

EBS/83/242
Correction 2

CONFIDENTIAL

December 15, 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)
and Correction 1 (12/8/83):

Page 1, para. 1, lines 5 and 6: for "representing 100 percent...
SDR 50.8 million)." read "representing
79.7 percent of the new quota of
SDR 50.8 million."

line 7: for "5.1 million" read "5.9 million"
for "SDR 35.4" read "SDR 34.6"

line 9: for "75 percent of quota"
read "75 percent of the former quota"

para. 2, line 9: for "main element" read "main elements"

Page 2, para. 1, line 2: for "(84.4 percent of quota)"
read "(67.3 percent of the new quota)"

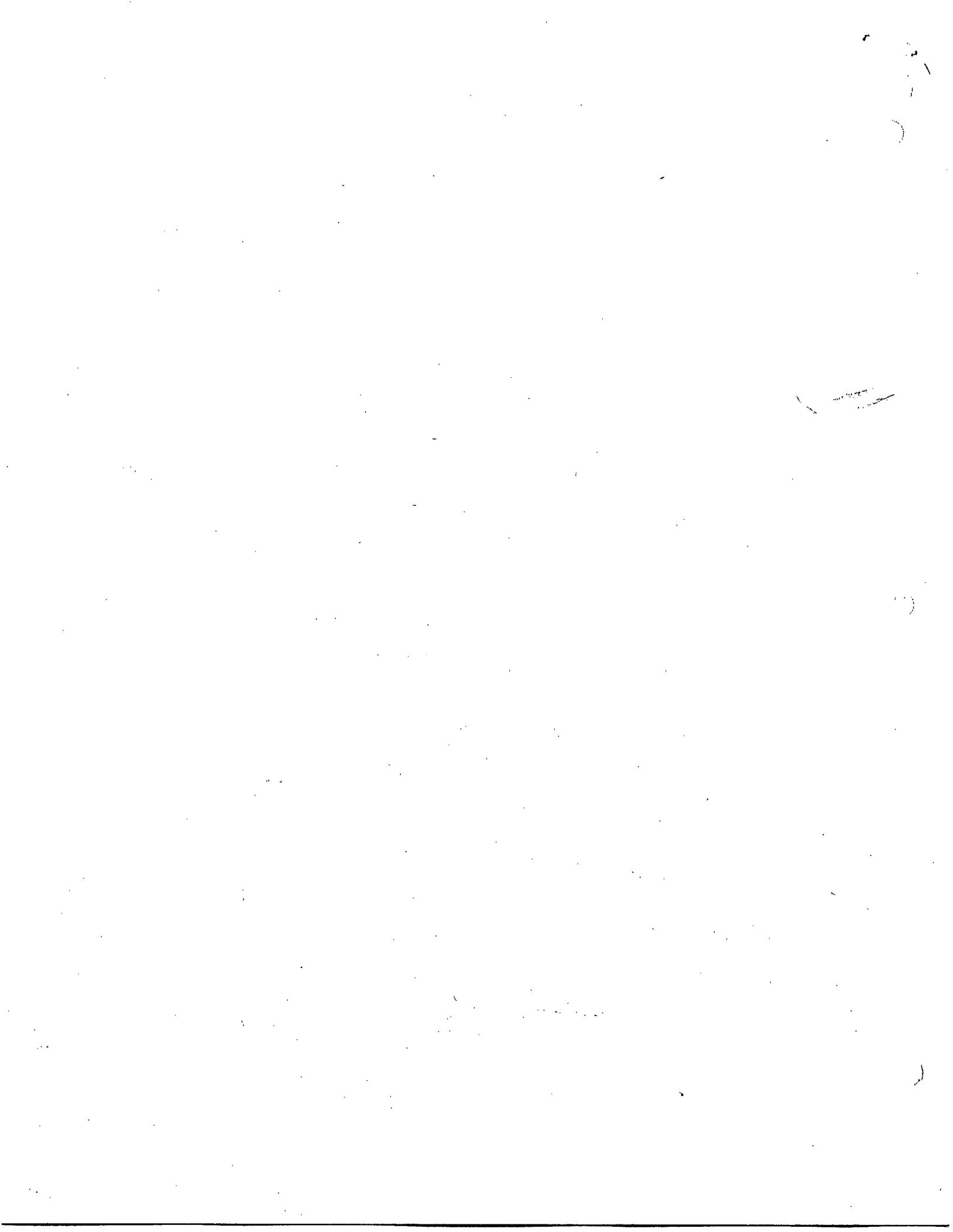
line 3: for "(or 9.4 percent of quota)"
read "(or 7.5 percent of the new quota)"

line 5: for "(or 175 percent of quota)"
read "(or 139.5 percent of the new quota)"

Page 3, Table 1: revised

Corrected pages are attached.

Att: (3)



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 W.A. Beveridge

December 14, 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 79.7 percent of the new quota of SDR 50.8 million. Of this amount, SDR 5.9 million would be from the Fund's ordinary resources and SDR 34.6 million from borrowed resources. Under the last stand-by arrangement for SDR 30.375 million or 75 percent of the former 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 elements 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 (67.3 percent of the new quota), including SDR 3.8 million (or 7.5 percent of the new quota) under the compensatory financing facility. The proposed stand-by arrangement, if fully utilized, would increase Fund credit to SDR 70.9 million (or 139.5 percent of the new 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 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

Table 1. Mali: Proposed Schedule of Purchases and Repurchases
Under the Stand-By Arrangement, 1983-85

(In millions of SDRs)

	1983		1984				1985	Stand-by period
	Dec. 8	Dec. 9-31	Jan.-March	April-June	July-Sept.	Oct.-Dec.	Jan.-April	Total
<u>Purchases</u>	--	10.000	6.000	6.000	6.000	6.000	6.500	40.500
Stand-by arrangement	(--)	10.000	6.000	6.000	6.000	6.000	6.500	40.500
Ordinary resources	(--)	(--)	(--)	(--)	(0.200)	(2.727)	(2.955)	(5.882)
Borrowed resources	(--)	(10.000)	(6.000)	(6.000)	(5.800)	(3.273)	(3.545)	(34.618)
<u>Repurchases</u>	--	0.638	0.638	0.638	0.638	0.638	0.638	3.828
CFF facility	(--)	(0.638)	(0.638)	(0.638)	(0.638)	(0.638)	(0.638)	(3.828)
<u>Net purchases</u>	--	9.362	5.362	5.362	5.362	5.362	5.862	36.672
<u>Fund credit outstanding</u> (end-period)								
Total	34.200	43.562	48.924	54.286	59.648	65.010	70.875	
Excluding CFF	30.375	40.375	46.375	52.375	58.375	64.375	70.875	
In percent of quota								
Total	67.3	85.8	96.3	106.9	117.4	128.0	139.5	
Excluding CFF	60.0	79.5	91.3	103.1	114.9	126.7	139.5	
<u>Memorandum item:</u>								
Trust Fund repurchases	--	--	0.912	--	--	1.433	3.257	

Sources: IMF Treasurer's Department; and proposed stand-by arrangement.

1/ Quota as of December 8, 1983: SDR 50.8 million.

Table 2. Mali: Selected Economic and Financial Indicators, 1981-84

	1981	1982		1983	1984
	Actual	Program	Actual	Program forecast	
(Annual percentage changes, unless otherwise specified)					
National income and prices					
GDP at constant price	-2.4	4.0	4.4	2.0	4.5
GDP deflator	11.0	8.0	8.8	7.9	6.5
Food price index	12.7	12.0	3.7	6.5	6.5
National minimum wage	--	--	--	--	--
External sector					
Exports, f.o.b. (in SDRs)	-17.1	1.7	1.1	18.6	22.2
Imports, c.i.f. (in SDRs)	-13.2	-5.1	-9.0	2.8	3.5
Non-oil imports, c.i.f. (in SDRs)	-15.4	-5.3	-11.8	3.8	3.8
Export volume	-14.1	-0.1	0.7	17.2	16.4
Import volume	-20.3	-8.3	-9.5	1.7	-1.0
Terms of trade	-11.4	-1.7	-0.1	-0.2	0.5
Nominal trade-weighted effective exchange rate (depreciation -)	-3.7	-2.0	-3.0	-2.5	-1.1
Central government budget					
Revenue (excluding grants)	19.8	14.2	7.8	7.1	9.5
Total expenditure	5.2	7.0	3.4	5.9	5.4
Money and credit					
Domestic credit	7.3	10.4	7.8	10.2	9.5 ^{1/}
Credit to Government	(8.5)	(10.0)	(6.4)	(6.7)	(9.7)
Credit to economy	(6.5)	(9.6)	(8.8)	(12.6)	(10.6) ^{1/}
Money and quasi-money (M2)	5.8	10.9	8.6	13.4	10.9 ^{1/}
Velocity (GDP relative to M2)	4.1	3.9	4.3	4.3	4.2
Interest rate ^{2/}	4.0	5.0	5.0	5.0	5.0
(In percent of GDP)					
Consolidated government deficit ^{3/}					
Excluding grants	3.3	1.6	1.5	1.2	0.7
Including grants	2.0	0.5	1.2	0.4	-0.3
Domestic bank financing (net)	0.8	1.9	1.8	1.5	1.8
Foreign borrowing (net)	0.8	0.1	1.9	1.9	-0.4
Payments arrears (change) and other (reduction-)	0.4	-1.5	-2.5	-3.0	-1.7
Gross domestic investment	17.2	20.7	16.7	17.0	18.0
Gross domestic savings	-5.4	0.8	-2.7	-1.9	1.9
Resource gap	-22.6	-19.9	-19.4	-18.9	-16.1
Current account deficit					
Excluding official transfers	22.6	...	19.3	18.5	15.5
Including official transfers	10.7	...	10.3	8.4	6.4
External debt ^{4/}	87.3	110.3	101.5	106.5	113.5
Debt service ratio ^{5/6/}	7.7	9.2	4.3	6.1	7.7
Interest payments ratio ^{5/6/}	5.7	2.3	2.7	3.4	3.6
(In millions of SDRs, unless otherwise specified)					
Overall balance of payments (deficit-)	-32.8	-13.2	-2.3	-5.3	-2.7
Gross official reserves (months of imports)	1/2	1/2	1/2	1/2	1
External payments arrears ^{7/}	30.4	21.7	18.9	12.4	-- ^{8/}

Sources: Data provided by the Malian authorities; and staff estimates.

1/ Growth rate over the 12-month period to September 1984.

2/ Minimum rate for one-year small savings deposits. Rates on large deposits are freely determined.

3/ Includes the operations of the Central Government, special funds, as well as extrabudgetary receipts and payments reflected in the Treasury accounts, but not operations of the rural development agencies, development expenditures financed directly by external aid, and interest charges to be refinanced or rescheduled.

4/ Inclusive of Fund credit and the operations account with the French Treasury.

5/ In percent of exports of goods and services and private transfers receipts.

6/ Net of debt relief in the process of being obtained.

7/ Arrears subject to cash payments.

8/ Excluding payments arrears of Air Mali, the reduction of which will be established at the time of the mid-term review.