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IMF Executive Board Completes Eighth and Ninth Reviews under the ECF Arrangement, Approves US\$89.7 Million Disbursement, and Concludes 2018 Article IV Consultation with Mali

On May 23, 2018, the Executive Board of the International Monetary Fund (IMF) completed the Eighth and Ninth Reviews of Mali's performance under the program supported by an Extended Credit Facility (ECF) arrangement.¹ Completion of the reviews enables the disbursement of SDR 63.3 million (about US\$89.7 million) or 34 percent of quota, bringing total disbursements under the current arrangement to SDR 154.95 million (about US\$ 219.7 million) or 83 percent of quota.

The ECF arrangement for Mali was approved on December 18, 2013 for SDR 30 million (about US\$46.2 million, or 16.1 percent of quota at the time [see Press Release No. 13/524](#)).² Additional access of SDR 68 million (about US\$96.4 million, or 36.4 percent of quota was approved on June 9, 2016. It was followed by an augmentation of SDR 88.6 million (about US\$125.6 million), or 47.5 percent of Mali's quota approved on July 7, 2017 along with a one-year extension of the program, bringing Mali's access under the ECF arrangement to SDR 186.6 million (about US\$264.6 million) or 100 percent of quota.

Following the Executive Board's discussion Mr. Furusawa, Deputy Managing Director and Acting Chair, made the following statement:

"Mali's performance under the program supported by the IMF's Extended Credit Facility Arrangement has been satisfactory. The economic recovery continued in 2017, with robust GDP growth, subdued inflation, and an improved fiscal position. The medium-term economic outlook remains positive, although fragile security conditions pose a downside risk.

"The Malian authorities have reaffirmed their commitment to reach the 2019 WAEMU

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

² For more detail on the ECF arrangement for Mali and the country's broader economic outlook, go to: www.imf.org/mali.

convergence criteria. The 2018 budget aims at maintaining expenditures in line with budgetary resources while protecting social spending and stimulating medium-term public investment. Fiscal consolidation is underpinned by improved resource mobilization, including boosting collection of indirect taxes, and containing current spending while accommodating priority spending needs for security and decentralization.

“Improving revenue mobilization and strengthening the efficiency and quality of public spending is key to create fiscal space to finance investment in infrastructure, social, and human capital while maintaining sound public finances. The authorities’ program includes steps to strengthen tax administration, raise the efficiency of VAT collection, enforce taxpayer compliance, improve the effectiveness of mining sector taxation, and further streamline tax exemptions. Reinforcing public financial management and containing tax expenditures will also contribute to fiscal discipline. Strengthening the financial position of the state-owned electricity company would help mitigate fiscal risks and free up resources for investment and priority spending.

“Keeping the momentum of structural reforms set in motion during the program will be critical to realize the positive outlook, improve the business climate and sustain robust, inclusive growth. To advance the implementation of the 2015 Peace agreement, the authorities need to continue fiscal decentralization. Implementing the law against illicit enrichment, including through enforcement of the asset declarations by public officials, will help consolidate recent governance reforms.”

The Executive Board of the IMF also completed the 2018 Article IV Consultation with Mali.

Mali’s economic recovery continued in 2017 amid persistent security challenges. GDP growth remained robust, at an estimated 5.3 percent supported by good harvests and robust domestic demand. Inflation was subdued, remaining well below the regional ceiling. The 2017 fiscal outturn and the 2018 budget are in line with the program targets and the goal of converging to the WAEMU’s regional fiscal deficit norm of 3 percent of GDP by 2019. The macroeconomic outlook is, however, subject to downside risks stemming mainly from Mali’s fragile security situation.

Executive Board Assessment³

Executive Directors agreed with the thrust of the staff appraisal. They commended the authorities for the recent strong macroeconomic performance despite a challenging environment. However, they noted that poverty and inequality remain high. Directors also noted that while the short-term economic outlook is favorable, further adverse movements in commodity prices and fragile domestic security conditions pose risks. They emphasized that

³ At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country’s authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.imf.org/external/np/sec/misc/qualifiers.htm>.

continued commitment to strong policies and reforms is necessary to preserve economic gains, and foster sustainable and inclusive growth.

Directors welcomed the 2018 budget, which provides an adequate basis for fiscal policy amid pressing spending needs related to the peace agreement and security. They encouraged the authorities to remain vigilant in executing the budget as planned, particularly during the upcoming elections. Directors welcomed the authorities' commitment to reach the 2019 WAEMU convergence criteria which will be important for maintaining a manageable public debt burden.

Directors welcomed the improved domestic revenue performance. They encouraged the authorities to create further fiscal space by mobilizing additional domestic revenue and strengthening the efficiency of public spending. Broadening the tax base, a more efficient taxation of the mining sector, and strengthening tax administration will be essential to boost the tax-to-GDP ratio. Directors stressed the importance of containing tax expenditures and improving the efficiency of public investment spending to free up resources to support growth and boost social spending.

Directors highlighted that financial sector resilience and financial inclusion are critical for supporting economic growth. They welcomed the recent improvement in financial soundness indicators and encouraged action to address risks from the high concentration of bank credits on a few borrowers and economic activities, and called for an overall strategy to reduce nonperforming loans. Directors also supported measures to foster financial inclusion, including by expediting the implementation of their comprehensive plan to consolidate microfinance institutions and reform the microfinance sector, and supporting the development of a nascent mobile banking sector.

Directors underscored the need to further improve the business environment. They encouraged the authorities to address remaining impediments to growth, including corruption, insufficient power supply and poor transport infrastructure, limited access to credit, and a shortage of skilled labor.

Directors welcomed the steps taken to improve governance and accountability. They commended the authorities' progress with anti-corruption measures, especially requiring asset declarations by public officials, and urged strong enforcement to boost stakeholders' confidence. Directors encouraged further steps to strengthen the implementation of the AML/CFT framework and consolidate improvements in the PFM system's integrity and transparency.

It is expected that the next Article IV consultation with Mali will take place in accordance with the Executive Board decision on consultation cycle for members with Fund arrangements.

Table 1. Mali: Selected Economic and Financial Indicators, 2013–23

	2013	2014	2015	2016	2017			2018	2019	2020	2021	2022	2023
				Est.	Prog.	Prog. ¹ Rev.	Est.	Prop. Prog.	Projections				
(Annual Change in percentage)													
National income and prices													
Real GDP	2.3	7.0	6.0	5.8	5.3	5.3	5.3	5.0	4.7	4.7	4.7	4.7	4.7
GDP deflator	0.7	1.6	2.8	1.5	1.7	1.2	1.6	1.4	1.4	1.8	2.0	2.0	2.2
Consumer price inflation (average)	-0.6	0.9	1.4	-1.8	0.8	0.2	1.8	1.4	1.7	1.9	2.1	2.2	2.2
Consumer price inflation (end of period)	0.0	1.2	1.0	-0.8	1.0	1.0	1.1	1.6	1.7	2.0	2.2	2.2	2.2
External sector (percent change)													
Terms of trade (deterioration -)	-16.6	5.5	18.6	15.5	4.5	-6.4	0.2	-2.6	0.9	1.2	0.5	-2.6	-2.6
Real effective exchange rate (depreciation -)	0.5	1.8	-3.6	-1.9	...	...	0.9	...	...	...	...	...	...
Money and credit (contribution to broad money growth)													
Credit to the government	-2.7	0.8	1.6	10.4	7.3	6.9	3.9	14.5	3.0	...	...	...	...
Credit to the economy	7.5	12.4	14.6	13.7	10.2	10.8	6.3	8.5	8.9	...	...	...	...
Broad money (M2)	7.4	7.1	13.2	7.3	14.4	7.8	7.9	16.2	8.0	...	...	...	...
(Percent of GDP, unless otherwise indicated)													
Investment and saving													
Gross domestic investment	17.8	20.4	18.4	18.6	19.7	20.0	18.9	19.6	19.7	19.8	20.1	20.3	20.5
Of which: government	6.0	6.5	7.3	8.9	9.6	9.9	8.8	9.5	9.6	9.7	10.0	10.3	10.5
Gross national savings	14.9	15.7	13.0	11.4	12.8	11.8	12.8	13.0	13.4	13.7	14.1	14.1	14.1
Of which: government	0.2	0.4	2.1	1.8	2.1	3.1	3.5	3.1	3.5	3.6	3.9	4.0	4.1
Gross domestic savings	2.8	4.9	2.8	1.8	2.1	1.9	3.2	4.2	4.1	4.6	5.2	5.4	9.9
Central government finance													
Revenue	14.5	14.9	16.4	16.7	17.1	18.3	18.5	19.4	18.7	19.0	19.3	19.9	20.4
Grants	2.8	2.2	2.7	1.6	2.0	2.3	1.6	1.2	1.6	1.7	1.8	1.8	1.8
Total expenditure and net lending	19.7	20.0	20.9	22.2	23.1	24.0	23.0	23.9	23.3	23.7	24.1	24.6	25.2
Overall balance (payment order basis, including grants)	-2.4	-2.9	-1.8	-3.9	-4.1	-3.5	-2.9	-3.3	-3.0	-3.0	-3.0	-3.0	-3.0
Overall balance (cash basis, including grants)	-2.4	-2.4	-3.2	-3.9	-4.1	-3.4	-2.6	-3.6	-3.0	-3.0	-2.8	-2.9	-2.9
Basic fiscal balance (WAEMU def.) ²	-0.7	-1.2	0.5	-1.9	-1.6	-1.1	-0.9	-1.3	-1.1	-0.9	-0.8	-0.6	-0.5
External sector													
Current external balance, including official transfers	-2.9	-4.7	-5.3	-7.2	-6.8	-8.1	-6.0	-6.5	-6.3	-6.1	-6.0	-6.3	-6.4
Current external balance, excluding official transfers	-12.4	-12.7	-12.3	-14.6	-15.9	-16.6	-13.1	-13.6	-13.5	-13.0	-12.6	-12.5	-8.1
Exports of goods and services	24.9	22.5	24.0	23.4	22.1	23.1	23.2	22.7	21.1	20.6	20.1	19.7	19.3

Table 1. Mali: Selected Economic and Financial Indicators, 2013–23 (continued)

Imports of goods and services	39.9	38.0	39.6	40.3	39.6	41.2	38.9	38.0	36.7	35.7	35.0	34.7	30.0
Debt service to exports of goods and services	2.3	3.5	5.8	3.8	5.2	4.8	4.1	5.3	4.7	5.7	5.8	6.2	5.8
External debt (end period)	21.5	21.0	22.6	24.9	23.0	25.3	24.5	23.4	23.2	23.4	23.6	24.1	24.4
Memorandum items:													
Nominal GDP (CFAF billions)	6,544	7,114	7,748	8,322	8,870	8,868	8,899	9,474	10,057	10,719	11,448	12,230	13,082
WAEMU gross official reserves (billions of US\$)	13.6	13.2	12.4	10.4	...	...	13.0	...	...	...	...	...	...
(percent of broad money)	49.2	47.0	43.8	35.0	...	...	35.3	...	...	...	...	...	...
(months of WAEMU imports of GNFS)	4.5	4.7	5.0	4.0	...	...	4.2	...	...	...	...	...	...
Public Debt (Percent of GDP)	26.4	27.3	30.7	35.9	30.0	31.8	35.6	35.9	36.6	37.6	38.6	39.8	40.4
Domestic debt (end period) ³	4.9	6.3	8.0	11.0	7.0	6.5	11.0	12.5	13.4	14.3	15.1	15.7	16.0
US\$ exchange rate (end of period)	478.7	532.0	603.1	622.2	...	...	...	...	...	...	...	...	...
Gold Price (US\$/fine ounce London fix)	1411	1266	1160	1248	1357	1254	1257	1340	1375	1421	1460	1492	1525
Petroleum price (crude spot) (US\$/bbl)	104	96	51	43	51	55	53	62	58	56	54	55	56

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

¹ IMF Country Report No. 17/209, Mali: Seventh Review Under the Extended Credit Facility Arrangement.

² Total revenue, plus general budgetary grants, plus revenue from HIPC debt relief, minus total expenditure and net lending excluding foreign-financed capital spending.

³ Includes BCEAO statutory advances, government bonds, treasury bills, and other debts.