FOR AGENDA

MASTER FILES

EBS/83/242
Correction 1

CONFIDENTIAL

December 8, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Mali - Request for Stand-By Arrangement

The following corrections have been made in EBS/83/242 (11/10/83):

Page 2, para. 2: add sentence "The last three...in these areas."

Page 6, Table 3, line V(a): for "privatization of" read "privatization or"

Page 16, 1st full para., line 8: for "(113 percent of GDP)"
read "(110 percent of GDP)"

Page 19, para. 2, line 2: for "reviewed the staff"
read "reviewed by the staff"

Page 21, line 15: for "SDR 7.8 billion" read "SDR 7.8 million"
line 16: for "SDR 10.1 billion" read "SDR 10.1 million"

Page 29, para. 1, last line: for "(SM/83/178)" read "(SM/83/190)"

Corrected pages are attached.

Att: (6)

CONFIDENTIAL

INTERNATIONAL MONETARY FUND

MALI

Request for Stand-By Arrangement

Prepared by the African Department and the Exchange and Trade Relations Department 1/

(In consultation with the Fiscal Affairs, Legal, and Treasurer's Departments)

Approved by J.B. Zulu and S. Kanesa-Thasan

November 9, 1983

I. Introduction

In the attached letter dated September 19, 1983, the Government of Mali requests a stand-by arrangement for a period of 18 months ending May 1985, in support of an economic and financial program covering the second half of 1983 and calendar year 1984, in an amount equivalent to SDR 40.5 million, representing 100 percent of present quota (79.7 percent of the proposed quota of SDR 50.8 million). Of this amount, SDR 5.1 million would be from the Fund's ordinary resources and SDR 35.4 million from borrowed resources. Under the last stand-by arrangement for SDR 30.375 million or 75 percent of quota, which expired on May 21, 1983, Mali purchased the total amount under the arrangement, having satisfied all the performance criteria as initially envisaged in the program.

The present case was referred to in footnote 2 on page 7 of EBS/83/213 (September 29, 1983) as one of two where "the members had effectively completed negotiating with the staff and had reached virtually full agreement with the staff". In his summing up on October 3, 1983 the Managing Director stated (Buff 83/254, 10/7/83) that, "it is fair to say also that most Directors who addressed the issue agreed to treat the two other cases mentioned in the staff report (EBS/83/213) in the same way, noting that agreement had already been reached with the staff on the main element of the program before September 14, 1983 and that the letters of intent had been agreed with the staff before the end of the Annual Meeting."

1/ Discussions that provided the basis for the proposed stand-by arrangement were held in Bamako during the period September 5-15, 1983 and in Washington during the period September 26-29, 1983. Staff members participating in the discussions were Mr. François (head-AFR), Mr. Sacerdoti (AFR), Mrs. Schmitz (AFR), Mr. Abisourour (ETR), Mr. Marciniak (AFR), and Ms. Casaromani (secretary-AFR). Mr. Daumont, Fund Resident Representative in Mali, also participated in these discussions.

Fund credit outstanding to Mali, as of September 30, 1983 amounted to SDR 34.2 million (84.4 percent of quota), including SDR 3.8 million (or 9.4 percent of quota) under the compensatory financing facility. The proposed stand-by arrangement, if fully utilized, would increase Fund credit to SDR 70.9 million (or 175 percent of quota), taking into account the scheduled repurchases under the CFF. A waiver of the limitation in Article V, Section 3 (b)(iii) of the Articles of Agreement will be required.

According to the phasing of the proposed stand-by arrangement (Table 1), purchases may be made in six installments. An amount equivalent to SDR 10 million would be available after Executive Board approval of the arrangement. Five additional purchases, the first four of SDR 6 million each and the last of SDR 6.5 million, would become available subject to the observance of the performance criteria for end-December 1983 and end-March, June, September, and December 1984. The last three purchases, after July 1, 1984, are conditional upon not only the satisfaction of quantitative targets but also on reaching understandings with the Fund during the mid-term review on appropriate policies in the areas of agricultural prices, public enterprises and external debt, as well as on such additional measures as may be needed in these areas.

II. Background

An analysis of Mali's economic and financial performance in 1982 and the first half of 1983 under the recent stand-by arrangement is contained in SM/83/190 (August 16, 1983), which will be discussed together with this request for a stand-by arrangement. During this period Mali made significant progress in correcting structural imbalances, and favorable results were achieved in reducing disequilibria in public finances and the balance of payments and in reducing domestic and external arrears (Table 2). Public finance management and monitoring was strengthened, and the control on the autonomous special funds was improved. Important structural reforms were introduced in agriculture, with the liberalization of cereal marketing, which, together with increases in producer and official retail prices, helped to stimulate production and reduce distortions. Steps were taken toward the rehabilitation of the public enterprise sector, with significant progress achieved in improving the operating performance of the cereal marketing agency and the electricity agency; however, delays were encountered in reorganizing some other important companies that continue to record large losses.

Economic developments in 1982 were favorable, as a substantial increase in cereal production led to a resumption of growth of real gross domestic product (GDP) after two years of stagnation, and to a decline in the rate of inflation.

Despite the progress cited, substantial disequilibria remain in the public finances and public enterprises, and further initiatives are required to eliminate distortions in agriculture and to expand the role of the private sector. While the external disequilibria have narrowed, the country remains dependent on a large flow of external assistance; at the same time, the external debt service payments are rising. Also, a relatively large amount of external arrears remains outstanding.

III. The Proposed Program: September 1983-December 1984

1. Main objectives

The economic and financial program for 1983 and 1984 in support of which a stand-by arrangement is requested aims at making further progress in reducing domestic and external financial imbalances by maintaining strict control over public consumption and by intensifying the pace and the scope of the restructuring effort undertaken since 1981. This is to be achieved by proceeding decisively in the reform of public finances and the public enterprise sector; by taking new measures to stimulate agricultural production and reduce price and marketing distortions; by increasing the scope of activity by the private sector; and by improving the investment policy. The program also provides for the elimination of external and domestic arrears of the public sector by the end of the stand-by period. Because of the significant potential for growth in agriculture and related industrial activities, these policies are expected to promote sustained economic growth in the 1984-86 period of about 4.5 percent. As these policies will be accompanied by a continuation of austere income policies, the savings ratio is expected to increase significantly. With investment expected to be stable as a ratio of GDP at 18 percent and export prospects relatively favorable, the external current account deficit before grants is programmed to decline from 19.3 percent of GDP in 1982 to 15.5 percent in 1984 (Table 2). As official transfers are expected to remain in 1984 at a high level of about 9.2 percent of GDP (9.1 percent of GDP in 1982), the decline in the current deficit will enable the country to reduce its recourse to external borrowing, much of which is at concessional terms, from about 8.5 percent of GDP in 1982 to about 5.5 percent in 1984 and thereby improve its capacity to meet debt obligations. A summary of the program objectives and policy measures is presented in Table 3. The medium-term prospects for the balance of payments and external debt are discussed below in Section 5.

2. Domestic financial policies

a. Public finance

Despite the improvement recorded in 1982, when the consolidated government deficit (which includes the state budget, the budget of the special funds, and extrabudgetary Treasury operations, but excludes all investment expenditures financed with external aid) declined to MF 9.9 billion (1.5 percent of GDP) from MF 19.4 billion in 1981 (3.3 percent of GDP), the government budgetary position remains structurally weak, as personnel expenditures absorb about 62 percent of total outlays, precluding an adequate level of expenditure for maintenance, for

Table 3. Mali: Summary of Principal Policy Measures of the Program

I. Public finance

Revenue measures:

(a) Increased administrative values applied to imports;
(b) Stricter taxation of oil imports;
(c) New fiscal revenue from cotton exports;
(d) Elimination of the minimum profit tax equal to 1 percent of turnover for certain public enterprises.

Expenditure measures:

(a) Termination of the practice of automatically hiring university graduates beginning from the second half of 1983;
(b) Establishment of competitive examination for entry in the civil service;
(c) Strict enforcement of rules on compulsory retirement;
(d) Incentives for voluntary separation;
(e) Wage freeze.

Special funds:

(a) Strengthening of financial resources and management of Autonomous Amortization Agency (CAA).
(b) Reorganization of the Price Stabilization Fund.

II. Current payments arrears

(a) Elimination of domestic and external arrears subject to cash settlements of the Treasury, the Post Office, and public enterprises, excluding Air Mali (MF 22.8 billion at end-1982).
(b) Precise schedule of elimination of external arrears of Air Mali (MF 5.6 billion at end-1982) to be established at the mid-term review.

III. Monetary policies

(a) Domestic credit expansion in the 12-month period to September 1984 limited to 9.5 percent, implying an expansion of money and quasi-money of 10.9 percent.
(b) Restrictive credit policy for noncrop financing credit (maximum rate of increase: 13.2 perent).
(c) Strengthening of the structure of the banking system, in particular of the development bank.

(d) Harmonization of the interest rate structure with that prevailing in the WAMU at the time of effective entry into the Union.

IV. External sector

(a) Ceiling of SDR 10 million during the program period on new borrowing on nonconcessional terms contracted or guaranteed by the Government.
(b) Completion of the negotiations underway for the rescheduling of certain bilateral loans.

V. Public enterprises

(a) Privatization or closure of five nonstrategic enterprises;
(b) Precise measures for SOMIEX and Air Mali, including: for SOMIEX, cut of personnel, privatization of certain activities and foreign managerial assistance; for Air Mali, closure of unprofitable routes, reduction in personnel, opening the capital to participation of domestic and foreign partners, conclusion of a management and technical assistance contract with a foreign partner;
(c) reorganization of Postal Telecommunication Office, Office du Niger and other major enterprises with the assistance of the World Bank and certain donor countries.

VI. Agricultural and other economic policies

(a) Change in the modality of intervention of the cereal marketing agency so as to increase its average retail price by about 10 percent;
(b) Establishment of a new financial system for cotton exports effective November 1, 1983, which includes an income stabilization fund for producers, and terminates the absorption of export profits by SOMIEX;
(c) Strenghtening of the role of the private sector by adoption of new investment code, activation of credit lines for small enterprises, and other institutional measures in connection with the restructuring of public enterprises;
(d) Improved monitoring of the investment program and establishment of an investment budget for 1985.

Table 7. Mali: Balance of Payments, 1981-84 1/

(In millions of SDRs) 2/

	1981	1982	1983	1984	1985	1986	1987	1988	1989
			Program		Projections				
Exports, f.o.b.	130.5	132.0	156.5	191.2	224.2	244.2	280.1	310.5	330.9
Cotton	53.4	51.3	70.9	83.0	106.2	122.3	136.0	149.1	164.5
Livestock	43.5	50.0	51.2	52.3	58.0	64.0	68.9	72.3	78.7
Other	33.6	30.7	34.4	55.9	60.0	57.9	75.2	89.1	87.7
Imports, c.i.f.	-331.5	-301.8	-310.4	-321.2	-346.4	-368.2	-397.2	-425.5	-455.3
Services (net) 3/	-33.5	-36.2	-38.3	-46.6	-42.8	-46.5	-50.0	-53.2	-56.9
Interest payments 3/	(-24.0)	(-23.3)	(-15.9)	(-17.1)	(-10.1)	(-9.6)	(-8.8)	(-8.8)	(-8.7)
Private transfers, net	25.1	26.0	22.1	22.5	24.5	26.0	27.6	29.0	31.3
Current account (excl. grants)	-209.4	-180.0	-170.1	-154.1	-140.5	-144.5	-138.5	-139.2	-150.0
(in percent of GDP)	(22.6)	(19.3)	(18.5)	(15.5)	(12.6)	(11.8)	(10.3)	(9.4)	(9.2)
Official transfers	110.0	84.3	92.7	91.7	98.1	101.0	104.0	107.0	110.0
Current account (incl. grants)	-99.4	-95.7	-77.4	-62.4	-42.4	-43.5	-34.5	-32.2	-40.0
(in percent of GDP)	(7.7)	(10.3)	(7.8)	(6.3)	(3.8)	(3.6)	(2.6)	(2.2)	(2.5)
Nonmonetary capital (net)	60.3	70.8	57.4	44.6	55.0	62.6	59.7	53.1	51.7
Private (net)	0.6	-2.5	-3.7	--	--	--	--	--	--
Public sector loans	59.7	73.3	61.1	45.8	55.0	62.6	59.7	53.1	51.7
Disbursements	(64.8)	(80.3)	(71.2)	(58.5)	(62.2)	(70.0)	(70.0)	(70.0)	(65.0)
Budgetary loans	(9.4)	(19.7)	(19.3)	(--)	(--)	(--)	(--)	(--)	(--)
Project loans	(55.4)	(60.6)	(51.9)	(58.5)	(62.2)	(70.0)	(70.0)	(70.0)	(65.0)
Amortization	(-5.1)	(-7.0)	(-10.1)	(-12.7)	(-7.2)	(-7.4)	(-10.3)	(-16.9)	(-13.3)
SDR allocation	2.9	--	--	--	--	--	--	--	--
Refinancing	3.4	22.6	14.7	13.9	--	--	--	--	--
Interest	(0.3)	(17.8)	(8.1)	(7.7)	--	--	--	--	--
Principal	(3.1)	(4.8)	(6.6)	(6.2)	--	--	--	--	--
Overall balance	-32.8	-2.3	-5.3	-2.7	12.6	19.1	25.2	20.9	11.7
Central Bank (increase in liabilities +)	18.1	14.8	12.2	14.8	...	...	...	...	...
Operations account	(23.3)	(-7.0)	(5.7)	(--)	...	...	...	...	...
IMF (net) 4/	(-2.1)	(24.3)	(12.2)	(19.6)	...	...	...	...	...
Purchases	(0.1)	(25.4)	(15.0)	(24.0)	...	...	...	...	...
Repurchases	(-2.2)	(-1.1)	(-2.8)	(-4.4)	...	...	...	...	...
Reserves	(-3.1)	(-2.5)	(-5.7)	(-4.8)	...	...	...	...	...
Commercial banks (increase in liabilities +)	(-3.4)	(-3.7)	(-2.5)	(-2.4)	...	...	...	...	...
Change in arrears	(18.1)	(-8.8)	(-4.4)	(-9.7)	...	...	...	...	...

Sources: Central Bank of Mali; and staff estimates and projections.

1/ The data for 1983 and the projections for 1984-87 differ from those of the staff report on the 1983 Article IV consultation (SM/83/190 of August 16, 1983) because of additional information received.
2/ Mali francs have been converted at a period average rate of MF/SDR: 1980: 550.03; 1981: 640.83; 1982: 725.60; 1983: 809.03; 1984: 843.82.
3/ Reflects after 1985 the envisaged consolidation of the operations account and the new debt service payments related to debt currently in the process of being rescheduled.
4/ Includes Trust Fund.

amounting at end-1982 to MF 8.4 billion (SDR 11.3 million). A planned quarterly reduction in such arrears is a performance criterion. The arrears of Air Mali, amounting to MF 5.6 billion at end-December 1982 (SDR 7.6 million), will be reduced during the program period within the context of the complete reorganization of the company; a precise schedule of reduction will be established at the time of the mid-term review with the Fund to be completed before mid-September 1984. Taking into account the planned decline of arrears and the need to have a modest build up in international reserves by SDR 10 million, from the equivalent of 15 days of imports to the equivalent of about one month, the balance of payments need for the years 1983 and 1984 is about SDR 40 million. Of this amount, SDR 32 million would be provided by net purchases from the Fund (of which SDR 5 million has been provided under the stand-by arrangement that expired in May 1983) and the remainder from drawings under the operations account with the French Treasury.

Under the program, the Central Government will not contract or guarantee external loans at nonconcessional terms with an initial maturity between 1 and 12 years, except for an amount not exceeding SDR 10 million for projects whose profitability has been soundly established and for operations associated with a clearly defined rehabilitation program. The disbursed external debt is projected to increase from SDR 1.0 billion at end-1982 (101 percent of GDP) to SDR 1.1 billion at end-1984 (110 percent of GDP); reflecting the very favorable terms of the external debt outstanding, the debt service ratio in 1982 was equal to 4.3 percent (Table 8). In order to limit the growth in the debt service to sustainable levels, the authorities have entered into bilateral negotiations with a view to rescheduling some loans contracted with oil-exporting countries and with centrally planned economies and for the construction of a large hydroelectric dam. The external obligations in the process of being refinanced are estimated to amount, at end-1983, to MF 12 billion (SDR 14.3 million). Progress in concluding formal agreements with the creditors will be kept under close review and will be a subject for the review with the Fund before mid-September 1984. The debt service ratio is projected to rise from 6.1 percent in 1983 to 7.7 percent in 1984 on account of an increase both in interest charges and amortization payments.

The exchange rate, which remains pegged to the French franc, depreciated in the first nine months of 1983 by 14 percent with respect to the SDR, following a depreciation of 13 percent in 1982. The cumulative depreciation of the Mali franc vis-à-vis the SDR since 1980 amounted to 54 percent at end-September 1983. The trade-weighted effective exchange rate vis-à-vis the main exporters of manufactures has depreciated so far in 1983 by 2.5 percent, after a decline of 3 percent in 1982.

With regard to the airline company, the Government has taken the decision to concentrate its activity on a limited number of financially profitable routes, with priority to the domestic network. The board of directors of the company will prepare by December 20, 1983 concrete proposals on routes to be closed and excess personnel to be laid off, which will be carried out promptly. The authorities have taken the decision to open the capital of the company to private participation, both domestic and foreign, and are presently seeking possible foreign partners which would provide managerial and technical assistance in addition to financial support. Furthermore, the World Bank has agreed in principle to finance a team of management experts which will assist the company in the implementation of its reorganization.

The progress in the reorganization of these two companies will be strictly monitored by the Fund. It will be reviewed by the staff in January 1984 and will be the object of the mid-term review with the Fund to be completed by mid-September 1984. The progress already made and possible additional measures proved to be necessary will be the subject of understandings to be reached with the Fund for drawings after July 1, 1984.

The Government will also adopt measures to reorganize the Postal and Telecommunications Office before end-March 1984, whose weak financial and technical management continues to effect adversely the functioning of the Postal Checking System.

The progress under the recovery program is to be monitored closely through more timely preparation of financial indicators. The Government has set the objective of eliminating by 1986 the operating deficit (MF 8.3 million in 1982) of the 10 largest companies under the Ministry of State Enterprises.

b. Agricultural and other sectoral policies

Under the program the authorities will continue the process of reform of agricultural policies, started in 1981, whose aim is to promote increased production and more efficient marketing. While the successive increases in producer prices between April 1980 and April 1983 have in general brought them to a level ensuring sufficient incentives, the Government will review the situation in April 1984, with particular attention given to the price of paddy. In the context of an effort to increase paddy production in the irrigated areas, and in particular in the area controlled by the Office du Niger, the authorities are examining the appropriateness of extending marketing liberalization to paddy produced in those areas. At the same time, a project to rehabilitate the Office du Niger is under way, with the assistance of the World Bank and several donor countries, with the objective of substantially increasing production in the coming years. Despite the increase in producer prices for cereals in April 1983, the Government, in view of the continued wage freeze, does not intend in 1983 to increase the official sale price of millet, sorghum, and maize. However, in order to narrow the gap between the official and free market prices for cereals, and to reduce further the deficit of OPAM, the agency will be authorized, effective November 1, 1983, to conduct a significant part of its sale of millet, sorghum, and maize at the intervention price of MF 140 per kilo instead of at the distribution price of MF 125 per kilo. The sales at the lower price will be limited to the need of public interest institutions. In addition, an intervention price will be introduced for rice at a level at least MF 20 per kilogram above the official retail price, and OPAM will be authorized to conduct a part of its sale at this higher price. These measures, which are being taken in consultation with the World Bank, will increase OPAM's average sales price by about 10 percent. With regard to cotton, in conjunction with the start of an important project to expand its production, supported by the World Bank, the Government has decided to establish, effective from November 1983, a new financial mechanism that includes an income stabilization fund for producers.

The Government will continue to develop policies aimed at expanding the role of the private sector in the economy and in the creation of employment opportunities. To that effect, a new investment code will be adopted soon, and measures have been prepared to speed the utilization of existing credit lines and endowment funds financed with external assistance, which are available for investments by small- and medium-scale enterprises.

The Government is aware of the need to strengthen the process of executing the development plan and improving the selection of projects and the monitoring structures. To that end, it will carry out an in-depth review of investment realization during the first three years of the 1981-85 Development Plan, which will provide the basis for introducing the necessary adjustments in the investment program for the remainder of the period. The strengthening of the planning system will be conducted with assistance from the World Bank, with the objective of establishing an investment budget by 1985.

5. Medium-term prospects of the external position

With a continuation of the adjustment policies called for in the program, it may be expected, on reasonably conservative assumptions and normal weather conditions, that the current account of the balance of payments (excluding official grants) will remain approximately unchanged in absolute terms, but will decline significantly in terms of GDP from 15.5 percent in 1984 to 9.2 percent in 1989 (Table 7). Export receipts are projected to grow at an average annual rate of 14 percent between 1984 and 1989 in terms of SDR, mainly as a result of a continuation of the favorable trend in cotton production growth, projected at 8.5 percent per year on average and an increase in cotton export prices in dollar terms of 6 percent per year. These projections are in line with World Bank forecasts. In addition livestock, fruit and sheanuts exports are expected to rise, and a sharp increase in gold exports is foreseen. Gold exports, which originate at present from panning activity, accounted for 13 percent of total exports in 1982. With the entry into operation of a large new gold mine in 1984 and with the opening of additional mines in 1987-88, total gold export receipts are projected to more than double by 1988. On the import side, increased production of cereals fostered by more favorable producer prices and by the structural reform of the Office du Niger is expected to lead to a decline in cereal imports. Imports of petroleum production will be contained by the increase in the operations of a large hydroelectric plant completed in 1981. Taking into account the increase in imports of material and equiment for investment projects, total import payments are projected to grow by 7.4 percent per year in the period 1984-89 in terms of SDRs, assuming continued restraint on private and public consumption. Interest payments are estimated to increase from SDR 7.8 million in 1983 to SDR 10.1 million in 1985, mainly on account of higher charges on liabilities toward the Fund, but are projected to decline thereafter.

Taking into account a projected increase of official unrequited transfers by 3 percent per year, in line with past trends, the current account deficit, including grants, is forecast to decline from SDR 62 million or 6.4 percent of GDP in 1984 to SDR 40 million (or 2.5 percent of GDP) in 1989. On the assumption that there would be a modest decline in gross borrowings on concessionary terms from SDR 71 million in 1983 to SDR 65 million in 1989, resulting from the decision to terminate recourse to foreign borrowing to finance the current budgetary deficit, these trends suggest that Mali could achieve an overall balance of payments surplus after 1984.

The debt service ratio is projected to rise from 7.7 percent of exports of goods and services in 1984 to a peak of 11.4 percent in 1988, a still modest figure compared with ratios prevailing in many developing countries. The increase is attributable mainly to rising repurchase obligations to the Fund and amortization on rescheduled debt (Table 8). It is forecast to decline thereafter to about 7.8 percent in 1989. Excluding obligations to the Fund, the debt service ratio is projected to be equal to 5.2 percent in 1984 and to remain broadly stable thereafter. Disbursed external debt in percent of GDP is forecast to decline from 110 percent in 1983 to 82 percent in 1989.

6. Performance criteria and mid-term review

The program contains the following performance criteria: (i) quarterly ceilings on bank credit to the Government; (ii) quarterly ceilings on banks credit to the economy (those ceilings are expressed in terms of upper and lower limits; while the upper limits constitute performance criteria, any excess over the lower limits will call for consultation with the Fund management); (iii) quarterly reduction in domestic and external arrears of the public sector (general government and public enterprises with the exclusion of Air Mali); (iv) a ceiling on new nonconcessional loans with a maturity between 1 and 12 years contracted or guaranteed by the Government; and (v) the standard provisions relating to trade and exchange practices. The quantitative performance criteria and targets for 1983-85 are set out in Table 9. A review will be held with the Fund staff in mid-January 1984 to ensure the consistency of the draft budget for 1984 with the program and to examine progress in the reorganization of SOMIEX and Air Mali. In addition, a full review with the Fund will be conducted before mid-September 1984, during which the ceiling for credit to the economy for end-December 1984 will be established and understandings will be reached with regard to the reduction of the arrears of Air Mali and the subsequent steps in the reorganization of SOMIEX and Air Mali. During this review the implementation of the program in 1983 and the first half of 1984 will be assessed, with particular reference to the policy on agricultural prices for 1984/85, the cereals market intervention policy, and progress achieved in rehabilitating other public enterprises and in renegotiating certain external debts. An additional review with the Fund will take place as soon as the precise terms and conditions of Mali's entry into WAMU will become known and the entry becomes operational.

IV. Staff Appraisal and Proposed Decision

Since 1981 the Malian authorities have embarked on a strategy to redress serious financial and structural imbalances. The proposed program is intended to reduce the imbalances further, by restraining public and private consumption, accelerating a number of structural reforms in public finance, public enterprises and agriculture and improving investment policy. Given the agricultural potential of the country, it is expected that strict implementation of these policies could lead to the attainment of a viable balance of payments position over the medium-term.

As demonstrated by the satisfactory implementation of the 1982 stand-by program, the authorities are fully committed to ensure further progress in restructuring the public sector. A number of important actions have already been adopted or implemented in recent months. With regard to public finance, appreciable savings should be realized from the termination of the automatic hiring of graduates by the civil service, with the establishment of public competition for vacant posts, and with the envisaged incentives for early retirement. While the budget for 1984 will already reflect the effect of these measures, more significant savings will occur in future years. Moreover, the continuation of the wage freeze should further encourage the shift of personnel out of public employment. Savings with respect to personnel costs will help the authorities attain the fiscal objectives established under the program, namely a further decline in the consolidated budget deficit, an improvement in the structure of public expenditures and the elimination of Treasury arrears by end-1984. Significant improvements have already taken place in strengthening the management of public finances, including that of the special funds, and the authorities are committed to

Relations with the Fund
(As of September 30, 1983)

Fund data

Date of membership:	September 7, 1963
Quota:	SDR 40.5 million (proposed quota: SDR 50.8 million)
Intervention currency and the rate:	French franc; MF 100 = F 1
Fund holdings of local currency:	SDR 66.02 million (163.02 percent of quota), of which SDR 3.82 million (9.44 percent) under the compensatory financing facility and SDR 30.37 million (75 percent) under credit tranches.
Reserve tranche position:	SDR 8.7 million (21.4 percent of quota)
SDR position:	Holdings amounted to SDR 0.12 million (0.75 percent of the net cumulative allocation of SDR 15.91 million).
Trust Fund loans outstanding:	SDR 21.1 million
Direct distribution of profits from gold sales:	US$3.48 million
Gold distribution:	18,826.368 fine ounces

Article IV consultation and technical assistance:

The 1981 Article IV consultation discussions were held in Bamako during the periods April 27-May 14 and September 10-16, 1981, and the staff report (SM/81/206) was discussed by the Executive Board on November 16, 1981. The 1983 Article IV consultation discussions were held in Bamako during the period May 30-June 16, 1983, and the staff report (SM/83/190) was issued on August 16, 1983.

In August 1982 an expert from the fiscal panel was assigned for one year to assist the authorities in the field of budget control. A Fund resident representative was appointed for an initial one-year term and arrived in Bamako on September 29, 1982; his term was renewed for a second year.

Relations with the World Bank Group

1. Lending operations through September 1983 1/
(In millions of U.S. dollars)

	Committed	Disbursed	Undisbursed
Agricultural and rural development	105.2	96.1	9.1
Rainfed agriculture	(58.4) 2/	(52.6)	(5.8)
Irrigated agriculture	(29.0)	(28.2)	(0.8)
Livestock and forestry	17.8)	(15.3)	(2.5)
Transportation	78.8	69.3	9.5
Roads	(52.5)	(43.6)	(8.9)
Railways	(26.3)	(25.7)	(0.6)
Education	15.0	14.3	0.7
Urban development	12.0	7.8	4.2
Industry	8.0	1.5	6.5
Energy	35.3 3/	5.3	30.0
Telecommunications	17.1	4.9	12.2
Technical assistance	10.4	1.1	9.3
Total	281.8	200.3	81.5
Repayments	1.4	1.4	--
Debt outstanding	280.4	198.9	81.5

2. Technical assistance

The World Bank provides technical assistance to Mali through its standard lending operations for projects, mainly in the agricultural and transportation sectors. In the context of Mali's effort to restructure its economy, the Bank has approved an economic management and training project, which will finance specialists, studies, training, and related support to improve financial and economic policies, to strengthen public institutions, and to train civil servants. Assistance will focus on cereals marketing, rural development agencies, state enterprises, the civil service bureau, the public debt agency, and the business management institute. During preparation of this project, two long-term technical experts have assisted in the reform of public cereals marketing, and diagnostic studies of public enterprises and rural development agencies have been carried out to help prepare reform programs in these two sectors.

1/ IDA lending only.
2/ Includes US$25.9 million approved but not yet effective.
3/ Includes US$7.6 million approved but not yet effective.