Statement by Mr. Ngueto Tiraina Yambaye, Executive Director for Mali and by Mr. Oumar Diakite, Advisor to the Executive Director
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Our Malian authorities are appreciative of the constructive discussions held with staff last September in Bamako during the 2015 Article IV consultations and the fourth review under the Extended Credit Facility (ECF). The policy discussions focused on achieving structural transformation and long-run growth, creating space for priority spending, and strengthening the financial system, while also addressing the security situation, climatic and terms of trade shocks. Our authorities broadly concur with the main recommendations in the staff report. The good performance in the context of the ECF-supported program demonstrated the progress achieved by Mali in restoring and maintaining macroeconomic stability. All performance criteria at end-June 2015 were met, and four out of five structural measures were implemented.

The authorities are striving to improve the prospects for stability and security in the country. A peace agreement with rebel groups was signed in June 2015 which represents an important milestone in the efforts to restore peace in the north of the country. The authorities also organized jointly with the OECD in Paris a high level international conference on October 22, 2015, in co-operation with France and other partners of Mali. The expected assistance of the international community will be essential to allow the government to implement its development strategy, particularly in the northern regions.

In spite of this encouraging progress, it is worth noting that Mali continues to face security threats as demonstrated by the recent terrorist attacks operated in the capital Bamako on November 20, 2015. The casualties resulting from this terror besides its impact on the population and economic activity call for further strengthening of the security and increased international cooperation against terrorism in the region. Therefore, it is important that security issues be forcefully addressed in the context of Fund's surveillance and supported-programs.

Recent Economic Developments and Performance under the ECF

In 2015, real GDP growth is expected to return to normal level following the rebound in 2014. It is projected at 4.9 percent, compared to 7.2 percent last year and reflects the strong growth in the primary and secondary sectors. As in 2014, agricultural output is expected to remain strong due to favorable rainfalls and early distribution of agricultural inputs. Performance in the secondary and tertiary sectors should also be sustained, while inflation would be contained at 2.4 percent, up from 0.9 percent in 2014.

Following the decline in oil prices since mid-2014, the external current account deficit (including grants) is projected to narrow to 2.8 percent of GDP, compared to 5.5 percent in 2014. This deficit is expected to be entirely financed by net capital inflows in the form of foreign aid and FDI. As a result, the overall balance of payments should post a surplus of about US$14 million, with increased international reserves.

The soundness of the financial sector improved slightly. In the banking system, the risk-weighted capital ratio increased from 12.7 percent in December 2014 to 14.7 percent in March 2015. The government made a determined effort to clear its arrears to suppliers, which helped nonperforming loans (NPLs) to decrease from 18.9 percent in June 2014 to 16.3 percent in June 2015. The financial stability of the microfinance sector also improved with the share of NPLs decreasing from 8.8 percent in 2014 to 8.2 percent at end-June 2014.

In the fiscal sector, the authorities continued their efforts to increase tax revenue and implement a prudent expenditure policy. During the first semester of 2015, tax revenue returned to the trajectory of the program and increased by 22 percent compared to 2014, as the authorities maintained the higher level of taxation on petroleum products observed since the beginning of the year. Furthermore, they implemented a results-based management framework in revenue-collecting agencies which resulted in positive outcomes on tax revenue. On the other hand, expenditures were lower than programmed due to the slow procurement process for capital expenditures in the beginning of the year. Important efforts were also made to strengthen public financial management notably by preventing the accumulation of arrears, supporting business cash flows, thus contributing to the reduction of NPLs in the banking sector. In light of these positive fiscal developments, the overall fiscal deficit in the program has been reviewed downwards from 3.8 percent of GDP to 2.5 percent.

The overall performance under the ECF program was satisfactory. All performance criteria and indicative targets at end-June 2015 were met. Four out of five structural benchmarks were observed. The measure on the monitoring of import value declarations has been postponed as the Customs Administration could not prepare a monthly reconciliation report since its contract with the inspection company does not provide for that activity. The authorities intend to amend the contract accordingly and implement this measure during the first semester of 2016.

Economic and Financial policies in the medium term

The economic and financial policies of the government will continue to be based mainly on the priorities of the growth and poverty reduction strategy paper (CSCRP) for the period 2012–17. In addition, other specific programs will guide the development efforts of the country, such as the Agreement for Peace and Reconciliation (ARPM) signed in May 2015 and which envisages the creation of a development zone in the northern regions of the country, together with a larger transfer of revenues to the regions.

Fiscal Policy and Reforms

Our authorities are mindful that creating fiscal space for priority spending is a necessity in the pursuit of long-run economic growth. They remain committed to implement a sustainable fiscal policy, while giving priority to poverty reduction expenditures and addressing infrastructure gaps. To this end, they will focus on improving the management of public finances and enhancing revenue mobilization.

On the revenue side, the authorities are committed to increase the ratio of tax revenue to GDP by at least 1 percent in 2016 through fiscal reforms aimed at broadening the tax base. The reforms initiated at the Tax, Customs and Government property administrations supported by a results-based management framework to enhance revenue collection will be pursued.

The authorities will also continue their efforts to gradually reduce exemptions notably by establishing a central file of tax and customs duties exemptions. This will allow determining the stock of exemptions granted by type of taxes, legal reference, and beneficiaries as a basis for their gradual reduction. The control of discretionary exemptions will be pursued. Starting with the 2016 budget and to the extent possible, the authorities aim to also gradually reduce exemptions under the Tax, Customs, Investment, Mining, petroleum and real estate codes. The exemptions granted to donor-financed development projects will also be discussed with the donors' community with a view to eliminate them.

The government is also committed to stop the erosion of fiscal revenue on petroleum products, notably by calculating the retail price structure on the basis of actual market value. They will continue to implement the new petroleum product price adjustment mechanism which will pass on the evolution of petroleum products prices to retail prices within a margin of 3 percent a month, as long as there are no protracted periods of price increases.

The efforts aimed at simplifying fiscal legislation will also be pursued with the objective of reducing the administrative burden on taxpayers and simplifying tax collection. Among the measures envisaged, the simplification of the minimum tax applied to small tax payers with a uniform rate of 3 percent is noteworthy. This should facilitate tax compliance by this category of taxpayers which are mostly in the informal sector. The authorities also intend to increase revenue from mining and oil activities, while improving the environment for private sector investments. With the assistance of the IMF Trust Fund on managing natural resource wealth, they will undertake the revision of the mining and petroleum code based on international standards.

On the expenditure side, the efforts to improve the regulatory framework for public financial management in the context of regional directives and regulations will be pursued. In this regard, the WAMU directives will continue to be transposed into the Malian laws, as it was done for the directives related to the transparency code, budget laws, public accounting, and the government chart of accounts and flow of funds table (TOFE)). The authorities will step up their efforts to improve the preparation, execution and control of the budget, and treasury operations as well. In this respect, the effectiveness of the single Treasury account opened at the regional central bank (BCEAO) will be strengthened with the integration of the accounts held by public administrative agencies operating under the direct control of the government. The implementation of the national internal control strategy for 2012–15 will continue in order to strengthen internal control structures, notably by enhancing the capacities of the accounting section of the Supreme Court which is expected to be transformed into a Court of Audit. A new public procurement code, which benefitted from technical assistance support from the World Bank, has been adopted.

External debt and Structural Reforms

The authorities will continue to meet their external financing needs while preserving debt sustainability. To this end, they will have recourse mostly to grants and highly concessional loans. A detailed borrowing plan has been prepared, outlining each loan agreement envisaged for the period 2015–16, the amounts disbursed and financial terms consistent with the framework of the new Fund debt limit policy. In that context, a ceiling of approximately US$426 million of non concessional borrowing is envisaged to finance critical investments in the transport and electricity sectors. IMF staff will be consulted during the next program review if there is a need to finance additional investment projects. In order to improve debt management, a national debt committee has been established with the view to examine all loans or publicly guaranteed contracts and publishing a yearly debt strategy document to be annexed to the budget.

Our Malian authorities recognize that infrastructure investments and good governance are essential to private sector development. To this effect, they will steadfastly implement structural reforms aimed at achieving more inclusive growth. They are committed to take measures to promote the stability and development of the financial sector, to reform the electricity sector, mobilize resources for infrastructure investments and improve economic governance.

The authorities will take steps to address the weaknesses of the financial sector. The Housing Bank (BHM) will be restructured in two stages. In the first stage, the BHM will be merged with the stronger and larger Malian Solidarity Bank (BMS) and its capital opened to private investors. In the second stage, the government intends to divest itself from its equity stake in the bank. Another important step to reduce the concentration of risks in the banking sector will be to strengthen the credit reporting bureau that was established in May 2015. The action plan for the microfinance sector will also be implemented in order to restore confidence and allow this sector to play its crucial role of promoting financial inclusion and hence economic growth. Regarding the electricity sector, the government will seek to eliminate the structural deficit and put the electricity company (EDM) on a sound financial footing. Actions to promote good governance will also be pursued, notably the implementation of the law against illicit enrichment and the strengthening of the legal framework for AML/CFT based on the recommendations of the IMF technical assistance.

Conclusion

Our Malian authorities remain committed to the objectives of the ECF program. They will continue to implement the reforms aimed at achieving strong economic growth, preserve macroeconomic stability and improve public financial management as well as the business environment. In view of Mali's satisfactory progress under the ECF arrangement, and the commitment to pursue the reforms, I would appreciate Directors' support for the completion of the fourth review and modification of a performance criterion.