedied with donor assistance.

- *Improving the administration of taxpayers managed by the DGE.* The DGI: (i) will take all necessary steps to require payment of taxes via bank transfer for all firms managed by the DGE by January 1, 2013; and (ii) will implement a system for filing on line, with the aim of obtaining ISO certification for the DGE.

- *Improving taxpayers administration managed by the DME.* The DGI will continue to focus on enhancing the functioning of the DME, adopting the following measures: (i) strengthen its portfolio to raise the number of its taxpayers from less than 800 in 2011 to at least 1500 by end-September 2012; (ii) reduce the rate of VAT not filed to below 10 percent by end-2012, and below 5 percent by end-2013; and (iii) raise the rate of coverage of tax audits to at least 20 percent of its portfolio. The DGI will focus on improving the office premises and increasing staff at the DME.

- *Promoting taxpayer compliance.* In October 2011, the DGI published on the Minister of Economy and Finance's website the list of taxpayers managed by the DGE and DME respectively, and will keep this list regularly updated, so that the general public can see for itself the results of efforts made to broaden the tax base.

- *Implementing automatic targeted customs audits by June 30, 2012.* To that end, the DGD has set up a technical Risk Management Section, which completed all the necessary preparatory tasks in 2011.

- *Modernizing the DNDC.* In 2011, the DNDC carried out a study to determine the potential for government property revenue and to enhance the collection of such revenue, and conducted a study to prepare and implement a computerization plan. The DNDC will pursue its efforts to set up a land registry, and will implement a secure archiving system.

- *Introducing multidisciplinary audits.* A tax intelligence unit will be set up by end-February 2012 to strengthen tax audits and identify new taxpayers by using all the taxpayer or economic transaction databases available at the DGI, the DGD, the DNDC, and the directorate responsible for government procurement (proposed structural benchmark, Table 4).

- *Improving the recording of tax revenues in the accounts.* The Treasury's new integrated accounting application and its interface with the DGD (ASYCUDA) and DGI (SIGTAS) applications will be put into operation in the District of Bamako revenue collection office (RGD) in January 2012.

Use non-concessional borrowing with caution

22. The most recent debt sustainability analysis carried out with Fund and World Bank staff found that Mali's risk of debt distress remains moderate and that there is room for borrowing of up to CFAF 51 billion (US$100 million, or 1 percent of GDP) on non-concessional terms for high-yield infrastructure investments during 2012-14. This analysis

also confirms that debt sustainability remains highly sensitive to the prices of gold (production of which will decline in the medium term), the financial terms of borrowing, and the pursuit of sustainable fiscal policies.

23. Henceforth, the government reaffirms its commitment to meet all its external financing needs through grants and borrowing for which the grant element amounts to at least 35 percent, except for an envelope of CFAF 51 billion, which will be devoted to high-yield infrastructure investments during 2012-14 (proposed continuous performance criterion, Table 3). The authorities will review the size of this envelope at the time of the annual debt sustainability analyses, conducted in cooperation with IMF and World Bank staff, particularly in light of the authorities' performance in selecting high-yield public investment projects. As early as in 2012, the authorities will produce their own debt sustainability analysis in preparation for these analyses, with assistance from IMF and World Bank staff.

24. The authorities will inform the Fund staff about their plans to borrow non-concessionally. The government will provide a description of the projects for financing and their returns, including the feasibility studies. The government will account for the utilization of the funds and the implementation status of the projects in their MEFPs under the program.

25. To minimize the cost of non-concessional borrowing, ensure that the returns on projects for investment in infrastructure financed by such borrowing exceed their cost, and to maximize the returns on such projects, the authorities will adopt the following measures:

- identify those infrastructure projects that yield potentially the greatest returns;
- carry out economic and technical feasibility studies for these projects;
- choose among the most viable projects ; and
- identify the most affordable financing possible for these projects: if possible with a grant element greater than or equal to 35 percent, otherwise with a grant element of 20 percent or more, or the best possible financial terms.

26. To prepare for cautious use of medium-term non-concessional borrowing, the government will adopt the following measures: (i) prepare a medium-term debt management strategy by end-June 2012 with technical assistance from the IMF and the World Bank under the Debt Management Performance Assessment (DeMPA) program; (ii) implement this strategy; and (iii) obtain a rating from a rating agency with the assistance of UNDP by end-2014.

Improve public investment management

27. By end-February 2012, the authorities will analyze the strengths and weaknesses of the current process for the selection, budgeting, implementation monitoring, and ex post assessment of projects for public investment in infrastructure, with a view to designing and

implementing an action plan for building capacity in this area during 2013-14 (proposed structural benchmark, Table 4).

28. Without waiting for the results of this analysis, the following measures will be adopted, with a view to gradually improving the procedures for budgeting and monitoring the execution of investment appropriations.

- *The draft 2013 budget law will introduce commitment authorizations (AE) and payment appropriations (CP) related to three-year public investment expenditures*. On this basis, the Ministry of Economy and Finance will make arrangements to track the utilization of AE and CP in the PRED5 expenditure management software.
- *A procedure for carrying forward CP will be implemented in a transitional manner in preparation for the full implementation of the system of carry-forwards included in WAEMU directives*. During this transitional period, CP will be carried forward, provided that such carry-forwards are secured (i.e., covered by appropriate financing arrangements or budget savings in the following year), and specified in the cash flow plan of the following year. Carrying forward unsecured CP up to a maximum of 10 percent of initial appropriations will be allowed, subject to the availability of financing resources in the cash-flow plan of the following year. CP pertaining to expenditures validated but for which no payment orders have been issued are carried forward on a priority basis, up to the limit of the above-mentioned ceiling; above that ceiling, the authorities must prepare a supplementary budget law. The procedures for carrying forward CP will include: a decree adopted by the Cabinet prior to January 31 of the following year, which will indicate; (i) CP for which no payment orders have been issued on December 31, but have been cancelled and carried forward into the following fiscal year based on conditions specified above; and (ii) CP that have been cancelled and not carried forward. (proposed structural benchmark, Table 4).
- *By 2014, a procedure for carrying-forward CP will be put into practice, which provides for full implementation of the system of carry-forwards specified by WAEMU directives*, permitting only the carry-forward of CP secured and provided for in the cash-flow plan.

C. Consolidate Progress in Public Financial Management

29. The results of the Public Expenditure and Financial Accountability (PEFA) assessment completed in 2011 show that progress has been made in the public expenditure management system in Mali, particularly with respect to budget credibility and comprehensiveness, and the preparation of budget laws. Nonetheless, the findings also point to persistent weaknesses related to monitoring of back taxes and domestic payments arrears, cash flow management, accounting, and external auditing.

30. To build on the progress made thus far, the government is pursuing the implementation of its action plan to improve and modernize public financial management (PAGAM-GFP II) covering the period 2011-15. The actions in PAGAM-GFP II are organized around four strategic objectives: sustainable optimization of revenues; budget preparation and execution consistent with international standards; accountability of stakeholders and enhancing the transparency of public finance; and further decentralization. The implementation of the PAGAM will continue to guide the government's actions in improving PFM.

Improve public debt and public expenditure management and the transparency of government finance

31. The PAGAM-GFP II action plan reflects the government's desire to play a leading role in transposing and implementing WAEMU directives related to public expenditure management. To the extent possible, the government is committed to incorporating into Malian laws and regulations the WAEMU Directives No. 5 to 10 of 2009 on transparency, budgets, public accounting, budget nomenclature, the government's chart of accounts, and the TOFE by December 31, 2011, and to begin implementing these provisions beginning in 2012.

32. Pursuant to these directives, with reference to budget execution for 2011, no further payment orders will be accepted after December 31, 2011, no further payments will be validated after January 31, 2012, and all spending executed through exceptional procedures will be regularized before January 31, 2012. In this way, the supplementary budget period will be limited to accounting operations, and an end-of-operations circular was published on September 30, 2011 specifying deadlines for expenditure commitments, with a view to ensuring that all payment orders are stopped by December 31, 2011.

33. Under the program, the government intends to complete the following ongoing actions to improve budget presentation and execution, liquidity, and domestic debt management, and to strengthen accounting, external auditing, and government finance statistics:

- *The draft 2012 budget law includes all government expenditures and resources* and in particular the taxes levied on wages, the proceeds from which will be earmarked for the Malian Housing Office (*Office Malien de l'Habitat* [OMH]).

- *Changes in appropriations adopted during the year will be reported on a consolidated basis in the draft supplementary budgets or budget review laws.* All regulatory measures to alter budget appropriations during the year (decrees concerning advances, transfers, payment orders, carry-forwards, cancellations, credit funds, etc.) will be provided as reference information attached to the first draft supplementary budget law following the adoption of the measure in question, or if there is no such supplementary budget, they will be attached to the draft budget review law (*loi de règlement*) for the corresponding fiscal year.

- *A Single Treasury Account (STA, Compte unique du Trésor) at the BCEAO will be put in place by end-2011.* A study on the impact of transferring to the BCEAO the more than 3400 accounts of public entities at commercial banks (except for project accounts whose creation is explicitly provided for in agreements signed with technical and financial partners) was completed on September 15, 2011 (structural benchmark, Table 2). This study found that 7 banks could withstand the immediate transfer of these accounts to the BCEAO, without compromising their liquidity ratios, but 6 banks would see their ratios deteriorate below the required minimum. Accordingly, the authorities have decided to transfer the accounts (except for project accounts) of the RGD, the Office of the Paymaster General of the Treasury (PGT), the Central Accounting Agency of the Treasury (ACCT) and the accounting units of the Regional Treasurers/Paymasters (TPR) in Mopti and Sikasso with the above-mentioned 7 banks to the BCEAO by end-2011 (proposed structural benchmark, Table 4). A strategy for transferring the accounts in the other 6 banks will be approved by March 2012, as will the strategy for transferring the accounts (except for project accounts) of other administrations and administrative public agencies at all commercial banks to the BCEAO. The terms on which the bank accounts of public entities may be opened, operated, and closed will be approved by the Minister of Economy and Finance by end-December 2011. The Ministry of Economy and Finance will propose an agreement regarding the maintenance of the Single Treasury Account to the BCEAO by December 31, 2011.

- *Management of domestic debt will be strengthened.* The Minister of Economy and Finance has entrusted the DGDP with the task of preparing a comprehensive list of all the agreements related to domestic debt and the commitments to guarantee domestic debt given by the government in an effort to include their repayment schedules in the public debt database and in the budget laws (¶7). The DGDP has begun taking inventory of all agreements related to domestic debt at local banks. This work has already made it possible to identify direct and indirect obligations of the government to the banking sector in the amount of CFAF 163 billion (3.2 percent of GDP) at end-June 2011, including CFAF 24 billion (0.5 percent of GDP) in amounts that are due and outstanding. A payment timetable is currently being negotiated with creditors, for which CFAF 2.3 billion have been allotted in the draft 2011 supplementary budget law, and CFAF 7.5 billion in the draft 2012 budget law.

- *The quality of accounts will be gradually improved.* Abnormal balances identified on current accounts, third party accounts, and financial accounts in the general balance sheets of the ACCT, the PGT, and the RGD have begun to be rectified. The abnormal balances found in the above-mentioned accounts for FY 2011 will be cleared by end-March 2012.

- *The production and auditing of annual government accounts will be accelerated.* The Accounts Section of the Supreme Court is implementing a strategy to clear accounts on the basis of the assessment of the status of accounts produced by the National Directorate of the Treasury and Public Accounting (DNTCP). For public accounts prior to 1992, the government has adopted a draft validation law on June 29, 2011 and submitted it to Parliament. The Account Section has examined the public accounts for the fiscal years 1992-2008. Parliament has voted on the final accounting law (*loi de règlement*) for FY 2008. The government has submitted the draft final accounting law for 2008 to Parliament. The Accounts Section is engaged in reviewing the final accounting review law for 2009. The government will adopt the draft final accounting law for FY 2010 by end-2011. The same approach will be used for later fiscal years, in accordance with the WAEMU Directives.

- *Further action will be taken to improve government finance statistics.* As of May 31, 2011, changes have been made to the TOFE as specified in the May 26, 2011 Technical Memorandum of Understanding (TMU, ¶23; structural benchmark, Table 2). Efforts will be made to reduce the statistical discrepancy between the overall balance recorded and its financing. Starting with the TOFE at end-December 2011, the Ministry of Economy and Finance and the BCEAO will work closely together to allow the BCEAO to produce a net government position (narrowly defined) encompassing the transactions set forth in the TOFE (TMU, ¶6).

- *Monitoring of payment lags will be strengthened to prevent creation of arrears.* The expenditure management software (PRED5) will be used to track delays in execution of payment orders, and to ensure that payments are made within 90 days after expenditure validation. Monthly tables will be generated for this purpose.

Strengthen internal and external controls

34. Internal and external oversight mechanisms have identified numerous administrative shortcomings in public financial management. At the internal level, the Office for General Control of Public Services has highlighted the lack of manuals of procedure and their insufficient use in government. To correct these deficiencies, the government has adopted a national internal control strategy, covering the period 2011-15, that will be implemented with assistance from technical and financial partners. At the external level, the Office of the Auditor General has drawn attention to large sums that remain to be collected by the Public Treasury. Furthermore, the Accounts Section of the Supreme Court will be converted into an Audit Office in accordance with a WAEMU directive, and its number of staff will be increased.

Establish financial stability for the CMSS and INPS

35. The government intends to ensure the financial stability of the Malian Social Security Fund (*Caisse Malienne de Sécurité Sociale* [CMSS]), which manages the pension system and disability insurance plan for civil servants, and the National Social Insurance Institute (*Institut National de Prévoyance Sociale* [INPS]), which manages the pension plan, disability insurance, and family benefits for private sector employees. According to the recent actuarial studies (2005 and 2010 for the CMSS, 2066 for the INPS), in the absence of reforms, deficits of these two entities could reach 1 percent of GDP each in 2015. The government has submitted a draft law to Parliament in 2008 to reform the CMSS. Depending on the reforms adopted by Parliament and the analytical work in progress with technical assistance from the World Bank, the government will develop and implement measures to reform these two institutions in order to eliminate their deficits over the medium term, while creating fiscal space for priority spending, including improving the country's infrastructures (¶¶17-28).

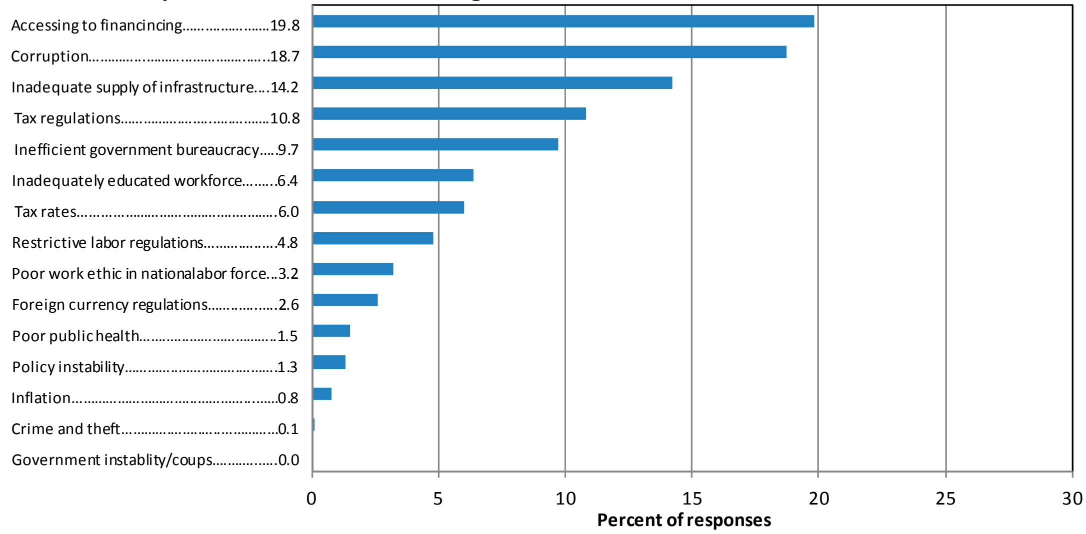
Improve macroeconomic statistics

36. The government has adopted a master plan for statistics development to support economic reforms through the production of accurate, serviceable, and timely statistics. The government is committed to improving the institutional and regulatory framework for the statistical system, strengthening its capacities in terms of skilled human resources, and improving the quality and accessibility of public statistics, with assistance from the technical and financial partners (including the IMF). The government will prepare an action plan to implement the measures deriving from the study on the institutional reform of the national statistical system by end-December 2011.

D. Promote Private Sector Development by Improving the Business Environment

37. According to the latest Africa Competitiveness Report, produced jointly by the World Economic Forum, the World Bank, and the African Development Bank, the main obstacles to private sector development in Mali are access to financing, corruption, inadequate supply of infrastructure (including in the energy sector), complex tax regulations, government bureaucracy, and low skills level in the labor force.

Mali: The most problematic factors for doing business



Note: From a list of 15 factors. respondents were asked to select the five most problematic factors for doing business in their country and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

Source: The Africa Competitiveness Report 2011 © World Economic Forum, the World Bank and the African Development Bank.

38. The government plans to implement measures aimed at mobilizing resources for infrastructure investment and simplifying tax legislation (¶¶17-28). Other measures described below are also being envisaged, with a view to maintaining the stability of the financial sector and improving access to bank financing, improving the financial situation and production capacity of the cotton and energy sectors, strengthening the level of training of the labor force, and reducing corruption.

Maintain financial system stability and improve access to bank financing

39. *The government will closely monitor developments regarding the financial position of the banking system, particularly related to spillovers from the post-electoral crisis in Côte d'Ivoire and the events in Libya*. WAEMU institutions and governments are negotiating a restructuring plan for WAEMU bank claims on Côte d'Ivoire. This plan includes the immediate payment of capitalized interest to banks and the restructuring of the outstanding securities. If needed, the Monetary Policy Committee will decide on the eligibility of these securities for refinancing at the BCEAO. The government will also pay close attention to the situation of the two Libyan-owned medium-sized banks in collaboration with the WAEMU monetary authorities.

40. *The government will complete the restructuring of the housing bank (BHM).* Implementation of the restructuring plan, adopted on December 30, 2009, calls for divestment of the government's equity stake in the bank in 2012. With the support of the World Bank, the government issued a call for tenders to recruit an investment bank and a law firm to implement the privatization successfully. In the interim, the Ministry of Economy and Finance and the BCEAO, within the scope of its responsibilities in the area of prudential

control, are closely following the BHM's operations to ensure that the government resources made available to it through the recapitalization process (CFAF 11 billion in 2010) and from the national budget to finance social housing (amounting to CFAF 7 billion in 2011) actually result in productive loans.

41. *The government will continue to implement its financial sector development strategy adopted in 2008* taking into account the Financial Sector Assessment Program (FSAP) recommendations for Mali and the WAEMU zone from the same year. The strategy has four main pillars:

- strengthening and developing the banking and capital markets sector;
- strengthening and developing nonbanking financial institutions;
- consolidating, strengthening, and developing the microfinance sector; and
- improving the legal and judicial framework.

42. Taking into account the lessons learned from the conference entitled "Mali: Challenges and Economic Opportunities" from March 18 and 19, 2011 (¶10), the government intends to implement the following measures:

- *With a view to encouraging bank financing of the development of the country's enormous agricultural potential, a strategy for reforming the land tenure and land registration regime will be devised in 2012.* Reforms will be implemented in 2013-14, and will aim at establishing land titles that could be used for obtaining bank mortgage loans.

- *With a view to strengthening access to bank financing for small and medium-sized enterprises (SMEs) in 2012, the Ministry of Economy and Finance, in collaboration with the BCEAO, will conduct a feasibility study on the creation of a registry of bank guarantees*. This registry will be accessible to all and will serve as a tool to facilitate the speedy realization of guarantees in case of nonpayment of bank loans, similar to the systems successfully established in comparable countries. The registry will be created, if possible, in 2013-14.

43. *The government will continue to implement the action plan adopted by the WAEMU Council of Ministers in September 2007 in order to increase utilization rate of banking services in the WAEMU area from less than 10 percent in 2007 to 20 percent in 2012.* To that end, several actions have been taken or are being planned by the various participants in the financial system, namely:

- launch by the BCEAO of a credit bureau for delinquent payments in July 2010, aimed at restoring public confidence in the use of cashless means of payment;

- application by banks of legal provisions concerning the right to an account for all persons able to justify regular income of at least CFAF 50,000 ($100);
- adoption by Parliament, at its session of May 20, 2010, of a law on punishing offenses related to checks, bank cards and other electronic payment instruments and processes;
- holding of a planned outreach campaign on the use of electronic payment means in October 2011 in Mali;
- ongoing promotion of electronic money by all banks;
- training of all staff in financial administrations in the new payment systems;
- inclusion of legal and regulatory texts on payment systems and payment means in the training programs for judicial officers and judges; and
- increasing awareness of electronic money through its use for some payments, such as salaries and pensions, toll rates/weigh station fees, and other taxes, customs duties, and fees.

Reform of the cotton sector

44. *The government plans to complete the privatization of the Malian Textiles Company (CMDT)*. Upon completion of the call for tenders, six investors expressed interest, three submitted a bid, and one investor was chosen to buy two of the four regional subsidiaries of the CMDT. The government intends to finalize negotiations with the investor selected by end 2011. Following the negotiations, the government will formalize its strategy concerning the subsidiaries for which buyers are yet to be found. The government will ensure that this privatization operation takes place under optimal conditions conducive to the economic and financial sustainability of the cotton sector.

Reform of the electric power sector

45. *The government will honor its commitments to the national electric power generation company, Energie du Mali (EDM)*. Since the early 2000s, the government has been implementing an electricity pricing policy, which includes the option of adjusting the electric power prices to reflect changes in the firm's operating costs or paying a subsidy to EDM so that it can meet its objectives. In implementing this policy, the government has made three price adjustments since 2003 (two decreases of 10 percent in 2003 and of 8 percent in 2004, respectively, and a 4 percent increase in 2009), despite the doubling of the international price of petroleum products since 2004. Rising oil prices, the rapid increase in the share of thermal generation in the power generation mix, and operational difficulties at EDM have contributed to a loss of CFAF 13.9 billion in 2010, and to the annual loss projections for 2011 and 2012, estimated at around CFAF 20 billion.

46. *Under its electricity pricing policy, the government has included annual transfers of CFAF 20 billion in the 2011 supplementary budget law and the 2012 draft budget to improve the financial situation of EDM*. These transfers are necessitated by the decision to stabilize electricity prices, and support efforts to ensure the recovery of the sector's financial soundness. In 2012, part of these transfers (CFAF 5 billion) will be financed by proceeds from the privatization of SOTELMA for investment financing (Table 6). The 2012 transfer amount will be reviewed in March 2012 in light of EDM's financial situation and the price indexation mechanism for public utility companies, which will be finalized with the support of the World Bank, and will be put in place by the Electricity and Water Regulatory Commission (CREE). The government will either apply the price adjustment mechanism or decide, when necessary, on budget transfers to bolster the financial situation of EDM in 2012. In the interim, the government will continue to pay its electricity bills on a regular basis, and will implement its development strategy for the sector through grid extension, interconnection with neighboring countries, and a diversification of the generation mix, in cooperation with the World Bank.

Developing human resources

47. To improve the level of training in the labor force, the government will strengthen its efforts in the areas of education and vocational training in conjunction with technical and financial partners competent in these areas.

Reducing corruption

48. Motivated by its determination to make the mining sector an engine of development and a means of combating poverty, Mali applied to join the Extractive Industries Transparency Initiative (EITI) in 2006 and was designated an EITI compliant country in August 2011, joining the ranks of ten other countries, of which five are Sub-Saharan African countries. The government will take every step to maintain its EITI compliant status.

49. Aware of the perception that corruption is one of the main obstacles to private sector development, in drawing up its new strategy for 2012 to combat corruption, the government will draw on the lessons learned from the strategies already implemented, and will strive hard to implement the new strategy over the coming years.

III. Program Monitoring

50. The program at end-2011 and in 2012 will be evaluated on the basis of performance criteria at end-December 2011, performance criteria at end-June 2012 and end-December 2012, and indicative targets for end-March and end-September 2012 (Table 3), continuous performance criteria (Table 3) and structural benchmarks (Table 4). The performance criteria and indicative targets are defined in the Technical Memorandum of Understanding (TMU), which also specifies the nature and frequency of the data reporting required assuring the proper monitoring of the program. Discussions for the first review of the program will focus

on the preparation of formulas for adjusting domestic oil and electricity prices in line with international oil prices. The expected review dates for the first, second and third reviews associated with the end-December 2011, end-June 2012 and end-December 2012 performance criteria are, respectively June 1 and December 1, 2012 and June 1, 2013.

Table 1. Mali: Quantitative Performance Criteria and Indicative Targets, 2011 [1]

	March				June				Sep.
	Indicative targets [2]	Adjusted targets	Est.	Status	Performance criteria [3]	Adjusted targets	Prel.	Status	Indicative targets [3]
	(in CFAF billions)								
Performance criteria									
Government bank and market financing (ceiling) [4]	118.4	110.3	79.0	Met	78.4	92.0	81.9	Met	122.6
Cumulative increase in external payments arrears (ceiling) [5]	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0
New external borrowing at terms of one year or more contracted or guaranteed by the government on nonconcessional terms (ceiling) [5]	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0
New short-term external credits (less than one year) contracted or guaranteed by the government on nonconcessional terms (ceiling) [5]	0.0	…	0.0	Met	0.0	…	0.0	Met	0.0
Gross tax revenue (floor)	181.4	…	164.1	Not met	359.5	…	374.2	Met	554.5
Indicative targets									
Basic fiscal balance (floor) [6]	-26.0	…	21.9	Met	-81.3	…	14.3	Met	-112.3
Basic fiscal balance, underlying (floor) [7]	-17.0	…	23.3	Met	-53.3	…	34.3	Met	-70.3
Priority spending (floor)	50.8	…	53.2	Met	152.8	…	134.6	Not met	252.4
Memorandum items:									
External budget support [8]	73.9	…	18.3		79.9	…	49.1		99.5
Pending bills reduction	-80.0	…	-56.4		-18.1	…	-33.1		-43.8
Tax refunds	-7.7	…	-3.3		-18.5	…	-4.4		-27.6
Arrears payment	-5.2	…	0.0		-12.3	…	0.0		-12.3

Sources: Malian authorities; and IMF staff projections.

[1] Cumulative figures from the beginning of the year. Noncontinuous targets at end-March and end-September are indicative targets. See Technical memorandum of understanding (TMU) for definitions.
[2] IMF Country Report No. 11/37: Mali —Fifth Review Under the Extended Credit Facility (ECF).
[3] IMF Country Report No. 11/141: Mali —Sixth Review Under the ECF.
[4] The targets for this performance criterion or indicative target are subject to adjustment for external budget support, reduction of pending bills, tax refunds, and arrears payment. See TMU for more details.
[5] These performance criteria will be monitored on a continuous basis from the beginning of the year.
[6] Total revenue, plus revenue from HIPC debt relief, minus total expenditure and net lending excluding externally financed capital spending.
[7] Excluding expenditure financed with revenue from the privatization of SOTELMA.
[8] As defined in paragraph 6 of TMU of May 26, 2011.

Table 2. Mali: Structural Benchmarks for the Seventh Review Under the ECF Program in 2011

Measures	Macroeconomic rationale	Timing	Status
In the context of the seventh program review			
Prepare a database of: (i) all the domestic debt contracts signed by the governement including the stock of the debt at end-2010, and the quarterly interest payments and amortization due; and (ii) the debts guaranteed by the government.	Strengthen domestic debt management.	30-Jun	Met
Present the Central Government Consolidated Financial Operation (TOFE) at end-March 2011 according to the presentation decribed in paragraph 23 of the Technical Memorandum of Understanding (TMU).	Strengthen fiscal transparency.	31-May	Met
Do a study to analyze the impact of transferring all outstanding balances of accounts held by line ministries in commercial banks, except of accounts established by contracts with donors in the context of externally-financed projects, to the Treasury Single Account at the BCEAO.	Strengthen cash management.	30-Sep	Met
Introduce in the draft 2012 budget law a reform of the tax system, aiming at a greater mobilization of revenue while ensuring greater rationalization and modernization of the tax laws, including through a reduction of tax exemptions.	Strengthen revenue mobilization and the business environment.	30-Sep	Partially met

Source: Malian authorities.

Table 3. Mali: Quantitative Performance Criteria and Indicative Targets for December 2011 and 2012 [1]

	2011	2012			
	Dec.	March	June	Sep.	Dec.
	Performance criteria	Indicative targets	Performance criteria	Indicative targets	Performance criteria
			(in CFAF billions)		
Performance criteria					
Government bank and market financing (ceiling) [2]	74.1	63.4	70.7	82.8	63.8
Cumulative increase in external payments arrears (ceiling) [3]	0.0	0.0	0.0	0.0	0.0
New external borrowing contracted or guaranteed					
by the government on nonconcessional terms (ceiling) [3 4]	0.0	51.1	51.1	51.1	51.1
Gross tax revenue (floor)	768.0	219.1	438.1	657.2	876.2
Indicative targets					
Basic fiscal balance (floor)	-129.4	-0.8	-7.9	-6.2	-21.1
Basic fiscal balance, underlying (floor)	-73.5	3.2	0.1	5.8	-5.1
Priority spending (floor)	352.0	61.2	135.4	250.1	405.3
Memorandum items:					
External budget support	140.5	17.3	27.1	80.4	88.5
Pending bills reduction	4.2	-41.3	-20.3	-46.9	0.0
Tax refunds	-37.0	-10.0	-20.0	-30.0	-40.0
Arrears payment	-12.3	-3.6	-7.1	-10.7	-14.2

Sources: Malian authorities; and IMF staff projections.

[1] Cumulative figures from the beginning of the year. Noncontinuous targets at end-March and end-September are indicative targets. See Technical memorandum of understanding (TMU) for definitions.

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

[3] These performance criteria will be monitored on a continuous basis since the beginning of the year.

[4] Ceiling starts in 2012 and applies for the period 2012-14.

Table 4. Mali: Structural Benchmarks for the First and Second ECF Program Reviews

Measures	Timing	Macroeconomic rationale
In the context of the first review of the program		
Transfer the accounts (except the project-accounts) from the District of Bamako's tax collections office (RGD), the General Payments Office (PGT), the Central Accounting Agency of the Treasury (ACCT) and the accounting units of the Regional Treasurers-Paymasters (TPR) in Mopti and Sikasso, that are held in commercial banks, to the BCEAO, as indicated in ¶33, third indent, of the MEFP.	31-Dec-11	Improve cash management
Prepare formulas to adjust domestic oil and electricity prices to international oil prices.	29-Feb-12	Increase tax revenue
Set up a tax intelligence unit which brings together staff from the Directorate General of Taxes (DGI) and the Directorate General of Customs (DGD) to collect information and conduct joint inspections using, in particular, the databases of the tax and customs authorities as well as the public spending agencies, in order to audit tax returns and identify new taxpayers.	29-Feb-12	Increase tax revenue
Analyse the strengths and weaknesses of the current process of selection, budgeting, implementation monitoring, and ex-post evaluation of public infrastructure invesment projects, and make recommendations to improve this process.	29-Feb-12	Improve public investment management
In the context of the second review of the program		
Introduce in the draft budget law for 2013 submitted to Parliament a Table listing: (i) all the exemptions included in the General Tax Code, the Customs Code, the Investment Code, the Mining Codes and all other laws and government decisions which provide tax advantages; (ii) their legal basis and date of enactment; and (iii) an estimation of the resulting cost in foregone fiscal revenue.	30-Sep-12	Increase tax revenue
Introduce in the draft budget law for 2013 submitted to Parliament a Table presenting an estimate of the fiscal cost of not adjusting oil and electricity prices to international oil prices.	30-Sep-12	Increase tax revenue and reduce transfers
Implement the budgeting of commitment authorizations (AE) and payment appropriations (CP) pertaining to the three-year public investment expenditures, consistent with the modalities explained in ¶28, indents one and two, of the MEFP.	30-Sep-12	Improve public investment management
Adopt the regulatory texts which would establish the business turnover threshold at the Large-sized Taxpayers Office (DGE) at CFAF 1 billion and at the Medium-sized Taxpayers Office (DME) at CFAF 50 million and raise the VAT threshold to CFAF 50 million starting January 1st, 2013.	31-Oct-12	Increase tax revenue

Table 5. Mali: Central Government Consolidated Financial Operations, 2012

	March	June	September	December
	Prog.	Prog.	Prog.	Prog.
	(in CFAF billions)			
Revenue and grants	288.9	570.3	861.2	1,132.8
Total revenue	243.1	486.1	729.2	972.2
Budgetary revenue	223.7	447.4	671.1	894.8
Tax revenue	209.1	418.1	627.2	836.2
Direct taxes	56.1	112.3	168.4	224.5
Indirect taxes	152.9	305.9	458.8	611.7
VAT	85.0	170.1	255.1	340.1
Excises on petroleum products	1.8	3.5	5.3	7.0
Import duties	28.3	56.7	85.0	113.3
Other indirect taxes	47.8	95.7	143.5	191.3
Tax refund	-10.0	-20.0	-30.0	-40.0
Nontax revenue	14.7	29.3	44.0	58.6
Special funds and annexed budgets	19.3	38.7	58.0	77.4
Grants	45.8	84.2	132.1	160.6
Projects	21.5	43.0	64.4	85.9
Budgetary support	24.4	41.3	67.6	74.7
Of which: general	17.3	27.1	46.4	46.4
Of which: sectoral	7.1	14.2	21.2	28.3
Total expenditure and net lending (payment order basis)	324.2	648.3	972.5	1,291.7
Budgetary expenditure	305.3	610.6	916.0	1,216.3
Current expenditure	200.0	400.0	600.1	800.1
Wages and salaries	76.7	153.4	230.1	306.8
Goods and services	62.6	125.3	187.9	250.5
Transfers and subsidies	52.4	104.9	157.3	209.7
Interest	8.3	16.5	24.8	33.1
Of which: domestic	3.4	6.8	10.2	13.6
Capital expenditure	105.3	210.6	315.9	416.2
Externally financed	60.1	120.2	180.3	240.4
Domestically financed	45.2	90.4	135.6	175.8
Special funds and annexed budgets	19.3	38.7	58.0	77.4
Net lending	-0.5	-1.0	-1.5	-2.0
Overall fiscal balance (excl. grants)	-81.1	-162.2	-243.3	-319.4
Overall fiscal balance (incl. grants)	-35.3	-78.0	-111.3	-158.8
Variation of arrears	-3.6	-7.1	-10.7	-14.2
Adjustment to cash basis	-41.3	-20.3	-46.9	0.0
Overall balance (cash basis, incl. grants)	-80.2	-105.4	-168.9	-173.0
Financing	80.2	105.4	168.9	173.0
External financing (net)	21.1	43.4	99.1	126.5
Loans	31.5	63.1	128.6	168.3
Project loans	31.5	63.1	94.6	126.2
Of which: non-concessional	0.0	0.0	0.0	0.0
Budgetary loans	0.0	0.0	34.0	42.1
Amortization	-13.3	-26.7	-40.0	-53.3
Debt relief	2.9	7.0	10.5	11.6
Domestic financing (net)	59.0	62.0	69.8	46.5
Banking system	58.3	60.6	67.6	43.5
Central bank	4.6	9.2	13.8	18.5
Commercial banks	53.7	51.3	53.7	25.1
Privatization receipts	0.0	0.0	0.0	0.0
Non-bank financing	0.7	1.5	2.2	3.0
Financing gap	0.0	0.0	0.0	0.0
Memorandum items				
Basic fiscal balance (WAEMU def.) [1]	-0.8	-7.9	-6.2	-21.1
Underlying basic fiscal balance (WAEMU def.) [2]	3.2	0.1	5.8	-5.1
External budget support	17.3	27.1	80.4	88.5
Government bank and market financing	63.4	70.7	82.8	63.8

Sources: Ministry of Finance; and IMF staff projections.

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

[2] Excluding spending financed by the revenue from the privatization of the telecom company SOTELMA.

Table 6. Use of Revenue from the Sale of 51 percent of the Telecom Company SOTELMA
(in CFAF millions)

	2009		2010		2011		2012	2013	Total
	Prog.	Real.	Prog.	Real.	Prog.	Real. June	Prog.	Proj.	
Fiscal consolidation	**40,000**	**9,451**	**2,000**	**30,548**	**0**	**0**	**0**	**0**	**39,999**
Economic operators (in 2010, payment of the 2009 pending bills)	24,000	0	0	24,000	0	0	0	0	24,000
Banks	16,000	9,451	2,000	6,548	0	0	0	0	15,999
Human resource development	**1,000**	**0**	**11,253**	**5,304**	**8,209**	**3,536**	**0**	**0**	**13,513**
Youth, education, jobs	0	0	9,300	3,784	7,409	2,536	0	0	11,193
Higher education	0	0	3,900	884	4,427	1,536	0	0	5,311
Construction of university facilities in Bamako and Ségou	0	0	3,188	884	3,880	1,536	0	0	4,764
Establishment of research competitiveness fund	0	0	500	0	500	0	0	0	500
Université de Bamako interconnection	0	0	212	0	47	0	0	0	47
Secondary education, professional training, youth, and jobs	0	0	5,400	2,900	2,982	1,000	0	0	5,882
Building financial capacities of the Youth Employment Agency (APEJ)	0	0	4,400	2,900	2,482	1,000	0	0	5,382
Building and equipment for technical schools and IFP [1]	0	0	1,000	0	500	0	0	0	500
Health and social development	1,000	0	1,953	1,520	800	1,000	0	0	2,520
Supplemental funding for construction of Mopti Hospital	0	0	1,000	0	0	1,000	0	0	1,000
Supplemental funding for construction of Sikasso Hospital	1,000	0	0	1,000	0	0	0	0	1,000
Computer equipment, manadatory health insurance	0	0	953	520	800	0	0	0	1,320
Infrastructure and equipment	**0**	**0**	**7,747**	**3,119**	**15,430**	**1,647**	**0**	**0**	**18,549**
Roads and bridges	0	0	3,375	1,637	4,613	1,647	0	0	6,250
Kayes: Paving of 6 km of Bafoulabé-Mahina road	0	0	1,000	500	0	0	0	0	500
Koulikoro: Paving of 5 km of roads	0	0	1,000	500	0	0	0	0	500
Kidal: Paving of 5 km of roads	0	0	375	0	1,250	0	0	0	1,250
Bamako: Construction of Yirimadio hospital access road	0	0	1,000	637	363	363	0	0	1,000
Sikasso: Bridge over the Baoulé between Manankoro-Tienfinzo	0	0	0	0	3,000	1,284	0	0	3,000
Communication and transportation	0	0	4,372	1,482	10,817	0	0	0	12,299
1 outdoor broadcasting van, 12 cameras	0	0	1,950	660	1,284	0	0	0	1,944
1 production van with four cameras	0	0	700	0	881	0	0	0	881
1 audio production and broadcasting van	0	0	45	45	469	0	0	0	514
1 Fly and vehicle accessories	0	0	108	108	252	0	0	0	360
1 terrestrial broadcasting station	0	0	669	669	931	0	0	0	1,600
Acquisition of second national television (ORTM) channel	0	0	0	0	4,000	0	0	0	4,000
Acquisition of 2 flatboats for the Malian Navigation Company (COMANAV)	0	0	900	0	3,000	0	0	0	3,000
Agricultural development	**0**	**0**	**13,675**	**5,709**	**6,495**	**2,500**	**7,000**	**0**	**19,204**
Municipal works	0	0	3,330	1,509	2,237	2,500	2,000	0	6,009
Maintenance upgrade outreach infrastructures Niger Office	0	0	4,100	4,100	0	0	0	0	4,100
Contribution to National Agricultural Development Fund	0	0	5,000	0	3,812	0	0	0	3,812
Support for development/assistance measures	0	0	445	0	445	0	0	0	445
PRODEVALAIT [2]	0	0	800	100	1	0	0	0	101
ALATONA project	0	0	0	0	0	0	5,000	0	5,000
Improving living conditions	**0**	**0**	**18,206**	**11,515**	**12,161**	**7,616**	**0**	**0**	**23,676**
Contribution to the National Fund for Local Government Investment	0	0	6,000	3,390	10,000	3,519	0	0	13,390
Rehabilitation of military barracks	0	0	3,292	3,292	1,721	440	0	0	5,013
Social-interest housing program	0	0	6,500	2,500	359	3,657	0	0	6,157
Development of Diafrana Ko	0	0	1,614	1,533	81	0	0	0	1,614
Construction of the fiftieth anniversary monument	0	0	800	800	0	0	0	0	800
Financial support for development of small and medium-size enterprises	**0**	**0**	**0**	**0**	**6,000**	**0**	**4,000**	**0**	**10,000**
Establishment of a private sector guarantee fund	0	0	0	0	3,000	0	2,000	0	5,000
Establishment of a national investment fund	0	0	0	0	3,000	0	2,000	0	5,000
Economic reform and improved governance	**0**	**0**	**6,900**	**6,900**	**0**	**0**	**5,000**	**0**	**11,900**
Restructuring of the government-controlled mortgage bank (BHM)	0	0	5,000	5,000	0	0	0	0	5,000
Support for the national civil-registration census (RAVEC)	0	0	1,900	1,900	0	0	0	0	1,900
Support for EDM	0	0	0	0	0	0	5,000	0	5,000
Miscellaneous projects [3]	**0**	**0**	**0**	**0**	**7,579**	**0**	**0**	**0**	**7,579**
Public investments in partnership with donors and lenders	**0**	**0**	**0**	**0**	**0**	**4,716**	**0**	**0**	**4,716**
Establishment of the technology hub	0	0	0	0	0	0	0	0	0
Connection of secondary cities to the national road network, over 100 Km	0	0	0	0	0	0	0	0	0
Construction of a second bridge in Kayes	0	0	0	0	0	0	0	0	0
Improvement and development of the Lake Faguibine System	0	0	0	0	0	0	0	0	0
Improvement of the Bamako Sénou industrial park	0	0	0	0	0	0	0	0	0
Implementation of modern land register for the cities of Bamako and Kati	0	0	0	0	0	0	0	0	0
Strengthening logistical capacities of the armed forces and regional governments	0	0	0	0	0	2,216	0	0	2,216
Loan to COVEC for sport facility	0	0	0	0	0	2,500	0	0	2,500
Restructuring plan	15,000	15,032	0	0	0	0	0	0	15,032
Amount still to be allocated	0	0	0	0	0	0	0	16,231	16,231
Total	**56,000**	**24,483**	**59,781**	**63,094**	**55,874**	**20,015**	**16,000**	**16,231**	**180,398**

Sources: Malian authorities; and IMF staff projections.

[1] IFP: Professional training institutions

[2] Project to Develop and Promote Dairy Production in Mali.

[3] Includes Kenie area development, industrial zone promotion, and mining research.

ATTACHMENT II. TECHNICAL MEMORANDUM OF UNDERSTANDING

1. This memorandum of understanding defines the performance criteria and indicative targets for the program supported by the Extended Credit Facility (ECF) in 2011 and 2012, presented in Table 3 of the Memorandum on Economic and Financial Policies (MEFP). It also specifies the frequency and deadlines for reporting data to the staff of the International Monetary Fund (IMF) for program-monitoring purposes.

I. DEFINITIONS

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

II. PERFORMANCE CRITERIA AND INDICATIVE TARGETS

3. Except as noted, the following financial targets will constitute performance criteria for end-December 2011, end-June and end-December 2012, and indicative targets for end-March and end-September 2012.

A. Ceiling on Net Domestic Financing of the Government by Banks and the Financial Market

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

5. The **broad NGP** is defined as the balance between government claims and debts vis-à-vis the central bank and commercial banks. The scope of the net government position is that used by the Central Bank for West African States (BCEAO) pursuant to WAEMU provisions. It implies a broader definition of the government than that specified in paragraph 2 and includes local governments and certain government administrative agencies and projects. Government claims include the CFAF cash balance, postal checking accounts, secured liabilities, and all deposits of government agencies with the BCEAO and commercial banks, with the exception of government industrial and commercial agencies (EPIC) 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 the net government position. The net government position vis-à-vis the State is calculated by the BCEAO.

6. The **narrow NGP** is defined as the net balance between government debts and claims on the central bank and commercial banks. The definition of government to which the narrow NGP refers is explained in paragraph 2. The narrow NGP is calculated by the BCEAO.

Adjusters

7. The ceiling on net domestic financing of the government by banks and the financial market will be adjusted upward if **external budget support** falls short of program projections. Through December 31, 2011, budget support is defined as grants, loans, and debt relief operations (excluding project loans and grants, IMF resources, and debt relief under the HIPC Initiative, but including general and sectoral budget support). Beginning in January 2012, external budget support is defined as grants, loans, and debt relief operations (excluding project loans, project grants, sectoral grants, IMF resources, and debt relief under the HIPC Initiative, but including general budget support grants and loans). The adjustment factor will be applied at the rate of 100 percent up to a threshold of CFAF 25 billion and at the rate of 0 percent for larger amounts.

8. The ceiling on net domestic financing of the government by banks and the financial market will be adjusted upward (downward) if the **net reduction in pending bills** exceeds (is less than) the programmed amounts (MEFP, Table 3). Pending bills are defined as payment orders not paid by the DNTCP in the context of budget execution or on miscellaneous correspondent and depositor accounts, regardless of their age.

9. Finally, the ceiling on net domestic financing of the government by banks and the financial market will be adjusted upward (downward) for the **payment of VAT credits, other tax refunds, and audited arrears from fiscal years prior to 2011** exceeding (under) the programmed amounts (MEFP, Table 3).

B. Non-accumulation of External Public Payments Arrears

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

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

C. Ceilings on Non-Concessional External Debt with a Maturity of One Year or More and on Short-Term External Debt Contracted or Guaranteed by the Government and/or Public Enterprises

12. **Definition of debt.** For the purposes of the relevant performance criterion, the definition of debt is set out in Executive Board Decision No.6230-(79/140), Point 9, as revised on August 31, 2009 (Decision No. 14416-(09/91):

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

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

(ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

(iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains title to the property. For the purpose of this guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

(b) Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

13. **Debt guarantees.** For the purposes of the relevant performance criterion, the guarantee of a debt arises from any explicit legal obligation of the government to service a debt in the event of nonpayment by the debtor (involving payments in cash or in kind).

14. **Debt concessionality**. A debt is considered concessional if it includes a grant element of at least 35 percent;[1] the grant element is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of its contracting is calculated by discounting the future stream of payments of debt service due on this debt.[2] The discount rates used for this purpose are the currency specific commercial interest reference rates (CIRRs), published by OECD.[3] For debt with a maturity of at least 15 years, the ten-year-average CIRR is used to calculate the PV of debt and, hence, its grant element. For debt with a maturity of less than 15 years, the six-month average CIRR is used. The margins for differing repayment periods (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) are added to the ten-year and six-month CIRR averages.

15. **External debt.** For the purposes of the relevant performance criterion, external debt is defined as debt borrowed or serviced, or requiring repayment, in a currency other than the CFA franc. This definition also applies to debt among WAEMU countries.

16. **Debt-related performance criterion.** The relevant performance criterion applies to the contracting and guaranteeing of new non-concessional external debt by the government, Energie du Mali (EDM), and the Compagnie Malienne des Textiles (CMDT), insofar as the government is a majority shareholder. The criteria apply to debt and commitments contracted or guaranteed for which value has not yet been received. The criteria also apply to private debt for which official guarantees have been extended and which, therefore, constitute a contingent liability of the government. These performance criteria are monitored on a continuous basis. No adjuster will be applied to these criteria.

17. **Special provisions.** The performance criterion does not apply to: i) debt rescheduling transactions of debt existing at the time of the approval of the arrangement; ii) short-term external debt (maturity of less than one year) related to imports; iii) external debt of the CMDT guaranteed by cotton export proceeds; and iv) short-term external debt (maturity of less than one year) contracted by EDM to finance the purchase of petroleum products.

18. **Reporting requirements.** The government will report any new external borrowing and its terms to Fund staff as soon as external debt is contracted or guaranteed by the

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[1] The following reference on the IMF website creates a link to a tool that allows for the calculation of the grant element of a broad range of financing packages: http://www.imf.org/external/np/pdr/conc/calculator.

[2] The calculation of concessionality will take into account all aspects of the debt agreement, including maturity, grace period, payment schedule, upfront commissions, and management fees.

[3] For debts in foreign currencies for which the OECD does not calculate a CIRR, calculation of the grant element should be based on the composite CIRR (weighted average) of the currencies in the SDR basket.

government, but no later than within two weeks of such external debt being contracted or guaranteed.

D. Floor on Gross Tax Revenue

19. Gross tax revenue of the government is defined as the revenue appearing in the TOFE and includes all tax revenue in the national budget, before deduction of tax refunds generated during the year, particularly accumulated VAT credits.

E. Floor on the Basic Fiscal Balance

20. Through December 31, 2011, the basic fiscal balance is defined as the difference between total net revenue, excluding grants and privatization receipts, and total expenditure cleared for payment plus net lending, excluding capital expenditure financed by foreign creditors or donors and HIPC expenditure.

21. Beginning in January 2012, the basic fiscal balance will be defined as the difference between total net revenue, plus general budget support grants and HIPC resources, and total expenditure cleared for payment plus net lending, excluding capital expenditure financed by foreign creditors or donors, pursuant to the definition of basic fiscal balance in the WAEMU texts (WAEMU Additional Act No. 05/2009/CCEG/UEMOA of March 17, 2009, amending Act No. 4/1999 pertaining to the Convergence, Stability, Growth, and Solidarity Pact).

Adjuster

22. Beginning in January 2012, the floor on the basic fiscal balance will be adjusted downward if general budget support grants fall short of program projections. The adjuster will be applied at the rate of 100 percent up to a threshold of CFAF 25 billion and at a rate of 0 percent for larger amounts.

F. Floor on the Basic Fiscal Balance Excluding Expenditure Financed with SOTELMA Privatization Receipts

23. The basic fiscal balance excluding expenditure financed with SOTELMA privatization receipts is defined in accordance with the basic fiscal balance defined in paragraphs 20 and 21, less expenditure financed with SOTELMA privatization receipts drawn from the special account at the BCEAO.

Adjuster

24. Beginning in January 2012, the floor on the basic fiscal balance excluding expenditure financed with SOTELMA privatization receipts will be adjusted downward if general budget support grants fall short of program projections. The adjuster will be applied at the rate of 100 percent up to a threshold of CFAF 25 billion and at a rate of 0 percent for larger amounts.

G. Floor on Priority Poverty-Reducing Expenditure

25. Priority poverty-reducing expenditure is defined as the sum of the expenditure of the Ministry of Elementary Education, the Ministry of Secondary and Higher Education and Scientific Research, the Ministry of Health, and the Ministry of Social Development. It excludes capital expenditure financed by external technical and financial partners in the form of projects.

III. Structural Measures

26. Information on the introduction of measures constituting structural benchmarks will be sent to IMF staff no later than two weeks after the date set for their implementation.

27. As of May 31, 2011, **changes** will be made **to the Central Government Consolidated Financial Operations Table (TOFE)** as described below. Revenues and expenditures recorded in suspense accounts will be recorded above the line as revenues or expenditures not accounted for. As part of the adjustment to cash basis, a distinction will be made between transactions under previous fiscal years and transactions under the current fiscal year, as well as, in the latter case, a distinction between the "float" (less than three months) and types of arrears (more than three months) with respect to budget expenditures (including VAT credits and calls upon guarantees and pledges). Within the entry "net domestic financing," a distinction will be made between bank financing, privatization income, and other financing sources. Bank financing includes changes in the net government position vis-à-vis the central bank, the IMF, and resident commercial banks. In showing operations with commercial banks, a distinction will be made between the Treasury, the National Social Insurance Administration (INPS), and other government entities. Within Treasury transactions, deposits and withdrawals on the SOTELMA privatization income account will be specifically identified. Other financing will consist mainly of checks that have not been cashed, advance tax installments received in the current year for the following year, the regularization of advance tax installments received the previous year for the current year, operations with nonresident WAEMU creditors, and changes in deposits from Treasury correspondents.

IV. Additional Information for Program Monitoring

28. To facilitate program monitoring, the government will provide IMF staff with the information indicated in the following summary table.

Summary of Reporting Requirements

Type of data	Tables	Frequency	Reporting deadline
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	Broad net government position (including the position of other government agencies' accounts with the banking system); narrow net government position; and breakdown of nonbank financing	Monthly	End of month + 3 weeks (provisional); end of month + 6 weeks (final)
	Balance of the account recording SOTELMA privatization receipts on deposit with the BCEAO	Monthly	End of month + 3 weeks
	Central government TOFE 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 the revenue and expenditure recorded in the TOFE	Monthly	End of month + 6 weeks
	Separate report on HIPC-financed expenditure	Monthly	End of month + 6 weeks
	Execution of the capital budget	Quarterly	End of quarter + 8 weeks
	Tax revenue as recorded in the TOFE showing tax refunds (including VAT credits)	Monthly	End of month + 6 weeks
	Wage bill as recorded in the TOFE	Monthly	End of month + 6 weeks
	Basic fiscal balance as recorded in the TOFE	Monthly	End of month + 6 weeks
	Customs exemptions	Monthly	End of month + 4 weeks
	Order setting the prices of petroleum products, tax revenue from petroleum products, and total exemptions granted	Monthly	End of month

Type of data	Tables	Frequency	Reporting deadline
	Imports of petroleum products by type and point of entry	Monthly	End of month + 2 weeks
	Expenditure cleared for payment but not paid 90 days after issuance of the payment order	Monthly	End of month + 1 week
Monetary and financial data	Summary accounts of the BCEAO, summary accounts of banks, accounts of monetary institutions	Monthly	End of month + 4 weeks (provisional); end of month + 8 weeks (final)
	Foreign assets and liabilities and breakdown of other items net of the BCEAO and of commercial banks	Monthly	End of month + 8 weeks
	Lending and deposit interest rates, BCEAO policy rate, 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 the balance of payments	Variable	8 weeks following each revision
External debt	Breakdown of all new external borrowing	Monthly	End of month + 4 weeks
	Debt service, indicating amortization, interest expenses, and relief obtained under the HIPC Initiative	Monthly	End of month + 4 weeks
	Draft agreements for loans on non-concessional terms and description of projects to be financed by non-concessional borrowing, including their feasibility studies	As soon as available, and well before the loan agreements are signed	
Budget Directorate	Priority poverty-reducing expenditure as defined in ¶ 25.	Quarterly	End of quarter + 4 weeks