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## **IMF Executive Board Approves Three-year Extended Credit Facility Arrangement and US\$27.4 Million Disbursement to Mali**

- IMF approves New, Three-Year ECF Arrangement for Mali in the Amount of US\$191.9 million.
- IMF also approves immediate disbursement of US\$27.4 million.
- The new arrangement supports the authorities' development strategy for strong and inclusive growth through job creation, economic diversification, and greater resiliency.

On August 28, 2019, the Executive Board of the International Monetary Fund (IMF) approved a new three-year arrangement under the IMF's Extended Credit Facility (ECF) for Mali in the amount of SDR 139.95 million (about US\$191.9 million), as well as the release of the first disbursement under the arrangement of SDR 20 million (about US\$27.4 million).

Following the Executive Board discussion, Mr. Tao Zhang, Deputy Managing Director and Acting Chair, made the following statement:

“Mali has made significant progress under the previous Fund-supported program despite challenging conditions. Looking ahead, while the economic outlook remains generally positive, it is subject to important downside risks related to possible challenges arising from the security situation, potential shocks to the terms of trade (the price of gold, cotton, and fuels), and adverse weather conditions.

“The authorities' corrective measures taken in the first half of 2019 have significantly improved domestic revenue collection. Going forward, decisive efforts aimed at domestic resource mobilization through tax policy and revenue administration reforms will be key to meeting the ambitious, but realistic program targets. The fiscal framework of the program is robust and adequate mechanisms are in place to deal with any revenue shortfall.

“The authorities' reform strategy for the state-owned electricity company (EDM-SA) is welcome in view of its strategic importance for the Malian economy. The authorities are encouraged to

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seek participation from the commercial banks in the financial restructuring of the company.

“Going forward, it is essential to pursue greater spending efficiency, including through strengthened project selection and execution, as well as the rationalization of subsidies. The authorities’ efforts to increase financial inclusion and narrow the gender gap, including by direct measures to economically empower women are welcome. Steadfast perseverance in the government’s efforts to improve governance and fight corruption would also enhance the business climate.”

## **Annex**

### **Recent Developments and Outlook**

Mali is a fragile low-income country, struggling with insurgency, terrorism, and social tensions. Implementation of the 2015 peace agreement remains challenging and the authorities have limited control over the North and Center regions. The country is subject to frequent terrorist attacks and increasing interethnic violence. Mali's human development indicators are among the lowest in the world and the security crisis has complicated the government's ability to deliver basic social and poverty-reducing services.

Despite the difficult security situation, the Malian economy has performed reasonably well in recent years, with real growth averaging about 5 percent per year and inflation being well contained through the peg of the Franc CFA to the Euro. However, with the population expanding by about 3 percent annually, annual per capita GDP growth has been modest, as has progress in reducing poverty and raising human development indicators.

Following many years of steady growth, Revenue collections contracted sharply in 2018. Tax revenue declined by 3.4 percentage points of GDP and non-tax revenue by 0.8 percentage points of GDP from 2017. Some of the decline can be explained by the challenging security situation and higher international fuel prices but there is the need for major improvements in revenue administration and tax compliance.

The projections underlying the program assume that the Malian economy will continue to grow at an annual rate of about 5 percent underpinned by the continued expansion the all-important gold and cotton sectors. The outlook is subject to risks, the principal ones being a further deterioration in the security situation, terms of trade shocks (the price of gold, cotton, fuels), and drought.

### **Program Summary**

The new program aims to support the authorities' development strategy (CREDD) for strong and inclusive growth through job creation, economic diversification, and greater resiliency. The program targets adherence to the WAEMU criterion for the overall fiscal deficit of no more than 3 percent of GDP from 2019.

The immediate focus of the program is to return revenue collections to the path they were on pre-2018 through strengthened tax administration and customs. Revenue collection data for the first half of 2019 indicate that considerable progress is already being made. Another urgent focus is putting the country's electricity company EDM on a sound financial footing so that it can provide electricity, a crucial ingredient of economic development, to domestic businesses and households in an efficient and cost-effective manner.

Over the medium term, the ECF's key goals will be to: (i) expand fiscal space for productive investment and priority social spending; (ii) strengthen the business environment; (iii) improve governance and combat corruption; and (iv) sustain capacity development.

## **Background**

Mali, which became a member of the IMF on September 27, 1963, has an IMF quota of SDR 186.6 million.

For additional information on the IMF and Mali, see: <https://www.imf.org/en/Countries/MLI>

**Table 1. Mali: Selected Economic and Financial Indicators, 2016–23**

	2016	2017	2018	2019	2020	2021	2022	2023
	Estimates			Projections				
	(Annual percentage change)							
<b>National income and prices</b>								
Real GDP	5.8	5.4	4.7	5.0	5.0	4.9	4.9	4.8
Real non-agriculture GDP	5.0	5.6	4.2	4.8	...	...	...	...
GDP deflator	1.4	1.9	2.1	1.8	1.8	2.0	2.1	2.1
Consumer price inflation (average)	-1.8	1.8	1.7	0.4	1.9	2.0	2.1	2.1
Consumer price inflation (end of period)	-0.8	1.1	1.0	1.8	1.9	2.0	2.1	2.1
<b>External sector (percent change)</b>								
Terms of trade (deterioration -)	15.5	-25.0	-1.3	0.5	-2.8	-3.7	-1.4	-1.8
Real effective exchange rate (depreciation -)	-1.9	0.8	...	...	...	...	...	...
<b>Money and credit (contribution to broad money growth)</b>								
Credit to the government	11.3	4.4	9.3	5.0	4.3	4.0	3.8	3.9
Credit to the economy	12.5	9.5	0.4	9.0	9.3	11.4	12.3	13.3
Broad money (M2)	12.8	15.4	8.1	5.8	10.4	10.7	3.6	14.9
(Percent of GDP, unless otherwise indicated)								
<b>Central government finance</b>								
Revenue	16.7	18.4	14.2	19.9	17.9	18.2	18.5	18.8
Grants	1.6	1.6	1.2	2.3	2.0	1.7	1.8	1.8
Total expenditure and net lending	22.3	22.9	20.2	25.2	22.9	22.9	23.3	23.5
Overall balance (commitment basis, including grants)	-3.9	-2.9	-4.7	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, including grants)	-3.9	-2.6	-3.9	-3.7	-3.2	-2.9	-2.9	-2.9
<b>External sector</b>								
Current external balance, including official transfers	-7.2	-7.3	-3.8	-5.6	-6.4	-7.1	-7.0	-6.9
Current external balance, excluding official transfers	-14.6	-12.1	-8.2	-10.0	-10.5	-10.9	-10.6	-10.3
Exports of goods and services	23.5	22.2	23.6	22.8	21.7	20.1	19.4	18.8
Imports of goods and services	40.3	35.9	34.1	35.2	34.6	33.7	32.8	32.0
<b>Public debt (end period)</b>								
External and Domestic public debt	36.0	36.0	37.3	37.4	38.2	38.7	39.2	39.3
External public debt	25.1	24.9	24.6	25.5	25.1	24.8	24.6	24.0
Domestic public debt <sup>1</sup>	11.0	11.0	12.7	11.9	13.0	13.9	14.6	15.3
External debt service to exports of goods and services ratio	4.8	4.5	4.2	4.1	5.0	5.4	5.4	5.9
Debt service to budgetary revenue ratio	36.5	38.2	41.7	30.5	25.8	33.4	34.0	36.9
<b>Memorandum items:</b>								
Nominal GDP (CFAF billions)	8,308	8,928	9,538	10,199	10,905	11,663	12,486	13,360
Overall balance of payments (US\$ millions)	-536.2	-70.6	194.2	-42.5	-400.1	-529.9	-587.9	-649.9
US\$ exchange rate (end of period)	622.2	554.2	576.3	...	...	...	...	...
Gold Price (US\$/fine ounce London fix)	1248	1257	1269	1321	1359	1398	1430	1463
Petroleum price (crude spot)(US\$/bbl)	43	53	68	59	59	58	58	58

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

<sup>1</sup>Includes BCEAO statutory advances, government bonds, treasury bills, and other debts.