

DOCUMENT OF INTERNATIONAL MONETARY FUND
AND NOT FOR PUBLIC USE

**FOR
AGENDA**

EBS/84/239
Correction 1.

CONFIDENTIAL

December 5, 1984

To: Members of the Executive Board
From: The Secretary
Subject: Mali - Mid-Term Review Under Stand-By Arrangement

The following corrections have been made in EBS/84/239 (11/27/84):

Page 5, penultimate line: for "MF 54.3 million" read "MF 54.3 billion"

Page 12, para. 2, line 2: for "CFAF 46 million" read "CFAF 46 billion"

Page 22, add as last line: "are available, net foreign liabilities rose
by SDR 1.5 million."

Page 25, para. 2, line 15: for "CFAF 2.7 million" read "CFAF 2.7 billion"

Page 29, para. 1, line 7: for "has been line" read "has been in line"

Page 32: add "Section V. Administered Accounts" from top of page 33

Page 33: add at the bottom

"(b) FAD: Budget control (from August 1982 through 1984)

X. Resident representative

Since September 1982, the position has been reviewed for
1984/85; Miss Doizé succeeded Mr. Daumont in September 1984."

Corrected pages are attached.

Att: (7)

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FBS/84/239
Correction I

CONFIDENTIAL

December 5, 1984

To: Members of the Executive Board
From: The Secretary
Subject: Mail - Mid-Term Review Under Early-By Arrangement

The following corrections have been made in FBS/84/239 (11/27/84):

- Page 2, penultimate line: for "MF 24.3 billion" read "MF 24.3 billion"
- Page 12, para. 2, line 1: for "GAP 40 billion" read "GAP 40 billion"
- Page 22, add as last line: "are available, net foreign liabilities rose by 200 1.3 billion."
- Page 22, para. 2, line 1: for "GAP 40 billion" read "GAP 2.7 billion"
- Page 29, para. 1, line 3: for "has been in line" read "has been in line"
- Page 32: add "Section V. Administrative Accounts" from top of page 33
- Page 33: add at the bottom
- "(d) TAD: Budget control (from August 1982 through 1984)

X. Resident representative

Since September 1982, the section has been reviewed for 1984/85; Miss Goring succeeded Mr. Garmont in September 1984.

Corrected pages are attached.

Act: (7)

the second part of the year. In the 12 months to December 1983, the price rise was 16.5 per cent, and the average price increase was 10.6 percent in 1983, compared with 3.7 percent in 1982.

In 1984 real GDP is projected to grow by about 1 percent. A new severe drought has affected the 1983/84 coarse cereal crop (millet, sorghum, and maize), which is estimated to have declined by a further 15 percent to a level that is the lowest since 1973, and is approximately 20 percent below average annual production since the end of the great drought of 1971-73. The drought also led to a substantial decline in the livestock herd. On the other hand, cotton production, which is located in the most southern area of the country, recorded a further substantial increase of 10 per cent, reaching 140,000 tons. Reflecting the weather-induced drop in cereal production and the delays in shipment of emergency food aid, cereal prices increased further by 20 percent in the free markets in the first half of 1984, and the overall food price index rose at a 10 percent annual rate in the period December 1983-August 1984. For the whole year, the rate of inflation as measured by that index is projected at about 12 percent. As wages and salaries in the public sector have remained unchanged since 1981, average real wages have declined by about 30 percent over the last three years.

2. Entry into the West African Monetary Union

Following the decision of October 31, 1983, by the Heads of States of the West African Monetary Union to accept Mali in the Union and extensive negotiations on the financial aspects of entry, Mali became an effective member of the Union on June 1, 1984. As a result, the Central Bank of Mali has ceased to exist, the Central Bank of the West African States (BCEAO) has become the monetary authority for the country, and the CFA franc has become the legal tender, replacing the Mali franc. A three-month period, from June 1 to August 31, was established to carry out the currency conversion from Mali francs into CFA francs at the previously existing rate of MF 1 = CFAF 0.5. All banking and credit regulations in effect in the Monetary Union have started applying to Mali, including those pertaining to the interest rate structure, access to rediscount, advances to the Government, bank accounting and reporting. The financial arrangements for the liquidation of the Central Bank of Mali have included consolidation of the external liabilities under the operations account with the French Treasury, which at May 31, 1984, amounted to MF 150 billion, in a 35-year debt at 0.33 percent interest with 5 years of grace, which has been assumed by the Malian Government and will be serviced by the Caisse Autonome d'Amortissement (CAA). As a counterpart, this consolidation allowed for the cancellation of an amount of MF 132 billion of nonperforming assets and certain other claims. The nonperforming assets cancelled include MF 54.3 billion of claims on the Government deriving from previous consolidation of bank credit to public enterprises,

and MF 74.3 billion of rediscount in favor of public enterprises. The excess of the external liabilities transferred to the Government over the cancelled assets of the Central Bank (MF 18 billion) has been used to strengthen the capital position of the Development Bank of Mali and that of the liquidated Central Bank so as to bring the latter in line with the share of the BCEAO capital payable by Mali.

The operation of the currency conversion has proceeded smoothly, and was completed at end-September, as scheduled, leaving an amount equivalent to 2.5 percent of total currency in circulation in Mali francs not exchanged. The conversion has been accompanied by substantial capital movements and shifts in the composition of the money supply, which are discussed below.

III. Implementation of the 1983-84 Program

The main objectives of the 1983-84 program supported by Fund resources is to make further progress in reducing domestic and external financial imbalances and intensify the pace and scope of the substantial effort to restructure the economy undertaken since 1981. This is to be achieved by proceeding decisively in the reform of public finances and the public enterprise sector, by expanding the scope of agricultural reforms, by increasing the role of the private sector, and by improving investment policy. The implementation of the program in 1984 was made difficult by the negative effects on economic activity and income of the severe drought and by the temporary disturbance associated with Mali's entry into WAMU. After some delays in the first half of 1984 in the implementation of policy measures with regard to public enterprises, agriculture, and the management of external debt, important actions were taken and decisions adopted between September and October 1984, so as to keep the program on track. The main financial indicators are reported in Table 2, and a summary of policy measures is presented in Table 3. The quantitative performance criteria for end-December 1983, end-March, and end-June 1984 were met (Table 4).

1. Public finance

In light of the weakness of the government budgetary position, which was, inter alia, reflected in the existence of arrears, and in an unbalanced distribution of expenditures, the 1983 and 1984 programs aimed to achieve a reduction in the share of personnel expenditures in the total and a further reduction in the consolidated government deficit after the decline already attained in 1982. The consolidated government deficit on a commitment basis ^{1/}, was programmed to decline from CFAF 5.1 billion in 1982 (1.5 percent of GDP) to CFAF 4.3 billion in 1983 and to CFAF 2.7 billion in 1984 (0.7 percent of GDP) (Tables 2 and 5).

^{1/} The consolidated government deficit includes the state budget, the budget of the Special Funds and extrabudgetary operations, but excludes all investment expenditures financed by foreign aid; the latter are estimated at CFAF 53 billion in 1983, equivalent to 13 percent of GDP.

Table 6. Mali: Current Payments Arrears, 1981-84 1/

(In millions of CFA francs; end of period)

	<u>1981</u> Dec.	<u>1982</u> Dec.	<u>1983</u> Dec.	<u>1984</u>	
				March	June
Treasury	15,002	9,013	2,980	2,213	1,464
External arrears	(4,025)	(1,789)	(985)	(718)	(469)
Domestic arrears	(10,224)	(6,746)	(1,995)	(1,495)	(995)
Extrabudgetary domestic arrears	(753)	(478)	--	--	--
Post Office (international postal transfers) <u>2/</u>	2,410	1,311	-31	-270	-396
Public enterprises	724	528	537	465	360
ITEMA	(367)	(266)	(237)	(184)	(115)
COMATEX	(151)	(66)	(47)	(19)	--
Energie du Mali	(206)	(196)	(253)	(262)	(245)
Autonomous Amortization Agency (CAA)	--	147	97	350	--
Road Fund	--	--	131	--	21
Upper River Niger Development Agency (OERHN)	33	418	366	366	595
 Total arrears	<u>18,169</u>	<u>11,417</u>	<u>4,080</u>	<u>3,124</u>	<u>2,044</u>
External arrears	7,192	4,193	2,085	1,629	1,049
Domestic arrears	10,977	7,224	1,995	1,495	995
Memorandum item:					
Air Mali <u>3/</u>	(2,976)	(2,813)	(3,678)	(3,533)	(3,345)

Source: Data provided by the Malian authorities,

1/ Arrears subject to cash payments.

2/ Minus sign indicates net creditor position.

3/ Arrears to be settled in connection with the liquidation of the company now underway.

In 1984 the consolidated government deficit on a commitment basis is expected to be contained to CFAF 2.5 billion, an amount slightly lower than the program target (CFAF 2.7 billion). Although the central government deficit will be higher than planned, this will be offset by a larger than expected surplus for the annexed budget and special funds. The central government deficit is presently projected at CFAF 5.5 billion, compared with a program target of CFAF 3.2 billion, because of a shortfall in revenues, while expenditures are in line with projections. On the expenditure side, the growth of personnel outlays was programmed to slow down considerably to 4.9 percent, as a result, inter alia, of a containment in recruiting resulting from the establishment, for the first time, of competitive examination for entrance into the civil service and a limitation in the number of new positions. With total budgetary expenditures projected to grow by 5.3 percent, the share of personnel expenditures in the total was to decline. This target is not likely to be achieved. While total budgetary expenditures are projected to grow by 5.2 percent over the 1983 outcome, in line with the projections, the growth rate of personnel expenditure is projected at 5.6 percent, slightly above the target, despite the fact that the expenditure for new recruitment has been maintained to the limit indicated in the program (CFAF 1.5 billion). While there has been a stricter observance of regulations concerning retirement, it has not proved possible to formulate plans to encourage voluntary departures. The census of personnel actually employed, which was expected to be executed in the first half of 1984, is scheduled to take place before the end of the year, and should lead to savings in personnel expenditures in 1985.

Budgetary revenues in 1984 are now projected to amount to CFAF 44.5 billion, compared with a projection of CFAF 46 billion under the program. The shortfall is mainly the result of the sharp drought which has led to lower than projected receipts from the head and livestock taxes, by an amount of CFAF 1.2 billion. In addition, the yield from the petroleum tax may remain somewhat below projections, and a supplementary revenue shortfall arises from the postponement to March 1985 of the encashment by the Treasury of the 1984 cotton export profits (estimated in the budget at CFAF 1 billion), in conformity with the regulations established with the foreign lending institutions involved in the development of cotton production; these profits, which are deposited in an account of the Price Stabilization Fund (ORSP), are now projected to reach CFAF 5.5 billion, in light of very favorable export prices and high export volume.

The current operations of the special funds and annexed budgets, which were projected under the program to record a surplus of CFAF 1.5 billion, are now expected to achieve a surplus of CFAF 4.8 billion, taking into account the profits from cotton export operations, to be transferred to the Treasury in March 1985. In conformity with program objectives and in line with a considerable rise in debt service, the

Table 8. Mali: Balance of Payments, 1981-1985

(In millions of SDRs) 1/

	1981	1982	1983		1984		1985
			Prog.	Actual revised 2/	Prog.	Est.	Proj.
Exports, f.o.b	130.5	131.3	156.5	154.4	191.2	184.4	194.2
Cotton	53.3	51.1	70.9	69.0	83.0	96.0	90.4
Livestock	43.6	47.0	51.2	52.3	52.3	50.9	55.0
Others	33.6	33.2	34.4	33.1	55.9	37.6	48.8
Imports, c.i.f	-330.4	-302.4	-310.4	-328.5	-321.2	-363.9	-376.8
Of which: cereals	(-28.1)	(-23.3)	(-40.8)	(-50.1)	(-30.6)	(-95.3)	(-98.0)
Services (net)	-33.6	-38.9	-38.3	-37.1	-46.6	-35.4	-37.7
Of which: interest payments	(-24.0)	(-25.8)	(-18.5)	(-23.8)	(-17.1)	(-19.5)	(-19.9)
Private transfers (net)	25.1	26.0	22.1	21.8	22.5	21.6	23.5
Current account (excl. grants)	-208.4	-183.9	-170.1	-189.4	-154.1	-193.2	-196.8
(as percent of GDP)	(-20.2)	(-18.5)	(-18.5)	(-19.6)	(-15.5)	(-18.7)	(-17.8)
Public transfers	110.0	84.3	92.7	98.6	91.7	121.4	132.5
Current account (including grants)	-98.3	-99.6	-77.4	-90.8	-62.4	-71.8	-64.3
Before debt relief	(-9.5)	(-10.0)	(-7.8)	(-9.4)	(-6.3)	(-7.0)	(-5.8)
(as percent of GDP)	(-9.5)	(-10.0)	(-7.8)	(-9.4)	(-6.3)	(-7.0)	(-5.8)
After debt relief	-98.1	-79.4	-69.3	-75.0	-54.7	-66.9	-62.9
(as percent of GDP)	(-9.5)	(-8.0)	(-7.0)	(-7.7)	(-5.5)	(-6.5)	(-5.7)
Nonmonetary capital	60.3	70.9	57.4	77.0	45.8	56.1	51.2
Private (net)	0.6	-2.5	-3.7	--	--	3.4	4.9
Public	59.6	73.4	61.1	77.0	45.8	52.7	46.3
Disbursements	64.8	80.3	71.2	87.8	58.5	68.5	68.3
Budgetary loans	(9.4)	(19.7)	(19.3)	(18.0)	--	(--)	(2.2)
Project loans	(55.4)	(60.6)	(51.9)	(66.6)	(58.5)	(64.0)	(66.1)
Food aid	(--)	(--)	(--)	(3.2)	(--)	(4.5)	(--)
Amortization	-5.1	-7.0	-10.1	-10.9	-12.7	-15.9	-22.1
Allocation of SDRs	3.0	--	--	--	--	--	--
Debt relief 3/	2.4	21.1	14.7	16.5	13.9	6.7	5.1
Interest	(0.3)	(20.2)	(8.1)	(15.8)	(7.7)	(5.0)	(1.4)
Principal	(2.1)	(0.9)	(6.6)	(0.7)	(6.2)	(1.7)	(3.7)
Overall balance	-32.6	-7.6	-5.3	2.7	-2.7	-9.1	-8.0
Central Bank	17.0	16.1	12.2	4.8	10.3	15.6	...
(Increase in liabilities +)							
Operations account	(23.3)	(-7.0)	(5.7)	(-6.3)	(...)	(3.2)	(...)
IMF	(-2.1)	(24.3)	(12.2)	(12.8)	(19.7)	(19.8)	(...)
Reserves	(-4.2)	(-1.2)	(-5.7)	(-1.7)	(...)	(-7.4)	(...)
Commercial banks	-3.4	-3.7	-2.5	-6.9	-2.4	-7.4	...
(Increase in liabilities +)							
Arrears	18.1	-8.8	-4.4	-5.2	-5.2	-4.9	...
(reduction-)							
Obligations not serviced pending rescheduling 4/	1.0	4.0	--	4.6	--	5.8	6.0

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

1/ Converted from CFA francs at the following period average exchange rates: 1981: 320.40; 1982: 362.80; 1983: 407.36; 1984: 440.65; 1985: 445.85.

2/ Including the purchase of a plane and its financing by a suppliers' credit.

3/ Including interest on the operations account in 1982-84 pending consolidation, and obligations under various bilateral debts not serviced in 1981-84, for which agreements on rescheduling has been reached.

4/ Obligations for which rescheduling is expected and negotiations are in progress.

cessional loan to finance the airplane purchase, private capital flows also recorded a more favorable performance than expected. Debt relief obtained amounted to SDR 16.5 million, which includes charges on the operations account whose renegotiation was underway, and debt service on bilateral debt for which the renegotiation has been concluded. Unsettled obligations for which renegotiations have not been concluded (they include obligations of the Selingué dam authorities and obligations toward a bilateral creditor) amount to SDR 4.6 billion. The overall balance of payments recorded a surplus of SDR 2.7 million, and external arrears were reduced by SDR 5.2 million, meeting the performance criterion for end-December 1983.

In 1984, on the basis of available information, the overall balance of payments deficit will exceed program objectives because the rescheduling of the external obligations of the Selingué dam authority and of the obligations on one bilateral debt have not yet been concluded, contrary to expectations. If such debt relief had been obtained, the overall deficit would have been on target. The current account deficit, including grants and after debt relief, is expected to be somewhat higher than envisaged under the program; it is projected to amount to SDR 67 million (equivalent to 6.5 percent of GDP), compared with a program target of SDR 55 million, or 5.5 percent of GDP. Exports are expected to increase by 19 percent, with higher than expected cotton revenues compensating for a weaker than projected performance of other exports. This shortfall is due to the effect of the drought on the production of groundnuts, sheanuts, and fish. Imports are instead estimated to be substantially higher than projected under the program, because of a further drought-related increase in cereal imports, which will reach 300,000 tons, up from 155,000 tons in 1983; while most of the increase will be financed by external grants, private sector imports on commercial terms are also projected to rise. Imports other than cereals will grow only modestly, by 3 percent in SDRs, reflecting the slow growth of GDP and tight demand policies. Interest payments are estimated to reach SDR 19 million, an amount SDR 2 million higher than originally projected, because of the debt service on the new suppliers' credit contracted in 1983 and upward revision in debt service payments. Grants and net capital inflows in 1984 will be higher than projected, despite higher amortization, because of higher than expected project loans, and also because of some borrowing to finance cereal imports. The entry into WAMU has been accompanied during the first months of the year by an outflow of capital in the form of Malian bank notes, partly motivated by fear of controls on the occasion of the currency conversion; this has been followed in the second part of the year by a reflow of capital of residents and also by a significant inflow of capital from neighboring countries, stimulated by the integration of Mali in the common financial system. With external arrears declining by SDR 5 million the net foreign liabilities of the banking system are projected to increase by SDR 8 million. In the first five months of this year, the only ones for which accurate data are available, net foreign liabilities rose by SDR 1.5 million.

IV. Financial Policies for 1985 and Medium-term Prospects

1. Financial policies and prospects for 1985

To ensure continuity in the adjustment process also after the completion of the present program, the authorities established, in consultation with the staff, the financial targets for 1985 and the main lines of financial policy. With cereal output in 1985 expected to be somewhat more favorable than in 1984, and a stabilization of cotton output at the level of 1984, GDP growth is expected to accelerate to about 2 percent, while inflation should moderate to about 6 percent.

Fiscal policy for 1985 aims at achieving equilibrium of the consolidated fiscal balance on a cash basis, from a deficit of CFAF 5.5 billion in 1984. The draft 1985 state budget has been established with the objective to contain the central government deficit to CFAF 3 billion, substantially below the 1984 expected outcome (CFAF 5.5 billion). To contain the growth in expenditures to 4.5 percent, new recruitment in the civil service will be curtailed by one third from 1984, so as to decrease the cost of recruitment from CFAF 1.5 billion in 1984 to CFAF 1 billion in 1985. Revenue growth is projected at 10 percent, as a result of a substantial increase in the revenue expected from the income tax and custom duties. The draft budget has been prepared without taking into account any general wage increase. More recently, the Government decided to increase wages by about 10 percent, which would result in an increase of personnel costs by 7.5 percent, or CFAF 2.7 billion, taking into account that certain elements of remuneration will not be increased. This increase appears justified taking into account that the last wage increase, net of taxes, was granted in 1981, and that the purchasing power of wages has decreased in the ensuing period by about 30 percent; it will be accompanied by some increase in administered prices of goods and public services. The wage increase is to be fully covered by a rise in revenue and by savings in subsidies; to that effect, the Government has prepared a revenue package that includes increases in certain specific taxes, in administrative values on imports applied for customs duties, in import taxes, and a strengthening of customs controls. The savings in subsidies will result from the reform in rice marketing. With the special funds and annexed budget expected to record a surplus of CFAF 3 billion (including CFAF 4 billion of fiscal revenues from cotton exports expected for 1985), the consolidated government operations are projected to be in equilibrium.

To cover the scheduled external debt amortization (CFAF 4.3 billion), the Government intends to make use of the 1984 cotton revenue, estimated at about CFAF 5.5 billion, which will be transferred to the Treasury at end of March 1985; this will help avoid recourse to external budgetary

assistance. Financing by the banking system is projected at CFAF 3 billion, which represents a growth of credit to the Government of 3.9 percent in the year to December 1985. The expansion of credit to the economy will be held to 7.4 percent in the 12-month period to September 1985; ordinary credit to the economy will increase by 6.5 percent, and seasonal credit outstanding by 10 percent. With the overall balance of payments projected to be close to equilibrium in 1985, credit growth would be consistent with an expansion of the money supply by 9.6 percent, in line with the projected growth of nominal GDP.

The overall balance of payments is projected to be close to equilibrium, provided that debt relief is obtained with regard to the external obligations of the Selingué dam authority and on a bilateral debt on which the renegotiation has not yet been concluded. Excluding such debt relief, the balance of payments is projected to record a deficit of about SDR 8 million. A further reduction in the current account deficit, including grants, to SDR 64 million (or 5.8 percent of GDP) is projected. Export revenues are expected to increase by 5 percent in SDRs; a decline of about 6 percent in cotton receipts, resulting from lower volume and export prices, is expected to be offset by an increase in other exports, including gold and livestock. Imports of cereals are expected to remain at the high level of 1984, as cereal production is expected to improve only marginally and security stock will have to be reconstituted. Other imports will continue to grow modestly by 4 percent in value, as a result of a continuation of prudent demand management; as a result, the growth of total imports is projected to be contained to 4 percent. Interest payments after debt relief are expected to increase significantly. Because of rising amortization payments, net capital inflows are likely to be lower than in 1984. The debt service ratio, after debt relief already obtained, is projected to rise from 12.6 percent in 1984 to 16.6 percent in 1985, reflecting larger payments to the Fund, and larger service both for interest and principal on the debt managed by the CAA and by the Road Fund. If debt relief is obtained on the Selingué debt and on the bilateral debt under renegotiation, the debt service ratio would be at about 14.5 percent.

2. Medium-term outlook of the external position

The medium-term outlook for the external position has been revised from the one elaborated at the time of the program preparation (see EBS/83/242 of November 10, 1983), to take account of recent developments and updated information (Table 10). The current account deficit including grants is still expected to decline gradually from 6.5 percent of GDP in 1984 to less than 3 percent in 1989-90, although the decline is projected to be less rapid in 1985-86 than originally envisaged, due, to higher cereal imports and lower receipts from cotton exports, resulting from a less favorable outlook for cotton export prices. After 1985 cereal imports are projected to decline substantially, and

Despite the drop in tax revenues and increased imports caused by the severe drought, the financial performance in 1984 has been satisfactory. Income policy has remained very tight, as wages have not been increased for the third consecutive year, despite the sharp rise in food prices caused by the drought. Credit expansion has been maintained well below target, and the consolidated government deficit has been in line with the program target, as substantial fiscal revenues from cotton have offset the shortfall in direct tax revenue. Since most of the additional cereal imports were financed by grants, the current account of the balance of payments after grants is projected in 1984 to be only modestly above the target of 5.5 percent of GDP, the excess being due to higher private commercial imports of cereals made necessary by the drought. The overall balance is expected to be on target.

The entry into WAMU provides Mali with important benefits, both of a general character and of an immediate financial nature. The entry ensures Mali with a durable regime of full convertibility of the national currency, and represents the expected conclusion of the transitory period of several years in which the convertibility of the Mali franc was ensured by temporary bilateral arrangements with France, which were not intended to be of a permanent nature. The staff fully concurs with the view of the authorities that the benefits provided to the Malian economy by the full currency convertibility are substantial and ensure a solid basis for the development of the country's economic potential. The financial arrangements associated with the entry into the union also provide extensive advantage to the main public enterprises and facilitate their rehabilitation. In addition, over the medium term Mali is expected to benefit from the stricter economic integration with the neighboring countries, which is being stimulated by the monetary union.

The actions taken in carrying out the rehabilitation of key public enterprises, such as the export-import agency (SOMIEX), and the liquidation of enterprises regarded as nonviable, including Air Mali, represent important steps in the process of reorganizing the state company sector and in enlarging the scope of private sector activity in Mali, and are in line with program objectives. It is welcome that this process of rehabilitation will be further expanded and strengthened in the coming months to cover an additional group of enterprises, in the framework of a comprehensive project supported by the technical and financial assistance of the World Bank, for which agreement in principle has already been reached.

In the field of agricultural policy, the acceptance by the authorities of a sharp increase in market retail prices in response to supply conditions without any resumption of controls has confirmed the commitment of the authorities to the policy of market liberalization, which

is essential for promoting agricultural production in the country. The decision of the authorities to enlarge the application of cereal marketing liberalization to rice produced in the irrigated areas managed by rural development operations, and the beginning of the implementation of structural reforms in the Office du Niger, represent important steps, adopted in conformity with the program, which are expected to lead to full liberalization over a three-year period. It is important that the process of restructuring of the Office du Niger, now started, be enlarged and carried out decisively, so as to ensure the support of donor countries and lending institutions, and to achieve a sustained increase in rice production, which will reduce reliance on imports.

Bilateral agreements to restructure external debt have been concluded with a number of countries, as envisaged in the program, so as to contain the debt service burden to a manageable level. Arrangements for the restructuring of the large debt service for the construction of the Selingué dam are also under way, after delays encountered in the first half of the year. The expansion of the financial resources of the Caisse Autonome d'Amortissement to deal with the increasing debt service of the coming years has been substantial in 1984, as planned, and it is expected that it will be carried out further in 1985 and beyond.

The financial policies and targets established for 1985 should ensure further progress in the reduction of the domestic and external imbalances of the Malian economy and in the restructuring of the economy; it is important that the authorities continue to adhere to these policies with determination so as to secure a sound basis for economic development in the context of a viable balance of payments position. The preparation of a comprehensive investment budget should be accelerated; it would contribute to more efficient use of external development assistance which is high in relation to GDP and is expected to remain substantial in the coming years.

The staff is of the view that despite the difficult environment in 1983-84, which was partly responsible for delays in the implementation of the program, the authorities have adopted appropriate corrective measures and are proceeding with determination in carrying out a comprehensive policy of economic and financial rehabilitation. It considers that these policies are worthy of the Fund's continued support.

VI. Proposed Decision

In view of the above, the following draft decision is proposed for the adoption by the Executive Board:

1. Mali has consulted with the Fund in accordance with paragraph 4(c) of the stand-by arrangement for Mali (EBS/83/242, Supplement 1) and paragraph 3 of the letter of the Minister of Finance dated September 19, 1983, attached to the stand-by arrangement, in order to reach understandings subject to which further purchases may be made by Mali under the stand-by arrangement.

2. The letter of the Minister of Finance, dated October 31, 1984, with annexed policy memorandum, shall be attached to the stand-by arrangement for Mali and the letter of September 19, 1983, shall be read as supplemented by the letter of October 31, 1983 with annexed policy memorandum.

3. Mali shall not make purchases under the stand-by arrangement, after December 31, 1984, that would increase the Fund's holdings of Mali's currency in the credit tranches beyond 25 percent of quota or increase the Fund's holdings of that currency resulting from purchases of borrowed resources beyond 12.5 percent of quota, if the upper limit on bank credit to the economy for end-December 1984 specified in paragraph IV(4) of the policy memorandum annexed to the letter of October 31, 1984, is not observed.

4. Paragraph 4(e) of the stand-by arrangement for Mali (EBS/83/242, Supplement 1) shall be amended to read as follows:
during the entire period of this stand-by arrangement, while Mali has any overdue obligation to the Fund, or if Mali ... "

Mali: Relations with the Fund
(As of October 31, 1984)

I. Membership status

- (a) Date of membership - September 27, 1983
- (b) Status - Article XIV

(A) Financial Relations

II. General department (General Resources Account)

- (a) Quota: SDR 50.8 million
- (b) Total Fund holdings of member's currency: SDR 95.8 million
188.5 percent of quota

	<u>Millions of SDRs</u>	<u>Percent of quota</u>
(c) Use of Fund credit	53.7	105.6
Credit tranches	36.4	71.6
EAR	16.0	31.5
CFF	1.3	2.5
(d) Reserve tranche position	8.7	17.1

III. Current stand-by arrangement

- (a) Duration: December 9, 1983-May 31, 1985
- (b) Amount: SDR 40.5 million.
- (c) Utilization: SDR 22 million.
- (d) Undrawn balance: SDR 18.5 million.
- (e) Previous stand-by arrangements: stand-by arrangement (one-year) approved in May 1982 in an amount of SDR 30.4 million, 75 percent of quota (SDR 40.5 million).

IV. SDR department

- (a) Net cumulative allocation: SDR 15.9 million.
- (b) Holdings: SDR 0.4 million; 2.57 percent of net cumulative allocation.

V. Administered accounts

Trust Fund loans

- (i) Disbursed: SDR 21.5 million
- (ii) Outstanding: SDR 19.3 million

VI. Overdue obligations to the Fund - None

(B) Nonfinancial Relations

VII. Exchange system: Pegged to the French franc; SDR 1 = CFAF 463.74

VIII. Last Article IV Consultation and request for Stand-by Arrangement - December 1983. Decisions as follows:

Article IV Consultation

1. The Fund takes this decision in concluding the 1983 Article XIV consultation with Mali, in the light of the 1983 Article IV consultation with Mali conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

2. The Fund notes with satisfaction that Mali continues to maintain an exchange system which is free of restrictions on payments and transfers for current international transactions, and urges the authorities to take early action to terminate the remaining bilateral payments agreements with Fund members.

Stand-by Arrangement

1. The Government of Mali has requested a stand-by arrangement for the period from December 9, 1983 to May 31, 1985 for an amount equivalent to SDR 40.5 million.

2. The Fund approves the stand-by arrangement attached to EBS/83/242, Supplement 1, Correction 1.

3. The Fund waives the limitation in Article V, Section 3(b)(iii).

IX. Technical assistance

(a) CBD: Two technical assistance missions in support of a reorganization of the postal checking system and improving financial management of the Postal and Telecommunications Office have taken place in January and October 1984.

(b) FAD: Budget control (from August 1982 through 1984).

X. Resident representative

Since September 1982, the position has been reviewed for 1984/85; Miss Doizé succeeded Mr. Daumont in September 1984.

Relations with the World Bank Group

1. Lending operations through September 1984 1/
(In millions of U.S. dollars)

Agricultural and rural development	105.2	98.1	7.1
Rainfed agriculture	(51.9)	(49.4)	(2.5)
Irrigated agriculture	(35.5)	(31.9)	(3.6)
Livestock and forestry	(17.8)	(16.8)	(1.0)
Transportation	81.4	74.0	7.4
Roads	(53.6)	(48.0)	(5.6)
Railways	(27.8)	(26.0)	(1.8)
Health	27.6	3.7	23.9
Education	24.4	15.4	9.0
Urban development	12.0	9.2	2.8
Industry	15.6	4.0	11.6
Energy	27.7	8.8	18.9
Telecommunications	17.1	5.6	11.5
Technical assistance	10.4	2.9	7.5
 Total	 321.4	 221.7	 99.7
 Repayments	 2.05	 2.05	 --
 Debt outstanding	 319.35		 99.7

2. Statement of IFC investments as of September, 1984
(In millions of U.S. dollars)

Amount of loans	2.5
Equity	0.5
Undisbursed	--

1/ IDA lending only.

3. 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 is financing an economic management and training project, which provides specialists, studies, training, and related support to improve financial and economic policies, to strengthen public institutions, and to train civil servants. The Bank is presently preparing a public enterprise rehabilitation project which