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Statement by Mr. Alfidja on Mali
Executive Board Meeting 81/142
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At the outset and on behalf of my Malian authorities, I would like to thank the staff for their clear and concise presentation of the current economic and financial situation in Mali. My authorities and myself are in broad agreement with the staff analysis and appraisal which we find to be well balanced and thoughtful. I would like to point out before going any further that the excellent staff reports before us today must be seen in the context of regular contacts and long and frank discussions between the Fund management and staff on the one hand and the Malian authorities on the other. These contacts and discussions have led to the elaboration of a stabilization program which hopefully will be submitted shortly to the Board for approval. To this end, my Malian authorities are awaiting the arrival of a Fund staff mission in Bamako next week, with a view to finalizing the said program. As a matter of fact, and as is clearly stated in the staff report before us, the authorities have already adopted and started implementing measures which adequately address the country's current economic and financial difficulties. By so doing, the authorities strongly wish not only to express their determined efforts to tackle the said difficulties in a strong and up front fashion, but also to ensure that some shortcomings in implementing programs in the past do not undermine the confidence in the country and lead to an unfavorable prejudgment on the country's ability to make the required adjustment efforts in the future.

The economic and financial difficulties plaguing the Malian economy over the past several years are rather well known to the Board and are clearly stated in both the paper on recent economic developments and the staff report before us. These difficulties have rightly been attributed to the adverse Sahelian climate and unfavorable trends in the international economy on the one hand and, on the other hand, to the economic and financial policies of the Malian authorities over the period under review. The authorities are fully aware that the country's current financial imbalances cannot be sustained and that strong remedial action is called for to bring about the required structural adjustment in the national economy. While adhering to their fundamental objective of bringing about a rapid and equitable socioeconomic development in Mali, the authorities have had the political courage to recognize that some of the policy instruments adopted in the past with a view to achieving the said objective failed to yield satisfactory results and thus, were inadequate. Accordingly, the authorities did not hesitate to take remedial action. They have reassessed their economic policies and priorities and since 1980 have taken serious and concrete measures with a view to bringing about the realization of an acceptable rate of economic growth and a sustainable medium-term balance of payments position. This would at the same time allow Mali to consolidate its economic weight and fully play its important role in the region.

The new policy orientation is spelled out in the Five-Year Development Plan covering the 1981-85 period and stresses efficiency in resource allocation and in overall economic management. It gives a clear indication of the determined intention of the authorities to strike a balance between the roles of the public and private sectors in the national economy. The authorities are of the view that the private sector should be encouraged to play a determinant role in the country. Actions to this end are high on the authorities' priority list.

Regarding growth and development, the stated overall objective calls for a substantial increase in investment outlays with a view to expanding the productive base of the economy. Utmost priority will continue to be given to the agricultural sector so as to increase agricultural output for domestic consumption as well as for exports. In this field, the authorities' goal are to bring about self-sufficiency in foodstuff, to achieve an adequate control and development of water resources, to consolidate and set up the efforts aimed at rebuilding the livestock herd which suffered heavy losses during the protracted Sahelian droughts and finally to keep under check the advances of the Sahara desert. The authorities expect to significantly raise agricultural production through positive pricing policies and improved extension services and marketing network. Indeed, they already have brought producer prices in line with the prevailing levels in neighboring countries and are fully committed to ensure that these prices stay at levels that are sufficiently remunerative to stimulate agricultural production. Government monopoly over the marketing of cereals will be abolished shortly and trade in these commodities has been liberalized since February 1981 while further increases in official retail prices to better reflect market conditions are under serious consideration. Another important measure taken by the authorities relates to the restructuring of the agricultural marketing board (OPAM)--Office des Produits Agricoles du Mali) with technical assistance from the World Bank. The objective is to have OPAM play a buffer stock role, stabilizing prices at reasonable levels and ensuring that supplies are made available from surplus to deficit regions of the country. The World Bank is also providing technical assistance in the reorganization and restructuring of all agencies relating to rural development with a view to increasing the efficiency of the different activities of these agencies. Another corrective action undertaken by the authorities in 1980 relates to the program to restructure the entire apparatus of public enterprises so as to re-establish financial equilibrium by 1985. The authorities have made significant progress in the implementation of this program and more positive results are expected.

With respect to domestic financial policies, the Malian authorities concur with the staff that improvement in the financial situation hinges upon positive results being achieved on the fiscal front. It is in this regard that the all out efforts to restructure the public enterprises have been undertaken.

In the fiscal field, the authorities are fully committed to the creation of all the conditions which are necessary for a strong fiscal performance. On the revenue side, measures have been taken and others are being contemplated with a view to making the tax system more buoyant, efficient, and equitable. Efforts are aimed at improving tax collection and administration and the authorities have made necessary arrangements with France for the training of tax specialists and tax inspectors. The authorities have also received appreciable technical assistance from the Fund in the fiscal field which they will undoubtedly put to good use. On the expenditure side, the authorities recognize the need to centralize the different elements of the national budget so as to allow the sound utilization of the budget as an effective instrument for economic management. The authorities recognize that strict demand management policies are called for and are fully prepared to adopt and implement such policies. Emphasis has been and will continue to be put on cutting down subsidies to public enterprises. The authorities are optimistic that this objective will be met through the process of restructuring the public enterprises and through the liberalization of the pricing system applicable to these enterprises. The educational system and the policies related to it exert a heavy burden on the Malian budget. The authorities have taken corrective measures to minimize this burden. Indeed, now scholarships will be allocated on the basis of a predetermined budgetary outlay contrary to past practice whereby the number of scholarships determined the amount allocated to them in the budget. The authorities also intend to keep government expenditures at practically the same nominal level as in 1980 through a tighter control of government outlays and government hiring.

On the monetary side, the authorities are committed to follow a more cautious policy stance. Indeed, the accommodating credit policies of the past have been replaced by a much stricter stance in order to alleviate pressures on the balance of payments. Indeed the tighter monetary policies initiated in 1980 are continued in 1981 with total credit to Government being allowed to expand by only 10 per cent and total net domestic credit by 12 per cent.

On the external front, Mali has been experiencing acute payments imbalances, the causes of which have been identified in the staff papers. The authorities are fully determined to tackle the structural weaknesses of the external sector in a strong and up front fashion. The restructuring of the agricultural agencies and other relevant public enterprises will without any doubt help to revitalize the exports sector. Moreover, the pending membership to the WAMU will also help alleviate the payments difficulties Mali has been faced with over the period under review.

With respect to payments and trade system, Mali remains committed to pursue and maintain a liberal system. The delays in external payments being experienced are simply due to the restrictive credit policy of the Central Bank and thus do not reflect official restrictions on payments.